



VisEra Technologies Company Ltd.



 Stock No.: 6789

# 2023 Annual Report

The annual report is available on the Market Observation Post System:  
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VisEra Technologies website: <https://www.viseratech.com/tw>

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**| Name of overseas exchange where securities are listed, and method of inquiry: Not applicable.**

**| Company website: <http://www.viseratech.com>**



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# One. Report to Shareholders

## Ladies and gentlemen:

The semiconductor inventory adjustment in 2023 came to an end, ushered in the gradual recovery of demand, and the global economic interest rate hike cycle is coming to an end. However, the tenacious inflation and the speed of interest rate reduction have cast an uncertain environment for the economy. In 2024, according to IMF data, global economic growth slowed down to 3.1% in 2024, lower than the pre-pandemic average. However, benefiting from the rise of generative AI, various edge AI applications are rapidly developing. The terminal applications such as AI mobile, AI PC and AI in-vehicle electronics are worth the expectations, which is projected to drive upward demands for the installation and performance of image and non-image sensing. In addition, the global semiconductor industry is expected to return to the growth track this year, so 2024 will be a year full of opportunities.

Looking back on the year 2023, VisEra cautiously faced the changes in the market economy, and the long-term cultivation of technology and customer relationship made the Company more resilient in response to fluctuations. Despite the slowdown in the economy, VisEra still stands firm in its development pace, expands its investment in technology and process research and development, actively expands its business, and seeks various cooperation opportunities; we bring technology, process yield and cost benefits to customers, and assist customers with product upgrades, and accumulate the strength to overcome the industrial boom cycle. In addition, the new Longtan Plant successfully started the project production in the second quarter of last year. We look forward to the Longtan Plant as an important base to support the Company in grasping the future growth opportunities and realizing the key processes.

## Financial Performance

In 2023, VisEra's revenue was NT\$7.237 billion. Due to fluctuations in demand for mobile phones and the impact of image sensor inventory adjustments, the revenue fell by 20% from the previous year; the gross profit margin was 17%, gross profit margin fell by 20% from the previous year due to the low average capacity utilization rate and the provision for depreciation of the new Longtan Plant starting from the second quarter; operating expenses was NT\$1.007 billion, fell by 23% compared to the previous year, as the cost of opening the factory in Longtan, which was previously listed as operating expenses, was reclassified as operating costs after mass production; net profit after tax was NT\$356 million, lower than the net profit after tax of the previous year by 80%, and earnings per share of NT\$1.13.

## Technology Development

Through leading technology layout and application expansion, VisEra creates a unique niche and differentiation in the optical semiconductor market. In 2023, the Company invested NT\$726 million in research and development and will continue to build up such R&D investment capacity.

In terms of image sensors, the Nano light pillar microstructure is developed to improve the sensing performance with the optical principle advantage of MetaLens routing, and break through the light input and physical miniaturization limitations of the existing MicroLens. In addition, the special microstructure LnG of RGB is developed to provide a solution to replace the Metal grid of the circuit layer of image sensor, and to increase the quantum efficiency and optical performance of products with small pixel sizes under 0.8/0.7um.

In terms of micro-optical components, the Company actively conducts various R&D projects for Metasurface microstructure, which are mainly used in 3D sensing, time-of-flight (ToF) and other light sensors, and works with customers to invest in highly customized and highly integrated microstructure technology and process development. The terminal applications are mobile phones, automobiles, AR/VR, and so on. In addition, focus on the research and development of grating waveguide structure for the potential markets of AR glasses, gene sequencing testing, silicon photonics applications such as automotive LiDAR, blood glucose testing, optical communication and other fields to add mid- and long-term development momentum.

## Environmental, Social, and Corporate Governance (ESG)

VisEra deeply understands the corporate responsibility towards the environment, society and corporate governance. While pursuing operational growth, we continue to make unremitting efforts in product innovation, responsible procurement, green manufacturing, employee relations, and corporate citizenship, among other sustainable roles. We pay attention to and respond to various climate actions including RE100, establish a net zero emission path, and actively participate in the use and purchase of renewable energy. We have reached the goal of 100% renewable energy use in the Hsinchu factory and office. The goal is to reach 40% renewable energy for the entire company by 2030, and 100% by 2050.

In 2023, VisEra's ESG investments and outcomes have earned recognition by many awards. Among them, the Company was awarded the "National Occupational Safety and Health Enterprise Benchmark Award" by the Ministry of Labor. It represents the highest honor in national occupational safety and health, and inspires the Company to achieve the mission of "zero incidents and zero occupational disasters" in the workplace; we have been awarded the Silver Award of the Ministry of Environment's "National Enterprise Environmental Award" for two consecutive years; our sustainability report has been awarded the "TCSA Taiwan Corporate Sustainability - Gold Award" by the Taiwan Sustainable Energy Research Foundation. In the future, VisEra will continue to promote ESG and demonstrate voluntary sustainability actions.

## Future Outlook

In 2024, semiconductors are expected to step out of the trough and return to growth. Although global economics, politics, and geopolitical relations are still uncertain, the global digital transformation and emerging technologies have increased the structural demand for semiconductors, and the long-term industry trend is still stable. In addition, with the vigorous development of spatial computing, automotive electronics and self-driving technologies, we are seeing a clearer market demand for optical sensing, and we are also seeing the expansion of customers and applications. We lead the development of key technologies for optical semiconductors, and provide reliable and complete supply chain solutions to meet customers' increasingly abundant and diversified optical sensing needs.

VisEra would like to express our sincere gratitude to each of our shareholders for their long-term support and trust, which accompanied us to weather the challenges of 2023. We will continue to focus on our core business and pursue new technologies in order to continuously increase shareholder value and return.

We wish you

***Good health and good luck.***

Chairman: Robert Kuan





Two. Company Profile

I. Date of Incorporation:

December 1, 2003

II. Coporate History:

Year	Milestones
2003	<ul style="list-style-type: none"><li>VisEra Technologies Company Ltd. was founded, providing color filter services</li><li>Paid-in capital NT\$204,000 thousand</li></ul>
2005	<ul style="list-style-type: none"><li>Approved by the Science Park Bureau to invest in the establishment of a wafer-level color filter manufacturing plant in the Hsinchu Science Park</li><li>Purchased color filter production equipment from TSMC and leased part of TSMC’s plant and plant facilities to engage in the manufacturing of color filters and micro-lenses</li><li>Issuance of common stock worth NT\$496,000 thousand to increase cash capital. After the capital increase, the paid-up capital amounted to NT\$700,000 thousand</li></ul>
2006	<ul style="list-style-type: none"><li>The color filter and micro-lens plant was officially put into operation and started mass production</li><li>The color filters and micro-lenses for automotive image sensors obtained the ISO quality certification</li><li>Issuance of common stock worth NT\$766,000 thousand to increase cash capital. After the capital increase, the paid-up capital amounted to NT\$1,466,000 thousand</li></ul>
2007	<ul style="list-style-type: none"><li>Issuance of common stock worth NT\$1,260,000 thousand to increase cash capital. Employee profit sharing to increase capital by NT\$98,097 thousand. After the capital increase, the paid-up capital amounted to NT\$2,824,097 thousand</li></ul>
2008	<ul style="list-style-type: none"><li>Employee profit sharing to increase capital by NT\$29,083 thousand. After the capital increase, the paid-up capital amounted to NT\$2,853,180 thousand</li><li>The Company owned plant in Hsinchu was officially put into operation</li></ul>
2009	<ul style="list-style-type: none"><li>Mass production of 8” backside illumination (BSI) color filters and micro-lenses</li><li>Employee profit sharing to increase capital by NT\$5,797 thousand. After the capital increase, the paid-up capital amounted to NT\$2,858,977 thousand</li></ul>
2010	<ul style="list-style-type: none"><li>Mass production of 12” color filters and micro-lenses</li></ul>
2011	<ul style="list-style-type: none"><li>Employee profit sharing to increase capital by NT\$17,327 thousand. After the capital increase, the paid-up capital amounted to NT\$2,876,304 thousand</li></ul>
2012	<ul style="list-style-type: none"><li>Mass production of first RGBC sensor of 12” color filter film and micro-lenses</li><li>Employee profit sharing to increase capital by NT\$35,227 thousand. After the capital increase, the paid-up capital amounted to NT\$2,911,531 thousand</li></ul>

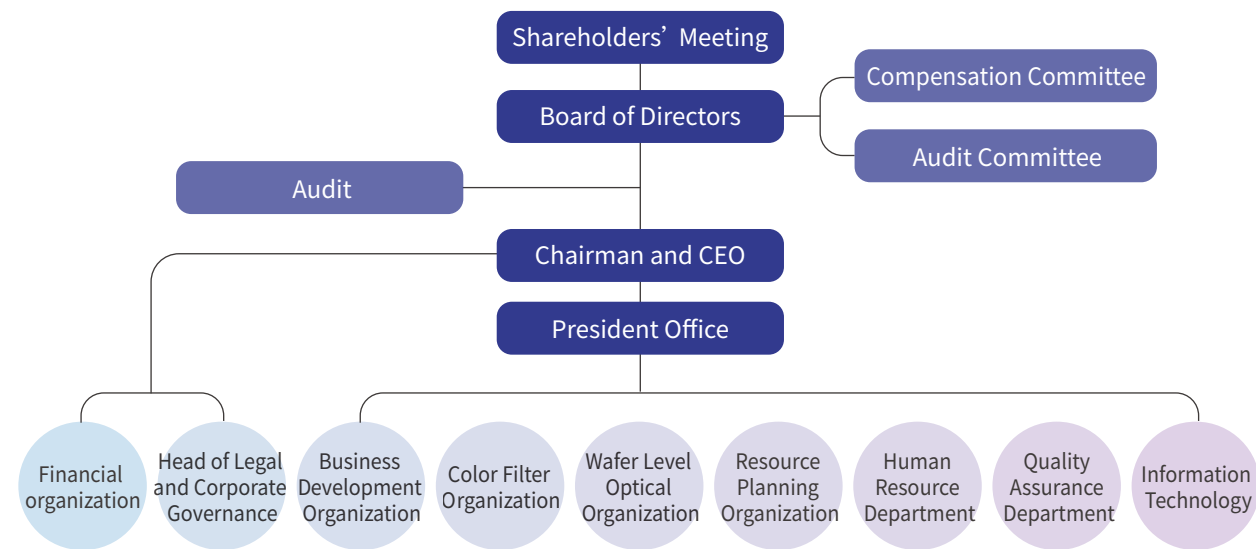
Year	Milestones
2015	<ul style="list-style-type: none"><li>Investment and development of on-chip multi-film technology</li></ul>
2016	<ul style="list-style-type: none"><li>Mass production of 12” 1.1μm color filters and 16 million pixel image sensors</li></ul>
2017	<ul style="list-style-type: none"><li>Mass production of on-chip multi-film (OCMF)</li></ul>
2018	<ul style="list-style-type: none"><li>Mass production of optical finger print sensors (OFP)</li><li>Mass production of proximity light sensors</li></ul>
2019	<ul style="list-style-type: none"><li>Mass production of 12” 0.8μm color filters and 48 million pixel image sensors</li><li>Development of ambient optical sensing components to apply on-chip multi-film (OCMF) technology to smartphones</li><li>Completed the development of optical biochips and obtained the ISO 13485 medical supply chain certification</li></ul>
2020	<ul style="list-style-type: none"><li>Mass production of 12-inch 0.7μm colors filter and 64-million pixel image sensors</li><li>Mass production of new generation ambient light sensors</li><li>Set a production record for the year to 1.5 million pieces of equivalent 8” wafers</li><li>Taipei Exchange approved the Company’s shares to be offered to the public</li></ul>
2021	<ul style="list-style-type: none"><li>The Company’s shares were traded on the Emerging Stock Market</li><li>Pioneered the launch of the 12-inch 0.61μm image sensors with a specially optical-structured color filter</li><li>Winner of the 6th Taiwan Mittelstand Award</li><li>Issuance of new shares in the amount of NT\$21,240 thousand resulting from exercise of employee stock options. After the capital increase, the paid-up capital amounted to NT\$2,932,771 thousand</li></ul>
2022	<ul style="list-style-type: none"><li>Mass production of 12” 0.61μm color filters and 100 million pixel image sensors</li><li>Mass production of micro-OLED displays</li><li>Longtan Plant officially completed and put into operation</li><li>The Company was listed on the Taiwan Stock Exchange</li><li>New shares of NT\$210,200 thousand were issued for cash capital increase before the initial listing, and the paid-in capital after the capital increase was NT\$3,144,761 thousand</li></ul>
2023	<ul style="list-style-type: none"><li>Successfully developed Nano Light Pillars (NLP) with micro lens structure for CIS</li><li>Successfully verified the application of Metasurface in ToF 3D sensing products</li><li>Development of SRG wave guide structure for AR products</li></ul>





## Three. Corporate Governance Report









### I. Organization and main departments

#### (I) Organizational Chart



#### (II) Responsibilities of main departments:

Name of department	Responsibilities
 Chairman (and Chief Executive Officer)	<ul style="list-style-type: none"> <li>Formulate the Company's medium and long-term business development strategy.</li> <li>Implement the Board of Directors' resolutions and sustainable development goals.</li> <li>Supervise the business performance and budget management of the subordinate units.</li> </ul>
 President	<ul style="list-style-type: none"> <li>Better the management system and organizational structure.</li> <li>Supervise the business performance of the subordinate units.</li> <li>Management of the annual business plan, investment plan, and budget.</li> </ul>
 Audit	<ul style="list-style-type: none"> <li>The Audit is an independent and objective unit that contributes and adds value to the organization through consultation services.</li> <li>Assesses and improves effectiveness of risk control and corporate governance practices.</li> <li>Provides reasonable assurance to the management about the accomplishment of various control targets, including: operational performance and efficiency, reliability of financial report, asset security, and compliance.</li> </ul>
 Business Development Organization	<ul style="list-style-type: none"> <li>Monitors market trends, price changes, and new technologies launched by peers; keeps the management informed of market trends and technological changes.</li> <li>Devises solutions and helps customers resolve issues concerning to product and technical system application.</li> <li>Produces promotional materials for special production procedures, and thereby convey the value, advantage, and application of various technologies owned by the Company.</li> <li>Develops customers for existing products offered by the Company, and assists customers in the development and mass production of new products.</li> <li>Markets a diverse range of services to support customers' business activities, and increases customers' revenue contribution to the Company.</li> <li>Issues quotation forms and manages customers' orders.</li> <li>Answers customers' inquiries concerning delivery date and shipping status.</li> </ul>

Name of department	Responsibilities
 Color Filter Organization	<ul style="list-style-type: none"> <li>Responsible for the management of production procedures, manufacturing, equipment, and inter-department coordination.</li> <li>Planning, preparation, and coordination of production capacity.</li> <li>Executes total control over production procedures to meet customers' product requirements, and thereby improve customer satisfaction.</li> <li>Maintenance, servicing, and ongoing improvement of production and measuring equipment.</li> <li>Improvement of yields for various production procedures.</li> </ul>
 Wafer Level Optical Organization	<ul style="list-style-type: none"> <li>Responsible for the development of new products and new process technologies for mass production.</li> <li>Responsible for the development of advanced modules for mass production.</li> <li>Maintains productive interaction with customers, learns customers' requirements, and solves customers' problems.</li> <li>Planning, preparation, and coordination of production capacity.</li> <li>Improvement of multi-film yield.</li> <li>Responsible for the implementation of multi-film production equipment.</li> <li>Provides customers with production specifications, procedures, and controls for various products.</li> </ul>
 Resource Planning Organization	<ul style="list-style-type: none"> <li>Oversees procurement, logistics, plant affairs, capacity improvement, and new plant construction.</li> <li>Purchase of raw materials, supplies, and equipment.</li> <li>Capacity calculation and productivity improvement.</li> <li>Enforcement and assessments of safety and health, and environmental protection issues.</li> <li>Assessment and execution of plant affairs raised by various departments.</li> <li>Ensures compliance with the Company's work safety and environmental protection rules and relevant laws and regulations.</li> <li>Planning and preparation of new plants and production capacity.</li> </ul>
 Human Resource Department	<ul style="list-style-type: none"> <li>Makes annual human resource capacity plans.</li> <li>Designs the compensation/welfare system and ensures compliance with laws and regulations.</li> <li>Establishes employee training program and executes deal assessment.</li> <li>Management of employee relations and labor-management relations.</li> </ul>
 Quality Assurance Department	<ul style="list-style-type: none"> <li>Leads the Quality Engineering Department, Reliability Engineering Department, and Quality System and Customer Quality Assurance Department.</li> <li>Project management of major abnormalities related to FAB quality issues.</li> <li>Enforces quality culture and strategies throughout the Company.</li> <li>Planning, promote, and assessment of activities for various departments under the Quality &amp; Reliability Assurance Division.</li> <li>Coordinates plants, divisions, and departments within the Company to assist the Quality &amp; Reliability Assurance Division in various initiatives.</li> <li>Represents the Company in negotiating quality-/reliability-related matters with customers.</li> </ul>
 Information Technology	<ul style="list-style-type: none"> <li>Provides good computers and network operation platform to improve operating efficiency and quality.</li> <li>Development and design of an e-commerce system for improved customer satisfaction.</li> <li>Establishment of a cybersecurity system to ensure security of information used within the Company.</li> <li>Responsible for the integration, use, and promotion of information technologies within the Company.</li> </ul>
 Financial organization	<ul style="list-style-type: none"> <li>Performs administrative tasks such as operational planning, organization, guidance, coordination, control, and evaluation for subordinate departments.</li> <li>Oversees funding and supervises/reviews financial and accounting practices to ensure compliance with internal control and regulations.</li> <li>Reviews annual budget and operational performance, and proposes recommendations for financial/taxation/investment/funding decisions.</li> <li>Oversees details concerning the convention of shareholder's meeting.</li> </ul>
 Legal	<ul style="list-style-type: none"> <li>Reviews and drafts contracts or related legal documents.</li> <li>Handles submission, review, reward, and management of proposals pertaining to intellectual property rights.</li> <li>Assists various departments with compliance matters and offers recommendations.</li> <li>Serves secretarial duties for the Board of Directors and Audit Committee, and oversees board meeting affairs and audit committee meeting affairs.</li> </ul>



## II. Background information of directors, supervisors, the President, vice presidents, assistant vice presidents, and heads of various departments and branches

### (I) Background information of directors and supervisors

March 24, 2024; shares; %

Position	Nationality or place of registration	Name	Gender Age	Date elected (appointed) (Note 1)	Tenure	Date first elected (Note 1)	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Position	Name	Relation	
Chairman	R.O.C.	TSMC(Note 2)	-	-	-	-	253,120,000	86.94	213,619,000	67.39	-	-	-	-	-	-	-	-	-	-
		Representative: Robert Kuan	Male 61-70 years old	March 4, 2021	3 years	May 16, 2011	-	-	214,500	0.07	-	-	-	-	• Master of Materials Science and Engineering, National Tsing Hua University • TSMC-Director • SSMC -VP of Operations	The Company CEO and President	-	-	-	Note 3
Director	R.O.C.	TSMC	-	-	-	-	253,120,000	86.94	213,619,000	67.39	-	-	-	-	-	-	-	-	-	-
		Representative: George Liu	Male 61-70 years old	March 4, 2021	3 years	December 3, 2015	-	-	-	-	-	-	-	-	• Master of Electrical Engineering, Arizona State University • TSMC-Senior Director • Vanguard International Semiconductor Corporation - Vice President • Intel Corporation - Director	TSMC-Senior Head of Department	-	-	-	-
Director	R.O.C.	TSMC	-	-	-	-	253,120,000	86.94	213,619,000	67.39	-	-	-	-	-	-	-	-	-	-
		Representative: Diane Kao	Female 51-60 years old	March 4, 2021	3 years	June 19, 2020	-	-	-	-	-	-	-	-	• MBA, University of California, Berkeley • TSMC-Senior Director	TSMC-Senior Director	-	-	-	-
Independent Director	R.O.C.	Laura Huang	Female 61-70 years old	March 4, 2021	3 years	March 4, 2021	-	-	-	-	-	-	-	-	• MBA, University of Missouri • UBS - Managing Director/Head of Taiwan Region, Ultra High Net Worth Department • Merrill Lynch - Managing Director	Note 4	-	-	-	-
Independent Director	R.O.C.	Emma Chang	Female 51-60 years old	March 4, 2021	3 years	March 4, 2021	-	-	-	-	-	-	-	-	• Master of Law, University of Washington • MediaTek Inc. - Director of Legal Affairs and Intellectual Property Department • Standard Chartered Bank - Chief Legal Officer • TSMC-Deputy Director of Legal	-	-	-	-	-
Independent Director	R.O.C.	Peng-Heng Chang	Male 71-80 years old	March 4, 2021	3 years	March 4, 2021	-	-	-	-	-	-	-	-	• Ph.D. in Materials Science & Engineering, Purdue University • Motech Industries Inc. - Chairman • TSMC-Vice President • WSMC - Vice President	Note 5	-	-	-	-
Independent Director	R.O.C.	Han-Fei Lin	Male 51-60 years old	May 24, 2023	1 year	May 24, 2023	-	-	-	-	-	-	-	-	• MBA, Wharton School of the University of Pennsylvania • CFO of MStar Semiconductor, Inc. • Vice President, M&A, Citigroup/Solomon Smith Barney • Investment Dept., Foxconn (US) - Director	Note 6	-	-	-	-

Note 1:Month/Day/Year.

Note 2:Abbreviation of Taiwan Semiconductor Manufacturing Co., Ltd. ("TSMC" hereinafter).

Note 3:The Chairman concurrently serving as the CEO of the Company is solely responsible for 1) matters regarding operational judgment, operation management, and crisis management; 2) exercising professional knowledge of the international market, so as to demonstrate his/her leadership and decision-making competence to adopt the Company's operations to market trends; 3) determining the Company's annual financial budget, final accounting plan, earnings distribution plan, and loss make-up plan; 4) implementing corporate governance, so as to strike an operational balance among all stakeholders; 5) ensuring operational planning that will achieve sound management; and 6) being accountable to the Board of Directors, organizing and implementing all resolutions and regulations resolved by the Board of Directors, fulfilling the criteria set forth by the Board of Directors, and reporting the implementation status to the Board of Directors. The Company has also set a post for President. Since the former president retired on August 31, 2022, the Chairman of the Board of Directors has also served concurrently as the CEO to be responsible for taking charge of operational management work (such as sales marketing, R&D, and production and manufacturing), organizing and implementing the Company's annual business plan, and implementing and supervising the investment plan. A majority of members of the Board of Directors do not concurrently serve as the Company's employee or manager. And the Company elected one additional independent director in the 2023 shareholders'

meeting. The Board of Directors has four seats for independent directors, who compose each functional committee, which thoroughly discusses important issues before submitting suggestions to the Board of Directors. Such an organizational design is capable of implementing the spirit of corporate governance and exhibiting overall operating performance.

Note 4:Independent director of Sino Horizon Holdings Limited, Parade technologies, Ltd., and Polytronics Technology Corp.

Note 5:MediaTek Inc. - Independent Director; Chi-Kuang Solar Energy Corp. - Chairman; Ruirui Optoelectronics Co., Ltd. - Representative of Corporate Director; Big Sun Energy Technology Inc. - Representative of Corporate Director;Love and Joy Co., Ltd. - Representative of Corporate Director; Ruihao Optoelectronics Co., Ltd. - Representative of Corporate Director.

Note 6:Independent Director of P-Two Industries Inc.; Independent Director of eCloudvalley Digital Technology Co., Ltd.; Partner of Huawei International Technology Consulting Co., Ltd.; Director of Tai-Ling Biotech.,Inc.; Supervisor, Yuwei Asset Management Co., Ltd.; Supervisor of Synmax Biochemical Co., Ltd.; Easywell Biomedicals Inc. - Chairman and CEO; Easywell Biomedicals (HK), Inc. - Representative of Corporate Director; Representative of Corporate Director of Magnifica Inc.; Supervisor of Miho International Cosmetic Co., Ltd., Director of Saviah Technologies, Inc.; Representative of Corporate Director of Tulex Pharmaceuticals Inc.; Representative of Corporate Director of Jiangsu Huahan Pharmaceuticals Co., Ltd.; Chairman of Qianjinfang Health Biotechnology Co., Ltd.; Supervisor of WS Fashion Group Co., Ltd.; Representative of Corporate Director of Hyena Inc.; and Representative of Corporate Director of Nan Shan Life Insurance Co., Ltd..



## Major shareholders of corporate shareholders

September 20, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders	Shares Ratio (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	Citibank in its capacity as Master Custodian for Depository Receipts of TSMC	20.50
	National Development Fund, Executive Yuan	6.38
	Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore)	3.10
	Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of Norges Bank	1.64
	New Labor Pension Fund	1.31
	JP Morgan Chase Bank in its Capacity as Master Custodian for PGIA Progress International Equity Index	1.25
	JP Morgan Chase Bank Taipei Branch in its capacity as Master Custodian for Investment Account of Vanguard FTSE Emerging Markets ETF	1.11
	CTBC Bank Yuanta/P-shares in custody for Taiwan Top 50 ETF Account	1.02
	Standard Chartered Bank in its Capacity as Master Custodian for iShares Emerging Markets ETF	0.86
	JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	0.69




Where the major shareholders of a corporate shareholder are also a corporate shareholder

Name of corporate entity	Corporate entity's major shareholders	Shares Ratio (%)
None		

Disclosure of information on professional qualifications of directors and supervisors and on the independence of independent directors:

## Independence

There is no violation on independence among the directors of the Company under the Securities and Exchange Act.

Criteria → Name ↓	Professional qualifications and experience	Number of positions as independent director in other public companies
 TSMC Representative: Robert Kuan	<b>Main career (academic) achievements</b> <ul style="list-style-type: none"> <li>Master of Materials Science and Engineering, National Tsing Hua University</li> <li>TSMC-Director</li> <li>SSMC -VP of Operations</li> </ul> <b>Incumbent</b> <ul style="list-style-type: none"> <li>The Company's CEO, and President (No occurrence of any of the circumstances stated in Article 30 of the Company Act)</li> </ul>	0
 TSMC Representative: George Liu	<b>Main career (academic) achievements</b> <ul style="list-style-type: none"> <li>Master of Electrical Engineering, Arizona State University</li> <li>Vanguard International Semiconductor Corporation - Vice President</li> <li>Intel Corporation - Director</li> </ul> <b>Incumbent</b> <ul style="list-style-type: none"> <li>TSMC-Senior Director (No occurrence of any of the circumstances stated in Article 30 of the Company Act)</li> </ul>	0
 TSMC Representative: Diane Kao	<b>Main career (academic) achievements</b> <ul style="list-style-type: none"> <li>MBA, University of California, Berkeley</li> </ul> <b>Incumbent</b> <ul style="list-style-type: none"> <li>TSMC-Senior Director (No occurrence of any of the circumstances stated in Article 30 of the Company Act)</li> </ul>	0



## Independence

The Company's four independent directors qualify for the independence requirements set forth in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

Criteria → Name ↓	Professional qualifications and experience	Number of positions as independent director in other public companies
 Laura Huang	<p><b>Main career (academic) achievements</b></p> <ul style="list-style-type: none"> <li>◆ MBA, University of Missouri</li> <li>◆ UBS - Managing Director/Head of Taiwan Region, Ultra High Net Worth Department</li> <li>◆ Merrill Lynch - Managing Director</li> </ul> <p><b>Incumbent</b></p> <ul style="list-style-type: none"> <li>◆ Serving as the Company's chairman of the Audit Committee, with accounting and professional financial background. <ul style="list-style-type: none"> <li>• Having more than 5 years of work experience in commerce, law, finance, or other professional areas that fits the business needs of the Company (refer to their major education and experience as stated above)</li> <li>• A graduate in accounting, finance, and business related disciplines.</li> <li>• Possess professional certificates such as Taiwan Senior Salesperson and various qualifications granted by Hong Kong Securities and Futures Commission (SFC).</li> </ul> </li> <li>◆ Sino Horizon Holdings Limited - Independent Director</li> <li>◆ Parade Technologies, Ltd. - Independent Director</li> <li>◆ Polytronics Technology Corp. - Independent Director</li> </ul> <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	3
 Emma Chang	<p><b>Main career (academic) achievements</b></p> <ul style="list-style-type: none"> <li>◆ Master of Law, University of Washington</li> <li>◆ MediaTek Inc. - Director of Legal Department</li> <li>◆ Standard Chartered Bank - Chief Legal Officer</li> <li>◆ TSMC-Deputy Director of Legal</li> </ul> <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	0
 Peng-Heng Chang	<p><b>Main career (academic) achievements</b></p> <ul style="list-style-type: none"> <li>◆ Ph.D. in Materials Science &amp; Engineering, Purdue University</li> <li>◆ Motech Industries Inc. - Chairman</li> <li>◆ TSMC-Vice President</li> <li>◆ WSMC - Vice President</li> </ul> <p><b>Incumbent</b></p> <ul style="list-style-type: none"> <li>◆ The Company's Remuneration Committee - Chairman</li> <li>◆ MediaTek Inc. - Independent Director</li> <li>◆ Chi-Kuang Solar Energy - Chairman</li> <li>◆ Ruiiri Optoelectronics - Representative of Corporate Director</li> <li>◆ Big Sun Energy Technology Inc. - Representative of Corporate Director</li> <li>◆ Love and Joy Co., Ltd. - Representative of Corporate Director</li> <li>◆ Ruihao Optoelectronics Co., Ltd. - Representative of Corporate Director</li> </ul> <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	1

Criteria → Name ↓	Professional qualifications and experience	Number of positions as independent director in other public companies
 Han-Fei Lin	<p><b>Main career (academic) achievements</b></p> <ul style="list-style-type: none"> <li>◆ MBA, Wharton School of the University of Pennsylvania</li> <li>◆ CFO of MStar Semiconductor, Inc.</li> <li>◆ Vice President, M&amp;A, Citigroup/Solomon Smith Barney</li> <li>◆ Investment Dept., Foxconn (US) - Director</li> </ul> <p><b>Incumbent</b></p> <ul style="list-style-type: none"> <li>◆ P-Two Industries Inc. - Independent Director</li> <li>◆ eCloudvalley Digital Technology Co., Ltd. - Independent Director</li> <li>◆ The CID Group Ltd. - Partner</li> <li>◆ Tai-Ling Biotech., Inc. - Director</li> <li>◆ Yuwei Asset Management Co., Ltd. - Supervisor</li> <li>◆ Synmax Biochemical Co., Ltd. - Supervisor</li> <li>◆ Easywell Biomedicals Inc. - Chairman and CEO</li> <li>◆ Easywell Biomedicals (HK), Inc. - Representative of Corporate Director</li> <li>◆ Magnifica Inc. - Representative of Corporate Director</li> <li>◆ Meihe International Enterprise Co., Ltd. -Supervisor</li> <li>◆ Saviah Technologies, Inc. - Director</li> <li>◆ Tulex Pharmaceuticals Inc. - Representative of Corporate Director</li> <li>◆ Jiangsu Huahan Pharmatech Co., Ltd. - Representative of Corporate Director</li> <li>◆ Qianjinfang Health Biotechnology Co., Ltd. - Chairman</li> <li>◆ WS Fashion Group Co., Ltd. - Supervisor</li> <li>◆ Hyena Inc. - Representative of Corporate Director</li> <li>◆ Nan Shan Life Insurance Co., Ltd. - Representative of Corporate Director</li> </ul> <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	2



### (I) Diversification of Board of Directors:

The Company's directors are selected based on its business operations, operating dynamics, and development needs in accordance with "Corporate Governance Best Practice Principles" and "Regulation Governing the Election of Directors", which include, without being limited to, the following two general standards:

I. Basic requirements and values: Gender, age, nationality, and culture.

II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. The Board of Directors as a whole shall possess the following capabilities: Ability to make judgments about operations; ability to perform accounting and financial analysis; business management ability; crisis management ability; industrial knowledge; Knowledge of international markets; leadership; and ability to make policy decisions, so as to achieve the ideal of corporate governance.

Implementation of the diversification policy with regard to Board of Directors members is stated as follows:

I. Basic requirements and values: The Company's Board of Directors is assembled based on the Company's scale of operation and management, taking into account practical operation. Members are all Taiwanese nationals; only one director concurrently serves as an employee. The Company also pays attention to gender equality. There are three women directors in the seven seats of the board of directors, and the female directors account for 43%. Considering the specificity of the semiconductor industry, VisEra hopes to recruit more talents who had work experience in semiconductor industry, served as directors or have different professional abilities to achieve the goal of diversity of the directors. The composition of the Board of Directors members meets that objective. (as shown in the table below). Regarding the dispersion of the age range, 3 directors are aged between 51 - 60 years old, 3 directors are aged 61-70 years old, and 1 director is aged 71 - 80 years old. The Board of Directors has an even dispersion of gender and age.

Purpose	Percentage	Achieve situation
At least half of the directors have been served or be the directors in the semiconductor industries.	86%	Achieve
At least half of the independent directors have expertise in business, law, accounting or human resources	100%	Achieve

### II. Professional knowledge and skills:

Diversification item →	Industrial knowledge and experience					Professional capability								
	Semi-conductor industry	Optoelectronics industry	Biotechnology industry	Finance and management	Finance and securities	Operational judgment	Operational management	Crisis management	Industrial knowledge	Knowledge of the international markets	Leadership and decision-making	Finance and accounting	Law	Environmental Sustainability and Social Engagement
Name of director ↓														
TSMC Representative: Robert Kuan	●	●				●	●	●	As shown on the left	●	●			●
TSMC Representative: George Liu	●					●	●	●	As shown on the left	●	●			●
TSMC Representative: Diane Kao	●			●		●	●	●	As shown on the left	●	●	●		●
Independent Director Laura Huang				●	●	●	●	●	As shown on the left	●	●	●		●
Independent Director Emma Chang	●				●	●	●	●	As shown on the left	●	●		●	●
Independent Director Peng-Heng Chang	●	●				●	●	●	As shown on the left	●	●			●
Independent Director Han-Fei Lin	●		●	●	●	●	●	●	As shown on the left	●	●	●		●

### (II) Independence of Board of Directors:

The Company has 7 directors, of which 4 are independent directors, accounting for no less than half of the director seats. Each independent director satisfies the independence requirements set forth in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", and there is no relationship as a spouse or second-degree relative among directors, which is in compliance with the regulations specified in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act. The independence of the independent directors is reviewed annually by the Corporate Governance Officer.



(II) Background information on the President, vice presidents, assistant vice presidents, and heads of various departments and branches

March 24, 2024; Unit: shares/%

Position	Nationality	Name	Gender	Date elected (appointed) (Note 1)	No. of shares held		Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Manager who is a spouse or a second-degree relative			Remarks
					Shares	%	Shares	%	Shares	%			Position	Name	Relation	
Chairman, CEO, and President	R.O.C.	Robert Kuan	Male	May 16, 2011	214,500	0.07	-	-	-	-	Master of Materials Science and Engineering, National Tsing Hua University TSMC-Director SSMC -VP of Operations	-	-	-	-	-
Vice President	R.O.C.	Kevin Tsai (Note 2)	Male	July 10, 2006	127,000	0.04	592,500	0.19	-	-	Bachelor of Accounting, Soochow University WIN Semiconductors - CFO TSMC-Department Manager TI-Acer Inc. - Department Manager	-	-	-	-	-
Vice President	R.O.C.	H.J. Tsai	Male	November 12, 2010	342,060	0.11	-	-	-	-	Master of Materials Science, National Tsing Hua University Zhongwei Semi- - Department Manager TSMC-Manager	-	-	-	-	-
Vice President	R.O.C.	K.P. Lin	Male	March 6, 2020	79,136	0.02	-	-	-	-	Bachelor of Chemical Engineering, National Tsing Hua University TSMC - Chief Engineer	-	-	-	-	-
Vice President	R.O.C.	W.R. Huang	Male	March 6, 2020	71,600	0.02	-	-	-	-	Bachelor of Industrial Engineering, National Tsing Hua University HOYA Microelectronics Taiwan CO., Ltd. - Vice President TSMC - Deputy Head of Department	-	-	-	-	-
Vice President	R.O.C.	J.C. Hsieh	Male	February 23, 2022	35,381	0.01	-	-	-	-	Master of Chemical Engineering, National Cheng Kung University TSMC-Project Manager	-	-	-	-	-
Vice President	R.O.C.	Ben Fun	Male	July 1, 2011	20,000	0.01	-	-	-	-	PhD in Industrial Engineering and Engineering Management, National Tsing Hua University GlobalFoundries - Deputy Head of Department TSMC-Department Manager	-	-	-	-	-
Vice President	R.O.C.	Jane Chen (Note 3)	Female	March 11, 2024	-	-	-	-	-	-	National Chengchi University EMBA General Manager of Finance Division, Mediatek	-	-	-	-	-
Assistant Vice President	R.O.C.	C.C. Chen	Male	June 1, 2011	46,500	0.01	391	0.00	-	-	Master of Materials Science, National Taiwan University FUPO Electronics Corporation - Senior Manager TSMC - Deputy Manager	-	-	-	-	-
Head of Corporate Governance	R.O.C.	Chia-hui Lin	Female	August 11, 2021	-	-	-	-	-	-	Master of Laws, Boston University FIH Co., Ltd. - Senior Manager	-	-	-	-	-

Note 1:Month/Day/Year.

Note 2:Vice President Kevin Tsai retired on March 11, 2024, will no longer declare its shares held in future years.

Note 3:Vice President Jane Chen took office on March 11, 2024.



### III. Compensation paid to directors, supervisors, the President, and vice presidents in 2023

#### (I) Compensation to directors

Unit: NT\$ thousand; %

Position	Name	Directors' compensation										Compensation received as employee										Sum of A, B, C, D, E, F, and G as a percentage of net income	Compensation from parent company or business investments other than subsidiaries			
		Compensation (A)		Severance payment and pension (B)		Director remuneration (C)		Fees for services rendered (D)		Sum of A, B, C, and D as a percentage of net income		Salaries, bonuses, special allowances etc. (E)		Severance payment and pension (F)		Employee remuneration (G)										
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report							
Chairman	TSMC																									
	Representative: Robert Kuan																									
Director	TSMC																									
	Representative: George Liu																									
Director	TSMC																									
	Representative: Diane Kao	4,326	4,326	-	-	3,240	3,240	-	-	7,566	7,566	2.12%	2.12%	5,776	5,776	-	-	1,671	-	1,671	-	15,013	15,013	4.22%	4.22%	None
Independent Director	Laura Huang																									
Independent Director	Emma Chang																									
Independent Director	Peng-Heng Chang																									
Independent Director	Han-Fei Lin (Note 1)																									

Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None

Note 1: Newly elected as independent director after the general shareholders' meeting on May 24, 2023.



Director Compensation Bracket Table

Name of director →  Range of compensation paid to directors ↓	Sum of first 4 compensations (A+B+C+D)		Sum of first 7 compensations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial report H	The Company	All companies included in the financial report I
Below NT\$1,000,000	Han-Fei Lin	Han-Fei Lin	Han-Fei Lin	Han-Fei Lin
NT\$1,000,000 (inclusive) - NT\$2,000,000 (non-inclusive)	TSMC Representative: Robert Kuan, George Liu, Diane Kao	TSMC Representative: Robert Kuan, George Liu, Diane Kao	TSMC Representative: George Liu, Diane Kao	TSMC Representative: George Liu, Diane Kao
	Laura Huang, Emma Chang, Peng-Heng Chang	Laura Huang, Emma Chang, Peng-Heng Chang	Laura Huang, Emma Chang, Peng-Heng Chang	Laura Huang, Emma Chang, Peng-Heng Chang
NT\$2,000,000 (inclusive) - NT\$3,500,000 (non-inclusive)	-	-	-	-
NT\$ 3,500,000 (inclusive) - NT\$ 5,000,000 (non-inclusive)	-	-	-	-
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)	-	-	TSMC Representative: Robert Kuan	TSMC Representative: Robert Kuan
NT\$10,000,000 (inclusive) - NT\$15,000,000 (non-inclusive)	-	-	-	-
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)	-	-	-	-
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)	-	-	-	-
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)	-	-	-	-
NT\$ 100,000,000 and above	-	-	-	-
Total	A total of 7 persons	A total of 7 persons	A total of 7 persons	A total of 7 persons

(II) Supervisors' compensation: None.





## (III) Compensation to the President and vice presidents

Unit: NT\$ thousand; %

Position Name	Salary (A)		Severance payment and pension (B) (Note 1)		Bonus and special allowances (C)		Employee remuneration (D)				Sum of A, B, C, and D as a percentage of net income (%)		Compensation from parent company or business investments other than subsidiaries
	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company		All companies included in the financial report		The Company	All companies included in the financial report	
							Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
Chairman, CEO, and President Robert Kuan (Note 2)													
Vice President Kevin Tsai													
Vice President H.J. Tsai	26,139	26,139	805	805	7,420	7,420	7,459	-	7,459	-	41,823 11.75%	41,823 11.75%	None
Vice President K.P. Lin													
Vice President W.R. Huang													
Vice President J.C. Hsieh													
Vice President Ben Fun													

Note 1:Represents pension contributions made in accordance with laws.

Note 2:The Chairman and CEO of the Company has served concurrently as the President of the Company since September 1, 2022.

## Compensation Bracket Table

Range of compensation to the President and vice presidents	Names of President and vice presidents	
	The Company	All companies included in the financial report
Below NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) - NT\$2,000,000 (non-inclusive)	-	-
NT\$2,000,000 (inclusive) - NT\$3,500,000 (non-inclusive)	-	-
NT\$ 3,500,000 (inclusive) - NT\$ 5,000,000 (non-inclusive)	-	-
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)	Robert Kuan, Kevin Tsai, H.J. Tsai, K.P. Lin, J.C. Hsieh, Ben Fun, W.R. Huang	Robert Kuan, Kevin Tsai, H.J. Tsai, K.P. Lin, J.C. Hsieh, Ben Fun, W.R. Huang
NT\$10,000,000 (inclusive) - NT\$15,000,000 (non-inclusive)	-	-
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)	-	-
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)	-	-
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)	-	-
NT\$ 100,000,000 and above	-	-
Total	A total of 7 persons	A total of 7 persons





## (IV) Names of managers entitled to employee remuneration and amount entitled:

Unit: NT\$ thousand; %

Position	Name	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of net income (%)
CEO and President	Robert Kuan				
President	S.C. Hsin				
Vice President	Kevin Tsai				
Vice President	H.J. Tsai				
Vice President	K.P. Lin				
Vice President	W.R. Huang	-	8,635	8,635	2.43%
Vice President	J.C. Hsieh				
Vice President	Ben Fun				
Assistant Vice President	C.C. Chen				
Head of Corporate Governance	Chia-hui Lin				

## (V) Amount of compensation paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective percentages to standalone or consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which compensations were determined, and their association with business performance and future risks.

1. Directors', supervisors', President's, and vice presidents' compensations paid in the last two years as a percentage to net income

Position	2022 Total compensation as a percentage of net income		2023 Total compensation as a percentage of net income	
	The Company	All companies included in the financial report	The Company	All companies included in the financial report
 Director	0.39%	0.39%	2.12%	2.12%
 President and vice presidents	4.68%	4.68%	11.75%	11.75%

2. Compensation policies, standards, packages, and procedures, and association with business performance and future risks

Remuneration for the Company's directors has been outlined in the Articles of Incorporation; payment of which is resolved by the Board of Directors and reported in shareholders' meeting. Compensation for the President and vice presidents include salary, bonus, and employee remuneration; compensation packages are determined based on the role, responsibilities, and contribution of each individual while taking into consideration the peer level and overall performance of the Company. Compensations for directors, the President, and vice presidents have all been determined after taking into consideration the Company's future prospects and risks. Compensations are positively correlated with business performance, and have been properly balanced against sustainability and risks.





## IV. Corporate governance

### (I) Functionality of the Board of Directors

For 2023 and up to the publication date of the Annual Report, five regular Board meetings were held. The attendance of directors was as follows:

Position	Name	No. of in-person attendance	Required attendance	Number of proxy attendance	Percentage of in-person attendance (%)	Remarks
Chairman	TSMC					
	Representative: Robert Kuan	5	5	0	100%	None
Director	TSMC					
	Representative: George Liu	5	5	0	100%	None
Director	TSMC					
	Representative: Diane Kao	5	5	0	100%	None
Independent Director	Laura Huang	5	5	0	100%	None
Independent Director	Emma Chang	5	5	0	100%	None
Independent Director	Peng-Heng Chang	5	5	0	100%	None
Independent Director	Han-Fei Lin	3	3	0	100%	Note

Note:Elected as the independent director of the Company at the general shareholders' meeting on May 24, 2023. A total of 3 board meetings were convened after taking office up to the date of publication of the annual report.

Other mandatory disclosures:

I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed motions, independent directors' opinions and how the Company has responded to such opinions.

(I) The matters listed in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee, which is not applicable under Article 14-3 of the Securities and Exchange Act. Please refer to the "Audit Committee Operations" of this annual report for relevant information.

(II) Any other documented objections or reservations raised by independent director against board resolution in relation to matters other than those described above: None.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process: Chairman Robert Kuan recused himself from the discussion of, and voting on, his compensation.






Date of Board meeting (Month/Day/Year)	Name of director	Motion	Nature of conflicting interest	Participation in voting
February 22, 2023	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> <li>Managers' bonus plan</li> <li>Policy on managers performance evaluation and remuneration for 2022; salary adjustment and fixed amount of compensation for 2023</li> </ul>	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed
May 10, 2023	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> <li>Employee compensation in cash for managers of 2022</li> </ul>	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed
February 21, 2024	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> <li>2023 Bonus Plan for Managers</li> <li>Policy on managers performance evaluation and remuneration for 2023; salary adjustment and fixed amount of compensation for 2024</li> </ul>	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed

III. TWSE/TPEX listed companies are required to disclose the cycle, duration, scope, method, and details of board performance self (or peer) evaluations performed, and complete Table 2 section (2) Execution of Board Performance Evaluation: See table below.

IV. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g. establishment of Audit Committee, improvement of information transparency etc.), and progress of such enhancements:

To effectively establish a Board governance system and sound monitoring function, the Company has formulated the "Regulations Governing Board Meetings". All important motions are disclosed on the Market Observation Post System to fully disclose information and protect shareholders' interest. In addition, the Company has established four posts of independent directors, who compose the Audit Committee and the Remuneration Committee, so as to fulfill the spirit of corporate governance.

## (II) Implementation status of review of Board of Directors' performance

 Evaluation frequency	Annually
 Evaluation period	January 1 through December 31, 2023
 Evaluation scope	Board of Directors; members of the Board of Directors; and functional committees
 Evaluation method	Self-evaluation, both by the Board of Directors as a whole, and by each Board of Directors member
 Evaluation contents	<p>I. Items used to evaluate the Board of Directors' performance includes the following five aspects:</p> <p>(I) The extent of participation in the Company's operations            (II) Improvement in the Board's decision-making quality            (III) Composition and structure of the Board of Directors            (IV) Election of directors and their continuous education            (V) Internal control</p> <p>II. Items used to evaluate the Board members' performance include the following six aspects:</p> <p>(I) Grasp the Company's goals and tasks            (II) Understanding of a director's duties            (III) The extent of participation in the Company's operations            (IV) Internal relationship management and communication            (V) Directors' profession and continuous education            (VI) Internal control</p> <p>III. Items used to evaluate the functional committees' performance include the following five aspects:</p> <p>(I) The extent of participation in the Company's operations            (II) Understanding of the functional committee's duties            (III) Improvement in the functional committee's decision-making quality            (IV) Composition of the functional committee and election of committee members            (V) Internal control</p>

On June 22, 2021, the Board of Directors approved the proposed "Regulations Governing Performance Evaluation of the Board of Directors" and disclosed it on the Company's website. It stipulates that at each first quarter, an evaluation shall be conducted to assess the performance for the previous year of the Board of Directors, members of the Board of Directors, and the functional committees, and that the evaluation results shall be submitted to the Board of Directors as a reference for determining their remuneration, or for selection or nomination of directors.

As for the performance evaluation of the Board of Directors of 2023, the self-evaluation by each director was conducted in January 2024 in accordance with the "Regulations Governing Performance Evaluation of Board of Directors", with 18 pieces of effective questionnaires collected. Self-evaluation of the performance of the Board of Directors as a whole averaged 4.88 points (with 5 points being the highest score); the self-evaluation of the performance of individual directors averaged 4.96 points (with 5 points being the highest score). In all aspects, the scores are improved from the previous year. Both indicate that the Board of Directors functioned well. The self-evaluation of the performance of the functional committees averaged 4.97 points (with 5 points being the highest score), indicating a high degree of independent directors' recognition for the operation of the Audit Committee and the Remuneration Committee. This year, the newly added board of directors' participation and implementation of ESG indicators, and the self-evaluation score of directors is 4.71 points, which will continue to improve the board's participation in issues related to the sustainable development of the Company.

## (III) Operating status of the Audit Committee:

The Audit Committee was established to strengthen corporate governance and the functions of the Board of Directors, and is composed of four independent directors. Its main functions include the selection (and dismissal), independence, and performance of certified public accountants, the fair presentation of financial reports, management of existing or potential risks of the Company, supervision of the effective implementation of internal control systems of the Company, and compliance with relevant laws and regulations.

The Audit Committee meets on a quarterly basis. The Committee may invite management, internal auditors, the Company's CPAs, or other persons to attend the meetings and provide pertinent information under the scope of its powers. The Audit Committee is responsible for reviewing the following major matters:

- ◆ Adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- ◆ Assessment of the effectiveness of the internal control system.
- ◆ Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- ◆ Matters in which a director is an interested party.
- ◆ Material asset or derivatives transactions.
- ◆ Material lending funds, endorsements, or guarantees.
- ◆ Offering or issuance of any equity-type securities.
- ◆ Hiring or dismissal of an attesting CPA, or the compensation given thereto.
- ◆ Appointment or discharge of financial, accounting, or internal auditing officers.
- ◆ Annual financial statements that are subject to the signatures or seals of the Chairman, manager, and chief accounting officer, and semi-annual financial statements that are subject to review or audit by the CPA.
- ◆ Proposal of the business report, profit distribution, or loss appropriation.
- ◆ Other significant matters as stipulated by the Company, laws and regulations, or competent authorities.

The Audit Committee held 5 meetings (A) in 2023 and up to the publication date of this annual report; attendance by independent directors is shown as follows:

Position	Name	Number of in-person attendance (B)	Number of proxy attendance	Percentage of in-person attendance (%)	Remarks
Independent Director	Laura Huang	5	0	100	Convener
Independent Director	Emma Chang	5	0	100	
Independent Director	Peng-Heng Chang	5	0	100	
Independent Director	Han-Fei Lin	3	0	100	Note

Note: Elected as the independent director of the Company at the general shareholders' meeting on May 24, 2023. A total of 3 meetings were convened after taking office up to the date of publication of the annual report.



Other mandatory disclosures:

I. In the event of any of the following in the audit committee, the dates of audit committee meetings, sessions, contents of motions, the dissenting opinion, qualified opinion, or significant suggestions of the independent director, resolutions of the audit committee meetings, and the Company's response to audit members' opinion should be specified.

(I) Matters described in Article 14-5 of the Securities and Exchange Act:

Board of Directors meeting date (note) and session	Motion	Resolution of the Audit Committee	The Company's response to Audit Committee members' opinion
February 22, 2023 10th meeting of the 1st session	<ul style="list-style-type: none"> <li>Audit the business report, financial statements, earnings distribution proposal for 2022.</li> <li>Review the capital budget expenditure.</li> <li>Audit the effectiveness of the internal control system and its implementation, as well as the internal control statement, for 2022.</li> <li>Review the revision of the internal Control System and the Implementation Rules for Internal Auditing.</li> </ul>	Approved by all committee members as proposed	Approved by all directors present as proposed
May 10, 2023 11th meeting of the 1st session	<ul style="list-style-type: none"> <li>Approved the financial statements for the first quarter of 2023</li> </ul>	Approved by all committee members as proposed	Approved by all directors present as proposed
August 10, 2023 12th meeting of the 1st session	<ul style="list-style-type: none"> <li>Approved the financial statements for the second quarter of 2023</li> </ul>	Approved by all committee members as proposed	Approved by all directors present as proposed
November 2, 2023 13th meeting of the 1st session	<ul style="list-style-type: none"> <li>Review the fee for CPAs providing attestation service.</li> <li>Approved the financial statements for the third quarter of 2023</li> <li>Review the audit plan for 2024.</li> <li>Review the capital budget expenditure.</li> </ul>	Approved by all committee members as proposed	Approved by all directors present as proposed
February 21, 2024 14th meeting of the 1st session	<ul style="list-style-type: none"> <li>Audit the business report, financial statements, earnings distribution proposal for 2023.</li> <li>Audit the effectiveness of the internal control system and its implementation, as well as the internal control statement, for 2023.</li> <li>Review the capital budget expenditure.</li> </ul>	Approved by all committee members as proposed	Approved by all directors present as proposed

Note: Month/Day/Year.

(II) Any other resolutions that were approved by two-thirds of Board members but not approved by the Audit Committee other than those described above: None.

II. If there is independent directors' avoidance of motions in conflict of interest, the independent directors' names, contents of motions, causes for avoidance and voting should be specified: None.

III. Communications between independent directors and the Company's chief internal auditor and CPA (e.g. the items, methods and results of the audits of corporate finance or operations, etc.)

1. The Company's chief internal auditor regularly submits a report to the independent directors, communicates with them at any time by phone, mail, or text message whenever necessary, and be present at the Audit Committee meeting to provide suggestions and explanation when a committee member requires so.
2. The Company's CPAs explain matters pertaining to review or audit of the financial statements to independent directors, either face to face or in writing; independent directors may respond in the same manner. If need be, full communication may be made by phone, mail, or text message at any time.

The 2023 communication between independent directors and internal audit officers and CPAs is as follows:

Date	Communication method	Matters in communication with the internal audit officer	Communication with CPAs
February 22, 2023	The 10th regular session of the 1st Audit Committee meeting	<ul style="list-style-type: none"> <li>Internal audit report (separate meeting)</li> <li>2022 Internal control self-assessment report (separate meeting)</li> <li>2022 "Internal Control System Statement" (separate meeting)</li> </ul>	<ul style="list-style-type: none"> <li>Audit status of 2022 financial statements (separate meeting)</li> <li>Report of Regulatory Changes (separate meeting)</li> </ul>
May 10, 2023	The 11th regular session of the 1st Audit Committee meeting	<ul style="list-style-type: none"> <li>Internal audit report (separate meeting)</li> </ul>	<ul style="list-style-type: none"> <li>Review of the financial statements for the first quarter of 2023 (separate meeting)</li> <li>Report of Regulatory Changes (separate meeting)</li> </ul>
August 10, 2023	The 12th regular session of the 1st Audit Committee meeting	<ul style="list-style-type: none"> <li>Internal audit report (separate meeting)</li> </ul>	<ul style="list-style-type: none"> <li>Review of the financial statements for the second quarter of 2023 (separate meeting)</li> <li>Report of Regulatory Changes (separate meeting)</li> </ul>
November 2, 2023	The 13th regular session of the 1st Audit Committee meeting	<ul style="list-style-type: none"> <li>Internal audit report (separate meeting)</li> <li>2024 Internal audit annual plan (separate meeting)</li> </ul>	<ul style="list-style-type: none"> <li>Review of the financial statements for the third quarter of 2023 (separate meeting)</li> <li>Audit Quality Index (AQI) and Qualification, Performance, and Independence of CPAs (separate meeting)</li> <li>Report of Regulatory Changes (separate meeting)</li> </ul>

3. The Company's independent directors did not express any specific opinion on the matters communicated between them and the chief internal auditor or the CPAs.

(IV) Deviation and causes of deviation of the Company's actual governance from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Assessment	Actual governance		Actual governance	Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	●		The Company has established and disclosed its own "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and always abides by regulations stipulated therein to disclose the various information.	No significant deviation
II. Shareholding structure and shareholders' interests				
(I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations?	●		The Company has established its own "Rules of Procedure for Shareholders Meetings". In addition, abiding by the "Corporate Governance Best Practice Principles", the Company has established a spokesperson system to deal with relevant matters and set a post of stock affairs personnel to handle the submissions and concerns of, or disputes between, the shareholders. Yet, the Company maintains a harmonious relationship with shareholders and has so far not had any disputes with them.	No significant deviation
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	●		The Company has a good grasp of the shareholding status of major shareholders, directors, and managers by referencing the shareholder register on the book closure date that is provided by the stock agent. In addition, the Company files the shareholding changes of insiders (directors, managers, and shareholders holding no less than 10 percent of the Company's shares) with the competent authority through its designated Market Observation Post System on a monthly basis.	No significant deviation
(III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	●		The Company has established the "Operating Procedures for Transactions with Related Party, Specified Company or Institution, and Group Entity", "Endorsement and Guarantee Procedures", "Lending Funds to Other Parties Procedures", and "Procedures for the Acquisition or Disposal of Assets" - all aim to establish an appropriate risk control mechanism and firewall.	No significant deviation
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	●		The Company has established the "Procedures for the Prevention of Insider Trading", prohibiting Company insiders from trading securities using information not disclosed to the market. Measures include, without limitation, those prohibiting a director from trading its 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. In addition, the Company has provided the directors with information on the prohibition of insider trading and the related Q&A materials from the competent authority every year, and issued a notification letter on the closed period before announcing the quarterly or annual financial statements to remind the directors and relevant employees to avoid violating the regulations related to insider trading. At the same time, the Company also conducts an annual insider trading prevention course for all employees in its annual compliance promotion program. The course covers behaviors prohibited under the Procedures for the Prevention of Insider Trading, important regulations, definition of material information, and handling of violations to remind all employees to comply with the Procedures for the Prevention of Insider Trading.	No significant deviation
III. Composition and responsibilities of the Board of Directors				
(I) Has the board devised and implemented policies to ensure diversity of its members?	●		The Company has taken into account the diversity among Board of Directors members in accordance with the "Corporate Governance Best Practice Principles" and the "Regulation Governing the Election of Directors". Incumbent directors are all professionals in areas such as finance, law, accounting, industry, and technology, evidencing a diversified composition among Board members. The information on the diversity of the Board of Directors is also disclosed on the Company's website.	No significant deviation
(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		●	The Company has established the Remuneration Committee and the Audit Committee on March 4, 2021 and will further plan the establishment of other similar functional committees according to business needs.	No significant deviation
(III) Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the Board of Directors and used as reference for compensation and nomination decisions?	●		To implement corporate governance and improve its Board's functions, the Company has established various performance goals to enhance the Board's operating efficiency. The Company already formulated its "Regulations Governing Performance Evaluation of Board of Directors", by which it completed the performance evaluation of the Board of Directors of 2023 in January 2024 and submitted the evaluation results to the Board of Directors to serve as a reference, both for discussion and determination of the remuneration for the Board of Directors of 2023, and for re-nomination of directors in future Board elections.	No significant deviation
(IV) Are external auditors' independence assessed on a regular basis?	●		The Company's first Audit Committee held its thirteenth meeting on November 2, 2023, and adopted the Audit Quality Indicator (AQI) submitted by the CPAs as the basis for the appointment of the CPAs regarding the independence, competency (including performance), and appointment of the CPA and the review of the 2024 compensation proposal. The AQI was compiled based on the AQI framework and disclosure template issued by the FSC on August 19, 2021. The Company requires its CPAs to provide a "Statement of Independence" annually, and at the same time, the accounting department of the Company evaluates the CPAs' financial interests, business relationships, and employment relationships through the "Assessment Form of Independent Auditor's Independence and Suitability" to compile the results of the evaluation of the CPAs' independence and assess the adequacy of the CPAs to serve as the Company's CPAs. Please refer to Note 1. The most recent assessment was approved by the Audit Committee on November 2, 2023 and submitted to the Board of Directors for approval on the same date.	No significant deviation



Assessment	Actual governance		Actual governance	Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?	●		The Company has appointed the Director of the Legal Affairs Department, Ms. Chia-hui Lin, as the Corporate Governance Officer, who is responsible for handling corporate governance related matters (including but not limited to providing information necessary for directors to perform their duties, assisting directors in complying with laws and regulations, conducting Board of Directors and shareholders' meeting related matters in accordance with the law, and preparing meeting minutes of the Board meeting and shareholders' meeting), and attending continuing education courses and obtaining certificates as required by law. For information on the status of the continuing education for 2023, please refer to (IX) 4. The Company's managers' participation in corporate governance-related continuing education for the most recent year and up to the publication date of this Annual Report.	No significant deviation
V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	●		The Company's stakeholders include the parent company, shareholders, employees, customers and suppliers/contractors, communities, and the government. For their respective concerns, and the Company's communication channels and response methods, please refer to the stakeholders in the Company's corporate sustainability section. This helps the Company to understand stakeholders' issues of concern and to respond appropriately. Feedback from all walks of life is considered as the basis for continuous improvement. The Company publishes the Sustainability Report every year as an important task to further disclose corporate social responsibility information.	No significant deviation
VI. Does the Company engage a share transfer agency to handle shareholder meeting affairs?	●		The Company has commissioned the Agency Department of CTBC Bank as the stock transfer agent, which is responsible for handling shareholder service and shareholder meeting affairs.	No significant deviation
VII. Information disclosure				
(I) Has the Company established a website to disclose financial, business, and corporate governance-related information?	●		The Company has created own website ( <a href="http://www.viseratech.com/">http://www.viseratech.com/</a> ) to disclose information on its business, finance, and corporate governance.	No significant deviation
(II) Has the Company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the company website)?	●		The Company has designated dedicated personnel to collect and disclose the Company's information and implemented the spokesperson system and the acting spokesperson system as required.	No significant deviation
(III) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with the monthly business performance before the required due dates?	●		The Company publishes and makes an official filing of annual financial report within two months after the end of fiscal year, and publishes/files Q1, Q2, and Q3 financial reports along with the monthly business performance before the required due dates. For the disclosures of the above information, please visit the Market Observation Post System.	No significant deviation
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	●		<ol style="list-style-type: none"> <li>Employee rights: The Company ensures employees' legal rights by adhering to the Labor Standards Act and its personnel regulations. It also regularly holds labor-management meetings to harmonize its labor relations.</li> <li>Employee care: The Company upholds the philosophy of a friendly workplace in recruiting and retaining talents. It strives to provide a good work environment: Apart from the establishment of the Employee Benefits Committee, to which it regularly contributes employee benefit funds, it also contributes a certain amount of employee retirement funds as required by law, purchases group insurance for employees, and arranges health check-up for them, so as to maximize the employees' benefits it can provide.</li> <li>Investor relation: The Company has a spokesperson system and an acting spokesperson system, through which it communicates with outsiders. Aside from updating its operating results, the Company also assigns dedicated personnel to disclose its information on the Market Observation Post System as required by law.</li> <li>Supplier relations: Through activities such as supplier audit/supplier evaluation/raw material supply and demand tracking/contractor meeting/quality improvement meeting and ongoing exchange of opinions with the management, the Company works closely with key suppliers and contractors, and maintains productive relationships that would ensure better performance in the future.</li> <li>Stakeholders' interests: The Company has maintained a smooth communication channel with employees, customers, suppliers, and contractors, and respects and upholds their legal rights. Stakeholders may communicate their opinions to the Company at any time. The Company values their opinions and will use them as reference for future work implementation.</li> <li>Continuing education of directors and supervisors: The Company has established the Audit Committee to assume the duties of supervisors. All the Company's directors are experts in certain area; they also regularly take part in continuing education courses as required by law and have obtained certificates. For information on the status of the continuing education for 2023, please refer to (IX) 3. Continuing education on corporate governance for the Company's directors in the most recent year and up to the publication date of this Annual Report.</li> <li>Risk management policies, practices, and risk assessment standards: The Company has established internal policies in accordance with laws to manage and assess risks.</li> <li>Execution of customer policy: The Company has assigned a dedicated unit to handle customers' complaints and issues. The unit is responsible for appropriately addressing issues that concern customers, and in doing so, maintains a good relationship with customers, thereby creating profits for the Company.</li> <li>Purchase of liability insurance for directors: The Company has purchased liability insurance for its directors in order to reduce and diversify the risk of causing significant losses to shareholders due to directors' errors or negligence.</li> </ol>	No significant deviation
IX. Please explain the improvements that have been made based on the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and propose priority enhancements and measures for those that have not yet been improved: Year 2024 is VisEra's first year attends the Corporate Governance Evaluation and the evaluation results have not been officially announced before the annual report is published. VisEra will prioritize strengthen the following matters in year 2024 :			<ol style="list-style-type: none"> <li>Hold or be invited to attend earning call every quarter.</li> <li>Implement greenhouse gas emission and reduction targets in accordance with the new indicator scoring requirements in 2024.</li> <li>Submit the ESG report to the Board of directors for approval.</li> </ol>	

Note 1: List the evaluation criteria of CPAs' independence

Assessment	Evaluation results	Independence
The Company has no direct or indirect significant financial interest between members of the audit service team and their families, other co-practicing accountants and their families, and their firms and their affiliates.	Yes	Yes
There is no close business relationship between the CPA firm or members of the audit service team and the Company or its affiliates.	Yes	Yes
A member of the audit team, who has not served as a director or supervisor of the Company in the past two years, or has not held any position that has a significant impact on the audit case.	Yes	Yes
The members of the audit service team are not related to the Company's directors, supervisors, managers or personnel who have significant influence on the audit.	Yes	Yes

(V) Disclose the composition, responsibilities, and functioning of remuneration committee, if available:

1. In order to implement corporate governance and establish a sound remuneration system for directors and managers, on March 4, 2021, the Company established the Remuneration Committee in accordance with Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. The committee comprises four members, who are appointed by the Board of Directors through a resolution. At least one of them is the Company's independent director. The Remuneration Committee members shall select an independent director to serve as the convener and chairperson of their meetings, and as a representative of the Remuneration Committee when dealing with outsiders. The committee shall exercise the due care of a good administrator to loyally perform the following powers and duties, and shall submit its suggestions to the Board of Directors for discussion:

- (1) Establishment the overall compensation policies of the Company.
- (2) Establishment and regular review of directors' and managers' performance, as well as remuneration policies, systems, standards, and structures.
- (3) Regular assessment and determination of the remuneration for directors and managers.

2. Information on Remuneration Committee members

March 24, 2024

Criteria →		Professional qualifications and experience	Independence	Number of public companies for which the committee member concurrently serves in their remuneration committees.
Title ↓	Name ↓			
Independent Director	Laura Huang	Please see page 11~12 of the Annual Report for the disclosure of professional qualifications of directors and independence information of independent directors.		2
Independent Director	Emma Chang			0
Independent Director	Peng-Heng Chang			1
Independent Director	Han-Fei Lin			2

3. Status of operation of the Remuneration Committee

- (1) The Company's Remuneration Committee comprises four members.
- (2) Service tenure of the current committee: Between March 4, 2021 and March 3, 2024. As of 2023 and up to the publication date of this annual report, the Remuneration Committee held a total of 4 meetings [A]; the attendance by committee members is stated as follows:

Position	Name	Number of in-person attendance [B]	Number of proxy attendance	Percentage of in-person attendance (%) [B/A]	Remarks
Convener	Peng-Heng Chang	4	0	100	
Committee member	Laura Huang	4	0	100	
Committee member	Emma Chang	4	0	100	
Committee member	Han-Fei Lin	2	0	100	Independent Director Han-Fei Lin was inaugurated as a member of the Remuneration Committee on August 10, 2023.

Other mandatory disclosures:

- I. If the Board of Directors declines to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
- II. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions, and the response to members' opinion should be specified: None.



(VI) Fulfillment of Sustainable Development; Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies; and Causes for Such Deviations

Promoted Items	Execution progress		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes therefor
	Yes	No	
I. Does the company establish a governance structure and set up an exclusively (or concurrently) dedicated unit to promote sustainable development? Is such unit being dealt with by high level management as authorized by the Board of Directors? How is it supervised by the Board of Directors? (TWSE/TPEX Listed Companies should fill in their implementation status, not the compliance or explanation)	●		<p>In 2021, the Company established the “ESG Sustainable Development Promotion Committee”, the highest decision-making body within the Company with respect to sustainable development. The committee is chaired by the President who, together with a representative and various high-level management possessing different expertise, reviews the Company’s core operating capabilities and sets up the medium- and long-term sustainable development plan.</p> <p>Through quarterly meetings and workshops established to cover different issues, the “ESG Sustainable Development Promotion Committee” identifies the sustainability issues that are relevant to the Company’s operations and concern stakeholders. The Committee also formulates a response strategy and working policy, and further tracks the implementation performance to ensure that the sustainable development strategy is incorporated into the Company’s daily operations. The management representative regularly reports to the Board of Directors on the sustainable development implementation performance and future work plan, and the Board of Directors shall consider the future business strategies and make recommendations on how to implement these strategies.</p> <p>In May 2023, the Committee reported to the Board of Directors on the results of the Company’s ESG operations for the previous year, the work plan for 2023, and the identification of potential significant ESG issues; the results of 2023 and the work plan for 2024 have also been agreed upon by the Committee, and plans are being prepared and implemented.</p> <p>No significant deviation</p>
II. Has the Company conducted risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality? (TWSE/TPEX Listed Companies should fill in their implementation status, not the compliance or explanation)	●		<p>In 2021, the Company’s Board of Directors approved the formulation of the “Risk Management Policy and Procedures”, the highest level guidelines on risk management within the Company. The Company has established a “Risk Management Steering Committee”, chaired by the President, and the top executive of the resource planning organization is the Executive Secretary. The Committee is responsible for formulating corporate strategy for sustainable management and planning blueprints. It performs risk and risk situation identification, assesses risk levels, formulates preventive and contingency measures, and achieves compliance management through specific actions and training drills by means of the Business Continuity Management System.</p> <p>The Company’s scope of risk management includes “intellectual property rights”, “information technology security”, “talent recruitment”, “technology development and competitive advantage”, and “climate change”.</p> <p>In order to implement the risk management mechanism, the Company holds regular risk management team meetings. Each unit will review, at least once a quarter, the ongoing risks of its operation, including the evolution of risks and new risks or emerging risks that occur in response to overall external fluctuations, and review the management policies and specific actions accordingly. The Committee will review the risk management status and estimate the risk trend for the next quarter, and report the risk management operation to the Board of Directors once a year.</p> <p>In 2023, 16 risk items have been restructured and consolidated, and 113 risk scenarios were derived from the risk items to respond to them. The frequency of risk events and the severity of their impact on the Company’s operations were evaluated using the Risk Map, and the priority and risk level of the risks were defined to adopt corresponding risk management strategies.</p> <p>The 2023 operation of risk management was reported to the Board of Directors in the third quarter of 2023.</p> <p>No significant deviation</p>
III. Environmental issues			
(I) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?	●		<p>The Company views pollution prevention as one of its top priorities, and is dedicated to promoting environmental sustainability, green production, and building its reputation as the role model in environmental protection. The Company adopted the ISO 14001 environmental management system and the ISO 50001 energy management system in 2014 at the very beginning of the plant's construction. In terms of environmental considerations, energy management, and regulatory requirements, the Company continues to identify, check, comply, and make continuous improvements every year. According to the articles and spirit of the management system, the Company implements their execution and management work. The Company also requests third-party verification agencies to conduct verification on a regular basis to maintain the effectiveness of the management system.</p> <p>No significant deviation</p>
(II) Is the company committed to improving energy efficiency and using recycled materials with low impact on the environment?	●		<ol style="list-style-type: none"> <li>1. Low carbon manufacturing: The Company continues to adopt the best technologies to reduce greenhouse gas emission, and strives to become the industry’s role model in low carbon manufacturing.</li> <li>2. Use of renewable energy: The Company adopts the use of solar power system and is constantly searching for opportunities to make use of renewable energy.</li> <li>3. Improving energy efficiency: The Company introduces new energy conservation measures each year and takes pro-active energy actions to raise energy efficiency.</li> <li>4. Resilience to climate change: The Company has response and preventive measures in place to mitigate climate change risks.</li> </ol> <p>No significant deviation</p>
(III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	●		<p>As we face a worsening and extreme climate, having the resilience to cope with climate-related disasters is an important element for running a business. The Company has established an Enterprise Risk Management (ERM) system by referring to the ISO 22301 business continuity management standard. The Company uses the Risk Map to evaluate the frequency of risk events and the severity of impact on the Company’s operations to define the risk control priority and risk levels, and to adopt a risk management policy corresponding to the risk levels defined. The assessment results show that the risks associated with climate change include droughts, severe typhoons, heavy rainfall, earthquakes, power and water shortages, as well as increasingly stringent regulatory requirements. As a result, training and drills on mitigation measures are conducted using scenario simulations, and risk changes and countermeasures are regularly reviewed on a quarterly basis.</p> <p>No significant deviation</p>

Promoted Items	Execution progress		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes therefor									
	Yes	No										
(IV) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?	●	The Company completed the ISO 14064-1 Scope 1, 2, and 3 inventory and third-party verification in March 2024, and the ISO 50001 inventory and third-party verification in 2023. The Company makes pro-active attempt at minimizing environmental footprint of its product, and continues to enforce green actions including greenhouse gas reduction, energy conservation, water conservation, waste reduction, resource recycling/reuse, and pollution prevention throughout the Company.										
		1. Greenhouse gas reduction and energy management In 2013 , the Company established a greenhouse gas inventory system based on ISO 14064 and the WBCSD/ WRI Greenhouse Gas Protocol. The Company conducts an annual GHG emission inventory in order to understand the status of GHG use and emissions, verify the effectiveness of the reduction actions, and pass third party verification. The main sources of greenhouse gas emissions in Scope 1 are from process gases (nitrogen trifluoride, perfluoride, carbon dioxide, etc.), VOC pollution control equipment, emergency generators, and kitchen fuel such as natural gas, gasoline, and diesel, as well as fugitive emission sources such as septic tanks and firefighting equipment; Scope 2 greenhouse gas emissions are mainly from indirect emissions generated by energy use. Through the ISO 50001 Energy Management System, we will continue to focus on low carbon transformation and energy efficiency management.										
		◆ Greenhouse gas emission statistics for the two most recent years: Unit : MTCO <sub>2</sub> e										
		<table><tr><th>Year</th><th>Scope 1</th><th>Scope 2</th></tr><tr><td>2023</td><td>4,910</td><td>37,135</td></tr><tr><td>2022</td><td>5,728</td><td>23,263</td></tr></table>		Year	Scope 1	Scope 2	2023	4,910	37,135	2022	5,728	23,263
Year	Scope 1	Scope 2										
2023	4,910	37,135										
2022	5,728	23,263										
		Note:Includes the Hsinchu Plant and Longtan Plant, but excludes the Zhongli Plant (where the emission accounts for less than 5% of the total emission)										
		In addition, in response to climate change and to promote the Company's sustainable operation, the Company will continue to negotiate the purchase of renewable energy and invest in the development of energy-saving products in the future, aiming to achieve 40% of power consumption by the end of 2030. The Company strives for its long-term goal of net-zero carbon emissions and the use of 100% renewable energy by 2050.										
		2. Water resource management: The Company adopted the water risk assessment tool from the World Resources Institute (WRI) to identify the water risk in the area where the plant is located, using water availability, environmental discharge quality, and regulatory and reputational risk as key indicators; the results of the assessment for the Company' s plant sites are all medium to low risk. By implementing the three main strategies of "implementing water use plans, seeking opportunities to conserve water, and controlling pollution sources", and by installing mechanical or electronic flow meters at water inlets and key water lines, staff on duty take daily meter readings, and the engineer in charge of the water system compiles statistics and establishes water use plans based on the meter readings.										
		(1) Resource risk management: The Company executes climate risk mitigation solutions and takes progressive steps to conserve water and adjust to water shortage. (2) Diversified water resources: The Company continues to cut down production water usage and recycle water through integration of internal and external resources. (3) Development of treatment technology: Advanced water treatment technologies are being adopted to ensure effective removal of TMAH and other pollutants in wastewater.										
		◆ Water consumption statistics for the two most recent years:										
		<table><tr><th>Year</th><th>Total water consumption (m³)</th><th>Water consumption per production unit (liters/8-inch wafer eq. - number of photomasks)</th></tr><tr><td>2023</td><td>484,038</td><td>24.01</td></tr><tr><td>2022</td><td>376,370</td><td>19.32</td></tr></table>		Year	Total water consumption (m³)	Water consumption per production unit (liters/8-inch wafer eq. - number of photomasks)	2023	484,038	24.01	2022	376,370	19.32
Year	Total water consumption (m³)	Water consumption per production unit (liters/8-inch wafer eq. - number of photomasks)										
2023	484,038	24.01										
2022	376,370	19.32										
		Note:The water resource related statistics only include the Hsinchu Plant and Longtan Plant. The Zhongli Plant is leased and the city/waste water taken and discharged are included in the landlord' s water treatment system; therefore, no specific breakdown can be made.										
		No significant deviation										



Promoted Items		Execution progress		Summary description	Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the causes therefor												
Yes	No																
				<div>3. Waste management: The Company implements green manufacturing and follows its principle of “minimizing waste generation and maximizing resource recycling” in waste management. We prioritize the implementation of “material recycling” and “energy recycling” instead of incineration and landfilling to maximize the use of resources. In 2021, the Company started to search for waste treatment suppliers other than incineration/landfilling to treat waste in ways other than incineration. Also, we cooperated with the Foundation Of Taiwan Industry Service. In December of the same year, the Company cooperated with recycling companies to accomplish the process of replacing traditional heavy polluting fuels such as coal and natural gas by diverting and improving the purity of waste materials that originally had no reuse value. The recycling rate (including energy recovery) will reach over 90% by 2022. In 2023, 1,859 tons of waste has been recycled and reused per year, and the landfill rate is 0.25%. Since the establishment of the plant, the landfill rate has been less than 1% for 18 consecutive years.</div> <div>(1) Reduction at the source: Suppliers are being requested to supply chemical machinery of low consumption, which helps reduce waste at the source.</div> <div>(2) Circular economy: The Company is constantly in search of new waste recycling technology to increase the volume of waste recycled and reused.</div> <div>(3) Audit and counseling: The Company performs audit and joint evaluation/counseling according to Waste Management Service Provider Evaluation Standards for High-tech Industry.</div> <div>◆ Total waste volume and outsourced waste volume per wafer for the last two years:</div> <table><tr><th>Year</th><th>Outsourced general waste (tons)</th><th>Outsourced hazardous waste (tons)</th><th>Total volume of outsourced business waste</th></tr><tr><td>2023</td><td>741</td><td>1,254</td><td>1,995</td></tr><tr><td>2022</td><td>930</td><td>1,418</td><td>2,348</td></tr></table> <div>Note: Including our Hsinchu, Longtan and Zhongli plants.</div>	Year	Outsourced general waste (tons)	Outsourced hazardous waste (tons)	Total volume of outsourced business waste	2023	741	1,254	1,995	2022	930	1,418	2,348	
Year	Outsourced general waste (tons)	Outsourced hazardous waste (tons)	Total volume of outsourced business waste														
2023	741	1,254	1,995														
2022	930	1,418	2,348														
IV. Enforcement of public interest																	
(I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	●			<div>The Company strictly abides by labor laws and regulations, with which all of its internal regulations and systems comply. “VisEra Corporate Social Responsibility Policy” and “VisEra Supplier Code of Conduct” have been created based on “Responsible Business Alliance (RBA, formerly known as EICC) Code of Conduct” and “United Nations Guiding Principles on Business and Human Rights.” Since 2021, suppliers have been required to sign the "VisEra Technologies Supplier Code of Conduct": Workers' human rights, terms of employment, workers' health, occupational safety and health, and environmental protection. The Company audited key suppliers in 2023 using RBA criteria to conduct on-site visits to request and assist them in improving their RBA systems.</div>	No significant deviation												
(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	●			<div>The Company is committed to maintaining a high standard of corporate social responsibility. It believes that the maintenance of good labor relations is the cornerstone of the Company’s sustainable development and promotes the following employee welfare measures:</div> <div>1. Labor Insurance and National Health Insurance: All employees of the Company participate in Labor Insurance and National Health Insurance.</div> <div>2. Group Insurance: In addition to the employees themselves, their spouses, children and parents are also covered, so that colleagues and their families can be protected.</div> <div>3. Employee welfare: The Company makes welfare fund contributions as per the “Employee Welfare Fund Act,” and organizes an employee welfare committee to handle employee welfare matters. In addition to providing employees with various welfare measures and cash gifts for annual festivals, company trips, family days, year-end parties and other activities will be organized as well to maintain the friendship among employees, enhance the internal cohesion within the organization, and improve the morale at work. In 2023, due to the COVID-19 pandemic easing, the Company resumed employee trips, family days, and department year-end parties.</div> <div>4. Employee health promotion: Various employee physical examinations and annual health check-ups are provided which are better than the statutory requirements, and appropriate health promotion programs are planned as needed. A health center and breastfeeding rooms have been set up, dedicated nursing personnel are hired, and physicians are regularly arranged for to visit the plant to provide health consultations. Professional psychological counselors are engaged to take care of the mental health of employees. Health promotion courses are organized occasionally, such as the body-mind courses. Blood donation activities are arranged, both to accelerate metabolism and to do charity. In 2023, health seminars and weight loss activities were resumed, and on-site doctor and counseling psychologist services were continued.</div> <div>5. Group Meals: The Company has a canteen and coffee bar which provides various meals such as buffet, fast food, and wheat dishes. Lunch, dinner, and supper are all subsidized by the Company. The Company has introduced a floating meal price tag and healthy meal so that we can offer a wide selection of meals. The Company continues to offer exotic cuisine meals, which mainly comprise native cuisine of those foreign-national migrant workers, in order to comfort their homesickness.</div> <div>6. Bonus system: The Company pays bonuses depending on performance results.</div> <div>7. Club activities: In order to encourage employees to engage in proper leisure activities, various clubs are organized by employees, and the Employee Welfare Committee provides budget subsidies.</div> <div>Employee compensation is determined by the provisions of the Company’s Articles of Incorporation, which fixes it at no less than 1% of annual earnings.</div>	No significant deviation												

Promoted Items	Execution progress		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes therefor
	Yes	No	
(III) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	●		<p>Summary description</p> <p>1. Fully featured work environment:</p> <ul style="list-style-type: none"> <li>The plant completed in 2017 received Award of Excellence for Green Plant Initiative within the science park.</li> <li>In 2022, the new Longtan factory area was newly constructed, and in 2023, it was awarded the Golden level Green Building Award by the Ministry of the Interior.</li> <li>Safe and constant-temperature clean room environment.</li> <li>Well-lit, comfortable, and accessible office environment where employees may communicate easily with each other.</li> <li>Five-star fitness center featuring commercial-grade fitness equipment, aerobics rooms, pool table, and table tennis equipment.</li> <li>Employees are entitled to car/scooter/bicycle parking lots.</li> </ul> <p>2. Professional services: The Company has a health center, equipped with nursing professionals to provide professional health consultation and nursing services; a nursery room has also been created to cater for the needs of working mothers.</p> <p>3. Health events: The Company organizes regular health checkups and screenings that are more comprehensive than what the laws require, thereby allowing early identification of health problems. Complimentary health seminars, physique management courses, hiking events, and massage services are organized for employees' benefit.</p> <p>4. The Company complies with laws and makes ongoing efforts to promote employees' safety and health awareness. New recruits are subjected to safety and health training upon commencement of duty, and all employees are trained regularly on evacuation and use of fire extinguishers and fire hydrants. Practical CPR/AED training are also arranged for employees' safety. There was no fire incident to the Company in 2023.</p> <p>No significant deviation</p>
(IV) Does the Company have means to communicate with employees on a regular basis, and inform them of operational changes that may be of significant impact? Has the Company established an effective career development training program for its employees?	●		<p>Summary description</p> <p>1. The Company values the opinions of its employees and provides a variety of channels to promote communication and coordination between labor and capital. The Company holds quarterly labor-management meetings to explain the Company's operations to labor representatives and to participate in discussions on labor conditions and benefits; it also holds quarterly employee communication meetings in order to provide direct two-way interaction and communication with employees; the Company regularly announces important information and updates on upcoming events through its intranet site (My VisEra) and quarterly e-newsletters; it has set up a channel for whistleblowing for employees so that employees can report work and environmental problems and suggestions, or workplace violations/sexual harassment and other human rights complaints. The complaints are conveyed to the dedicated department and the Company's top management according to the nature of the issue. Multiple channels for employee feedback are maintained, voices of employees are listened to, and responses and communication are made in a timely manner to promote labor-management harmony and achieve win-win for both the enterprise and employees.</p> <p>2. The Company has established the Education and Training Committee to establish a blueprint for the career ability development and training of employees. The annual training plan is implemented by the training and development unit according to the needs of the organization. From the orientation training course for new recruits, Buddy's counseling on new recruits' adaptability, and IDP personal development learning plan, executive management training courses, legal compliance training, and so on. The Education and Training Committee reviews the implementation of training quarterly, and enhances the training content in a timely manner to cultivate and develop talents to achieve sustainable development of the Company.</p> <p>No significant deviation</p>
(V) Has the Company complied with laws and international standards with respect to issues such as customers' health, safety and privacy, marketing, and labeling that involve its products and services, and implemented consumer and customer protection policies and complaint procedures?	●		<p>Summary description</p> <p>Not applicable as VisEra does not produce the final products.</p> <p>Not applicable.</p>
(VI) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	●		<p>Summary description</p> <p>Plant affairs, quality management, and sales teams continue to work with suppliers on resolving various issues:</p> <p>1. Restriction of Hazardous Substances: VisEra promotes "green purchase," an initiative that requires all raw material suppliers to issue statements assuring that their products contain no substances that are considered harmful to the environment or are banned internationally. In doing so, the Company ensures that its products comply with RoHS requirements of its customers, such as those in the EU.</p> <p>2. "VisEra Supplier Code of Conduct" has been created based on "Responsible Business Alliance (RBA, formerly known as EICC) Code of Conduct" and "United Nations Guiding Principles on Business and Human Rights." It requires suppliers to conform with various requirements concerning: workers' human rights, terms of employment, workers' health, occupational safety and health, and environmental protection.</p> <p>3. Management of conflict minerals: With regards to the management of conflict minerals, VisEra Technologies requires suppliers to prohibit against using "minerals sourced from conflict regions," and to sign commitment to non-conflict minerals as per request of VisEra.</p> <p>No significant deviation</p>
V. Does the Company prepare its sustainability report or any report of non-financial information based on international reporting standards or guidelines? Are the above mentioned reports supported by assurance or the opinion of a third-party certifier?	●		<p>Summary description</p> <p>The Company has compiled the VisEra Sustainability Report in accordance with the GRI Standards, the framework of TCFD Recommendations, the Sustainability Accounting Standards Board (SASB), and the AA1000 Accountability Principles. This Sustainability Report has been verified by a third-party verification company, DNV Business Assurance Co., Ltd..</p> <p>No significant deviation</p>
VI. If the company has established sustainable development principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe its current practices and any deviations from those principles: The Company has established a "Responsible Business Alliance Management Handbook" based on its current practices, and takes progressive steps toward fulfilling its corporate social responsibilities.			<p>Summary description</p> <p>VII. Other important information that is helpful to understand the implementation of sustainable development: Please refer to the Company's corporate sustainability section for other information on the Company's corporate sustainable development operation.</p>





### Climate-related information implementation of VisEra Technologies:



For the implementation of the Company's climate-related information, please refer to Chapter 5.2 of the Company's Sustainability Report.

### Climate-related financial disclosures

Since 2022, VisEra Technologies has identified climate risks and opportunities in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework and consulted research reports from international institutions to evaluate climate change risks and countermeasures and identify potential risks and opportunities. Meanwhile, cross-departmental units are set up to sort the risks and opportunities identified in the "Climate Change Risks and Opportunities Workshop" for issues such as policy, regulation, market, technology, reputation, and physical risk, and establish the measurement indicators for target management based on the identification results to effectively monitor the progress and results of our response actions, and thereby reduce the financial impact of climate risks on our operations. With respect to the top three risks of "Zero Net Carbon Emission, Regulation-carbon Fee, Acute Climate Change and Drought," we conducted quantitative assessments on the financial impact of the top three risks, taking into account internal and external environmental changes, referring to the methodologies disclosed by domestic and foreign companies, and used "governance", "Strategy", "Risk Management," and "Indicators and Targets" to formulate strategies and actions in response to climate change, to reduce the impact of climate risks and improve organizational climate resilience.

### Management framework for climate-related risks and opportunities

Aspects	Management strategy	Execution progress
 Governance	<ul style="list-style-type: none"> <li>◆ The Board of Directors regularly reviews the risks and opportunities related to climate change, and the role of the management in the assessment and management of climate-related risks and opportunities.             <ul style="list-style-type: none"> <li>ESG Sustainable Development Implementation Committee: chaired by the President and with a management representative, it regularly reviews the Company's climate change strategies and goals, and reports to the board of directors.</li> <li>Risk Management Steering Committee: Chaired by the President and accompanied by a management representative, the Committee is responsible for the focus of enterprise risk management, risk assessment and mitigation. Climate change is one of the company's risks. The management representative will report the annual enterprise risk management at the annual board meeting, including the response to climate change risks.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>◆ The ESG Sustainable Development Implementation Committee convenes every quarter to discuss corporate sustainability issues such as corporate governance, society, environmental protection and energy conservation. Climate change response is also one of the topics of the discussion. Items under discussion are included in resolutions or items that need to be implemented and followed up for improvement.</li> <li>◆ The Risk Management Steering Committee convened a total of 4 meetings. With reference to the Company's operational risks, including emerging risks such as carbon fee and renewable energy use, the energy conservation management plans were formulated quarterly, and the implementation was reviewed.</li> </ul>
 Strategy	<ul style="list-style-type: none"> <li>◆ Utilize the TCFD framework to regularly identify short-, medium-, and long-term climate-related risks and opportunities.</li> <li>◆ The impact of climate-related risks and opportunities on the organization's operations, strategies and financial planning.</li> <li>◆ Consider the resilience of organizational strategies under different climate scenarios.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Using TCFD, cross-departmental discussions were conducted to identify short-, medium-, and long-term climate-related risks and opportunities. A total of 13 risks and 9 opportunities were identified.</li> <li>◆ Estimates are based on three different scenarios (government net zero pathway, the SSP1-1.9 pathway in the IPCC Sixth Assessment Report (AR6), and the Science-based Target (SBT) pathway to achieve net zero by 2050) for the cost of transition regarding the implementation of the carbon reduction strategy in the future, in order to understand the possible financial impact of different strategies under different scenarios.</li> <li>◆ Develop low-carbon products to meet customer needs, improve technical standards, and respond to product carbon footprint information.</li> </ul>

Aspects	Management strategy	Execution progress
 Risk management	<ul style="list-style-type: none"> <li>◆ Assess the significance of the risks and opportunities associated with climate change based on the degree of impact and incidence, and establish relevant response plans.</li> <li>◆ The results of climate risk identification and assessment are included in the enterprise risk management (ERM) project, and are regularly confirmed by the senior management.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Assess the financial qualitative and quantitative impacts of the material climate-related risks/opportunities discussed by relevant units in the Climate Change Risks and Opportunities workshop.</li> <li>◆ The identified major risks, including the carbon levy (tax), laws and regulations and customer demand for renewable energy, national energy policy changes, estimate the financial impact, and report to the senior management for review at the annual Risk Management Committee meeting.</li> <li>◆ A total of 3 major risks and 2 major opportunities were identified.</li> </ul>
 Indicators and Targets	<ul style="list-style-type: none"> <li>◆ Set management indicators and targets to measure climate risks and opportunities             <ul style="list-style-type: none"> <li>Set goals for greenhouse gas management and energy resource recycling and reuse.</li> <li>Inventory the environmental footprint of 100% of products, and promote the analysis and improvement of carbon footprint hotspots.</li> <li>Set mid- and long-term goals for renewable energy in line with the renewable energy regulations of large energy users.</li> </ul> </li> <li>◆ Conduct inventory and verification of GHG Scope 1/2/3 every year to identify the sources of GHG emissions and conduct key management.</li> </ul>	<ul style="list-style-type: none"> <li>◆ The inventory of environmental footprint of 100% of products has been completed, and the management plan improvement has been made based on the two hot spots of carbon footprint inventory in 2023.</li> <li>◆ According to the schedule of renewable energy purchase, the onshore wind power and small hydro power generation will be 13,903,000 kWh in 2023, and the target for renewable energy to account for 40% of the power supply in 2030 is set.</li> <li>◆ The inventory was conducted according to the Greenhouse Gas Protocol, and the third-party verification was ISO 14064-1:2018. The results show that the Scope 2 emissions indirectly caused by the electricity consumption in the production process and the Scope 3 emissions derived from the supply chain are the most significant. The Company will continue to implement relevant management measures.</li> </ul>

### Climate Change Risks and Opportunities and Financial Impact Analysis

Climate risk	Potential financial impact	Response plan
Drought	<ul style="list-style-type: none"> <li>Production is affected, resulting in decreased revenue</li> </ul>	<ul style="list-style-type: none"> <li>Assess the drought risk at the manufacturing sites, and develop and implement risk mitigation measures</li> <li>Establish a comprehensive water monitoring mechanism and emergency response procedures, and conduct regular drills</li> </ul>
Greenhouse gas cap control and carbon tax and fee	<ul style="list-style-type: none"> <li>Capacity expansion is limited and operating costs increase</li> </ul>	<ul style="list-style-type: none"> <li>Set aggressive carbon reduction targets: Commit to using 100% renewable energy for the entire company by 2030</li> </ul>
Net zero emissions	<ul style="list-style-type: none"> <li>Installation and operation cost of carbon reduction equipment</li> <li>Increase in the purchase price of renewable energy and carbon credits</li> </ul>	<ul style="list-style-type: none"> <li>Continued Greenhouse Gas Reduction</li> <li>Long-term planning for the purchase of carbon rights</li> </ul>

Climate Opportunities	Potential financial impact	Response plan
Improve plant energy efficiency	<ul style="list-style-type: none"> <li>Reduce operating costs of utilities</li> </ul>	<ul style="list-style-type: none"> <li>Construction of green factories and acquisition of green building certificates</li> </ul>
Promoting water resource efficiency and diversification	<ul style="list-style-type: none"> <li>Save the purchase cost of backup water source</li> </ul>	<ul style="list-style-type: none"> <li>Continued promotion of water conservation measures</li> <li>Started using reclaimed water</li> </ul>

### Climate Risk Management System

As we face a worsening and extreme climate, having the resilience to cope with climate-related disasters is an important element for running a business. With reference to the business continuity management standard ISO 22301, VisEra Technologies has established an Enterprise Risk Management (ERM) system that uses the Risk Map to assess the frequency of risk events and the severity of the impact on the Company's operations and risk levels, and adopt corresponding risk management strategies based on the defined priorities and risk levels. The assessment results show that the risks associated with climate change include droughts, strong typhoons, heavy rainfalls, earthquakes, electricity and water resources shortage, and increasingly stringent regulatory requirements, the Company uses scenario simulations to train and rehearse mitigation measures, and regularly review risk changes and countermeasures on a quarterly basis.

Risks and opportunities	Scenario simulation	Mitigation measures
Stricter environmental requirements	In light of increasingly stringent environmental protection/hazardous substance reduction/exemption laws and regulations, if our company uses this substance, it will be necessary to change the manufacturing process again, which will be time-consuming and labor-intensive. This will lower customer satisfaction or render the existing control equipment unable to meet regulatory requirements.	Comply with international environmental protection, climate change, safety and health, humanism, hazardous substance reduction, conflict minerals regulations, and take the following measures: 1. Purchase, use and installation of prevention equipment. 2. Implementation of prevention and control plans, such as the Climate Change Mitigation Program. 3. Revise product design and manufacturing process.
Disaster	Floods, earthquakes, tsunamis, typhoons, and droughts may cause fire/flooding/smoke damage to the plant, which will cause serious losses to the plant.	1. Conduct risk prevention, emergency response drills, crisis management, and continuous operation development response plans for emergency situations. 2. Improve the vibration-proof securing measures for production machines and include them in the specifications of the new plant. 3. Accredited with the environmental management system (ISO 14001) and occupational health and safety management system (ISO 45001), with reference to the business continuity management standard ISO 22301. 4. Purchase of fire and accident insurance, regular fire protection system inspections and drills, and company-wide fire risk reduction plans with emphasis on management and hardware improvements.
Shortage of electricity and water resources	Drought causes water shortage.	1. Starting in 2020, we have selected companies with legitimate groundwater rights to sign water tanker supply contracts as a response to droughts. VisEra Technologies reviews the contract conditions every year and continues to sign to maintain the stability of water supply. 2. Monitoring of water conditions and water consumption/conservation management in the plant during the dry season, and activating the water shortage response mechanism according to the conditions. 3. Standardize response procedures and conduct regular drills.

### Financial Impact Analysis of Extreme Climate Events and Transformation Scenarios

Considering the transformation risk of climate change, changes in regulations and market demand may have long-term and significant impact on the Company's operations. Therefore, VisEra Technologies estimated the transition cost required for implementing the carbon reduction strategy in the future under three different scenarios, including the government's net zero path, the SSP1-1.9 path in the IPCC Sixth Assessment Report (AR6), and the carbon reduction pathway to achieve net zero before 2050 as required by the Science-Based Targets Net-Zero (SBT-NZ) Standard. This simulation is to estimate the possible future emission volume based on VisEra Technologies's basic data, and based on this emission amount, the ultimate risk comparison with the BAU strategy (refers to the risk encountered by the Company as a result of any inaction by the Company) in order to understand the possible financial impact under different scenarios of different strategies.

Risk assessment	Risk factors	Explanation	External Situation		
			Government path to net zero	SSP1-1.9	SBT-NZ
Laws and regulations	Carbon tax	Taxes are levied on the unit carbon emissions of enterprises under different scenarios. Due to the huge gap between the tax systems, the uncertainty is high. This assessment mainly considers three levels of carbon tax.	SSP2-4.5 (approximately 2-10 USD/tCO <sub>2</sub> e between 2021 and 2050)	Carbon price for SSP 1-1.9 (approximately 650 USD/tCO <sub>2</sub> e in 2050)	Carbon price for SSP 1-1.9 (approximately 650 USD/tCO <sub>2</sub> e in 2050)
Market	Revenue risk of green products	Customers with carbon reduction requirements account for about 40% of the Company's current revenue. Therefore, it is assumed that 40% of the revenue is from low-carbon products. Because of the Company's inaction, the possible impact to operating revenue is defined as market risk.	1% of revenue was affected	25% of low-carbon product revenue was affected	25% of low-carbon product revenue was affected

### Parameters and assumptions of emission projection for the base scenario

- ◆ Scope 1 emission growth rate: Based on the change rate from 2020 to 2021, it is estimated at -5.5%.
- ◆ Electricity consumption growth rate: Based on Taiwan's average growth rate from 2016 to 2021, it is estimated at 2.12% per year.
- ◆ Electricity and steam carbon emission coefficient: Calculated based on the government's energy policy from 2019 to 2050, the change in the electricity coefficient in Taiwan under different scenarios. In 2030, the current government forecast target (30% coal, 50% gas, 20% renewable energy) will be achieved, and renewable energy will continue to grow to 50% and replace coal-fired power generation (50% gas, 50% renewable energy) by 2050.



## Analysis of the financial impact of BAU strategies under different scenarios

Climate scenarios	Financial Impact of BAU Strategy	Cost of transition for carbon reduction strategy
Government net zero	The greater the gap between carbon emissions and the government's net zero target, the higher the regulatory risk of carbon fines. However, after 2035, due to the increase in the proportion of renewable energy, the externally purchased carbon emission factor gradually declines each year. The legal risk is also gradually reduced.	To meet the carbon emission credits under the government's net zero target, it is mainly achieved through the purchase of renewable energy. Assuming that the cost of renewable energy is NTD 4.58/kWh, the cost of renewable energy before 2025 was about 0.1% of revenue. Costs and expenses will ultimately reach 0.3% of revenue by 2050.
SSP1-1.9	Due to the higher market demand for low-carbon products, the lack of carbon reduction actions may cause 40% of the loss of existing demand for low-carbon products. Without any carbon reduction actions, the carbon tax will rise to close to 2.6% of revenue by 2050.	In 2025, the purchase of renewable energy was expanded, and the carbon emission decreased rapidly. However, the carbon tax continued to rise year by year, reaching the maximum around 2030, and then decreasing as the carbon emission decreased. Carbon removal related technologies began to be used in 2040, and the total cost will reach about 0.8% - 0.9% of revenue.
SBT-NZ	Similar to SSP1-1.9, only the time point of achieving net zero is different. Therefore, it will face the same transition risks and possible financial impacts if inaction.	The total cost of expenditure (purchase of renewable energy and carbon tax) in 2035 will exceed 0.1% of revenue. However, with the net zero goal achieved around 2045, the risk of carbon tax is expected to be reduced to zero, while avoiding all of market risk.

## VisEra Technologies Greenhouse Gas Inventory and Assurance in the Recent Two Years

Year	2022	2023	Assurance institutions	Description of assurance
Scope 1			DNV	Reasonable assurance level
Greenhouse gas emissions (metric tons - CO <sub>2</sub> equivalent)	5,728	4,910		
Emission intensity (metric tons-CO <sub>2</sub> equivalent/NTD million)	0.6310	0.6785		
Scope 2				
Greenhouse gas emissions (metric tons - CO <sub>2</sub> equivalent)	23,263	37,135		
Emission intensity (metric tons-CO <sub>2</sub> equivalent/NTD million)	2.5628	5.1313		

Note 1: The organizational boundaries are established using the 100% operational control method, including the Hsinchu and Longtan Plants (joined in 2023) of the Company, but exclude the Zhongli Plant (where emissions account for less than 5% of total emissions).

Note 2: The GWP value is based on the 4th assessment report in 2019 of IPCC before 2022, and the 5th assessment report in 2019 of IPCC starting from 2023; the greenhouse gas emission value is based on the Greenhouse Gas Emission Coefficient Management Table Version 6.0.4 of the Environmental Protection Administration.

Note 3: Local scrubbers (LSCs) have been introduced since 2020 to effectively reduce fluorine-based gas emissions during production.

Note 4: Scope 2 greenhouse gas emissions are calculated using the electricity carbon emission coefficients published by the Bureau of Energy, Ministry of Economic Affairs.

Note 5: In 2022, a number of energy-saving measures were introduced in the plants and the utilization rate of renewable energy was increased, resulting in a decrease in Scope 2 emission intensity.

## VisEra Technologies's greenhouse gas reduction goals, strategies and concrete action plans

VisEra Technologies deeply understands its corporate responsibility for the environment. Each year, it identifies environmental considerations in accordance with the ISO 14001 specifications, and formulates various environmental improvement plans towards maximizing the efficiency of resource use and minimizing the impact on the environment. We will also pay close attention to various climate actions, including limiting global temperature rise to 2° C and the RE100 global renewable energy initiative.

The short-term goal is to achieve a renewable energy ratio of > 24% of the whole company's power consumption in 2024, and the medium-term goal is to maintain a stable supply of renewable energy to achieve the goal of 40% of renewable energy for the entire company in 2030, and the long-term goal of achieving 100% renewable energy for the entire company in 2050.

VisEra Technologies continues to strive for the benchmark of the optimization of process greenhouse gas consumption and the maximum reduction of exhaust gas. The Company has installed 100% of its new and existing plants with high efficiency local scrubber (LSC), replacing the underperforming LSC in existing plants, taking concrete actions to effectively reduce greenhouse gas emissions.





(VII) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies:

Assessment	Actual governance		Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No		Summary description
I. Establishment of integrity policies and solutions				
(I) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the polices and practices it implements to maintain business integrity? Are the Board of Directors and the senior management committed to fulfilling this commitment?	●		Based on the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, the Company has formulated its own “Ethical Corporate Management Best Practice Principles”, which has been approved by the Board of Directors. The Board of Directors and management fully understand and implement those principles; they have incorporated those principles into their internal management and external business activities.	No significant deviation
(II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?	●		The Company’ s formulating the “Ethical Corporate Management Best Practice Principles” and the “Code of Ethics” ensures its ethical corporate management. The Company also regularly holds education and training on corporate governance for directors, irregularly disseminates corporate ethics, specifies awards and disciplinary actions in its “Work Rules” to prevent employees’ conducting unethical conduct, and implements ethical corporate management through internal approval process and the internal control system.	No significant deviation
(III) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	●		As stated above. The Company also disseminates “ethical corporate management” internally; In addition, the Company’ s internal and external websites both provide a channel for whistleblowing/complaint/opinion submissions, which will be transmitted by their nature to the dedicated department and the Company’ s highest-level manager.	No significant deviation
II. Enforcement of business integrity				
(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	●		All of the Company’ s transaction counterparties are subject to this supplier management mechanism. With suppliers and contractors already under partnership with the Company, the Company also regularly audits and assesses them, and includes provisions of business ethics in the contracts with them.	No significant deviation
(II) Does the Company have a unit that enforces business integrity directly under the Board of Directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the Board of Directors on a regular basis (at least once a year)?	●		To fulfill the supervision responsibilities for ethical corporate management, it is implemented by the Legal and the HR units. The head of the Legal regularly reports the Company’ s legal compliance status at a management meeting. In addition, internal audit personnel make regular reports to the Board of Directors on the outcome of audit activities. Managers of the Company, particularly the CEO and CFO, perform duties under the supervision of the Board of Directors, and are responsible for ensuring that any financial and accounting information disclosed by VisEra Technologies to the authority and the public is complete, fair, accurate, timely, and easy-to-understand. In 2022, the Company created the Corporate Governance Task Force, the implementation unit, which regularly reports to the Board of Directors. Compliance training is one of the most important elements of VisEra's compliance plan. Through regular introduction of regulation awareness and training courses, employees of VisEra are informed on the latest laws and rules that are most relevant to them. This knowledge helps enforce employees' commitment to business integrity. Each year, every employee receives at least 0.5 hours of training courses (e-learning) on ethical conduct and legal compliance. In 2023, the course completion rate was 100% (with a total of 1,407 persons). Legal compliance training will still be provided in 2024.	No significant deviation
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	●		For those having a personal interest when involving in certain business activities, they shall report to their supervisor and recuse themselves from such activities in order to prevent conflict of interest. When any motion where a director’ s interest in at odds with their obligations to the Company is considered, all directors concerned recuse themselves from consideration and voting in accordance with the principle for avoidance of conflict of interest.	No significant deviation
(IV) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	●		The Company’ s accounting system is established against actual business needs, as well as the Securities and Exchange Act, Company Act,Business Entity Accounting Act, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the FSC-endorsed International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC interpretations. The Company’ s internal control system is established against the “Regulations Governing Establishment of Internal Control Systems by Public Companies” . Both the accounting system and the internal control system are well implemented. The audit department under the Board of Directors also regularly audit the compliance with the accounting system and the internal control system, and reports the results to the Board of Directors.	No significant deviation
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	●		By having employees attend the annual online “Business Integrity and Legal Compliance Annual Dissemination Seminar”, the Company makes them well aware of the Company’ s determination to achieve ethical corporate management, business ethical policy, prevention programs, and the consequence of violating the policy. The Company also has an employee complaint channel in place to ensure communication between the Company and employees, so as to create a harmonious labor relation and build consensus.	No significant deviation
III. Whistleblowing system				
(I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?	●		The Company has implemented the “Ethical Corporate Management Best Practice Principles”, “Code of Ethics”, and “Workplace Violation Prevention Policy” internally. Employees and outsiders are able to report misconduct relating to finance, laws, or ethics through the corporate website or directly to the CEO or President. Employees have the responsibility to report any suspicion of unethical practice to the line manager, the head of human resources, or through available whistleblowing channels.	No significant deviation
(II) Has the Company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	●		The Company will definitely keep confidential the whistle-blower's identity and the whistle-blown contents, and actively verify the contents and handle the case. Where a violation is deemed, the violator will be subject to disciplinary actions based on the extent of violation.	No significant deviation
(III) Has the Company provided proper whistleblower protection?	●			No significant deviation
IV. Enhanced information disclosure				
(I) Has the Company disclosed its integrity principles and progress onto its website and MOPS?	●		The Company has disclosed on its website the “Ethical Corporate Management Best Practice Principles”, measures taken to realize ethical corporate management, and the status of corporate social responsibility implementation.	No significant deviation
V. If the Company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” please describe its current practices and any deviations from the Best Practice Principles: The Company has established the “Ethical Corporate Management Best Practice Principles” and the “Code of Ethics”. All employees, managers, and Board members must be obliged by such principles and code, as well as other relevant regulations. There was no deviation of implementation from the contents of such principles and code.			VI. Other information important to the understanding of ethical corporate management: Aside from the “Ethical Corporate Management Best Practice Principles”, the Company also creates other internal regulations, such as the Code of Ethics, Corporate Governance Best Practice Principles, Procedures for the Prevention of Insider Trading, and Operating Procedures for Transactions with Related Party, Specified Company or Institution, and Group Entity.	




(VIII) Where a company has established its own corporate governance principles and other regulations, the manner through which they are available for consultation shall be specified: They are accessible at <http://www.viseratech.com>, the Company's dedicated area for investors.

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

1. The Company has always been supportive of sound corporate governance since it was first founded. It adopts an operational strategy that not only conforms with the corporate governance spirit, but supports the Company's business activities and maximizes shareholders' interests as well. The Board of Directors consists of members with diverse expertise, including law professionals, industry veteran, and finance/investment professionals. The Board of Directors is considered to have functioned as intended.
2. The Company implements and executes a robust internal control system. It has self-inspection systems in place to check day-to-day operations, whereas the Board of Directors and the management conduct regular reviews on self-inspection reports submitted by individual departments and audit reports submitted by internal auditors. In doing so, the management ensures performance and efficiency of the Company's operations, the accuracy of financial statements prepared, and compliance throughout the organization.
3. Continuing education on corporate governance for the Company's directors in the most recent year and up to the publication date of this annual report

Position	Name	Date of continuing education (Month/Day/Year)	Organizer	Course title	Hours
 Chairman	Robert Kuan	May 24, 2023	Taiwan Corporate Governance Association	Information security risk management and trends	3
		October 18, 2023		Directors' Duty of Care and Responsibilities for Misrepresentation of Financial Statements and Insider Trading	3
 Director	George Liu	October 4, 2023	Taiwan Corporate Governance Association	How the Board of Directors Formulate ESG Sustainable Governance Strategy	3
		October 18, 2023		Directors' Duty of Care and Responsibilities for Misrepresentation of Financial Statements and Insider Trading	3
 Director	Diane Kao	May 24, 2023	Taiwan Corporate Governance Association	Information security risk management and trends	3
		October 18, 2023		Directors' Duty of Care and Responsibilities for Misrepresentation of Financial Statements and Insider Trading	3
 Independent Director	Laura Huang	May 24, 2023	Taiwan Corporate Governance Association	Information security risk management and trends	3
		October 18, 2023		Directors' Duty of Care and Responsibilities for Misrepresentation of Financial Statements and Insider Trading	3


Position	Name	Date of continuing education (Month/Day/Year)	Organizer	Course title	Hours
 Independent Director	Emma Chang	April 13, 2023	UBS Bank, Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop - Corporate Sustainability and Domestic and Foreign Tax Trends	3
		May 24, 2023	Taiwan Corporate Governance Association	Information security risk management and trends	3
		May 25, 2023		Enhancement of ESG from the Board of Directors - Linking ESG Performance to Senior Management Compensation	3
		October 18, 2023		Directors' Duty of Care and Responsibilities for Misrepresentation of Financial Statements and Insider Trading	3
 Independent Director	Peng-Heng Chang	May 24, 2023	Taiwan Corporate Governance Association	Information security risk management and trends	3
		October 18, 2023		Directors' Duty of Care and Responsibilities for Misrepresentation of Financial Statements and Insider Trading	3
 Independent Director	Han-Fei Lin	July 18, 2023	Taiwan Corporate Governance Association	Post-pandemic talent sustainability challenge	3
		September 26, 2023	Securities and Futures Institute	Technical development and application opportunities of the chatting robot ChatGPT	3

4. Continuing education on corporate governance for the Company's managers (President, Vice Presidents, and accounting, financial, and audit supervisors) in the most recent year up to the publication date of this annual report

Position	Name	Date of continuing education (Month/Day/Year)	Organizer	Course title	Hours
 Head of Corporate Governance	Chia-hui Lin	April 27, 2023	Taiwan Corporate Governance Association	TCFD & SBTi development trend and the duties of directors	3
		June 8, 2023	Securities and Futures Institute	Trends in the global economy and industrial technology	3
		June 14, 2023	Accounting Research and Development Foundation	Analysis of the latest corporate governance policies and common deficiencies	3
		September 15, 2023	Taiwan Corporate Governance Association	How about a board meeting? Sharing of Practices on Common Defects in Board Meetings and Operations of TWSE Listed Companies	3
		October 18, 2023		Directors' Duty of Care and Responsibilities for Misrepresentation of Financial Statements and Insider Trading	3

## (X) Execution of internal control system

## 1. Statement of Internal Control System:



**采钰科技股份有限公司 VisEra Technologies Company Ltd.**  
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 32068 桃園市中壢區中興路188號 Tel 886-3-6668788 Fax 886-3-4535858  
 No. 188, Zhongyuan Rd., Zhongli Dist., Taoyuan City 32068, Taiwan (R.O.C.)  
 32542 桃園市龍潭區龍園一路89號 Tel 886-3-4333788 Fax 886-3-4890575  
 No. 89, Longyuan 1st Rd., Longtan Dist., Taoyuan City 32542, Taiwan (R.O.C.)

VisEra Technologies Company Ltd.

Statement of Internal Control System

February 21, 2024

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

- The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system are the responsibility of the Board of Directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance and efficiency (including profitability, performance, asset security etc), reliable, timely, and transparent financial reporting, and regulatory compliance.
- There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether existing policies continue to be effective. Assessment criteria introduced by "The Governing Principles" consisted of five main elements, each representing a different stage of internal control system: 1. Control environment; 2. Risk assessment; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.
- The Company has adopted the above mentioned criteria to validate the effectiveness of its internal control system design and execution.
- Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective at December 31, 2023. This system has provided assurance with regards to the Company's business results and target accomplishment, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal no misrepresentations or nondisclosures in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- This Statement was passed unanimously without objection by all 7 Directors present at the Board meeting dated February 21, 2024.

VisEra Technologies Company Ltd.

Chairman: Robert Kuan  
President: Robert Kuan

(XI) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control system, in the most recent year up until the publication date of annual report that may significantly impact shareholders' interest or security price: None.

(XII) Major resolutions passed in shareholders' meetings and Board of Directors meetings in the most recent year up until the publication date of annual report:

## 1. Major resolutions of the annual general meeting dated May 24, 2023.

Major resolutions	Execution progress
Adoption of the 2022 Business Report and Financial Statements	Completed according to shareholders' meeting resolution
Adoption of 2022 Earnings Distribution.	Set the ex-dividend date to be at July 6, 2023; all dividends were paid out on July 26, 2023, as had resolved by the shareholders' meeting. (a cash dividend of NT\$1.99818891 was paid to each share.)
Election of one additional independent director	Registration approved by the Hsinchu Science Park Bureau on June 13, 2023
Termination of the non-competition restriction imposed on the current and new directors (including independent directors)	Completed according to shareholders' meeting resolution

## 2. Major Board of Directors resolutions made in 2023 and up until the printed date of this annual report

Date (Month/Day/Year)	Major resolutions are summarized as follows:
Regular Board of Directors meeting dated February 22, 2023	1. Approved the "Internal Control System Statement" for 2022. 2. Approved to amend the "Internal Control System" and the "Implementation Rules for Internal Auditing". 3. Approved the business report, financial statements, and earnings distribution for 2022. 4. Approved to elect one more independent director and to nominate independent director candidates. 5. Convened the 2023 annual general meeting. 6. Approved capital budget for acquisition of equipment. 7. Approved to renew the leases of plants and plant facilities. 8. Approved amendments to the "Procedures for Application for Suspension and Resumption of Trading". 9. Approved the 2022 performance evaluation results of the Board of Directors and directors' remuneration. 10. Approved the proposal of employee remuneration for 2022. 11. Approved the overall remuneration proposal for 2023. 12. Approve the managers' 2022 bonus plan, performance evaluation results, and the 2023 salary adjustment and fixed compensation.
Regular Board of Directors meeting dated May 10, 2023	1. Approved the financial statements for the first quarter of 2023. 2. Approved the amendment to the "Corporate Governance Best Practice Principles". 3. Approved the 2022 employee compensation in cash for managers.



Date (Month/Day/Year)	Major resolutions are summarized as follows:
Regular Board of Directors meeting dated August 10, 2023	<div>1. Approved the amendments to the "Rules Governing Operations in relation to Finance and Business between Affiliated Parties".</div> <div>2. Approved the amendment to the "Risk Management Policy and Procedures".</div> <div>3. Approved the appointment of the newly elected independent director, Mr. Han-Fei Lin, as a member of the Remuneration Committee.</div> <div>4. Approved the financial statements for the second quarter of 2023.</div>
Regular Board of Directors meeting dated November 2, 2023	<div>1. Approved the audit plan for 2024.</div> <div>2. Approved the financial statements for the third quarter of 2023.</div> <div>3. Approved the business plan for 2024.</div> <div>4. Approved routine capital budget for the first half of 2024.</div> <div>5. Approved the quota on short-term bank borrowings and derivatives.</div> <div>6. Approved the fee paid to CPAs for their attestation services in 2024.</div> <div>7. Approved capital budget for acquisition of equipment.</div> <div>8. Approved the managers' performance evaluation items for 2024.</div>
Regular Board of Directors meeting dated February 21, 2024	<div>1. Approved the "Internal Control System Statement" for 2023.</div> <div>2. Approved the business report, financial statements, and earnings distribution for 2023.</div> <div>3. Approval for the full re-election of directors and nominate director candidates.</div> <div>4. The 2024 General Shareholders' Meeting.</div> <div>5. Approved capital budget for acquisition of equipment.</div> <div>6. Approved the 2023 performance evaluation results of the Board of Directors and directors' remuneration.</div> <div>7. Approved the proposal of employee remuneration for 2023.</div> <div>8. Approved the overall remuneration proposal for 2023.</div> <div>9. Approve the managers' 2023 bonus plan, performance evaluation results, and the 2024 salary adjustment and fixed compensation.</div>

- (XIII) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up until the publication date of annual report: None.
- (XIV) Resignation and dismissal of the Company's Chairman, President, Chief Accounting Officer, Head of Finance, Chief Internal Auditor, Chief Corporate Governance Officer, and Head of R&D in the most recent year and up to the date of publication of the annual report: Due to the retirement of Vice President of Finance cum Head of Accounting and Spokesperson Mr. Kevin Tsai, his position was assumed by Ms. Jane Chen on March 11, 2024.

V. Disclosure of CPA fee

(I) Fee information:

Unit: NT\$ thousand

 Accounting firm	Deloitte Taiwan
 Name of CPA	Shang-Chih Lin Ming-Yuan Chung
 Audit period	January 1 through December 31, 2023
 Audit fee	2,268
 Non-audit fee	647
 Total	2,915
 Remarks	Non-audit fees are mainly related fees for CPA's attesting the Company's taxation documents.

- (II) Any replacement of accounting firm that resulted in the reduction of audit remuneration paid, as compared to the previous year: None.
- (III) Any reduction in audit remuneration by more than 10% compared to the previous year: None.

VI. Change of CPA: None.

VII. Any of the Company's Chairman, President, or any manager involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated enterprise within the most recent year: None.

## VIII. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest:

### (I) Change of shareholding of directors, supervisors, managers, and major shareholders

Unit: shares

Position	Name	2023		In 2024 up to March 24, 2024	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman/ Major Shareholders	TSMC	-	-	-	-
	Representative: Robert Kuan	50,000	-	-	-
Director/ Major Shareholders	TSMC	-	-	-	-
	Representative: George Liu	-	-	-	-
Director/ Major Shareholders	TSMC	-	-	-	-
	Representative: Diane Kao	-	-	-	-
Independent Director	Laura Huang	-	-	-	-
Independent Director	Emma Chang	-	-	-	-
Independent Director	Peng-Heng Chang	-	-	-	-
Vice President	Kevin Tsai (Note)	-	-	120,000	-
Vice President	Jane Chen (Note)	-	-	-	-
Vice President	H.J. Tsai	-	-	-	-
Vice President	K.P. Lin	-	-	46,000	-
Vice President	W.R. Huang	22,000	-	44,000	-
Vice President	J.C. Hsieh	-	-	-	-
Vice President	Ben Fun	50,000	-	(30,000)	-
Assistant Vice President	C.C. Chen	-	-	-	-
Head of Corporate Governance	Chia-hui Lin	-	-	-	-

Note: Due to the retirement of Vice President of Finance Mr. Kevin Tsai, his position was assumed by Ms. Jane Chen on March 11, 2024.

### (II) Pledge of shares where the counterparty is a related party: None.

## IX. Relationships characterized as spouse or second-degree relative or closer among top-ten shareholders: There was no relationship among the Company's top-10 shareholders that was characterized as spouse or second-degree relative or closer.

## X. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company, and shareholding in aggregate of the above parties: None.

## Four. Capital Overview

### I. Capital and shares

#### (I) Source of capital:

##### 1. Source of capital

Unit: shares; NT\$

Month/ Year	Issued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other than cash	Others
December 2003	10	81,600,000	816,000,000	20,400,000	204,000,000	Initial investment	Technology share 102,000 thousand	Note 1
December 2005	10	81,600,000	816,000,000	70,000,000	700,000,000	Cash issue: 49,600,000 shares	None	Note 2
July 2006	10	81,600,000	816,000,000	81,600,000	816,000,000	Cash issue: 11,600,000 shares	None	Note 3
November 2006	10	300,000,000	3,000,000,000	146,600,000	1,466,000,000	Increased authorized capital: 218,400,000 shares Cash issue: 65,000 thousand shares	None	Note 4
June 2007	10	300,000,000	3,000,000,000	272,600,000	2,726,000,000	Cash issue: 126,000,000 shares	None	Note 5
July 2007	10	300,000,000	3,000,000,000	282,409,715	2,824,097,150	Capitalization of employee profit sharing: 9,810,000 shares	None	Note 6
August 2008	10	300,000,000	3,000,000,000	285,317,988	2,853,179,880	Capitalization of employee profit sharing: 2,908,000 shares	None	Note 7
July 2009	10	300,000,000	3,000,000,000	285,897,696	2,858,976,960	Capitalization of employee profit sharing: 580,000 shares	None	Note 8
July 2011	10	300,000,000	3,000,000,000	287,630,386	2,876,303,860	Capitalization of employee profit sharing: 1,733,000 shares	None	Note 9
August 2012	10	300,000,000	3,000,000,000	291,153,119	2,911,531,190	Capitalization of employee profit sharing: 3,523,000 shares	None	Note 10
June 2020	10	400,000,000	4,000,000,000	291,153,119	2,911,531,190	Increased authorized capital: 100,000,000 shares	None	Note 11
September 2021	20	400,000,000	4,000,000,000	293,071,119	2,930,711,190	Issuance of 1,918 thousand new shares for the exercise of employee stock options	None	Note 12



Month/ Year	Issued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other than cash	Others
November 2021	20			293,125,119	2,931,251,190	Issuance of 54 thousand new shares for the exercise of employee stock options	None	Note 13
	18	400,000,000	4,000,000,000	293,277,119	2,932,771,190	Issuance of 152 thousand new shares for the exercise of employee stock options		
March 2022	18	400,000,000	4,000,000,000	293,356,119	2,933,561,190	Issuance of 79 thousand new shares for the exercise of employee stock options	None	Note 14
May 2022	18	400,000,000	4,000,000,000	293,456,119	2,934,561,190	Issuance of 100 thousand new shares for the exercise of employee stock options	None	Note 15
July 2022	10	400,000,000	4,000,000,000	314,476,119	3,144,761,190	Cash issue: 21,020 thousand shares	None	Note 16
August 2022	18			314,658,119	3,146,581,190	Issuance of 182 thousand new shares for the exercise of employee stock options	None	Note 17
	16.1	400,000,000	4,000,000,000	315,216,119	3,152,161,190	Issuance of 558 thousand new shares for the exercise of employee stock options		
November 2022	16.1	400,000,000	4,000,000,000	315,512,119	3,155,121,190	Issuance of 296 thousand new shares for the exercise of employee stock options	None	Note 18
March 2023	16.1	400,000,000	4,000,000,000	315,546,119	3,155,461,190	Issuance of 34 thousand new shares for the exercise of employee stock options	None	Note 19
May 2023	16.1	400,000,000	4,000,000,000	315,777,119	3,157,771,190	Issuance of 231 thousand new shares for the exercise of employee stock options	None	Note 20
August 2023	16.1			316,308,119	3,163,081,190	Issuance of 531 thousand new shares for the exercise of employee stock options	None	Note 21
	14.1	400,000,000	4,000,000,000					

Month/ Year	Issued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other than cash	Others
November 2023	14.1	400,000,000	4,000,000,000	316,484,119	3,164,841,190	Issuance of 176 thousand new shares for the exercise of employee stock options	None	Note 22
March 2024	14.1	400,000,000	4,000,000,000	316,724,119	3,167,241,190	Issuance of 240 thousand new shares for the exercise of employee stock options	None	Note 23

Note 1: Approved under Letter No. Shou-Zhong-09233022800.  
 Note 2: Approved under Letter No. Yuan-Shang-0940035746.  
 Note 3: Approved under Letter No. Yuan-Shang-0950019783.  
 Note 4: Approved under Letter No. Yuan-Shang-0950031023.  
 Note 5: Approved under Letter No. Yuan-Shang-0960014670.  
 Note 6: Approved under Letter No. Yuan-Shang-0960018082.  
 Note 7: Approved under Letter No. Yuan-Shang-0970021565.  
 Note 8: Approved under Letter No. Yuan-Shang-0980020771.  
 Note 9: Approved under Letter No. Yuan-Shang-1000021018.  
 Note 10: Approved under Letter No. Yuan-Shang-1010024106.  
 Note 11: Approved under Letter No. Zhu-Shang-1090017893.  
 Note 12: Approved under Letter No. Zhu-Shang-1100025817.

Note 13: Approved under Letter No. Zhu-Shang-1100034901.  
 Note 14: Approved under Letter No. Zhu-Shang-1110009257.  
 Note 15: Approved under Letter No. Zhu-Shang-1110016677.  
 Note 16: Approved under Letter No. Zhu-Shang-1110023296.  
 Note 17: Approved under Letter No. Zhu-Shang-1110027297.  
 Note 18: Approved under Letter No. Zhu-Shang-1110037999.  
 Note 19: Approved under Letter No. Zhu-Shang-1120007352.  
 Note 20: Approved under Letter No. Zhu-Shang-1120016970.  
 Note 21: Approved under Letter No. Zhu-Shang-1120028503.  
 Note 22: Approved under Letter No. Zhu-Shang-1120038041.  
 Note 23: Approved under Letter No. Zhu-Shang-1130007132.

## 2. Share category

March 24, 2024




Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	316,951,119	83,048,881	400,000,000	Listed shares

Note: As of March 24, 2024, the Company's total shares outstanding were 316,951,119 shares, among which 227,000 shares were issued for employees' exercising their employee stock options, which is the reason why such change in share numbers hasn't been filed with the competent authority.

## 3. Information relevant to the aggregate reporting policy: Not applicable.

## (II) Shareholder structure:

March 24, 2024

Shareholder structure → Quantity ↓	Government institutions	Financial institution	Other juridical persons	Individual	Foreign institutions or foreigners	Total
 Count	-	13	148	24,465	156	24,782
 No. of shares held	-	2,548,765	221,475,262	69,877,767	23,049,325	316,951,119
 Shares Ratio	-	0.80%	69.88%	22.05%	7.27%	100.00%

## (III) Diversity of ownership:

March 24, 2024

Shareholding range	Number of shareholders	No. of shares held	Shares Ratio
1 to 999	9,836	1,645,674	0.52%
1,000 to 5,000	12,703	22,494,668	7.10%
5,001 to 10,000	1,088	8,385,871	2.65%
10,001 to 15,000	367	4,709,519	1.49%
15,001 to 20,000	225	4,120,400	1.30%
20,001 to 30,000	180	4,637,622	1.46%
30,001 to 40,000	98	3,482,043	1.10%
40,001 to 50,000	59	2,777,701	0.88%
50,001 to 100,000	126	8,788,421	2.77%
100,001 to 200,000	45	6,409,371	2.02%
200,001 to 400,000	32	8,832,528	2.79%
400,001 to 600,000	12	6,314,147	1.99%
600,001 to 800,000	3	2,153,000	0.68%
800,001 to 1,000,000	0	0	0.00%
1,000,001 and above	8	232,200,154	73.25%
Total	24,782	316,951,119	100.00%






## (IV) List of major shareholders: shareholders with more than 5% ownership interest or are among the top 10

March 24, 2024

Name of major shareholder ↓	Shares →	No. of shares held	Shares Ratio
Taiwan Semiconductor Manufacturing Company Limited		213,619,000	67.39%
Investment account of SMALLCAP World Fund managed by Standard Chartered Bank Business Department		7,401,606	2.34%
GIC Private Limited		4,956,000	1.56%
Chun-Chi Lin		1,391,548	0.44%
TransGlobe Life Insurance Inc.		1,321,000	0.42%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		1,278,000	0.40%
Chase Custodianship for Vanguard Group Emerging Markets Fund Investment Account		1,179,000	0.37%
Standard Chartered Managed iShares Emerging Markets ETF		1,054,000	0.33%
Tai-ping Wu		783,000	0.25%
Ruofan Huang		700,000	0.22%

## (V) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years:

Unit: thousand shares; NT\$

Item ↓	Year →	2022	2023	In 2024 up to March 24, 2024
 Market price per share (Note 1)	Highest	341.50	324.00	341.00
	Lowest	164.00	191.00	262.50
	Average	253.16	233.65	289.98
 Net worth per share	Before dividend	53.53	52.54	(Note 6)
	After dividend	51.54	51.54 (Note 5)	(Note 6)
 Earnings per Share	Weighted average outstanding shares (in thousands) (Before adjustment)	304,510	316,016	(Note 6)
	EPS (before adjustment)	5.80	1.13	(Note 6)
	EPS (after adjustment)	5.80	1.13	(Note 6)
 Dividend per share	Cash dividends	1.99	1.0 (Note 5)	(Note 6)
	Stock dividends	-	0	(Note 6)
		0	0	(Note 6)
	Cumulative unpaid dividends	0	0	(Note 6)
 Analysis of investment returns	Price earnings ratios (Note 2)	43.65	206.77	(Note 6)
	Price-to-dividends ratio (Note 3)	127.22	233.65 (Note 5)	(Note 6)
	Cash dividend yield (Note 4)	0.79%	0.43% (Note 5)	(Note 6)

Note 1: Source of data is the website of Taiwan Stock Exchange.

Note 2: Price-earnings ratio = Average closing price per share for the year/Earnings per share.

Note 3: Price to dividend ratio = Average closing price per share for the year/cash dividends per share.

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

Note 5: Pending the resolution by the shareholders' meeting to be held on May 22, 2024.

Note 6: No relevant information as the year is not yet closed.

## (VI) Dividend policy and execution:

## 1. Dividend policy stated in the Company's Articles of Incorporation

A company shall not pay dividends or bonuses, if there is no surplus earnings. When allocating earnings, the Company shall first estimate and retain a portion of its earnings for taxation and reimbursement of previous losses. The residual balance plus non-net income items is then added to unappropriated earnings in the current year, and the sum of which is subject to a 10% provision for statutory reserves, unless the Company has already accumulated statutory reserves to an amount equal to paid-up capital. Next, provisions for special reserve are to be made according to laws or instructions of the authority.

When allocating earnings, the Company shall allocate no more than 2% of current period profit as director remuneration, and no less than 1% of current period profit as employee remuneration. However, profits must first be taken to offset cumulative losses if any.

Distribution of employee remuneration is subject to resolution in a board meeting with more than two-thirds of the board present, and voted in favor by more than half of all attending directors. This decision shall be reported in shareholders' meeting.

After making mandatory allocations according to the Articles of Incorporation, the residual earnings can be added to unappropriated earnings carried from previous years and distributed as shareholder dividends/profit sharing at Board of Director's proposal, subject to resolution in a shareholders' meeting.



The Company may choose to distribute all distributable earnings after taking into account financial, business, and operational factors. Dividends from earnings can be paid in cash or in shares. Cash distribution should take precedence, and while dividends can be paid in shares, stock dividends should not amount to more than 50% of total dividends. The Company may distribute all or part of its capital surplus, subject to compliance with laws and the authority's instructions, in situations where the Company has no earning to distribute, or if the amount of earnings is far less than the amount distributed in the previous year, or for whatever financial, business, and operational concerns the Company may have. Where distribution is made in cash, the Board of Directors may resolve and execute the decision according to Article 241 of The Company Act and report the decision in a subsequent shareholders' meeting without seeking shareholders' acknowledgment.

2. Dividends proposed (approved) for the current year

The Company had NT\$4,731,504 thousand of earnings available for distribution in 2023; after proposing cash dividends at NT\$1.0 per share, the Company was left with unappropriated earnings of NT\$4,414,780 thousand at the end of the period. This appropriation proposal was passed during the Board of Directors meeting held on February 21, 2024, and will be raised for acknowledgment during the annual shareholders' meeting to be held on May 22, 2024.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

(VIII) Employee, directors' and supervisors' remuneration:

1. Percentage and range of employee, directors' and supervisors' remuneration stated in the Articles of Incorporation

When allocating earnings, the Company shall allocate no more than 2% of current period profit as director remuneration, and no less than 1% of current period profit as employee remuneration. However, profits must first be taken to offset cumulative losses if any.

2. Basis of calculation for employee, directors' and supervisors' remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid.

The Company estimates employee and directors' remuneration by applying certain percentages to current period profit. If the amount estimated is different from the amount paid, the difference will be treated as a change in accounting estimates and recognized in the year the payment is made.

3. Remuneration passed by the Board of Directors

(1) Employee, directors' and supervisors' remuneration, in cash or in shares. Disclose the amount, causes and treatment of any differences between the amount paid and the amount estimated in the year the expense was recognized

On February 21, 2024, the Board of Directors resolved to distribute cash remuneration to employees in the amount of NT\$71,216 thousand for 2023, and cash remuneration to directors of \$3,240 thousand, which was no different from the annual estimated amount.

(2) Amount and percentage of employee remuneration paid in shares, relative to current net income and total employee remuneration: None.

4. Actual payment of employee profit sharing and directors' and supervisors' remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies)

The estimated remuneration to employees for 2022 of NT\$353,159 thousand and remuneration to directors of NT\$3,240 thousand were approved by the Board of Directors resolution on February 22, 2023, and there is no difference from the annual estimated amount.

(IX) Buyback of company shares: None.

II. Disclosure relating to corporate bonds: None.

III. Preferred shares: None.

IV. Global depository receipts: None.

V. Employee warrants:

(I) Employee warrants unexpired and outstanding as at the publication date of annual report, and impacts to shareholders' equity

March 24, 2024

Type of Employee Stock Option	2019 First Employee Stock Option	2019 Second Employee Stock Option	2019 Third Employee Stock Option
Filing Effective Date and Total Units	July 22, 2020; total 5,956 units		
Issuance date	July 1, 2019	December 1, 2019	April 1, 2020
Duration	6 years	6 years	6 years
No. of units issued	5,424 units (1,000 shares/unit)	72 units (1,000 shares/unit)	460 units (1,000 shares/unit)
No. of units left	0 unit		
Subscribable shares as a percentage of total outstanding shares	1.71%	0.02%	0.15%
Exercise period	July 1, 2019 to June 30, 2025	December 1, 2019 to November 30, 2025	April 1, 2020 to March 31, 2026
Method of delivery	New issuance of common shares		
Period and percentage (%) of exercise restriction	After two years: 50%, after three years: 75%, and after four years: 100%		
No. of shares acquired through exercise	4,435,000 shares	72,000 shares	271,000 shares
Amount of shares subscribed through exercise	NT\$77,716,400	NT\$1,175,600	NT\$4,461,300
Forfeited shares	356,000 shares	0 shares	104,000 shares
Number of unexercised shares	633,000 shares	0 shares	85,000 shares
Subscription price per unexercised share	NT\$14.1		
Number of unexercised shares as a percentage of total outstanding shares (%)	0.2%	0.00%	0.03%
Effect on shareholders' interests	The Options were offered to attract and retain talents for the Company, and provide the incentives needed to unite employees toward the best interests of the Company and shareholders. Considering that unexercised shares account only for 0.20% of outstanding shares, there should be no material dilutive effect.	The Options were offered to attract and retain talent for the Company and provide the incentives needed to unite employees in the best interests of the Company and shareholders. The Option has been fully executed and will no longer dilute the equity.	The Options were offered to attract and retain talent for the Company and provide the incentives needed to unite employees in the best interests of the Company and shareholders. Considering that unexercised shares account only for 0.03% of outstanding shares, there should be no material dilutive effect.

(II) Names of managers receiving employee stock option, names of employees ranking top ten in terms of exercisable shares, amount acquired, and amount exercised

March 24, 2023; Unit: thousand shares; NT\$ thousand

	Position	Name	Exercisable shares	Exercisable shares as a percentage of total outstanding shares	Exercised			Not exercised				
					Exercise quantity	Exercise price (NTD)	Exercise amount	Exercise quantity as a percentage of total outstanding shares	Exercise quantity	Exercise price (NTD) (Note 1)	Exercise amount	Exercise quantity as a percentage of total outstanding shares
Managers	CEO and President	Robert Kuan	1,024 units	0.32%	580	14.1~16.1~18~20	11,626	0.18%	444	14.1	6,260	0.14%
	Vice President	Kevin Tsai (Note 2)										
	Vice President	H.J. Tsai										
	Vice President	K.P. Lin										
	Vice President	W.R. Huang										
	Vice President	J.C. Hsieh										
	Vice President	Ben Fun										
	Assistant Vice President	C.C. Chen										
Head of Corporate Governance	Chia-hui Lin											
Employee	Senior Head of Department	Tsun-Hui Chiang	728 units	0.23%	728	14.1~16.1~20	12,776	0.23%	0	14.1	0	0.00%
	Senior Head of Department	Chien-Pang Lin										
	Senior Head of Department	Han-Lin Wu										
	Senior Head of Department	Kai-Wen Chen										
	Head of Department	Ching-Chung Chen										
	Head of Department	Kuo-Hsing Teng										
	Head of Department	Shih-Liang Ku										
	Head of Department	Chia-Chi Chou										
	Deputy Head of Department	Hsin-Sung Lin										
	Department Manager	San-Yuan Chung										

Note 1: The exercise price (NT\$/Share) as at the publication date of this annual report.  
Note 2: Vice President Kevin Tsai retired on March 11, 2024, will no longer declare its shares held in future years.

VI. Issuance of new restricted employee shares: None.

VII. New shares issued for merger or acquisition: None.

VIII. Progress on planned use of capital: None.

Five. Operation Overview

I. Business Content

(I) Business Scope

1. The main business contents of the Company



- A. Research, design, development, manufacture and sale of the following products:
- a. Color Filter
  - b. Image sensing components and modules
  - c. Light-emitting diode (LED) components and modules
  - d. Packaging and testing of the above products
- B. Concurrently in the import and export trade business related to the Company's business.

2. Weight of each business

Unit: NT\$ thousand; %

Item ↓	2022		2023	
	Revenue	Percentage	Revenue	Percentage
Micro-optical components	4,600,796	50.69	4,084,759	56.44
Image Sensor	4,320,594	47.60	3,016,018	41.68
Others	155,758	1.71	136,151	1.88
Total	9,077,148	100.00	7,236,928	100.00

3. Current Products (Services) Items of the Company:

Product type	Item	Main products (service) items
Image Sensor	Wafer-grade color filter film and micro lens technology Meta-lens technology	Optical image sensors; mainly used in mobile phones, automotive, surveillance, medical, AR/VR, and other consumer electronics, etc.
Micro-optical components	On-chip multi-film (OCMF) technology	3D sensing components Multi-channel ambient light sensors, proximity light sensors.
	Integrated wafer-level color filter (CF) and multi-film technology Meta-lens technology Surface relief grating	Under-display optical finger print sensor, 3D sensor, light sensor, optical biometric component, and AR/VR products.
Others	Other services Micro display Silicon Photonics	Low temperature color filter and micro-lens, image sensor engineering and testing service, wafer-level quantum efficiency testing, wafer-level oblique incident light measurement system, optical simulation and design, photomask design service, process integration and spectral conversion efficiency analysis. Micro lens process technology and Process Design Kit (PDK) for silicon photonics structures such as lidar, optical communication, data center and high-speed computing.



#### 4. New Products (Services) Planned for Development

The Company plans to develop the next generation new of products and services

Items to be developed	Technologies	Applications	Market
Color filter (CF) and micro-lens (ML)	Nano light pillars with meta-lens structure	Image sensors with advanced pixels	Smartphones Car
Wafer level optical components	Nano anti-reflective coating structure	Automotive sensor module	Automotive sensors
Wafer-level optics - ToF sensing components	Semiconductor optics integration technology	Next generation ToF sensing component	Smartphones, IoT, automotive, robot vacuums, industrial grade products
Wafer-level optics - Ambient light sensors	Semiconductor optics integration technology	New generation multi-channel ambient light sensing components	Mobile devices, wireless Bluetooth headsets, smart TVs
Wafer-level optics - Biosensing components	Semiconductor optics integration technology	Optical biosensing component	Biotech market
Wafer-level optics - 3D sensing components	Optical diffraction components	Non-imaging optical components	Mobile devices
Wafer-level optics - Optical components	Semiconductor optics integration technology	Metasurface	Mobile devices, AR/VR
Wafer-level optics - Optical combiner	Semiconductor optics integration technology	3D display technology	AR/VR
Wafer-level optics - Silicon photonics components	Silicon photonics platform technology	LiDAR, data center	High-speed computing and automotive

## (II) Industry Overview

### 1. Current Situation and Development of the Industry

#### (1) Current situation and development of the optical sensor industry CIS (CMOS Image Sensor) industry

In 2022, the global CMOS image sensor (CIS) market experienced negative growth for the first time in seven years, mainly due to the Russo-Ukrainian War, China's "zero-COVID" policy, inflation, and sluggish demand for consumer electronic devices. According to TrendForce, the global shipments of CIS for smart phones in 2023 decreased from 4.46 billion units in 2022 to 4.318 billion units, a decrease of 3.2% year-on-year. As the global smartphone market continues to face inflation, the economic outlook in Mainland China is not optimistic, and the development of smart phone products tends to mature, the market growth momentum is weak. According to TSR data, the global CMOS image sensor (CIS) market continued to exhibit negative growth in 2023.

However, the CIS in the mobile phone market has been destocking for two years, and began to de-stock in the fourth quarter, and the demand for mobile phones gradually picked up, and finally bottomed out in 2023. Looking forward to 2024, with the moderate growth of the mobile phone market, coupled with the increasing optical size of mobile phone photosensitive components, the demand for 12-inch wafers still grows significantly. In addition, we are optimistic about the improvement of intelligence in automobiles and the expansion of market applications, and the demand for lenses will continue to increase. It is expected that the main growth point of CIS will be in-vehicle applications. According to the forecast of TSR, the shipment volume of the global CIS market will increase to 6.624 billion pieces in 2024, which is expected to recover to an annual growth rate of 5%.

#### a. Smartphones market

According to the IDC Worldwide Mobile Phones Report, the shipment volume of the global smart phone market in 2023 decreased by 3.2% year-over-year to 1.17 billion units. The lowest annual sales volume in a decade was mainly due to the overall economic challenge at the beginning of the year and the impact of increased inventory. However, the economic recovery in overseas markets in the second half of the year drove the growth in overseas market demand, and all brand terminals stocked up in advance to prepare for the subsequent production of complete devices. As CIS inventory gradually returned to a healthy level, Huawei's return to the market drove the growth of large-scale advance stocking of the supply chain and consolidated the expected recovery in 2024. In the fourth quarter of 2023, the shipment grew by 8.5% to 326 million units, higher than the expected growth of 7.3%.

Influenced by Korean manufacturers withdrawing from CIS products with below 13 million pixels, wafer manufacturers are starting to adjust their strategies and focus more on improving profitability instead of simply pursuing market share. Therefore, since the end of 2023, wafer manufacturers have begun to propose price adjustment strategies to promote the gradual recovery of CIS prices.

Under the mild recovery of the mobile phone market in 2024, the Company expects another wave of image sensors to benefit from the destocking of mobile phones and the withdrawal of Korean manufacturers from the market of less than 13 million pixels. It will bring on another wave of growth.

#### b. Automotive sensors market

Although the demand for consumer electronics remained weak in 2023, the demand for chips for automotive electronics and advanced driver assistance system (ADAS) remained strong. As national policies of each country supports the prohibition on sales of fossil fuel vehicles after 2035, the electric vehicle technology made a great leap forward. The acceleration of digitization in the automotive industry, and the increase in the penetration rate of self-driving technology have also contributed to the rapid growth of the adoption rate of automotive CIS. According to Sigmaintell, the global shipments of automotive CIS in 2023 will reach 350 million units, a year-on-year growth of 9%; of which, the shipment of the OEM market will account for about 77%, reaching 243 million units, an increase of 31% year-on-year. In 2024, the global shipments of automotive CIS will exceed 400 million units.

In terms of image pixels, as the autonomous driving level gradually evolves from L2 to L5, the number of lenses per vehicle will increase from 5 lenses to 8 to 15 lenses, and the pixel will also be upgraded accordingly. For example, Li Li L9 Pro is equipped with six 8-megapixel and five 2-megapixel sensors; NIO ET7 is equipped with seven 8-megapixel high-resolution cameras and four 3-megapixel Surround View Lens. According to the forecast of Sigmaintell, with the increasing development trend of electric vehicles, the shipment of pixels with more than 5 million pixels is about 19 million pieces in 2023, a year-on-year increase of more than 170%, and the market share reaches 5% for the first time. It is expected that more than 5 million pixels will be used in 2022 to 2028, and the compound growth rate will reach 80%.

#### c. Video surveillance market

In the three years after the pandemic, the annual growth rate of the total output value of security was greatly reduced by the demand decline in the main market, China, to the bottom in 2022. With the improvement of the economic environment after the deregulation of COVID-19, the TSR report forecasts that the shipment volume will resume the upward trend in 2024, with the annual growth rate of more than 5%.

Image surveillance is the main application area of CIS in the security industry, including video surveillance, burglar alarm, access control, and intercom.

Traditionally, the video surveillance industry is only responsible for perception, and manual analysis is performed. Through big data and other technologies, video surveillance can achieve real-time information capture and analysis, with multiple functions such as facial identity verification, vehicle recognition, and behavior analysis, which greatly improves work efficiency. As a result, smart security has put forward higher requirements for imaging performance, which has increased the mainstream CIS pixels from hundreds of thousands to millions. It is expected that the shipment of network cameras with more than 4 million pixels will grow to 70% in 2023.

The maturity of AI will drive the recovery of AI-based computers and consumer electronics such as notebooks and smartphones.

#### (2) Correlations among up-, mid-, and downstream of the optical sensor industry

Using CIS image sensing modules as an example, the optical design manufacturer provides their engineering needs to and commissions the Company to conduct optical design and simulation, which will then be implemented in the circuit manufacturing process by a wafer fab.



After that, the Company will complete the optical structures, e.g. color filters and micro-lenses, through corresponding processes. Then, the products will be packaged and tested in the later stage. For an IDM (such as Sony and Samsung), all the processes are completed in-house.

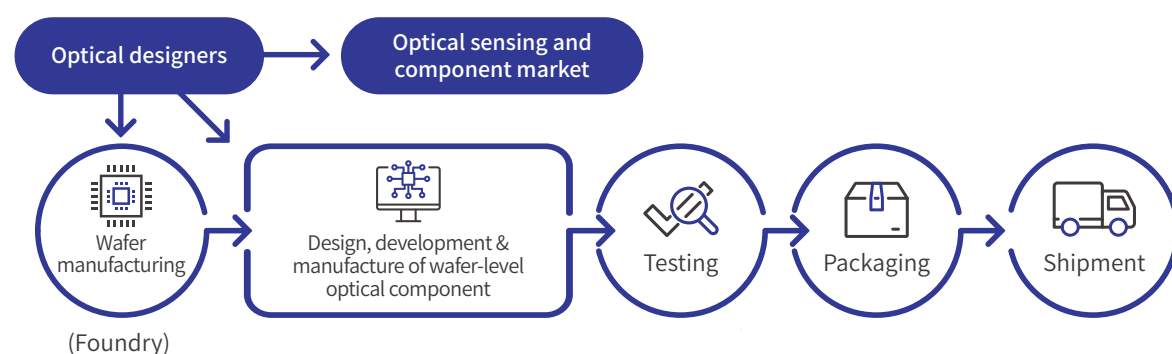
With the diversified applications of CIS chips, an IDM may not be able to have a comprehensive coverage in terms of application areas and corresponding commercial values. Taking the huge business potential into account, the amount of fabless IC design houses is therefore growing.

In addition, the manufacturing of CIS chips requires special processes. These can be divided into customized and standard product processes based on the different specifications or the final applications. Currently, more than half of the camera modules of high-end models are manufactured using customized process, integration of process and materials, and spectral conversion efficiency analysis. The customized process has more specific requirements for the products. In terms of the optical design of wafers, the defects during the process and the improvement of the process, close collaboration and cooperation is needed between the front end and the back end of the supply chain.

The Company has many years of experience collaborating with upstream professional wafer foundries and downstream packaging and testing plants, forming a tight supply chain relationship between the upstream and downstream of the industry. As a result, the Company's competitiveness in the optical field has increased as well.

- (3) End-use electronic products development trends  
Regarding the optical component foundry services provided by the Company, they can be roughly divided into consumer electronics (Consumer), automotive electronic products (Automotive), security surveillance products (Security) and medical products (Medical).

VisEra's comprehensive optical foundry service



The consumer electronic products provided by the Company mainly comprise image sensors and light sensors (such as time-of-flight [ToF] sensors, ambient light sensors, and 3D sensing elements) that are a must for smartphones, tablet computers, notebook computers, wearable devices, and so on. Nowadays a mobile phone has image sensors that approximate the specification of a single-lens reflective camera, and pursues a design of thin, bezel-less, and full-screen. Among them, the ambient light sensor, which is developing towards the adoption of multi-channel color light sensing technology, requires higher sensitivity and a more compact and micro feature, which is also the direction where the Company's technology develops to.

In terms of image sensors, in the past, the optical size of the photosensitive element of smart phones was mostly 1/2.5 inch. Recently, more and more mobile phone main cameras are adopting the photosensitive element closer to 1 inch optical size to absorb more sufficient light. Also, increase the signal volume to improve the image quality. However, the larger the sensing area is, the demand for 12-inch wafers is also 1 to 3 times higher than that of small-area sensors. In addition, according to the statistics of Sigmaintell, the specifications of the main camera of low-end models are gradually being upgraded, from the original 13 million pixels to 50 million pixels ( $\leq 0.7\mu\text{m}$ ). Moreover, this trend is expected to continue to rise in 2024. It is expected that the demand for 50 million pixels ( $\leq 0.7\mu\text{m}$ ) will exceed 600 million, a year-on-year increase of about 57.8%.

A report released by Acumen Research and Consulting pointed out that smart sensors will play an important role in automation and digitization, and may become an important component of the next generation of infrastructure. In the next few years, it will continue to grow at a significant speed and the technology development is expected to continue to expand.

From the perspective of technology development in the image surveillance market, as image surveillance cameras need to maintain normal operation for a long time under insufficient visible light, exposure to high temperature and other harsh environmental conditions, and need to have the ability to clearly capture high-speed moving objects, so the security CIS needs to have a higher frame rate, dynamic range, and sensitivity, and must be equipped with global shutter technology.

Yet, an automotive sensor needs to meet even more stringent requirements than a security surveillance sensor does. An automotive sensor must have a high dynamic range of 120-140dB, be capable of operating at  $-40-105^{\circ}\text{C}$ , have a good night vision capability, be able to recognize traffic lights, and be capable of solving issues such as LED Flicker Mitigation (LFM) and artifacts. In addition, with the upgrade of ADAS level and the trend of large-screen smart cockpits, there is a need for upgraded picture elements. For machine vision cameras, longer detection distance is a necessary condition for the upgrade of ADAS level. Take NIO as an example, from the perspective of the 1.2 million pixel upgrade to 8 million pixel improves the detection range of vehicles and pedestrians from 229 meters and 74 meters to 687 meters and 223 meters, respectively. Driver detection sensors: As in-vehicle displays show a trend of large-screen displays, the mainstream resolution of the rear cameras used for reversing images is VGA. The low pixel large sized displays exhibits jagged visuals. Hence, the large-screen display trend will drive pixel upgrade for the driving vision camera.

In terms of medical products, the Company used to supply medical imaging products (such as endoscopes). In recent years, the bio-sensing technology has pursued the trend of non-invasion and miniaturization. Our optical technology can be used to identify whether a substance exists by examining the wavelength, wave intensity, and attenuation curve of the fluorescent substances that are labeled in biological reaction. The main application is to provide test chips for the market to perform chromosomal prenatal examination, cancer carrier analysis, protein sequence detection, or rapid screening of infectious diseases. The requirements for developing precision medicine has turned the bio-sensing technology into personalization and decentralization. The market urgently needs a manufacturing technology for miniaturized optical components. Such technology can miniaturize and integrate the optical mechanisms of a bulk optical inspection system into a image sensing chip to

enable the possibility of a portable detection device, improvement in and popularization of the efficiency of a single detection, and a reference for the medical units to make rapid and convenient diagnosis. The Company's process integration solution for color filter (CF) and micro-lens (ML) fully meet the requirements for miniaturization of optical components. Its solution focuses the bioluminescence generated in the reaction well and then induces such bioluminescence to an optical filter, where a sensing chip identifies and decodes the signals. In 2019, the Company made an early deployment and obtained the certificate of ISO 13485 Medical devices -- Quality management systems -- Requirements for regulatory purposes. Currently, the Company is jointly developing products with customers.

The world in the future will feature an internet of everything, which means smart homes, smart wearable devices, smart cities, and autonomous vehicles will have their presence in our daily lives. This will boost the demands for ToF sensors that can create a 3D image, augmented reality (AR) products that emphasize interaction between the physical world and the virtual world, and CIS sensors that have a good night vision and can perform highly dynamic detection. With the recently developed metasurface technology, the Company will be able to play an important role in key wafer-level optical components and sensors with our world-class wafer-level micro-optical process technology for image sensors, transmitter micro-devices, and miniaturized components required for AR/VR.

- (4) Competition in the optical sensor foundry industry

The business model of the Company is based on professionalism in the field of the color filters, micro-lenses, and multi-film (8" and 12"), combined with the advanced integrated manufacturing of optical components and testing services at the wafer level, to develop foundry services that are different from other competitors. The competition of the industry can be divided into two categories based on the types of the main technologies.

- a. Color Filters (CF) and Micro-Lenses (ML)  
In the current optical image sensing market, most of the optical sensing suppliers are Fabless, except for Sony and Samsung which have an IDM production model. In recent years, due to the impact of Sino-US trade and the Chinese government's subsidy policy for the localization of chips, Chinese customers have no choice but to propose local semi-conductor production plans. However, the Company is still the main



supplier in the market for the foundries that can produce pixel < 1.0um process with color filters and micro-lenses, so it will not be affected in the short term. In addition, the high-end sensors for mobile phones are developing towards new structures to improve photosensitivity and pentel flare. The Company also has solutions for new structures in order to differentiate from the market.

#### b. Multi-Film Integration

The Company is the main supplier of multi-film integration technology (8" and 12"). Different from the multi-film technologies that many competitors use for the current image sensors, such as blue glass, IR cut filters and IR narrow-band filters, which are not at the wafer level. The Company's multi-film technology can integrate the interferometric multi-film into the wafer-level photolithography process. The use of interferometric multi-film can provide a customized spectral specification. Integrating the multi-film with organic types of color filters into the wafer structure via process integration will facilitate the development of a thinner product that meets the needs of the market.

The Company has a greater competitive advantage than the current major competitors in terms of overall technologies and process capabilities. At the same time, regarding the investment in high-end machines and the establishment of production equipment, the Company can meet the needs of customers and maintain a good cooperative relationship with them.

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

#### (1) Technical level, research and development

The Company focuses on the foundry production of image sensor and wafer-level optical components. We are one of the few foundries in the world that can concurrently provide color filters, micro-lenses and multi-film, and has the ability to integrate technologies for the professional foundries of product manufacturing.

#### A. The technologies and R&D for the image sensor product foundry business are described below

In terms of color filter film OEM process technology

In recent years, customers' products for automotive, image sensors and smart phone image sensors have all been developing into 12-inch products, and the Company continues to pursue the improvement of sensing performance. In 2023, the Company proposed the exclusive optical structure designed for the color filter structure, which can improve the QE (quantum efficiency) of small pixel spectrum

and has been mass-produced. Currently, we are also working on the development of the second generation of products, which are expected to be introduced to customers in the second half of 2024 and enter mass production. In addition, we have developed Nano Light pillars, the nano structure for CIS. The verification on 0.8um has been completed, and the samples have also been well received by major customers. It is expected to improve QE (quantum efficiency) for mobile phones and automotive sensors. And the sensitivity (light sensitivity) is expected to be completed this year.

#### B. The technologies and R&D for the wafer-level optical components foundry business are described below

a. As for 3D sensing components, we continue to develop a new generation of the high-quality coating technology. The product has been verified and certified by the world's major manufacturers and has been applied to products of all generations. Shipments are maintained at a stable level at the moment.

b. In terms of other multi-film products, the newly developed multiple channel light sensor coating technology has been verified successfully. Mass production has started in 2021. This technology has also been extended to many customers. In terms of distance and 3D sensing technologies, VisEra provides micro-lens and narrowband filter multi-layer film process integration technology, while improving optical efficiency and achieving thinning of modules, which has achieved the goal of mass production.

#### c. Surface relief grating technology

AR/VR is regarded as the potential product of the next generation. The SRG surface relief grating technology developed by us is one of the keys to whether AR/VR can become a consumer product. It can fabricate light transmission structures in a limited substrate area and thickness.

#### d. Metasurface Technology

In the future, in addition to continuing to improve color filter and multi-film technologies, the R&D of new technologies will focus on metasurface technology and bio-sensing chips in preparation of the next stage of the market.

The Company will keep developing various optical process technologies to enhance the benefits of integration and provide customers with excellent optical component foundry services through wafer-level semiconductor processes.

#### (2) Research and development personnel and their education and work experience

Unit: Person

Education ↓	2022		2023		March 24, 2024	
	Count	%	Count	%	Count	%
Ph.D	26	12	24	11	25	11
Master's	178	82	188	85	182	84
Bachelor's	10	5	8	3	9	4
Senior high school and below	1	1	1	1	1	1
Total	215	100	221	100	217	100

Note: The above-mentioned number of people does not include the direct labor in the R&D segment which does not involve technical skills.

#### (3) Annual R&D expenses invested within the past five years

Unit: NT\$ thousand; %

Item ↓	2019	2020	2021	2022	2023
R&D expense	346,489	366,794	542,020	671,886	726,535
Net operating revenues	3,395,724	6,946,349	9,029,178	9,077,148	7,236,928
Ratio to net operating revenues	10.20	5.28	6.00	7.40	10.0

Source: Based on audited financial statements.

#### (4) Technologies or products successfully developed within the last five years

Year	Technologies or products successfully developed
2018	<ul style="list-style-type: none"> <li>Mass production of ultra-thin in-display optical finger print sensors (OFP)</li> <li>Mass production of distance sensing components to implement on-chip multi-film (OCMF) technology in smartphones</li> <li>Mass production of 12-inch 0.9um color filters and 24 million pixel image sensors</li> </ul>
2019	<ul style="list-style-type: none"> <li>Mass production of 12' 0.8um color filters and 48 million pixel image sensors</li> <li>Development of ambient optical sensing components to apply on-chip multi-film (OCMF) technology to smartphones</li> <li>Completed the development of optical biochips and obtained the ISO 13485 medical supply chain certification</li> </ul>
2020	<ul style="list-style-type: none"> <li>Mass production of 12-inch 0.7um colors filter and 64 million pixel image sensors</li> <li>Mass production of ambient optical sensing components to apply on-chip multi-film (OCMF) technology to smartphones</li> <li>Mass production of ToF (3D sensor) products</li> </ul>
2021	<ul style="list-style-type: none"> <li>Pioneered the launch of the 12-inch 0.61um image sensors with a specially optical-structured color filter</li> </ul>
2022	<ul style="list-style-type: none"> <li>Mass production of optical biosensors</li> <li>Mass production of low-temperature color filters and micro-lenses for micro-display products</li> </ul>
2023	<ul style="list-style-type: none"> <li>Successfully developed Nano Light Pillars (NLP) with micro lens structure for CIS</li> <li>Successfully verified the application of Metasurface in ToF 3D sensing products</li> <li>Development of SRG wave guide structure for AR products</li> </ul>

#### (IV) Long-term and Short-term Business Development Plans:

##### (1) Short-term business development plans

###### Image sensors business

In terms of smart phone and automotive sensor technology platforms, the Company promotes the new color filter structure and microlens nano structure to improve optical quality, and expands solutions to help customers control their front-end processes and improve performance.

In response to the strong market demand, the 12-inch wafer color filter film production line at Longtan Plant is expected to join the production in 2024.

###### On-chip multi-film (OCMF) business

Integrated on-chip multi-film technology meets the requirements of micro-optical components for the cell phone market. We are already working with customers to develop new generation ambient light sensors and next generation ToF sensors.

The ARVR image and sensing components to be used in the future must be miniaturized, which is in line with the benefits brought by VisEra's integrated technology. Meta-lens technology has attracted many customers to develop projects with us and is expected to make significant revenue contributions as the market momentum heats up.

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

- A. Continue to develop new products, conduct R&D and innovate niche market technologies, and diversify market risks.
- B. Develop customized processes together with customers, to secure the production capacity required by customers in the future.
- C. Sign cooperation and production capacity guarantee contracts with customers, to ensure the production capacity required by customers in the future.
- D. Develop diversified markets and customer sources so as not to be impacted by a single market or by seasons.

## II. Market and Production-Marketing Overview

### (I) Market Analysis

#### (1) Areas where the main products (services) are sold (provided)

Unit: NT\$ thousand; %

Item ↓	Year →	2022		2023	
		Sales	%	Sales	%
Domestic		1,106,615	12.19	980,607	13.55
Export	Asia	7,877,133	86.78	6,187,301	85.50
	America	42,209	0.47	52,161	0.72
	Europe	51,191	0.56	16,859	0.23
	Subtotal	7,970,533	87.81	6,256,321	86.45
Total		9,077,148	100.00	7,236,928	100.00

##### (2) Market share

###### Wafer-level color filter and micro-lens market

Image sensors are the main product of the wafer-level color filter and micro-lens market, which are used in the smartphone, automobile, and surveillance camera. In 2023, despite the headwind of the mobile phone market and CIS inventory adjustment, the overall shipment declined slightly. However, the main high-end markets shipments are for 64 million pixels and 50 million pixels respectively, and the mainstream market for 8 million pixels continues to climb. On the other hand, the overall market is still moving towards high resolution.

Based on the survey data of the shipment market of terminal customers, the Company is expected to maintain the same market share as before, and still take the leading position in the high pixel and small pixel (<0.7 micron) technology of OEM in the industry. In the future, we will continue to work with some of the top customers in the market, and continue to deploy in the mobile phone 50 million pixel market and the automotive market.

###### Integrated on-chip multi-film market

The Company's integrated on-chip multi-film technology mainly includes 3D optical sensing components, ToF Sensor technology and ambient light sensor. 3D optical sensing components and ToF Sensor technologies are targeted at specific manufacturers. However, due to the active development of standard products in the ambient light sensor market in recent years, it is estimated that it has accounted for more than 50% of the ambient light sensor market.

##### (3) Future supply and demand and growth of the market

It is expected that the number of optical components equipped in end-products will increase, which products include smartphones, automotive products, and the AR/VR products with growth potentials, all are equipped with multiple CIS image sensors and optical sensing components (e.g. ambient light sensors, ToF sensors, and biometric sensors). The market for such products is the one the Company mainly engages in.

The three main markets for CIS image sensors are the mobile phone market, the automotive market and the video surveillance market. In terms of 12" wafer demand, the main driving force comes

from (1) the upgrade of smart phone image sensors and the trend of optical size to large area; (2) the penetration rate of ADAS has also boosted the demand for automotive image sensors and image sensors showing a rapidly increasing trend.

The critical high-end product lines for color filters (CF) and micro-lenses (ML) cannot be replicated and developed within a short period of time. With its leading 12-inch on-chip micro-optics process technology, and its product lines for sub-micron micro-lens and high-end color filter film, the Company has become the preferred cooperative foundry for major international customers.

The Company has also actively invested in the development of Metasurface ultra interface technology for the application of thinning the height of lens modules and increasing the visible range of micro-optics. It is an innovative niche market technology for existing products and a number of projects are currently underway.

Miniaturized optical sensors, optical components, and optical display systems are all core hardware components for the AR/VR market that has high growth potential. The objective to increase the degree of customers' immersion experience with VR must boost the demand for sensors that can perform eyeball tracking, face tracking, gesture tracking, and facial expression transmission. The optical system of a pair of AR glasses mainly comprise two accessories: The image source component and the display. Optical waveguide, which is so far the best solution for AR glasses, has the advantages of large field of view and large eye movement range. The market for AR glasses is the next potential market that the Company's technology development aims at.

##### (4) Competitive niche

###### A. Optical one-stop service

Different from the foundries focusing solely on production, the Company is an optical foundry, providing the design, simulation, development, manufacturing, and measurement of professional wafer-level optical components. The Company provides a complete optical one-stop service for customers.

###### B. Tight and strong upstream and downstream supply chain

The Company has more than twenty years of experience specializing in the field of optical sensing. We also have many years of experience cooperating with



upstream professional wafer foundries and downstream packaging and testing plants, forming a tight supply chain relationship between the upstream and downstream of the industry. In terms of new optical technology, it can also assist customers to find suitable supply chains and accelerate the possibility of new technology products being implemented.

**C. Close customer relationship and staying on top of industry trends**

The Company's partners and target customers are all major manufacturers with a leading position in the optical field, covering the United States, China, Japan, Europe and other places. Therefore, through technical cooperation, we can stay ahead of the market, deploy new technologies in advance and gain insights into the future trends of the market.

**D. Provide customized technology and production capacity**

Considering the technical features and market requirements of the special specifications of high-end sensing products, the Company has the ability to provide customers with project-based, customized production models, and collaborative development of special optical materials, spectral characteristics, and the integration of special processes.

**E. Investment in talents and advanced equipment**

The Company is willing to invest in R&D technical talents and advanced optical equipment, follows up the market's requirements for high-end optical products, and has the ability to obtain potential future market opportunities in advance, to secure leading technology and manufacturing capabilities.

**(5) Positive and negative factors for future development and the countermeasures**

**A. Positive factors**

**a. Huge demand in the end market**  
Market applications in information, communication, and consumer-related products are continuously innovated and drive the continuous miniaturization of semiconductor process technologies. As for the current largest smartphone market, the biggest selling points for mobile phones and wearable devices are optical lens, biometrics and 3D applications, which will be the leading development trend for the optical industry. This is in line with the Company's

direction of research and development in optical miniaturization products.

**b. Support from long-term partnership with customers and the customers leading the technology market.**

**c. A strong management team, combined with advanced process R&D and an outstanding business team, demonstrating excellent operation performance.**

**B. Negative factors and countermeasures**

**a. The Chinese government's support of the semiconductor industry causes the pressure of competition**

In recent years, the Chinese government has committed to supporting the semiconductor industry, with the objective of building an end-to-end industry chain, actively investing in equipment, and recruiting talents. Within the context of an increase of production capacity from global foundries, the geographic location relative to the supply chain may face pressure from horizontal competition.

Countermeasures:

♦ The Company will keep developing high-end optical products and niche technology applications in different markets, establish long-term collaborative relationship with customers, and make good use of the advantages of the supply chain, disperse demand fluctuations caused by a single customer and single market, avoiding the pressure of competition caused by the supply chain and Chinese policies.

**b. Huge capital expenditure**

The financial pressure at the initial stage of investment in a new plant and equipment.

Countermeasures:

♦ Paid with own capital derived from stable operational growth.  
♦ Considering the long-term development, the Company maintains a good long-term relationship with the bank group to provide funds to support future growth in business.

**c. Lack of control of critical materials**

Some of the critical optical materials are in the hands of a few major manufacturers.

Countermeasures:

♦ The Company will collaborate with suppliers to develop the optical material market, create a collaborative relationship for a long-term supply and develop a second supplier to prevent plagiarism by other competitors. In addition, we work with experts and related units to develop key materials independently.

**d. The market of consumer electronics is easily affected by economic volatility**

Miniaturized optical components are mostly used in consumer electronics, and tend to be affected by the international situation, trade strategies and market volatility.

Countermeasures:

♦ A business model of diversified products has been adopted, obtaining ISO certification for automobiles and medical care. A market with a stable supply has been established, reducing the impact on consumer products by market volatility.

**(II) Important uses and production processes of main products**

**(1) Important uses of products produced through foundry services**

**A. For image sensor related foundry services, the important uses of the main products are described below**

The three main markets of image sensors (CIS, CMOS image sensors) are the applications in mobile devices, automotive and surveillance cameras. In terms of image sensors for mobile devices, with consumers' high expectations for the shooting performance of smartphone cameras in recent years, the number of camera modules and the pixels used in smartphones have also increased rapidly. Thus, the suppliers of camera modules have also raised their standards for the production process capability of the sensors and stability of mass production. On the other hand, with the rapid development of autonomous cars and increasing security demands, the requirements for performance, specifications and supply stability of automotive electronics and image sensors used in security surveillance cameras have gradually risen. Automotive image sensors specifically emphasize sensing abilities in extreme environments, such as the glare of opposite cars' headlights, night vision, and low illuminance on rainy days. Therefore, the process capability requirements of sensors used in automotive electronics and surveillance cameras are different from the performance requirements of smartphone camera modules. After years of investment in R&D, the Company is able to perform mass production using relevant production processes and has passed the reliability verification, and so has become the foundry partner designated by international brands.

**B. For the wafer-level optical components related foundry services, the important uses of the main products are described below**

Wafer-level optical components are mainly used in mobile devices to provide a user experience that is more convenience and secured. For example, ToF sensors and color ambient light sensors offer screen color and power management functions on mobile devices, improving power efficiency and comfort when using mobile devices. The Company's wafer-level optical component products have been adopted by light sensor suppliers. With the development of various technologies, they are gradually expanding the scope of customers' applications.

**(2) Production processes of the main products**

In terms of production processes within the supply chain, an image sensor first goes to a fab at the up-stream to have its electronic circuits completed; it then goes to the Company to undergo various processes, such as on-chip micro-lens, color filter, or multi-film; and finally it goes to the downstream fab for packaging and testing and is deemed as a product. The Company's clean rooms and each process (e.g. photoresists coating, exposure, development, etching, and coating) satisfy the international requirements for a wafer-level optical fab.

**(III) Supply situation of main materials**

The Company's main raw materials are photoresist, target, developer, photoresist remover, chemicals, and gases. Main suppliers of the Company are vendors with long-term cooperation, and both parties maintain good and stable collaborative relationships. To address the issue of single supply, the Company maintains sources of supplies from two or more production bases. Key materials of the future are also developed independently in cooperation with experts or related units to ensure stable supply and technological advantages.

(IV) Customers accounting for 10% or more of the total purchases (sales) in either of the two most recent fiscal years, and their purchase (sale) amount and percentage:

1. Suppliers accounting for 10% or more of the total purchases in either of the two most recent fiscal years

Unit: NT\$ thousand

Item	Supplier name	2022			2023		
		Amount	Percentage of the total net purchases of the year (%)	Relation to the issuer	Amount	Percentage of the total net purchases of the year (%)	Relation to the issuer
1	Company A	402,721	32.18	None	224,292	24.09	None
2	Company B	235,919	18.85	None	200,155	21.49	None
3	Company C	214,674	17.15	None	174,307	18.72	None
	Others	398,150	31.82	-	332,372	35.70	-
	Net purchases	1,251,464	100.00	-	931,126	100.00	-

2. Customers accounting for 10% or more of the total sales in either of the two most recent fiscal years

Unit: NT\$ thousand

Item	Name	2022			2023		
		Amount	Percentage of the total net sales of the year (%)	Relation to the issuer	Amount	Percentage of the total net sales of the year (%)	Relation to the issuer
1	Customer A	3,621,402	39.90	None	3,273,114	45.23	None
2	Customer B	2,590,800	28.54	None	1,583,456	21.88	None
3	Customer C	700,260	7.71	None	886,781	12.25	None
	Others	2,164,686	23.85	-	1,493,577	20.64	-
	Total	9,077,148	100.00	-	7,236,928	100.00	-

(V) The production volume for the two most recent fiscal years:

Unit: 8-inch equivalent wafers in thousand pieces; NT\$ thousand

Main merchandise (or by segment) ↓	Production volume →	2022			2023		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Image Sensor		1,907	1,154	3,018,855	2,100	788	3,044,778
Micro-optical components		498	228	2,654,502	524	212	2,748,040
Other (Note)		-	-	76,551	-	-	229,764
Total		2,405	1,382	5,749,908	2,624	1,000	6,022,582

Note: Other refers to the income from engineering products and testing services.

(VI) The volume of units sold in the two most recent fiscal years:

Unit: 8-inch equivalent wafers in thousand pieces; NT\$ thousand

Main merchandise (or by segment) ↓	Production volume →	2022				2023			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Image Sensor		71	212,246	1,083	4,108,348	53	210,713	735	2,805,305
Micro-optical components		108	854,135	120	3,746,661	101	748,025	111	3,336,734
Other (Note)		-	40,234	-	115,524	-	21,869	-	114,282
Total		179	1,106,615	1,203	7,970,533	154	980,607	846	6,256,321

Note: Other refers to the income from engineering products and testing services.

III. The number of employees employed:

The data of employees employed for the two most recent fiscal years and up to the date of publication of the annual report

Item		2022	2023	March 24, 2024
Number of employees	Direct labor	572	532	587
	Indirect labor	873	855	889
	Total	1,445	1,387	1,476
Average age (year)		35.6	36.6	36.2
Average years of service (years)		5.5	6.3	6.0
Education level ratio (%)	Ph.D	2	2	2
	Master's	42	43	43
	Bachelor's	43	42	42
	Senior high school	13	13	13
	Senior high school and below	0	0	0

IV. Disbursements for environmental protection:

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



In 2023, the Company has no incurred any environmental pollution related losses. However, the Company was given two fines totaling NT\$230,000 for violating environmental regulations: NT\$100,000 and 2 hours environmental protection seminars of dedicated personnel issued on 06/29/2023 for the cleaning fluid's pH value of air pollution control equipment did not match with the license (Section 2 of Article 24 of the Air Pollution Control Act) – the Company has immediately repaired the malfunctions equipment; NT\$130,000 2 hours environmental protection seminars of dedicated personnel issued on 11/21/2023 for one of scrubber's washing rate did not match with the license (Section 2 of Article 24 of the Air Pollution Control Act) – the Company improved the abnormal equipment, built the backup system and enhanced related management measures.

## V. Labor relations

### (I) The Company's employee welfare plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests:

1. List any employee welfare plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests

#### (1) Employee welfare plans

The Company is committed to maintaining a high standard of corporate social responsibility. It believes that the maintenance of good labor relations is the cornerstone of the Company's sustainable development and promotes the following employee welfare measures

- A. Labor Insurance and National Health Insurance: All employees of the Company participate in Labor Insurance and National Health Insurance.
- B. Group Insurance: In addition to the employees themselves, their spouses, children and parents are also covered, so that colleagues and their families can be protected.
- C. Employee welfare: The Company makes welfare fund contributions as per the "Employee Welfare Fund Act," and organizes an employee welfare committee to handle employee welfare matters. In addition to providing employees with various welfare measures and cash gifts for annual festivals, company trips, family days, year-end parties and other activities will be organized as well to maintain the friendship among employees, enhance the internal cohesion within the organization, and improve the morale at work.
- D. Employee health promotion: Various employee physical examinations and annual health check-ups are provided which are better than the statutory requirements, and appropriate health promotion programs are planned as needed. A health center and breastfeeding rooms have been set up, dedicated nursing personnel are hired, and physicians are regularly arranged for to visit the plant to provide health consultations. Professional psychological counselors are engaged to take care of the mental health of employees. Health promotion courses are organized irregularly, such as the body-mind courses, e.g. stress relief courses or weight loss courses. Blood donation activities are arranged, both to accelerate metabolism and to do charity.
- E. Group meals: The Company has an restaurant and a coffee bar for employees, where buffet, fast food, and wheat food are offered. Lunch, dinner, and late-night supper are subsidized. Taiwanese food available on the island, as well as exotic cuisines, are provided, both to create a diversified diet, and to meet the diet needs of employees, both of Taiwanese nationals and of foreign nationals.
- F. Bonus system: The Company pays bonuses depending on performance results.
- G. Club activities: In order to encourage employees to engage in proper leisure activities, various clubs are organized by employees, and the Employee Welfare Committee provides budget subsidies.

#### (2) Continuing education and training

The Company pays attention to the self-cultivation of the employees and plans diversified training programs to meet the needs of organizational development. Through a systematic training roadmap, it is expected that each employee can realize their potential and improve their work performance in an environment that is appropriate to their talents, so as to achieve the win-win objective of business development and personal growth. An eLearning platform has been introduced so that the employees can carry out learning activities effectively. Training categories include:

- A. New employee orientation: The content includes the company profile, environmental safety and health regulations, quality policies, personal data protection, regulatory compliance, and other general education.
- B. On-the-job training: Buddies are assigned to each new employee to shorten the adaptation period. Through the planning of OJT courses, engineering skills and experiences of various segments are passed on. Technical talent is developed through learning at work to ensure product quality.
- C. IDP individual training roadmap planning: Differentiated courses are planned according to ranks to improve the working skills and expertise of individuals.
- D. Professional certificate/license training: Specific training for personnel qualifications is conducted according to laws and regulations and work requirements, and regularly assessed and certified to improve the quality of products.
- E. Direct labor training: The knowledge, technologies, and methods required for their work are taught to the production and technical personnel so that they can obtain the certification to operate equipment.
- F. Management functions training: Management development training activities are planned in accordance with management skill and function requirements of supervisors at all levels.

#### (3) Retirement system and the status of its implementation

The Company has established the "Supervisory Committee of Labor Retirement Reserve" in accordance with labor laws and regulations. For the employees to whom the old labor retirement system applies, the "Labor Retirement Reserve" will be appropriated regularly and deposited in a special account at the Bank of Taiwan in the name of the committee. The committee is responsible for managing, supervising, and reviewing matters related to the retirement reserve.

For employees to whom the new labor retirement system applies, six percent of the employee's monthly salary shall be appropriated to their Individual Labor Pension Account of the Bureau of Labor Insurance as per the "Labor Pension Act".

#### (4) The status of labor-capital agreements and measures for preserving employees' rights and interests

The Company values the opinions of its employees and provides a variety of channels to promote communication and coordination between labor and capital. A quarterly labor-capital meeting is held to explain the Company's operation profile to labor representatives and participate in discussions on labor conditions and welfare matters. Employee communication meetings are held quarterly for direct and two-way interaction and communication. Important information and recent events are announced through the internal website (My VisEra). A channel for employee grievances has been established and the responsible segment and the Company's top management will be informed based on the nature of the grievances. There is also provide a channel for whistleblowing/ complaint/opinion submissions to allow employees to give their comments about work and environmental issues and suggestions. Multiple channels for employee feedback are maintained, voices of employees are listened to, and responses and communication are made in a timely manner to promote labor-management harmony and achieve win-win for both the enterprise and employees.

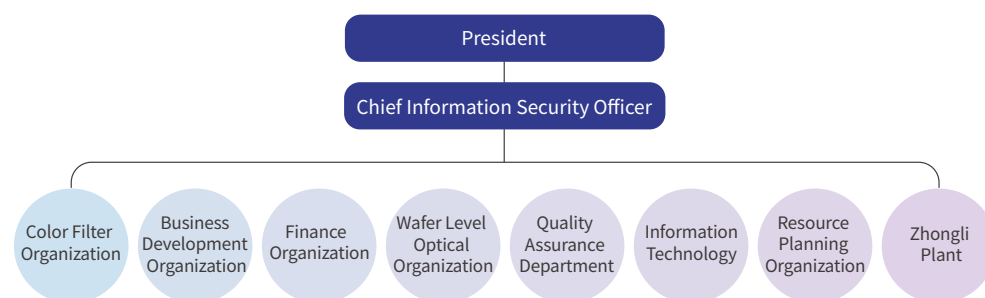
### (II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

## VI. Information and communication security management:

(I) Describe the management framework, policy, concrete management projects, and invested resources in relation to information and communication security management.

- (1) In order to maintain its competitiveness, mitigate the risk of operation interruption, ensure that the information system is confidential, comprehensive, and accessible, and enhance employees' awareness of information security, the Company has established the "Information Security Management Committee" to implement works related to information security management.

Organizational chart:



(2) Information security policy:











- ◆ Establish and implement an information security management system
- ◆ Comply with the information security requirements stipulated in regulations or contracts
- ◆ Assess risks; set goals and control measures to continuously improve information security
- ◆ Disseminate information security requirements to employees and related groups

(3) Information security risk management:

- ◆ The Company assigns a dedicated information and communication security management and a dedicated information security personnel to promote, coordinate, monitor, and review all matters involving information security, to establish an organization responsible for information security incidence reporting and emergency response, to identify information security risks, and to implement improvement measures to mitigate information security risks.
- ◆ In 2011, the Company established internal regulations for information security management pursuant to ISO/IEC 27001 – Information technology — Security techniques — Information security management systems — Requirements, against which the Company was audited and qualified by the third party and will be re-audited every year.
- ◆ Information security protection measures are implemented at the demilitarized zone (DMZ) server (i.e. the server open to outsiders), office, data center, product lines, and cloud service center, and improved. KPIs for relevant control measures and a daily monitoring mechanism are established.
- ◆ The Company participates in information security sharing organization to obtain information security alert, threat, and vulnerability.
- ◆ In accordance with Enterprise Risk Management (ERM) regulations, we establish a script of possible information security incidents and corresponding contingency, prevention, and exercise plans.
- ◆ Perform regular penetration tests and vulnerability scans to fix relevant vulnerabilities to reduce security risks.
- ◆ The Company regularly holds information security training and promotion, as well as social engineering drills to improve information security awareness.
- ◆ Enhance endpoint protection and introduce managed threat detection and response (MDR) service.
- ◆ Construct a source code scanning platform to eliminate information security vulnerabilities at the source and reduce the risks caused by information system source code vulnerabilities.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None .

## VII. Important contracts:

Nature of the contract	Contracting parties	Commencement dates and expiration dates of the contract (Month/Day/Year)	Major content	Restrictive clauses
 Lease contract	Hsinchu Science Park Bureau, Ministry of Science and Technology	June 5, 2006 to December 31, 2025	Lease of land for the Hsinchu Duxing Plant	The sublease, subtenancy, or assignment of the land or its buildings shall obtain prior consent from the Science Park Bureau.
 Lease contract	Hsinchu Science Park Bureau, Ministry of Science and Technology	April 15, 2020 to December 31, 2039	Lease of land for the Longtan Plant	The sublease, subtenancy, or assignment of the land or its buildings shall obtain prior consent from the Science Park Bureau.
 Lease contract	Xintec Inc.	November 16, 2022 to November 15, 2024	Lease of Xintec's Zhongli Plant and the relevant plant facilities and services	No subleasing, subletting, lending, transferring, possessing or other means of providing use to other people is allowed.
 Construction contract	Li Jin Engineering Co. Ltd.	September 30, 2020 ~ until the warranty expires	Construction of Longtan Plant	None
 Commissioned for processing	Xintec Inc.	October 1, 2019 to September 30, 2025	Provide customers with wafer processing services, and draw up a contract as per the Regulations Governing Customs Bonded Factories	None
 Long-term supply	United Industrial Gases Co., Ltd.	November 11, 2020 to October 31, 2030	Purchase nitrogen, subsidize liquid nitrogen and ultra-high purity liquid oxygen; lease equipment	The equipment must not store gas not supplied by United Industrial Gases.
 Bank credit	Mega International Commercial Bank Co., Ltd.	The signing date of the contract is June 8, 2020. According to the contract, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NT\$2.04 billion has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes.
 Bank credit	Far Eastern International Bank Co., Ltd.	The signing date of the contract is June 17, 2020. According to the contract, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NT\$1.75 billion has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes.
 Bank credit	E.SUN Commercial Bank, Ltd.	The signing date of the contract is July 1, 2020. According to the contract, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NTD 2 billion has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes.
 Bank credit	Taipei Fubon Commercial Bank Co., Ltd.	The signing date of the loan drawdown notice is July 27, 2020. According to the approval conditions, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NT\$2.84 billion has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes.



## Six. Financial Overview

### I. Condensed balance sheet and statement of comprehensive income for the last 5 years

#### (I) Condensed balance sheet and statement of comprehensive income

##### 1. Condensed balance sheet – Based on IFRS

Unit: NT\$ thousand

Year →		Financial information for the last 5 years (Note 1)				
		2019	2020	2021	2022	2023
Item ↓						
Current asset		4,161,500	3,767,007	5,000,933	13,277,764	14,078,469
Property, Plant and Equipment		1,867,080	7,617,347	9,773,826	11,919,577	10,742,099
Intangible asset		10,252	9,096	24,874	49,922	52,306
Right-of-use assets		221,221	319,065	244,038	312,406	245,977
Other assets		62,424	59,253	45,504	40,452	59,671
Total assets		6,322,477	11,771,768	15,089,175	25,600,121	25,178,522
Current liabilities	Before dividend	968,878	2,225,250	2,625,096	3,636,504	3,928,017
	After dividend	968,878	2,807,556	3,211,808	4,267,596	(Note 2)
Non-current liabilities		168,127	2,263,683	3,547,504	5,073,455	4,619,338
Total liabilities	Before dividend	1,137,005	4,488,933	6,172,600	8,709,959	8,547,355
	After dividend	1,137,005	5,071,239	6,759,312	9,341,051	(Note 2)
Share capital		2,911,531	2,911,531	2,932,991	3,155,341	3,165,671
Capital surplus		696,675	703,493	732,799	7,304,953	7,310,640
Retained earnings	Before dividend	1,577,266	3,667,811	5,250,785	6,429,868	6,154,856
	After dividend	1,577,266	3,085,505	4,664,073	5,798,776	(Note 2)
Total Equity	Before dividend	5,185,472	7,282,835	8,916,575	16,890,162	16,631,167
	After dividend	5,185,472	6,700,529	8,329,863	16,259,070	(Note 2)

Note 1: All yearly financial information presented above has been audited.

Note 2: To be finalized upon passing of the resolution at the shareholders' meeting.

##### 2. Condensed statement of comprehensive income - Based on IFRS

Unit: In thousands of NTD, except for earnings per share, which is estimated in NTD.

Year →		Financial information for the last 5 years (Note)				
		2019	2020	2021	2022	2023
Item ↓						
Revenue		3,395,724	6,946,349	9,029,178	9,077,148	7,236,928
Gross profit		1,147,342	3,110,898	3,568,972	3,327,240	1,214,346
Operating profit/loss		718,692	2,556,440	2,707,262	2,068,659	278,136
Non-operating income and expense		24,680	(1,089)	(3,316)	31,790	37,216
Profit before tax		743,372	2,555,351	2,703,946	2,100,449	315,352
Current period net profit		613,841	2,090,545	2,165,280	1,765,795	356,080
Total comprehensive income in the current period		613,841	2,090,545	2,165,280	1,765,795	356,080
Earnings per Share		2.11	7.18	7.41	5.80	1.13

Note: All yearly financial information presented above has been audited.

#### (II) Names of financial statement auditors in the last 5 years and audit opinions

##### 1. Names of financial statement auditors in the last 5 years and audit opinions

Year	Accounting firm	Name of CPA	Audit opinion
2019	Deloitte Taiwan	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2020	Deloitte Taiwan	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2021	Deloitte Taiwan	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2022	Deloitte Taiwan	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2023	Deloitte Taiwan	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion

2. If there was a change/replacement of the certified public accountant within the most recent five years, explanation for the change made by the company, the predecessor and successor certified public accountants over the causes for such change/replacement shall be set forth: None.

II. Financial analysis for the last 5 years

1. Financial ratio analysis - IFRS-compliant

		Financial information for the last 5 years				
Analysis ↓		2019	2020	2021	2022	2023
Financial structure (%)	Debt-to-assets ratio	17.98%	38.13%	40.91%	34.02%	33.95%
	Long-term capital to property, plant and equipment	286.74%	125.33%	127.53%	184.27%	197.82%
Solvency (%)	Current ratio	429.52%	169.28%	190.50%	365.12%	358.41%
	Quick ratio	419.18%	163.27%	184.25%	360.84%	353.42%
	Interest earned ratio	151.02	490.44	217.07	171.01	4.50
Operating performance	Accounts receivable turnover (times)	5.78	8.76	8.09	8.73	8.68
	Average collection days	63	42	45	42	42
	Inventory turnover (times)	48.22	53.81	60.12	63.38	62.79
	Accounts payable turnover (times)	18.87	23.24	20.40	18.03	20.99
	Average inventory turnover (days)	8	7	6	6	6
	Property, plant and equipment turnover (times)	1.92	1.46	1.04	0.84	0.64
	Total asset turnover (times)	0.55	0.77	0.67	0.45	0.29
Profit ability	Return on assets (%)	10.01%	23.15%	16.20%	8.73%	1.69%
	Return on equity (%)	11.88%	33.53%	26.73%	13.68%	2.12%
	Pre-tax profit to paid-up capital (%)	25.53%	87.77%	92.19%	66.57%	9.96%
	Net profit margin (%)	18.08%	30.10%	23.98%	19.45%	4.92%
	Earnings per share (NT\$)	2.11	7.18	7.41	5.80	1.13
Cash flows	Cash flow ratio (%)	109.27%	151.47%	144.56%	117.94%	67.72%
	Cash flow adequacy ratio (%)	91.79%	70.93%	69.74%	76.11%	77.37%
	Cash reinvestment ratio (%)	3.47%	18.17%	13.78%	10.56%	5.48%
Degree of leverage	Operating leverage	3.86	2.22	2.74	3.66	21.93
	Financial leverage	1.01	1.00	1.00	1.01	1.48

Note 1:All yearly financial information presented above has been audited.  
Note 2:Formulas of financial ratios are defined below:  
1.Financial structure  
(1)Debt-to-assets ratio = total liabilities/ total assets.  
(2)Ratio of long-term capital 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 - inventory - prepayments) / current liabilities.  
(3)Interest earned ratio = earnings before interest and income tax / interest expenses for the current period.

3.Operating performance  
(1)Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).  
(2)Average collection days = 365 / accounts receivables turnover.  
(3)Inventory turnover = cost of sales/average inventory balance.  
(4)Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).  
(5)Average inventory turnover days = 365 / inventory turnover.  
(6)Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.  
(7)Total asset turnover = net sales / average total assets.  
4.Profitability  
(1)Return on assets = [net income + interest expenses × (1- tax rate)] / average total asset balance.  
(2)Return on equity = net income / average shareholders' equity.  
(3)Net profit margin = net income / net sales.  
(4)Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.  
5.Cash flows  
(1)Cash flow ratio = net cash flow from operating activities / current liabilities.  
(2)Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.  
(3)Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).  
6.Degree of leverage:  
(1)Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.  
(2)Degree of financial leverage = operating profit / (operating profit - interest expense).

III. Audit Committee's Review Report

**Audit Committee’s Review Report**

The Board of Directors prepared the 2023 Business Report, Financial Statements, and earning distribution proposal of the Company. The Financial Statements have been audited by the CPA of Deloitte & Touche, who presented the independent auditors’ report. After audit, the Audit Committee believes the aforementioned Business Report, Financial Statements and earnings distribution proposal are prepared in good faith. Therefore, the Audit Committee’s Review Report is so generated pursuant to the Securities and Exchange Act and the Company Act.

VisEra Technologies Company Ltd.

Convener of the Meeting of the Audit Committee: Laura Huang

February 21, 2024

IV. Financial report for the most recent year: Please refer to No. "101~152" pp.(Standalone Financial Statements for 2022 and 2023)

V. Financial distress encountered by the Company and affiliated enterprises in the last year, up until the printed date of annual report: None.



## Seven. Review of Financial Status, Financial Performance, and Risk Management

### I. Financial status:

Comparative analysis of financial status

Unit: NT\$ thousand

Item ↓	Year →		Difference	
	2022	2023	Amount	%
Current asset	13,277,764	14,078,469	800,705	6.03%
Property, Plant and Equipment	11,919,577	10,742,099	(1,177,478)	(9.88%)
Right-of-use assets	312,406	245,977	(66,429)	(21.26%)
Intangible asset	49,922	52,306	2,384	4.78%
Other assets	40,452	59,671	19,219	47.51%
Total assets	25,600,121	25,178,522	(421,599)	(1.65%)
Current liabilities	3,636,504	3,928,017	291,513	8.02%
Non-current liabilities	5,073,455	4,619,338	(454,117)	(8.95%)
Total liabilities	8,709,959	8,547,355	(162,604)	(1.87%)
Share capital	3,155,341	3,165,671	10,330	0.33%
Capital surplus	7,304,953	7,310,640	5,687	0.08%
Retained earnings	6,429,868	6,154,856	(275,012)	(4.28%)
Total Equity	16,890,162	16,631,167	(258,995)	(1.53%)

- 1.Explanation to changes: (only for variations exceeding 20% and amounting to more than NT\$10 million)  
 (1) The decrease in right-of-use assets is mainly due to the early termination of the leased plant.  
 (2) Increase of other assets is mainly due to the recognition of deferred income tax assets.  
 2.Possible impacts on future financial and business performance: No material impact is expected.  
 3.Future response measures: Not applicable.

Source: Based on audited financial statements.

### II. Financial performance:

#### (I) Comparative analysis of operating performance

Unit: NT\$ thousand

Item ↓	Year →		Difference	
	2022	2023	Amount	%
Revenue	9,077,148	7,236,928	(1,840,220)	(20.27%)
Gross profit	3,327,240	1,214,346	(2,112,894)	(63.50%)
Operating profit/loss	2,068,659	278,136	(1,790,523)	(86.55%)
Non-operating income and expense	31,790	37,216	5,426	17.07%
Profit before tax	2,100,449	315,352	(1,785,097)	(84.99%)
Current period net profit	1,765,795	356,080	(1,409,715)	(79.83%)
Total comprehensive income in the current period	1,765,795	356,080	(1,409,715)	(79.83%)

1. Explanation to changes: (only for variations exceeding 20% and amounting to more than NT\$10 million)  
 (1) Operating revenue: Due to fluctuations in demand for mobile phones and the adjustment of image sensor inventory, resulting in a decrease in revenue.  
 (2) Gross profit, profit or loss, and net profit: This is mainly due to the low average capacity utilization rate and the depreciation of the new Longtan Plant from the second quarter, resulting in a decrease in gross profit compared to the previous year, which in turn affected operating profit and loss and net profit.  
 2. Possible impacts on future financial and business performance: No material impact is expected.  
 3. Future response measures: Not applicable.

#### (II) Sales forecast and basis:

Sales volume is estimated based on the Company's sales targets, market demands, growth trends, customers' performance, and existing sales orders after taking production capacity into consideration. The Company expects sales to be affected by the overall economic environment and the market inventory adjustment in the short-term, but will grow at a consistent rate, which will affect financial and business performance in a positive way.

### III. Cash flows:

#### (I) Analysis of cash flow changes for the year:

Unit: NT\$ thousand

Item	2022	2023	Variation
Operating activities	4,288,864	2,659,943	(37.98%)
Investing activities	(4,135,615)	(2,036,024)	(50.77%)
Financing activities	8,563,579	(105,921)	(101.24%)
Net cash inflow	8,716,828	517,998	(94.06%)

Analysis of cash flow changes:

- (1) Operating activities: This is mainly due to the decrease in profit before tax, resulting in a decrease in net cash inflow from operating activities.  
 (2) Investing activities: Mainly due to the reduction in capital expenditures, which reduced the net cash outflows from investing activities.  
 (3) Financing activities: Mainly due to repayment of long-term borrowings, causing an increase in net cash outflows from financing activities.

Note: Based on IFRS-compliant consolidated financial information.

(II) Response measures and liquidity analysis for cash flow deficit: Not applicable.

(III) Liquidity analysis for the next year:

Opening cash balance	Projected net cash flow from operating activities for the year	Projected net cash flow from investing activities for the year	Projected net cash flow from financing activities for the year	Expected cash surplus (deficit)	Response measures for cash flow deficit	
					Investment plans	Financing plans
12,467,450	3,846,209	(1,713,874)	(2,695,706)	11,904,079	-	-

1. Analysis of cash flow variation for the next year:

- (1) Operating activities: Net cash inflows generated from normal production plans, after considering market demand.
- (2) Net cash outflow from investing activities: mainly attributed to additional capital expenditures on new equipment and plant construction that the Company expects to incur for capacity expansion and development of new production procedures.
- (3) Net cash outflow from financing activities: mainly represents cash outflow due to repayment of long-term borrowings.

2. Response measures and liquidity analysis for cash flow deficit: None.

#### IV. Material capital expenditures in the last year and impacts on financial position and business performance:

Construction of the new Longtan Plant represents a material capital expenditure. The Company expects to finance this project with its own capital or through bank borrowing, and expects no material impact on financial or business performance.

#### V. Investment policy in the last year, main causes for profits or losses, improvement plan, and investment plan for the coming year:

(I) Investment policy

The Company has formulated its investment policy in line with long-term strategies, which focus primarily on color filters and optical coating. Apart from the above, the Company does not invest in other industries. The Company has also established a set of “Asset Acquisition and Disposal Procedures” in accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” stipulated by the authority to serve as guidance over investment practices, and to monitor business and financial status of business investments.

(II) Main causes of profit or loss, improvement plan: Not applicable as the Company has no business investment.

(III) Investment plans for the coming year: None.

#### VI. Evaluation of risk management issues in the last year up until the printed date of annual report:

(I) Effects of changes in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures:

1. Interest rate changes

Unit: NT\$ thousand; %

Item	2022	2023
Interest expense	12,355	90,104
Net operating revenues	9,077,148	7,236,928
Interest expense as a percentage of net operating revenues	0.14	1.25

Source: Based on audited financial statements

Interest expense as a percentage of net operating income for the years ended December 31, 2022 and 2023 were both 0.14% and 1.25% respectively. The Company constantly observes and analyzes how a change in market interest rate may affect cash flows on interest-bearing debts. The Company also maintains good relationship with banks and performs timely assessments on possible interest rate risks for all interest-bearing debts, while taking actions to reduce impact of interest rate changes on profitability.

2. Foreign exchange rates changes

Unit: NT\$ thousand; %

Item	2022	2023
Net foreign exchange gain (loss)	160,659	6,212
Net operating revenues	9,077,148	7,236,928
Net gains/losses on foreign currency exchange as a percentage of net operating revenues	1.77	0.09

Source: Based on audited financial statements.

Net gains (losses) on foreign currency exchange accounted for 1.77% and 0.09% of the Company’s operating revenues in 2022 and 2023, respectively. Since most capital expenditures and manufacturing overheads are paid in non-NTD currencies such as USD and JPY and most revenues are collected in USD, excessive volatility in exchange rate may have adverse impacts on the Company. Depending on changes in market exchange rate, current positions, and capital availability, the Company adopts a combination of natural hedge and foreign exchange contract to eliminate exchange rate risks.

3. Inflation

Inflation has not had significant impact on the Company. Furthermore, the Company pays constant attention to changes in market price, and maintains productive relationship with suppliers and customers to eliminate adverse impacts of inflation on profitability.



(II) Policies on high-risk and highly leveraged investments, lending funds to other parties, endorsements / guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future response measures:

1. The Company has established “Procedures for Lending Funds to Others,” “Procedures for Endorsement and Guarantee,” “Procedures for the Acquisition or Disposal of Assets,” and “Procedures for Derivative Transactions,” to serve as guidance within the Company. The Company had not engaged in any high-risk or highly leveraged investment or transactions such as lending funds to other parties, endorsement, or guarantee as of the publication date of annual report.
2. USD to NTD forward is the main form of financial derivative traded by the Company. Use of this instrument is solely for hedging exchange rate volatility arising from foreign currency-denominated assets and liabilities, and strictly complies with “Procedures for the Acquisition or Disposal of Assets” and “Procedures for Derivative Transactions.” For the above reasons, trading of derivative posed no significant risk to the Company.

(III) Future research and development plans and projected expenses:

Unit: NT\$ thousand

Item	R&D project	Expected time of completion/mass production	Estimated cost of research and development
1	Process technology for 0.56 micron pixels and more than 200 million pixels		
2	CIS Nano-light-pillar microstructure		
3	CIS LnG microstructure	2024 -	2,014,516
4	Metasurface		
5	Waveguide		

(IV) Financial impacts and response measures in the event of changes in local and foreign regulations:

The Company complies with local and foreign regulations for all daily operations. It pays constant attention to political and regulatory developments local and abroad, and gathers relevant information that the management may use to make informed decisions. The Company also consults experts from various fields to keep up-to-date on market changes, and adjusts operational strategies at times deemed appropriate. The Company encountered no change in local or foreign policy/regulation that affected its financial or business performance in the last year up until the printed date of this annual report.

(V) Business and financial impacts and response measures in the event of technological (such as information and communication security risk) or industrial change:

The Company operates in the semiconductors industry, where products and technologies evolve at such a fast rate that participants are constantly in need to adopt advanced technologies and expand production capacity. Competition among peers is extremely intense. In response, the Company continues to monitor changes in market demand and technology, and strives to capitalize on new market opportunities and enhance long-term competitiveness by exploring new products as well as new customers.

VisEra Technologies is committed to technological innovation. In order to enhance its industrial leadership, maintain the hard-earned advanced technological achievements, protect the R&D achievements, and strengthen competitiveness, the Company launches an incentive mechanism that encourages R&D and innovation in conjunction with its patent application deployment, one of its business objectives. Doing so not only creates a benign circle and a corporate culture characteristic of R&D and innovation, but also lays a solid foundation for corporate sustainability management.

The Company actively promotes intellectual property right (IPR) management plans, has established regulations governing the application, maintenance, and management of IPR that relates to patents and trade secrets, and prevents the leakage of R&D achievements and critical technologies through a stringent confidential information protection system, so as to comprehensively protect the Company's intellectual properties. The Company's patent portfolio covers numerous countries such as the United States, Taiwan, China, and Japan; total number of patents has reached nearly 700 pieces, and is continuously growing. At each year-end, the management team will consider future business planning along with the R&D status of each R&D department within each organization to set appropriate IPR KPIs for the following year, so as to motivate the Company's R&D momentum. The achieving rates of these KPIs in recent years all exceeded 100%. Also, R&D supervisors report R&D status and future R&D plans to the Board of Directors at least annually, so that the directors are well informed of the Company's IPR portfolio.

With regards to cybersecurity risks, the Company has established a dedicated information security team to set up and implement a cybersecurity management system along with relevant policies and documents to regulate cybersecurity practices. In addition, cybersecurity risk assessments and internal and external audit cycles are conducted on a yearly basis to ensure effectiveness and compliance with the management system. In light of the above, cybersecurity does not pose a significant risk to the Company's operations.

(VI) Crisis management, impacts, and response measures in the event of a change in corporate image:

The Company has been dedicated to maintaining corporate image and complying with regulations since it was founded. As of the printed date of annual report, there had been no change in corporate image that would put the Company in crisis.

(VII) Expected benefits, risks, and response measures in relation to mergers and acquisitions: None.

(VIII) Expected benefits, risks, and response measures associated with plant expansions :

A resolution was passed during the Board of Directors meeting held in January 2020 to construct Longtan Plant for the expansion of production capacity. This project will be funded using the Company's capital and long-term bank borrowings. The project exhibited no concern for delay or as of the printed date of annual report.

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

(1) Risks and response measures associated with concentrated purchases  
Main suppliers of the Company are vendors with long-term cooperation, and both parties maintain good and stable collaborative relationships. To address the issue of single supply, the Company maintains sources of supplies from two or more production bases to ensure the stability of supplies.

(2) Risks and response measures associated with concentrated sales  
The Company specializes in foundry service for image sensors. Some image sensor suppliers do have a higher share of the market, which causes the Company's top-10 buyers to account for a relatively high percentage of total revenues. This concentration is an inherent nature of the industry. The Company will continue developing new products as a means to diversify sales concentration risk.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None.

(XI) Effect upon and risk to the company associated with any changes in governance personnel or top management, and mitigation measures being or to be taken: None.



(XII) Major litigations, non-contentious cases, or administrative litigations occurred during the year that involved the Company or any director, supervisor, President, person-in-charge, or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders or security prices of the Company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of annual report:

As is common to most other companies in the semiconductor industry, TSMC may receive notifications from a third party from time to time alleging that TSMC's technology, process, or the design of semiconductor products manufactured by TSMC or the use by customers of TSMC has infringed others' patents or other intellectual property rights. These claims sometimes lead to litigation between the two parties (TSMC is either the plaintiff or the defendant) and TSMC paying a settlement fee. Regardless of whether the claims of these third parties are substantiated by law, they may incur more or lesser burdens of litigation expenses for TSMC or adversely affect the Company's operations. In addition, TSMC is also required to comply with the regulations of the relevant regional competition laws and be supervised by the competent authorities. If the outcome of the enforcement proceedings launched by the competent authorities against TSMC is unfavorable for TSMC, it may damage the businesses of TSMC or affect the operating strategies of TSMC, thereby causing a negative impact on the operating results or prospects of TSMC, and causing TSMC to face a potentially high level of legal liability.

Major legal matters involving TSMC so far are as follows:

In September 2022, Daedalus Prime LLC (Daedalus) initiated a patent infringement investigation and litigation for four U.S. patents against TSMC, TSMC North America and other companies at the U.S. International Trade Commission (ITC) and the U.S. District Court for East Texas. ITC initiated an investigation in October 2022. In June 2023, Daedalus withdrew from the ITC for two US patent infringement investigations. In June of the same year, a patent infringement lawsuit was filed in the U.S. District Court for the District of East Texas against TSMC for five other U.S. patents. The ITC suspends the proceedings of the ITC investigation at the joint request of both parties in September and will apply for the termination of the ITC investigation and other litigation cases after the parties have reached a settlement agreement. In October, the two parties jointly petitioned the ITC to terminate the patent infringement investigation and jointly petitioned the U.S. District Court for the District of East Texas to dismiss the related litigation. The ITC patent infringement investigation was concluded in November, and the related litigation in the U.S. District Court for East Texas was also withdrawn in the same month.

Other than the aforementioned legal cases, as of the date of publication of the annual report, there have been no other major legal cases involving TSMC.

(XIII) Other significant risks: None.

**VII. Other material issues: None.**





Eight. Special Disclosure

I. Affiliated enterprises:

- (I) Consolidated business report of affiliated enterprises: Not applicable.
- (II) Consolidated financial statements of affiliated enterprises: Not applicable.
- (III) Affiliation report

1. Declaration of Affiliation Report

Declaration of Affiliation Report

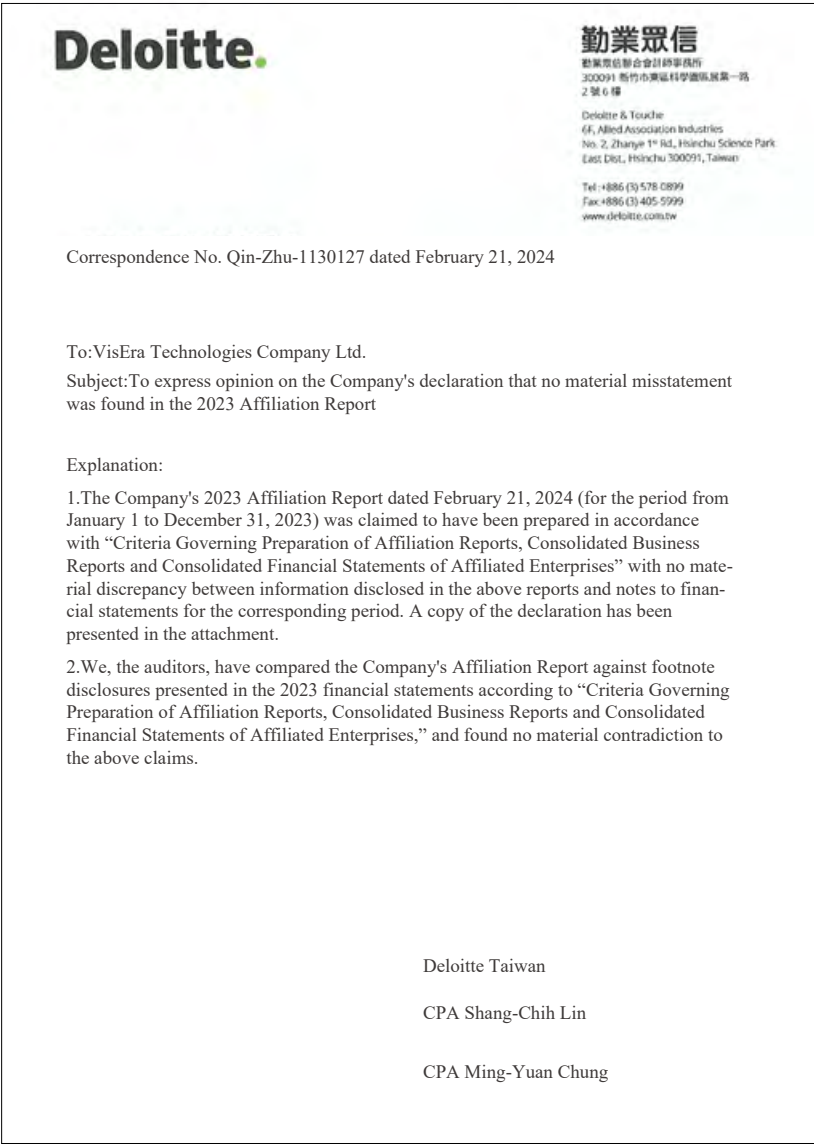
The Company's 2023 Affiliation Report (for the period January 1 to December 31, 2023) has been prepared in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.” There was no material discrepancy between information disclosed in the above report and notes to financial statements for the corresponding period.  
This declaration is solemnly made by

Company name: VisEra Technologies Company Ltd.

Person-in-charge: Robert Kuan

February 21, 2024

2. Auditor’s review of the Affiliation Report



3. Relationships between controlling and controlled entities:

The Company is a subsidiary of Taiwan Semiconductor Manufacturing Company Limited (TSMC); information of the controlling entity is presented below:

December 31, 2023 Unit: shares; %

Name of controlling entity	Means of control	Shares held and pledged by the controlling entity			Directors, supervisors or managers appointed by the controlling entity	
		No. of shares held	Shares Ratio	Shares pledged	Position	Name
TSMC	Parent company that holds controlling interest in the Company	213,619,000	67.48%	-	Chairman Director Director	Robert Kuan George Liu Diane Kao

## 4. Transactions with the above parties:

## (1) Trading of inventory:

Unit: NTD thousand; %

Transactions with the controlling entity				Terms with the controlling entity		Ordinary trade terms		Cause of difference	Accounts and notes receivable (payable)		Overdue accounts receivable			Remarks
Purchase/Sale	Amount	As a percentage of total purchase (sale)	Gross margin	Unit price (NT\$)	Payment Terms	Unit price (NT\$)	Payment Terms		Balance	As a percentage of total accounts and notes receivable (payable)	Amount	Actions Taken	Amount of doubtful debt provisions	
Sales	\$ 749	0.01%	30.95%	Note 1	30 days after month-end	Note 1	30-90 days after month-end	Note 1	\$47	0.01%	\$0	-	\$0	-
Purchase	3,727	0.40%	-	Note 2	30 days after month-end	Note 2	30-60 days after month-end	Note 2	440 (Note 3)	0.16%	0	-	0	-

Note 1: Products and services were sold to related parties at general commercial terms and conditions.

Note 2: Products and services were purchased from related parties at general commercial terms and conditions.

Note 3: It refers to purchases for manufacturing and R&amp;D purposes and is accounted for in accounts payable - related parties.

## (2) Trading of property: No material transaction had taken place.

## (3) Financing: No financing had taken place.

## (4) Leasing:

Unit: NTD thousand; %

Transaction type (as lessor or lessee)	Underlying asset		Lease term (Month/Day/Year)	Nature of lease (Note 1)	Basis of rental rate	Collection (payment) terms	Comparison with normal rental rates	Sum of rent in the current period	Amount collected/ paid in the current period	Other terms and conditions (Note 2)
	Name	Location								
Leasing	Buildings	(Longtan Science Park) No. 89, Longyuan 1st Rd., Longtan Dist., Taoyuan City	2023/01/01~ 2023/04/30	Operating lease	Determined via bilateral negotiation	Paid monthly	Normal	\$3,238	Paid in full	None
Leasing	Buildings and structures - parking space rent	(Longtan Science Park) No. 89, Longyuan 1st Rd., Longtan Dist., Taoyuan City	2023/10/16~ 2024/10/15	Operating lease	Determined via bilateral negotiation	Paid monthly	Normal	\$120	Other receivables of NT\$80 were outstanding at period-end	None

Note 1: Specify the nature as capital lease or operating lease.

Note 2: Other encumbrances such as lien over superficies, dian and servitude must be specified.

## (5) Other significant transactions: No material transaction had taken place.

## 5. Guarantees and endorsements: None.

## 6. Other events of significant financial or business impacts: None.

## II. Private placement of securities in the last year up until the printed date of annual report: None.

## III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up until the printed date of annual report: Not applicable.

## IV. Other supplementary information: None.

## V. Occurrences significant to shareholders' interests or securities price, as defined in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, in the last year up until the printed date of annual report: None.





## 勤業眾信

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### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
VisEra Technologies Company Ltd.

#### Opinion

We have audited the accompanying financial statements of VisEra Technologies Company Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying 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, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

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

#### Key Audit Matters

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

Key audit matter of the Company's financial statements for the year ended December 31, 2023 is stated as follows:

#### Contract Assets and Revenue Recognition

The majority of the Company's revenue is generated from color filter and optical coating, which are manufactured according to the customized specifications agreed in the contractual agreement. The customers have obtained control over the products during manufacturing process. As such, revenue and contract assets are recognized over time in accordance with the requirements under paragraph 35(b) of IFRS 15. Refer to Notes 4, 5 and 17 to the accompanying financial statements for the details of the accounting policies related to the

contract assets and revenue recognition. The Company recognizes contract assets and revenue at the end of each month based on progress towards completion. Since the abovementioned process involves estimates and manual controls, there is a risk that contract assets and revenue may not be recognized correctly. Thus, the Company's contract assets and revenue recognition was identified as a key audit matter.

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

1. We obtained an understanding and tested the effectiveness of the design and implementation of key internal controls over contract assets and revenue recognition.
2. We obtained an understanding and evaluated the reasonableness of management's assumption and policy over contract assets and revenue recognition.
3. We sampled and verified the accuracy of the underlying data used in calculations for the percentage of completion.
4. We sampled and verified the accuracy of the contract assets and revenue recognition.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shang-Chih Lin and Ming-Yuan Chung.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 21, 2024

#### Notice to Readers

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

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

#### VISERA TECHNOLOGIES COMPANY LTD.

BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 12,467,450	50	\$ 11,949,452	47
Financial assets at fair value through profit or loss - current (Note 7)	19,851	-	13,257	-
Contract assets - current (Notes 5, 17 and 25)	366,731	2	314,099	1
Accounts receivable, net (Notes 5 and 8)	793,091	3	651,302	3
Accounts receivable from related parties (Notes 5, 8 and 25)	109,679	1	112,820	1
Other receivables	81,236	-	76,884	-
Other receivables from related parties (Note 25)	84	-	4,257	-
Current tax assets (Note 19)	44,238	-	85,228	-
Inventories (Note 9)	106,599	-	-	-
Prepayments and other current assets	89,510	-	70,465	-
Total current assets	14,078,469	56	13,277,764	52
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Notes 5 and 10)	10,742,099	43	11,919,577	47
Right-of-use assets (Note 11)	245,977	1	312,406	1
Intangible assets (Note 12)	52,306	-	49,922	-
Deferred tax assets (Note 19)	33,052	-	17,956	-
Other non-current assets (Note 26)	26,619	-	22,496	-
Total non-current assets	11,100,053	44	12,322,357	48
<b>TOTAL</b>	<b>\$ 25,178,522</b>	<b>100</b>	<b>\$ 25,600,121</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - current (Note 7)	\$ 6	-	\$ 2,079	-
Contract liabilities - current (Note 17)	20,659	-	9,085	-
Accounts payable	271,104	1	302,237	1
Accounts payable to related parties	440	-	-	-
Lease liabilities - current (Notes 11 and 22)	77,880	1	82,141	-
Accrued profit sharing bonus to employees and remuneration of directors (Note 18)	74,456	-	356,399	1
Payables to equipment suppliers	510,147	2	871,967	3
Current tax liabilities (Note 19)	-	-	149,755	1
Long-term liabilities-current portion (Notes 13 and 22)	2,295,556	9	1,213,889	5
Accrued expenses and other current liabilities (Notes 14, 17 and 25)	677,769	3	648,952	3
Total current liabilities	3,928,017	16	3,636,504	14
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 13 and 22)	4,382,965	17	4,760,047	19
Deferred tax liabilities (Note 19)	28,107	-	32,253	-
Lease liabilities - non-current (Notes 11 and 22)	175,866	1	236,499	1
Deferred revenue - non-current (Note 13)	27,868	-	39,397	-
Guarantee deposits (Note 25)	4,532	-	5,259	-
Total non-current liabilities	4,619,338	18	5,073,455	20
<b>Total liabilities</b>	<b>8,547,355</b>	<b>34</b>	<b>8,709,959</b>	<b>34</b>
<b>EQUITY (Note 16)</b>				
Capital stock	3,165,671	13	3,155,341	12
Capital surplus	7,310,640	29	7,304,953	29
Retained earnings	1,387,743	5	1,211,163	5
Appropriated as legal reserve	4,767,113	19	5,218,705	20
Unappropriated earnings	6,154,856	24	6,429,868	25
Total equity	16,631,167	66	16,890,162	66
<b>TOTAL</b>	<b>\$ 25,178,522</b>	<b>100</b>	<b>\$ 25,600,121</b>	<b>100</b>

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



## VISERA TECHNOLOGIES COMPANY LTD.

### STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 5, 17 and 25)	\$ 7,236,928	100	\$ 9,077,148	100
OPERATING COSTS (Notes 9, 18 and 25)	<u>6,022,582</u>	<u>83</u>	<u>5,749,908</u>	<u>63</u>
GROSS PROFIT	<u>1,214,346</u>	<u>17</u>	<u>3,327,240</u>	<u>37</u>
OPERATING EXPENSES (Notes 18 and 25)				
Sales and marketing	56,052	1	70,400	1
General and administrative	225,031	3	570,551	6
Research and development	<u>726,535</u>	<u>10</u>	<u>671,886</u>	<u>8</u>
Total operating expenses	<u>1,007,618</u>	<u>14</u>	<u>1,312,837</u>	<u>15</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 10, 18 and 25)	<u>71,408</u>	<u>1</u>	<u>54,256</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>278,136</u>	<u>4</u>	<u>2,068,659</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES (Notes 18 and 25)				
Interest income	169,008	2	54,919	-
Other income	596	-	238	-
Other gains and losses	(48,496)	(1)	(171,671)	(2)
Foreign exchange gain and loss, net	6,212	-	160,659	2
Finance costs	<u>(90,104)</u>	<u>(1)</u>	<u>(12,355)</u>	<u>-</u>
Total non-operating income and expenses	<u>37,216</u>	<u>-</u>	<u>31,790</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	315,352	4	2,100,449	23
INCOME TAX (BENEFIT) EXPENSE (Note 19)	<u>(40,728)</u>	<u>(1)</u>	<u>334,654</u>	<u>4</u>
NET INCOME	<u>356,080</u>	<u>5</u>	<u>1,765,795</u>	<u>19</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 356,080</u>	<u>5</u>	<u>\$ 1,765,795</u>	<u>19</u>
EARNINGS PER SHARE (Note 20)				
Basic earnings per share	<u>\$ 1.13</u>		<u>\$ 5.80</u>	
Diluted earnings per share	<u>\$ 1.12</u>		<u>\$ 5.71</u>	

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

## VISERA TECHNOLOGIES COMPANY LTD.

### STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Capital Stock – Common Stock		Retained Earnings				
	Stock (In Thousands)	Amount	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total	Total Equity
BALANCE, JANUARY 1, 2022	293,299	\$ 2,932,991	\$ 732,799	\$ 994,635	\$ 4,256,150	\$ 5,250,785	\$ 8,916,575
Appropriation of earnings	-	-	-	216,528	(216,528)	-	-
Legal reserve	-	-	-	-	(586,712)	(586,712)	(586,712)
Cash dividends	-	-	-	-	-	-	-
Employee share options exercised	1,215	12,150	8,056	-	-	-	20,206
Issuance of ordinary shares for cash	21,020	210,200	6,528,434	-	-	-	6,738,634
Donation from shareholders	-	-	62	-	-	-	62
Compensation cost of employee share options	-	-	35,602	-	-	-	35,602
Net profit and total comprehensive income for the year ended December 31, 2022	-	-	-	-	1,765,795	1,765,795	1,765,795
BALANCE, DECEMBER 31, 2022	315,534	3,155,341	7,304,953	1,211,163	5,218,705	6,429,868	16,890,162
Appropriation of earnings	-	-	-	176,580	(176,580)	-	-
Legal reserve	-	-	-	-	(631,092)	(631,092)	(631,092)
Cash dividends	-	-	-	-	-	-	-
Employee share options exercised	1,033	10,330	4,831	-	-	-	15,161
Donation from shareholders	-	-	108	-	-	-	108
Compensation cost of employee share options	-	-	748	-	-	-	748
Net profit and total comprehensive income for the year ended December 31, 2023	-	-	-	-	356,080	356,080	356,080
BALANCE, DECEMBER 31, 2023	316,567	\$ 3,165,671	\$ 7,310,640	\$ 1,387,743	\$ 4,767,113	\$ 6,154,856	\$ 16,631,167

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

**VISERA TECHNOLOGIES COMPANY LTD.****STATEMENTS OF CASH FLOWS**  
**(In Thousands of New Taiwan Dollars)**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 315,352	\$ 2,100,449
Adjustments for:		
Depreciation expense	3,077,390	2,324,002
Amortization expense	26,771	10,061
Finance costs	90,104	12,355
Interest income	(169,008)	(54,919)
Compensation cost of employee share options	748	35,602
Foreign exchange	(2,280)	9,472
Lease modification	(3)	-
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(8,667)	(5,261)
Contract assets	(52,632)	(65,851)
Accounts receivable, net	(141,789)	545,130
Receivables from related parties, net	3,141	5,003
Other receivables	2,374	(10,049)
Other receivables from related parties	4,173	(4,257)
Inventories	(21,371)	10,979
Prepayments and other current assets	(19,045)	(2,508)
Contract liabilities	11,574	(909)
Accounts payable	(31,133)	(33,290)
Payables to related parties, net	440	-
Accrued profit sharing bonus to employees	(281,943)	(79,357)
Accrued expenses and other current liabilities	28,254	29,135
Cash generated from operations	2,832,450	4,825,787
Income taxes paid	(172,507)	(536,923)
Net cash generated from operating activities	2,659,943	4,288,864
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(2,165,028)	(4,126,223)
Increase in refundable deposits	(2,683)	-
Decrease in refundable deposits	423	1,994
Payments for intangible assets	(29,155)	(35,109)
Increase in other non-current assets	(1,863)	-
Interest received	162,282	23,723
Net cash used in investing activities	(2,036,024)	(4,135,615)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	2,450,000	2,670,000
Repayments of long-term borrowings	(1,756,944)	(166,667)
Guarantee deposits received	472	-
Guarantee deposits refunded	(1,151)	-
Repayment of the principal portion of lease liabilities	(82,904)	(78,030)
Cash dividends	(631,092)	(586,712)

(Continued)

**VISERA TECHNOLOGIES COMPANY LTD.****STATEMENTS OF CASH FLOWS**  
**(In Thousands of New Taiwan Dollars)**

	2023	2022
Proceeds from issuing shares	\$ -	\$ 6,738,634
Employee share options exercised	15,161	20,206
Interest paid	(99,571)	(33,914)
Donation from shareholders	108	62
Net cash (used in) generated from financing activities	(105,921)	8,563,579
NET INCREASE IN CASH AND CASH EQUIVALENTS	517,998	8,716,828
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,949,452	3,232,624
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,467,450	\$ 11,949,452

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

(Concluded)



VISERA TECHNOLOGIES COMPANY LTD.

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

1. GENERAL INFORMATION

VisEra Technologies Company Ltd. (the “Company”), a company limited by shares, was incorporated in Hsinchu City on December 1, 2003. The Company is a dedicated optical foundry mainly engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filters.

The Company’s stock has been approved by Taipei Exchange (TPEX) and listed on the Emerging Stock Board (ESB) since April, 2021. The initial listing application of the Company’s shares was approved in the meeting of the Securities Listing Review Committee of the Taiwan Stock Exchange (TWSE) on March 8, 2022, and approved for issuance by the Board of Directors of the TWSE on March 22, 2022. The Company’s stock has been listed on the Taiwan Stock Exchange (TWSE) since June 30, 2022.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on February 21, 2024.

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

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

The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a significant effect on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New IFRS Accounting Standards	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

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

New IFRS Accounting Standards	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings.

As of the date the financial statements were issued, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

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

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, as explained in the accounting policies below.

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

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

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

**Current liabilities include:**

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as noncurrent.

**Foreign Currencies**

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventories are recorded at weighted-average cost on the balance sheet date.

**Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

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

**Intangible Assets**

- a. Intangible assets acquired separately

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

- b. Derecognition of intangible assets

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

**Impairment of Property, Plant and Equipment, Right-of-use Asset and Intangible Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

**Financial Instruments**

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

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



## Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis for which financial assets were classified in the same way, respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### a. Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

#### 1) Financial assets at FVTPL

Derivative financial instruments that do not meet the criteria for hedge accounting are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 24.

#### 2) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, accounts receivable (including related parties) at amortized cost, other receivables (including related parties) and other non-current assets) are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

### b. Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), as well as contract assets.

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

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

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default without taking into account any collateral held by the Company:

- 1) Internal or external information shows that the debtor is unlikely to pay its creditors.
- 2) Financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

### c. Derecognition of financial assets

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

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

## Equity Instruments

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

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

## Financial Liabilities

### a. Subsequent measurement

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities measured at FVTPL are derivative financial instruments that do not meet the criteria for hedge accounting, and they are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 24.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

### b. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## Derivative Financial Instruments

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rates.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

## Revenue Recognition

### Revenue from manufacturing color filter and optical coating

The Company identifies contracts with customers and recognizes revenue when performance obligations are satisfied.

The manufacturing of color filter is according to the customized specifications agreed in the contractual agreement. The customers have obtained control over the products during manufacturing process. As such, revenue and contract assets are recognized over time. Revenue from manufacturing color filter is measured at the fair value of the consideration received or receivable, and is reduced for estimated customer returns, rebates and other similar allowances.

Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities, which is classified under accrued expenses and other current liabilities.

In principle, the averaged payment terms granted to customers are 30 days to 90 days. Due to the short term nature of the receivables from color filter and optical coating manufacturing revenue with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

## Leases

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

### a. The Company as lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the lease.

### b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted using the lessee's incremental borrowing rates.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in an index or a rate used, or a change in the assessment of an option to purchase an underlying asset to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. Lease liabilities are presented on a separate line in the balance sheets.

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

## Borrowing costs

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

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

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

## Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

## Employee Benefits

### a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.



b. Retirement benefits

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

**Share-based Payment Arrangements**

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

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

**Taxation**

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

Current tax

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

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

Deferred tax

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

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

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

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

Current and deferred taxes

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

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

In the application of the Company's accounting policies, which are described in Note 4, the management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

**Critical Accounting Judgements**

Revenue recognition

For every contract, the Company determines its performance obligations are satisfied over time based on the conditions in the contract and applicable regulations described in Note 4.

**Key Sources of Estimation Uncertainty**

a. Estimation of sales returns and allowances

Sales returns and other allowance is estimated and recorded based on historical experience and in consideration of different contractual terms. The amount is deducted from revenue in the same period the related revenue is recorded. The Company periodically reviews the reasonableness of the estimates.

b. Estimated impairment of trade receivables and contract assets

The provision for impairment of trade notes and accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past experience, current market conditions as well as forward looking information at the end of each reporting period. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Impairment of property, plant and equipment

In the process of evaluating the potential impairment of tangible assets, the Company determines the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups. Any change in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Deposits in banks	\$ 12,457,462	\$ 11,949,442
Commercial paper	9,978	-
Petty cash	<u>10</u>	<u>10</u>
	<u>\$ 12,467,450</u>	<u>\$ 11,949,452</u>

The market rate intervals of cash in the bank at the end of the year were as follows:

	December 31	
	2023	2022
Bank balance	0.001%-5.79%	0.001%-4.35%

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

## 7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Financial assets</u>		
Mandatorily measured at FVTPL		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	<u>\$ 19,851</u>	<u>\$ 13,257</u>
<u>Financial liabilities</u>		
Held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	<u>\$ 6</u>	<u>\$ 2,079</u>

For the years ended December 31, 2023 and 2022, the Company entered into forward exchange contracts to manage exposures due to fluctuations of foreign exchange rates. These forward exchange contracts did not meet the criteria for hedge accounting; therefore, the Company did not apply hedge accounting for these forward exchange contracts.

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2023</u>		
Sell US\$/Buy NT\$	January 2024 to March 2024	US\$34,000/NT\$1,063,081
<u>December 31, 2022</u>		
Sell US\$/Buy NT\$	January 2023 to March 2023	US\$38,500/NT\$1,190,900

## 8. ACCOUNTS RECEIVABLE

	December 31	
	2023	2022
<u>At amortized cost</u>		
Accounts receivable from unrelated parties	\$ 793,437	\$ 651,579
Less: Allowance for impairment loss	<u>(346)</u>	<u>(277)</u>
	793,091	651,302
Accounts receivable from related parties	<u>109,679</u>	<u>112,820</u>
	<u>\$ 902,770</u>	<u>\$ 764,122</u>

The average payment terms granted to customers are 30 days to 90 days from the end of the month when the invoice is issued. No interest is charged on accounts receivable. Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes the loss allowance based on the expected credit loss ratio of customers of different risk levels. Such risk levels are determined with reference to the factors of historical loss ratios and the customers' current financial conditions and business outlook (such as economic outlook of the industries in which the customers operate and future changes in purchasing requirements during a certain period).

The Company writes off accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

### Aging analysis of accounts receivable, net

	December 31	
	2023	2022
Not past due	\$ 886,360	\$ 731,473
1-180 days	<u>16,410</u>	<u>32,649</u>
Total	<u>\$ 902,770</u>	<u>\$ 764,122</u>

The above aging analysis was based on the past due dates.

### Aging analysis of accounts receivable that is past due but not impaired

	December 31	
	2023	2022
1-180 days	<u>\$ 16,410</u>	<u>\$ 32,649</u>

The above aging analysis was based on the past due dates.



Movements of the loss allowance

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ 277	\$ 232
Provision	<u>69</u>	<u>45</u>
Balance, end of year	<u>\$ 346</u>	<u>\$ 277</u>

For the years ended December 31, 2023 and 2022, the changes in loss allowance were mainly due to the variations in the book values of accounts receivable different risk levels.

**9. INVENTORIES**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Raw materials	<u>\$ 106,599</u>	<u>\$ 85,228</u>

Write-down of inventories to net realizable value and the reversal of write-down of inventories resulting from the increase in net realizable value were included in the cost of revenue. The amounts are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Cost of inventories sold	<u>\$ 6,022,582</u>	<u>\$ 5,749,908</u>
Inventory (reversed) write-downs	<u>\$ (854)</u>	<u>\$ 1,089</u>

**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Assets used by the Company	\$ 10,701,965	\$ 11,915,646
Assets leased under operating leases	<u>40,134</u>	<u>3,931</u>
	<u>\$ 10,742,099</u>	<u>\$ 11,919,577</u>

## a. Assets used by the Company

	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Office Equipment</b>	<b>Transportation Equipment</b>	<b>Other Equipment</b>	<b>Equipment under Installation and Construction in Progress</b>	<b>Total</b>
<u>Cost</u>							
Balance at January 1, 2023	\$ 3,743,062	\$ 14,468,674	\$ 209,809	\$ 762	\$ 130,571	\$ 6,444,737	\$ 24,997,615
Additions	1,067,217	472,031	41,416	770	31,758	202,278	1,815,470
Disposals	-	(1,994)	-	-	-	-	(1,994)
Transfers to assets leased under operating leases	(38,417)	-	-	-	-	-	(38,417)
Reclassification	<u>3,364,628</u>	<u>2,978,100</u>	<u>88,109</u>	<u>2,030</u>	<u>8,361</u>	<u>(6,441,228)</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 8,136,490</u>	<u>\$ 17,916,811</u>	<u>\$ 339,334</u>	<u>\$ 3,562</u>	<u>\$ 170,690</u>	<u>\$ 205,787</u>	<u>\$ 26,772,674</u>

(Continued)

	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Office Equipment</b>	<b>Transportation Equipment</b>	<b>Other Equipment</b>	<b>Equipment under Installation and Construction in Progress</b>	<b>Total</b>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2023	\$ 2,480,853	\$ 10,335,771	\$ 173,913	\$ 762	\$ 90,670	\$ -	\$ 13,081,969
Depreciation	538,275	2,367,854	50,708	407	34,704	-	2,991,948
Disposals	-	(1,994)	-	-	-	-	(1,994)
Transfers to assets leased under operating leases	(1,214)	-	-	-	-	-	(1,214)
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 3,017,914</u>	<u>\$ 12,701,631</u>	<u>\$ 224,621</u>	<u>\$ 1,169</u>	<u>\$ 125,374</u>	<u>\$ -</u>	<u>\$ 16,070,709</u>
Carrying amount at December 31, 2023	<u>\$ 5,118,576</u>	<u>\$ 5,215,180</u>	<u>\$ 114,713</u>	<u>\$ 2,393</u>	<u>\$ 45,316</u>	<u>\$ 205,787</u>	<u>\$ 10,701,965</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 3,591,456	\$ 14,359,345	\$ 192,773	\$ 762	\$ 119,364	\$ 2,346,740	\$ 20,610,440
Additions	121,895	70,570	17,036	-	10,562	4,170,787	4,390,850
Disposals	-	(3,675)	-	-	-	-	(3,675)
Reclassification	<u>29,711</u>	<u>42,434</u>	<u>-</u>	<u>-</u>	<u>645</u>	<u>(72,790)</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 3,743,062</u>	<u>\$ 14,468,674</u>	<u>\$ 209,809</u>	<u>\$ 762</u>	<u>\$ 130,571</u>	<u>\$ 6,444,737</u>	<u>\$ 24,997,615</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ 2,235,392	\$ 8,399,635	\$ 149,340	\$ 762	\$ 56,189	\$ -	\$ 10,841,318
Depreciation	245,461	1,939,811	24,573	-	34,481	-	2,244,326
Disposals	-	(3,675)	-	-	-	-	(3,675)
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 2,480,853</u>	<u>\$ 10,335,771</u>	<u>\$ 173,913</u>	<u>\$ 762</u>	<u>\$ 90,670</u>	<u>\$ -</u>	<u>\$ 13,081,969</u>
Carrying amount at December 31, 2022	<u>\$ 1,262,209</u>	<u>\$ 4,132,903</u>	<u>\$ 35,896</u>	<u>\$ -</u>	<u>\$ 39,901</u>	<u>\$ 6,444,737</u>	<u>\$ 11,915,646</u>

(Concluded)

No impairment assessment was performed for the years ended December 31, 2023 and 2022 as there was no indication of impairment.

The above items of property, plant and equipment used by the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	10-20 years
Mechanical and electrical power equipment	2-5 years
Machinery and equipment	2-5 years
Transportation equipment	5 years
Office equipment	2-5 years
Other equipment	2-3 years

## b. Assets leased under operating leases

	<b>Buildings</b>
<u>Cost</u>	
Balance at January 1, 2023	\$ 15,464
Additions	-
Transfers from assets used by the Company	<u>38,417</u>
Balance on December 31, 2023	<u>\$ 53,881</u>

(Continued)

**Buildings**Accumulated depreciation

Balance at January 1, 2023	\$ 11,533
Depreciation	1,000
Transfers from assets used by the Company	<u>1,214</u>

Balance on December 31, 2023 \$ 13,747

Carrying amount at December 31, 2023 \$ 40,134

Cost

Balance at January 1, 2022	\$ 15,464
Additions	<u>-</u>

Balance on December 31, 2022 \$ 15,464

Accumulated depreciation

Balance at January 1, 2022	\$ 10,760
Depreciation	<u>773</u>

Balance on December 31, 2022 \$ 11,533

Carrying amount at December 31, 2022 \$ 3,931  
(Concluded)

Operating leases relate to leases of buildings with lease terms between 1 and 4 years with an option to extend for another 18 months. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under the above operating leases is as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Year 1	\$ 116,234	\$ 19,824
Year 2	115,474	19,824
Year 3	95,650	19,824
Year 4	<u>23,912</u>	<u>-</u>
	<u>\$ 351,270</u>	<u>\$ 59,472</u>

To reduce the residual asset risk related to buildings at the end of the relevant lease, the Company follows its general risk management strategy.

No impairment assessment was performed for the years ended December 31, 2023 and 2022 as there was no indication of impairment.

Depreciation expense is provided on a straight-line basis over the following useful lives:

Buildings	20 years
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**11. LEASE ARRANGEMENTS**

## a. Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Land	\$ 182,215	\$ 178,764
Buildings	63,408	132,580
Transportation equipment	<u>354</u>	<u>1,062</u>
	<u>\$ 245,977</u>	<u>\$ 312,406</u>
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 30,983</u>	<u>\$ 147,271</u>
Depreciation charge for right-of-use assets		
Land	\$ 14,158	\$ 13,414
Buildings	69,576	64,781
Transportation equipment	<u>708</u>	<u>708</u>
	<u>\$ 84,442</u>	<u>\$ 78,903</u>

Other than the abovementioned additions and depreciation expense recognized, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2023 and 2022.

## b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Current	\$ 77,880	\$ 82,141
Non-current	<u>175,866</u>	<u>236,499</u>
	<u>\$ 253,746</u>	<u>\$ 318,640</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Land	1.36%-2.05%	1.36%-1.78%
Buildings	1.73%	1.73%
Transportation equipment	1.08%	1.08%



## c. Material terms of right-of-use assets

The Company leases land and buildings mainly for the use of plants and offices with lease terms of 2 to 30 years. The Company has options to renew the leases at the end of the lease terms. The lease contracts for land located in the R.O.C. specify that lease payments will be adjusted every 2 years on the basis of changes in announced land value prices. The Company does not have purchase options to acquire the leasehold land and buildings at the end of the lease terms.

## d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	\$ -	\$ 567
Expenses relating to low-value asset leases	\$ 4	\$ 5
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 11,100	\$ 13,835
Total cash outflow for leases	\$ 99,121	\$ 96,357

## 12. INTANGIBLE ASSETS

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Computer software	\$ 52,306	\$ 49,922
Technology license fees	-	-
Technical expertise	-	-
	\$ 52,306	\$ 49,922

	<b>Technology License Fee</b>	<b>Technical Expertise</b>	<b>Computer Software</b>	<b>Total</b>
<b>Cost</b>				
Balance at January 1, 2023	\$ 114,930	\$ 102,000	\$ 211,068	\$ 427,998
Additions	-	-	29,155	29,155
Balance at December 31, 2023	\$ 114,930	\$ 102,000	\$ 240,223	\$ 457,153
<b>Accumulated amortization</b>				
Balance at January 1, 2023	\$ 114,930	\$ 102,000	\$ 161,146	\$ 378,076
Additions	-	-	26,771	26,771
Balance at December 31, 2023	\$ 114,930	\$ 102,000	\$ 187,917	\$ 404,847
Carrying amount at December 31, 2023	\$ -	\$ -	\$ 52,306	\$ 52,306

(Continued)

	<b>Technology License Fee</b>	<b>Technical Expertise</b>	<b>Computer Software</b>	<b>Total</b>
<b>Cost</b>				
Balance at January 1, 2022	\$ 114,930	\$ 102,000	\$ 175,959	\$ 392,889
Additions	-	-	35,109	35,109
Balance at December 31, 2022	\$ 114,930	\$ 102,000	\$ 211,068	\$ 427,998
<b>Accumulated amortization</b>				
Balance at January 1, 2022	\$ 114,930	\$ 102,000	\$ 151,085	\$ 368,015
Additions	-	-	10,061	10,061
Balance at December 31, 2022	\$ 114,930	\$ 102,000	\$ 161,146	\$ 378,076
Carrying amount at December 31, 2022	\$ -	\$ -	\$ 49,922	\$ 49,922

(Concluded)

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Technology license fees	5 years
Technical expertise	5 years
Computer software	3 years

## 13. LONG-TERM BORROWINGS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Unsecured borrowings</b>		
Bank loans	\$ 6,706,389	\$ 6,013,333
Less: Discounts on government grants	(27,868)	(39,397)
Less: Current portion	(2,295,556)	(1,213,889)
	\$ 4,382,965	\$ 4,760,047

In March 2020, the Company obtained a letter of approval from the Ministry of Economic Affairs (MOEA) under the “Action Plan for Accelerated Investment by Domestic Corporations”, which stipulates that the Company should complete its investment within three years from the date of approval.

The Company entered into credit agreements with banks under the “Action Plan for Accelerated Investment by Domestic Corporations”, and the interest rate for the first \$2 billion of the allocation was reduced by 0.5% of the two-year fixed deposit interest rate of Chunghwa Post Co., Ltd. after the mark up, and 0.3% thereafter.

As of December 31, 2023, the Company acquired preferential interest rate loan subsidized by the government of \$8,630,000 thousand, and the loan proceeds are used to fund qualifying capital expenditure. The loan is repayable over a period of five years from the date of the first drawdown to December 2027, where repayment of interest will be made in monthly installments for the first two years and the principal will be repaid in equal monthly installments starting from the third year. Using the prevailing market

interest rate of 0.9%, 1.15%, 1.4% and 1.525%, the fair value of the loan was estimated at \$8,545,722 thousand on initial recognition. The difference of \$84,278 thousand between the proceeds and the fair value of the loan was treated as the benefit derived from the preferential interest rate loan and had been recognized as deferred revenue. The revenue, which was offset against interest expense on a monthly basis over the loan period. The amounts offset against interest expense were \$25,583 thousand and \$15,545 thousand for the years ended December 31, 2023 and 2022, respectively.

Under the bank loan agreement, the Company has to meet certain financial covenants. As of December 31, 2023, such financial covenants were not breached.

#### 14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31	
	2023	2022
<u>Current</u>		
Accrued expenses		
Payables for salaries and bonuses	\$ 260,253	\$ 221,897
Utilities payables	45,495	39,618
Insurance payables	44,180	49,204
Others	<u>291,033</u>	<u>292,984</u>
	<u>640,961</u>	<u>603,703</u>
Other current liabilities		
Refund liabilities	19,463	39,557
Others	<u>17,345</u>	<u>5,692</u>
	<u>36,808</u>	<u>45,249</u>
	<u>\$ 677,769</u>	<u>\$ 648,952</u>

#### 15. RETIREMENT BENEFIT PLANS

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

#### 16. EQUITY

##### a. Capital stock

	December 31	
	2023	2022
Authorized stock (in thousands)	<u>400,000</u>	<u>400,000</u>
Authorized capital	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Issued and paid stock (in thousands)	<u>316,567</u>	<u>315,534</u>
Issued capital	<u>\$ 3,165,671</u>	<u>\$ 3,155,341</u>

A holder of issued common stock with a par value of NT\$10 is entitled to vote and to receive dividends.

The change in the Company's capital stock is mainly due to the issuance of ordinary shares for cash and the exercise of employee share options.

The Company resolved in the Board of Directors' meeting on April 12, 2022 to issue 21,020 thousand new shares for public subscription and underwriting prior to the initial listing with a par value of NT\$10 per share. A total of 14,800 thousand shares were issued at a premium price of NT\$333.43 per share based on the weighted average price at the auction and a total of 3,700 thousand shares were issued at a premium price of NT\$290 per share for the public subscription and underwriting. After the capital increase, the paid-in share capital was \$3,146,581 thousand. The above issuance was declared effective by the TWSE on April 28, 2022 and the subscription base date was June 28, 2022.

##### b. Capital surplus

	December 31	
	2023	2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)		
Issuance of ordinary shares	\$ 7,243,246	\$ 7,238,415
Employee share options exercised	49,178	44,945
Donations	12,893	12,893
May only be used to offset a deficit		
Donations - unclaimed dividend	932	824
May not be used for any purpose		
Compensation cost of employee share options	<u>4,391</u>	<u>7,876</u>
	<u>\$ 7,310,640</u>	<u>\$ 7,304,953</u>

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

##### c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company's Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing special reserve in accordance with the laws and regulations until the accumulated legal reserve equals the Company's paid-in capital. Any remaining profit together with any undistributed retained earnings shall be used by the Company's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

For the policy on the profit sharing bonus for employees and remuneration of directors, refer to Note 18(g).

Any appropriations of the profits are subject to shareholders' approval in the following year.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.



The appropriations of earnings and dividends per share for 2022 and 2021, which were proposed and resolved in the shareholders' meeting on May 24, 2023 and 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 176,580	\$ 216,528
Cash dividends to shareholders	\$ 631,092	\$ 586,712
Cash dividends per share (NT\$)	\$ 2.0	\$ 2.0

The appropriations of earnings for 2023 proposed by the Company's Board of Directors on February 21, 2024, were as follows:

	<b>The Appropriation of Earnings</b>	<b>Cash Dividends Per Share (NT\$)</b>
Legal reserve	\$ 35,608	
Cash dividends	316,724	\$ 1.0

The cash dividends per share for 2021 was adjusted to \$1.86, mainly due to the exercise of employee share options on July 22, 2022. The cash dividends per share for 2022 was adjusted to \$1.99, mainly due to the exercise of employee share options on July 6, 2023. The appropriation of earnings for 2023 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 22, 2024.

## 17. OPERATING REVENUE

### a. Contract information

For revenue generated from the manufacturing of color filters according to customized specifications agreed in the contractual agreement, because the customers have obtained control over the products during the provision of services, the Company's revenue from service contracts is recognized over time.

### b. Disaggregation of revenue from contracts with customers

<b>Product</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Micro-Optical Elements	\$ 4,084,759	\$ 4,600,796
Image Sensors	3,016,018	4,320,594
Others	136,151	155,758
	<u>\$ 7,236,928</u>	<u>\$ 9,077,148</u>

<b>Region</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Asia	\$ 6,187,301	\$ 7,877,133
Taiwan	980,607	1,106,615
Europe	16,859	51,191
United States	52,161	42,209
	<u>\$ 7,236,928</u>	<u>\$ 9,077,148</u>

### Application

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Mobile	\$ 6,147,820	\$ 7,144,553
Automotive	690,983	993,312
Security	398,125	939,283
	<u>\$ 7,236,928</u>	<u>\$ 9,077,148</u>

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Contract assets	\$ 366,731	\$ 314,099	\$ 248,248
Contract liabilities	\$ 20,659	\$ 9,085	\$ 9,994

### c. Contract balances

The changes in the balance of contract assets and contract liabilities primarily resulted from the timing difference between the satisfaction of performance obligations and the customer's payment.

Revenue recognized for the years ended December 31, 2023 and 2022 from the balance of contract liabilities at the beginning of the year amounted to \$5,946 thousand and \$7,300 thousand, respectively.

### d. Refund liabilities

Estimated sales returns and other allowances are made and adjusted based on historical experience and the consideration of varying contractual terms, which amounted to \$(4,455) thousand and \$36,118 thousand for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the aforementioned refund liabilities amounted to \$19,463 thousand and \$39,557 thousand, respectively, which were classified under accrued expenses and other current liabilities.

## 18. NET PROFIT

### a. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Rental income - related party	\$ 73,622	\$ 55,029
Others	(2,214)	(773)
	<u>\$ 71,408</u>	<u>\$ 54,256</u>

### b. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 169,008	\$ 54,919

## c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Loss on financial instruments at FVTPL	\$ (47,483)	\$ (170,501)
Others	<u>(1,013)</u>	<u>(1,170)</u>
	<u>\$ (48,496)</u>	<u>\$ (171,671)</u>

## d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating costs	\$ 2,924,331	\$ 2,183,503
Operating expenses	150,845	139,726
Other operating income and expenses	<u>2,214</u>	<u>773</u>
	<u>\$ 3,077,390</u>	<u>\$ 2,324,002</u>
An analysis of amortization by function		
Operating costs	\$ 21,097	\$ 6,332
General and administrative expenses	<u>5,674</u>	<u>3,729</u>
	<u>\$ 26,771</u>	<u>\$ 10,061</u>

## e. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest expense		
Bank loans	\$ 94,969	\$ 31,738
Interest on lease liabilities	5,113	3,920
Others	<u>52</u>	<u>31</u>
	100,134	35,689
Less: Amounts included in the cost of qualifying assets	<u>(10,030)</u>	<u>(23,334)</u>
	<u>\$ 90,104</u>	<u>\$ 12,355</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Capitalized interest amount	\$ 10,030	\$ 23,334
Capitalized rate	1.17%-1.24%	0.56%-1.11%

## f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Post-employment benefits (Note 15)		
Defined contribution plan	\$ 64,681	\$ 63,768
Share-based payments		
Equity-settled	748	35,602
Other employee benefits	<u>1,725,250</u>	<u>2,041,827</u>
Total employee benefits expense	<u>\$ 1,790,679</u>	<u>\$ 2,141,197</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,315,322	\$ 1,461,325
Operating expenses	<u>475,357</u>	<u>679,872</u>
	<u>\$ 1,790,679</u>	<u>\$ 2,141,197</u>

## g. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

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

The compensation of employees and the remuneration of directors are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Compensation of employees	\$ 71,216	\$ 353,159
Remuneration of directors	<u>\$ 3,240</u>	<u>\$ 3,240</u>

The appropriations of employees' compensation and remuneration of directors for 2023 and 2022 that were resolved by the Board of Directors on February 21, 2024 and February 22, 2023, respectively, are \$71,216 thousand and \$353,159 thousand, and \$3,240 thousand and \$3,240 thousand, respectively.

There was no significant difference between the actual amounts of compensation of employees and remuneration of directors the aforementioned resolutions paid and the amounts recognized for the years ended December 31, 2023 and 2022.

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

## h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 88,452	\$ 238,257
Foreign exchange losses	<u>(82,240)</u>	<u>(77,598)</u>
	<u>\$ 6,212</u>	<u>\$ 160,659</u>



## 19. INCOME TAX

a. Income tax (benefit) expense consisted of the following:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current income tax		
In respect of the current year	\$ 39,348	\$ 406,339
Income tax adjustments on prior years	(60,834)	(85,436)
Deferred tax		
In respect of the current year	(163)	13,751
Investment tax credits	<u>(19,079)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ (40,728)</u>	<u>\$ 334,654</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Profit before tax	<u>\$ 315,352</u>	<u>\$ 2,100,449</u>
Income tax expense calculated at the statutory rate	\$ 63,070	\$ 420,090
Investment tax credits	(42,964)	-
Tax effect of adjusting items:		
Income tax expense adjustments on prior years	<u>(60,834)</u>	<u>(85,436)</u>
Income tax expense recognized in profit or loss	<u>\$ (40,728)</u>	<u>\$ 334,654</u>

b. Current tax assets and liabilities

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current tax assets		
Tax refund receivable	<u>\$ 44,238</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 149,755</u>

c. Deferred tax assets and deferred tax liabilities

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

For the year ended December 31, 2023

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Closing Balance</u>
<b>Deferred Tax Assets</b>			
Investment tax credits	\$ -	\$ 19,079	\$ 19,079
Refund liabilities	7,911	(4,018)	3,893
Property, plant and equipment temporary differences	4,597	(776)	3,821
Others	<u>5,448</u>	<u>811</u>	<u>6,259</u>
	<u>\$ 17,956</u>	<u>\$ 15,096</u>	<u>\$ 33,052</u>

### Deferred Tax Liabilities

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Closing Balance</u>
Revenue	\$ 30,017	\$ (7,863)	\$ 22,154
Others	<u>2,236</u>	<u>3,717</u>	<u>5,953</u>
	<u>\$ 32,253</u>	<u>\$ (4,146)</u>	<u>\$ 28,107</u>

For the year ended December 31, 2022

### Deferred Tax Assets

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Closing Balance</u>
Refund liabilities	\$ 7,583	\$ 328	\$ 7,911
Property, plant and equipment temporary differences	10,816	(6,219)	4,597
Others	<u>2,615</u>	<u>2,833</u>	<u>5,448</u>
	<u>\$ 21,014</u>	<u>\$ (3,058)</u>	<u>\$ 17,956</u>

### Deferred Tax Liabilities

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Closing Balance</u>
Revenue	\$ 20,377	\$ 9,640	\$ 30,017
Others	<u>1,183</u>	<u>1,053</u>	<u>2,236</u>
	<u>\$ 21,560</u>	<u>\$ 10,693</u>	<u>\$ 32,253</u>

d. Income tax examination

The tax authorities have examined income tax returns of the Company through 2021.

## 20. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic earnings per share	<u>\$ 1.13</u>	<u>\$ 5.80</u>
Diluted earnings per share	<u>\$ 1.12</u>	<u>\$ 5.71</u>

Earnings per share is computed as follows:

	<u>Amounts (Numerator)</u>	<u>Number of Stocks (Denominator) (In Thousands)</u>	<u>Earnings Per Share (NT\$)</u>
<u>For the year ended December 31, 2023</u>			
Basic EPS			
Net income	\$ 356,080	316,016	<u>\$ 1.13</u>
Effect of potentially dilutive common stock	<u>-</u>	<u>2,067</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	<u>\$ 356,080</u>	<u>318,083</u>	<u>\$ 1.12</u>

(Continued)

	Amounts (Numerator)	Number of Stocks (Denominator) (In Thousands)	Earnings Per Share (NT\$)
--	------------------------	--	---------------------------------

For the year ended December 31, 2022

Basic EPS			
Net income	\$ 1,765,795	304,510	\$ <u>5.80</u>
Effect of potentially dilutive common stock	<u>-</u>	<u>4,565</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	<u>\$ 1,765,795</u>	<u>309,075</u>	<u>\$ 5.71</u> (Concluded)

If the Company offered to settle the obligation by cash or by issuing stock, the profit sharing bonus for employees will be settled in stock and the resulting potential stock will be included in the weighted average number of stock outstanding in the calculation of diluted EPS as the stock have a dilutive effect. Such dilutive effect of the potential stock is included in the calculation of diluted EPS until the profit sharing bonus for employees to be settled in the form of common stock is approved in the following year.

## 21. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees were granted 460 options in April 2020, 5,424 options in July 2019 and 72 options in December 2019. Each option entitles the holder the right to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years and exercisable at certain percentages after the second year from the grant date. The options were granted at an exercise price equal to NT\$20. For any subsequent changes in the Company's ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2023		2022	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	2,141	\$ 16.10	3,466	\$ 18.00
Options exercised	(1,033)	14.68	(1,215)	16.63
Options forfeited	<u>(6)</u>	-	<u>(110)</u>	-
Balance at December 31	<u>1,102</u>		<u>2,141</u>	
Options exercisable, end of the year	<u>1,029</u>		<u>770</u>	

The weighted-average share price on the exercise date of the share options for the year ended December 31, 2023 was \$236.16.

Information on outstanding options was as follows:

	December 31	
	2023	2022
Range of exercise price (\$)	\$ 14.1	\$ 16.1
Weighted-average remaining contractual life (in years)	1.59	2.59

Options are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	April 2020	December 2019	July 2019
Grant-date share price	\$ 24.79	\$ 17.42	\$ 17.42
Exercise price	\$ 20	\$ 20	\$ 20
Expected volatility	27.18%-28.74%	28.30%-28.48%	28.30%-28.48%
Expected life (in years)	4-5	4-5	4-5
Expected dividend yield	-	-	-
Risk-free interest rate	0.40%-0.42%	0.58%-0.61%	0.58%-0.61%

The stock price on the grant date is evaluated by the future cash flow method, and the expected volatility is based on the average annualized standard deviation of the daily rate of return of the industry. Compensation costs recognized were \$748 thousand and \$1,985 thousand for the years ended December 31, 2023 and 2022, respectively.

The Company resolved in the board of directors' meeting on April 12, 2022 to issue new shares for public underwriting prior to the initial listing. According to the provisions of Article 267 of the Company Act, 11.99% of the total new shares issued totaling 2,520 thousand shares were reserved for employees' subscription. The employee stock options are fully vested on the grant date.

The grant date of the above employee stock options on cash capital increase is June 17, 2022. The Company calculates the fair value of stock options according to the Black-Scholes-Merton option evaluation model, and the input values used are as follows:

Grant-date share price	\$ 301.76
Exercise price	\$ 290.00
Expected volatility	47.03%
Expected life (in years)	0.01
Expected dividend yield	-
Risk-free interest rate	1.60%
Fair value of stock options on the grant date (per share)	<u>\$ 13.34</u>

The stock price on the grant date is evaluated by the future cash flow method, and the expected volatility is based on the average annualized standard deviation of the daily rate of return of the industry. Compensation costs recognized were \$33,617 thousand for the year ended December 31, 2022.



## 22. CASH FLOW INFORMATION

### a. Non-cash transactions

	For the Years Ended December 31	
	2023	2022
Additions of property, plant and equipment	\$ 1,815,470	\$ 4,390,850
Less: Amounts included in the cost of qualifying assets	(10,030)	(23,334)
Changes in payables for purchases of equipment	<u>359,588</u>	<u>(241,293)</u>
Payments for acquisition of property, plant and equipment	<u>\$ 2,165,028</u>	<u>\$ 4,126,223</u>

### b. Reconciliation of liabilities arising from financing activities

	Balance as of January 1, 2023	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2023
			Foreign Exchange Movement	Leases Modifications	Other Changes (Note)	
Guarantee deposits	\$ 5,259	\$ (679)	\$ (48)	\$ -	\$ -	\$ 4,532
Lease liabilities	318,640	(88,017)	-	(12,973)	36,096	253,746
Long-term borrowings	<u>5,973,936</u>	<u>693,056</u>	<u>-</u>	<u>-</u>	<u>11,529</u>	<u>6,678,521</u>
Total	<u>\$ 6,297,835</u>	<u>\$ 604,360</u>	<u>\$ (48)</u>	<u>\$ (12,973)</u>	<u>\$ 47,625</u>	<u>\$ 6,936,799</u>

	Balance as of January 1, 2022	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2022
			Foreign Exchange Movement	Leases Modifications	Other Changes (Note)	
Guarantee deposits	\$ 5,193	\$ -	\$ 66	\$ -	\$ -	\$ 5,259
Lease liabilities	249,399	(81,950)	-	147,271	3,920	318,640
Long-term borrowings	<u>3,475,797</u>	<u>2,503,333</u>	<u>-</u>	<u>-</u>	<u>(5,194)</u>	<u>5,973,936</u>
Total	<u>\$ 3,730,389</u>	<u>\$ 2,421,383</u>	<u>\$ 66</u>	<u>\$ 147,271</u>	<u>\$ (1,274)</u>	<u>\$ 6,297,835</u>

Note: Other changes include the financial cost of lease liabilities, right-of-use assets obtained and long-term bank loan interest subsidy recognized as deferred revenue.

## 23. CAPITAL MANAGEMENT

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

The capital structure of the Company consists of equity of the Company (comprising issued capital, reserves and retained earnings).

## 24. FINANCIAL INSTRUMENTS

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

Management believes that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values or their fair values cannot be reliably measured.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

##### December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 19,851	\$ -	\$ 19,851
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 6	\$ -	\$ 6

##### December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 13,257	\$ -	\$ 13,257
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 2,079	\$ -	\$ 2,079

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

The Company did not acquire or dispose of financial assets measured at fair value in Level 3 for the years ended December 31, 2023 and 2022.

#### 2) Valuation techniques and inputs applied for Level 2 fair value measurement

Derivative instruments - forward exchange contracts are discounted using the cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

### c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Held for trading	\$ 19,851	\$ 13,257
Amortized cost (1)	13,478,159	12,817,211
<u>Financial liabilities</u>		
FVTPL		
Held for trading	6	2,079
Amortized cost (2)	7,862,798	7,540,897

- 1) Including financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties) and other non-current assets.
- 2) Including accounts payable (including related parties), payables to contractors and equipment suppliers, accrued expenses and other current liabilities, long-term borrowings (including current portion of long-term borrowings) and guarantee deposits.

d. Financial risk management objectives and policies

The Company monitors and manages the financial risks associated with its operations, which include foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of derivative financial instruments and significant financial rules and plans are regulated by the Company's Board of Directors and reviewed by the Company's internal control system. The Company does not engage in transactions of financial instruments (including derivative financial instruments) for speculative purposes.

1) Market risk

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

The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

A portion of the Company's cash inflows and outflows are denominated in foreign currencies and therefore have a natural hedging effect. The Company manages exchange rate risk for hedging purposes, not for profit-making.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 28.

Sensitivity analysis

The Company is mainly exposed to the U.S. dollar and Japanese yen.

The sensitivity analysis of foreign currency exchange rate risk is based on the unfavorable impact of foreign currency monetary items, including cash, accounts receivable, other receivables, accounts payable and other payables, as of the end of the reporting period. If the unfavorable change in foreign currencies reaches 5%, the Company's net income will decrease by \$52,510 thousand and \$56,660 thousand in 2023 and 2022, respectively.

b) Interest rate risk

The Company's fixed and floating financial assets and floating interest rate financial liabilities are exposed to interest rate risk. The Company constantly observes and analyzes how a change in market interest rate may affect cash flows on interest-bearing debts. The Company also maintains good relationships with banks and performs timely assessments on possible interest rate risks for all interest-bearing debts, while taking actions to reduce the impact of interest rate changes on profitability.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 12,408,861	\$ 10,643,339
Cash flow interest rate risk		
Financial assets	80,752	1,326,414
Financial liabilities	6,678,521	5,973,936

Sensitivity analysis

The Company's fixed-rate financial assets are not included in the analysis of interest rate risk with fair value because they are measured at amortized cost.

The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If the market interest rates increase by 1% and all other variables were held constant, the Company's net profit before income tax for the years ended December 31, 2023 and 2022 will decrease by \$65,978 thousand and increased by \$46,475 thousand, respectively, which was mainly a result of the Company's variable rate bank borrowings and variable rate deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

Business-related credit risk

The Company's accounts receivable are from its five largest customers. The majority of the Company's outstanding accounts receivable are not covered by collateral or guarantees. While the Company has procedures to monitor and manage credit risk exposure on accounts receivable, there is no assurance such procedures will effectively eliminate losses resulting from its credit risk. This risk is heightened during periods when economic conditions worsen.

As of December 31, 2023 and 2022, the Company's five largest customers accounted for 88% and 88% of accounts receivable respectively.



## 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

## a) Liquidity and interest rate risk tables

The following table details the analysis of the remaining contractual maturities of the Company's non-derivative financial liabilities with contractual repayment periods, which are based on the earliest possible date on which the Company can be required to make repayment, and is prepared using the undiscounted cash flows of the financial liabilities, which include cash flows of interest and principal.

The maturity dates of the Company's other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 806,248	\$ 172,118	\$ 184,254	\$ 4,532
Lease liabilities	7,300	14,600	59,469	197,540
Long-term borrowings	<u>178,273</u>	<u>355,682</u>	<u>1,837,340</u>	<u>4,474,123</u>
	<u>\$ 991,821</u>	<u>\$ 542,400</u>	<u>\$ 2,081,063</u>	<u>\$ 4,676,195</u>

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 1,051,022	\$ 193,950	\$ 297,857	\$ 5,259
Lease liabilities	7,235	14,470	65,114	255,259
Long-term borrowings	<u>61,384</u>	<u>204,579</u>	<u>1,012,168</u>	<u>4,893,701</u>
	<u>\$ 1,119,641</u>	<u>\$ 412,999</u>	<u>\$ 1,375,139</u>	<u>\$ 5,154,219</u>

Additional information about the maturity analysis for financial liabilities:

December 31, 2023

	Less than 5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Non-interest bearing	\$ 1,167,152	\$ -	\$ -	\$ -	\$ -
Lease liabilities	<u>\$ 147,169</u>	<u>\$ 82,250</u>	<u>\$ 33,429</u>	<u>\$ 16,061</u>	<u>\$ -</u>
Long-term borrowings	<u>\$ 6,845,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	Less than 5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Non-interest bearing	\$ 1,548,088	\$ -	\$ -	\$ -	\$ -
Lease liabilities	<u>\$ 214,421</u>	<u>\$ 78,355</u>	<u>\$ 37,820</u>	<u>\$ 11,482</u>	<u>\$ -</u>
Long-term borrowings	<u>\$ 6,171,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following table details the liquidity analysis of the Company's derivative financial instruments. For derivative instruments with gross settlement, the analysis is based on undiscounted contractual net cash inflows and outflows.

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	\$ 519,747	\$ 543,334	\$ -	\$ -	\$ -
Outflows	<u>(507,326)</u>	<u>(538,073)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,421</u>	<u>\$ 5,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	\$ 610,935	\$ 579,965	\$ -	\$ -	\$ -
Outflows	<u>(598,904)</u>	<u>(583,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,031</u>	<u>\$ (3,582)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 25. TRANSACTIONS WITH RELATED PARTIES

The Company's parent company is Taiwan Semiconductor Manufacturing Company (TSMC), which held 67.48% and 67.70% of the ordinary shares of the Company on December 31, 2023 and 2022, respectively.

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows:

## a. Related party name and category

Related Party Name	Related Party Category
TSMC	The Company's parent company
Xintec Inc. (Xintec)	Other related party
Global Unichip Corp. (GUC)	Other related party

## b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Xintec	\$ 639,326	\$ 789,002
Others	<u>749</u>	<u>2,075</u>
	<u>\$ 640,075</u>	<u>\$ 791,077</u>

## c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
<u>For manufacturing</u>		
TSMC	<u>\$ 3,727</u>	<u>\$ 329</u>
<u>For researching and developing</u>		
TSMC	<u>\$ -</u>	<u>\$ 10,562</u>

## d. Rental income

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
GUC	\$ 54,323	\$ 34,760
TSMC	<u>3,358</u>	<u>20,269</u>
	<u>\$ 57,681</u>	<u>\$ 55,029</u>

## e. Interest expense

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Xintec	\$ 1,705	\$ 600
Others	<u>52</u>	<u>31</u>
	<u>\$ 1,757</u>	<u>\$ 631</u>

## f. Contract assets

Related Party Category/Name	December 31	
	2023	2022
Xintec	<u>\$ 670</u>	<u>\$ 3,424</u>

## g. Receivables from related parties

Related Party Category/Name	December 31	
	2023	2022
Xintec	\$ 109,632	\$ 112,607
Others	<u>47</u>	<u>213</u>
	<u>\$ 109,679</u>	<u>\$ 112,820</u>

## h. Other Receivables

Related Party Category/Name	December 31	
	2023	2022
TSMC	<u>\$ 84</u>	<u>\$ 4,257</u>

## i. Payables to related parties

Related Party Category/Name	December 31	
	2023	2022
TSMC	<u>\$ 440</u>	<u>\$ -</u>

## j. Accrued expenses and other current liabilities

Related Party Category/Name	December 31	
	2023	2022
TSMC	\$ 385	\$ 5,647
Others	<u>73</u>	<u>77</u>
	<u>\$ 458</u>	<u>\$ 5,724</u>

## k. Prepayments

Related Party Category/Name	December 31	
	2023	2022
TSMC	<u>\$ 1,870</u>	<u>\$ -</u>

## l. Lease arrangements

Acquisition of Right-of-Use Assets, Property, Plant and Equipment and Investment Property

The Company leases plant and offices from related parties. The lease terms are determined by agreement between the parties, and rentals are paid monthly in accordance with the lease agreements, and the related rental expenses are recorded as right-of-use assets and manufacturing costs.

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
<u>Acquisition of right-of-use assets</u>		
Xintec	<u>\$ -</u>	<u>\$ 138,344</u>



Line Item	Related Party Category/Name	December 31	
		2023	2022
Lease liabilities	Xintec	\$ 64,051	\$ 68,723
<b>Related Party Category/Name</b>		<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
<u>Interest expense</u>			
Xintec		\$ 1,705	\$ 600
<u>Lease expense</u>			
Xintec		\$ 11,100	\$ 13,835
m. Deposit guarantee			
<b>Related Party Category/Name</b>		<b>December 31</b>	
		<b>2023</b>	<b>2022</b>
GUC		\$ 3,304	\$ 2,832
Others		6	6
		\$ 3,310	\$ 2,838

For the sales transactions between the Company and its related parties, the transaction prices and collection terms are not materially different from those of non-related parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

The Company rented/leased property, plant and equipment to/from related parties. The lease terms are determined in accordance with mutual agreements. The rentals were paid monthly; the related rentals were classified under other income and manufacturing expenses.

For the years ended December 31, 2023 and 2022, no impairment loss was recognized for contract assets from related parties.

n. Others

<b>Related Party Category/Name</b>		<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
<u>Manufacturing expenses</u>			
Xintec		\$ 11,100	\$ 13,835
TSMC		1,040	-
		\$ 12,140	\$ 13,835

(Continued)

<b>Related Party Category/Name</b>		<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
<u>Research and development</u>			
TSMC		\$ 5,594	\$ -
<u>General and administrative</u>			
TSMC		\$ 56	\$ -

(Concluded)

o. Compensation of key management personnel

The compensation of directors and other key management personnel were as follows:

<b>Related Party Category/Name</b>		<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Short-term employee benefits		\$ 48,584	\$ 89,328
Post-employment benefits		805	811
		\$ 49,389	\$ 90,139

The compensation of directors and other key management personnel were determined by the Compensation Committee in accordance with the value of the individual's participation in and contribution to the operations of the Company and is determined by reference to the usual industry standards.

## 26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

As of December 31, 2023 and 2022, the Company provided certificates of deposits amounting to \$22,174 thousand, and \$20,311 thousand which were recorded in other non-current assets as collateral mainly for land lease agreements and tariff guarantees.

## 27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at December 31, 2023 and 2022 were as follows:

a. Unrecognized commitments

		<b>December 31</b>	
		<b>2023</b>	<b>2022</b>
Acquisition of property, plant and equipment		\$ -	\$ 683,450

b. The Company entered into long-term energy purchase agreements with its supplier. The relative fulfillment period, quantity and price are specified in the agreement.

## 28. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY DENOMINATED FINANCIAL ASSETS AND LIABILITIES

The significant financial assets and financial liabilities denominated in foreign currencies were as follows:

### December 31, 2023

	Foreign Currencies (In Thousands)	Exchange Rate (Note)
<u>Financial assets</u>		
Monetary items		
USD	\$ 39,745	30.747
JPY	95,584	0.2192
EUR	92	34.175
CHF	2	36.600

### Financial liabilities

Monetary items		
USD	5,530	30.747
JPY	104,007	0.2192
EUR	93	34.175

### December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate (Note)
<u>Financial assets</u>		
Monetary items		
USD	\$ 44,280	30.713
JPY	1,492,496	0.2331
EUR	74	32.838

### Financial liabilities

Monetary items		
USD	7,337	30.713
JPY	1,509,112	0.2331
EUR	-	32.838

Note: Please refer to Note 18 for foreign exchange gain and loss for the years ended December 31, 2023 and 2022. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

## 29. OPERATING SEGMENT INFORMATION

### a. Operating segments, segment revenue and operating results

The Company's chief operating decision maker periodically reviews operating results, focusing on operating income generated by the color filter segment. Operating results are used for resource allocation and performance assessment. As a result, the Company has only one operating segment, the color filter segment. The color filter segment engages mainly in the researching, developing, designing, manufacturing, selling, packaging and testing of color filter products.

The basis for the measurement of income from operations is the same as those for the preparation of financial statements. Please refer to the statements of comprehensive income for the related segment revenue and operating results.

### b. Geographical information of operating revenue is as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Asia	\$ 6,187,301	\$ 7,877,133
Taiwan	980,607	1,106,615
United States	52,161	42,209
Europe	<u>16,859</u>	<u>51,191</u>
	<u>\$ 7,236,928</u>	<u>\$ 9,077,148</u>

The Company's revenue by geography is computed based on the recipient's region and its non-current assets are all located in Taiwan. Hence, it is not required to disclose information about non-current assets.

### c. Revenue from major products and services

	<u>For the Year Ended December 31</u>	
	2023	2022
Micro-Optical Elements	\$ 4,084,759	\$ 4,600,796
Image Sensor	3,016,018	4,320,594
Others	<u>136,151</u>	<u>155,758</u>
	<u>\$ 7,236,928</u>	<u>\$ 9,077,148</u>

### d. Information about major customers

Major customers representing at least 10% of net revenue:

	<u>For the Year Ended December 31</u>			
	2023		2022	
	Amount	%	Amount	%
Customer A	\$ 3,273,114	45	\$ 3,621,402	40
Customer B	1,583,456	22	2,590,800	29
Customer C	886,781	12	700,260	8



## 30. ADDITIONAL DISCLOSURES

a. Significant transactions

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held. (None)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 1)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 2)
- 9) Information about the derivative instrument transactions. (Note 7)

b. Information on investees. (None)

c. Information on investments in mainland China. (None)

## d. Information of major shareholders

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: See Table 3 attached.

**TABLE 1**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
VisEra	Xintec	Other related parties	Sales	\$ 639,326	9	60 days after monthly closing	Note 25	Note 25	\$ 109,632	12	-

TABLE 2

VISERA TECHNOLOGIES COMPANY LTD.  
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
				Amount	Actions Taken		
VisEra	Xintec	Other related parties	\$ 109,632	\$ -	-	\$ -	\$ -

TABLE 3

VISERA TECHNOLOGIES COMPANY LTD.  
INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
TSMC	213,619,000	67.48%





**VisEra Technologies Company Ltd.**

Chairman

**Robert Kuan**



## VisEra Technologies Company Ltd.

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