

Stock Code: 4772



2023 Annual Report

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Translation - In case of any discrepancy between Chinese and English versions, the Chinese version shall prevail.

I. Spokesperson

Name: Chieh-Che Liao

Title: Director of the Accounting Division

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Acting Spokesperson

Name: Chia-Chi Wu

Title: Manager of the Audit Office

Tel: (04)791-1072

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II. Address and telephone number of the head office and factories

Head Office and Changbin Plant: No.1, Zhangbin West 3rd Rd, Xianxi Township,
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Tel: (04)791-1072

III. Stock transfer agency

Name: Yuanta Securities

Address: B1, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City

Tel: (02) 2586-5859

Website: <http://www.yuanta.com.tw>

IV. CPA who audited the financial statements for the most recent year

Name of firm: KPMG Taiwan

Names of accountants: An-Chih Cheng, Yong-Hua Huang

Address: 68F, No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City

Tel: (02)8101-6666

Website: <http://home.kpmg/tw>

V. Name of overseas stock exchange and method for accessing information on overseas negotiable securities:

None.

VI. Company website

<https://www.tscs.com.tw>

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A. Letter to Shareholders

Dear Shareholders:

First of all, we would like to thank all shareholders for your support and concern. We mainly develop and produce precision high-end electronic grade gases and chemicals. Our main sources of revenue currently include Disilane, Trisilane, and product agency. Our operating results for 2023 and the business plan for 2024 are summarized as follows:

I. Operating Results in 2023

(I) Business plan implementation results

In 2023, we continued to enter the supply chains of major manufacturers and expanded the revenue from product agency. The Company's operating revenue was NT\$553,523 thousand in 2023, an increase of 3.99% compared with 2022 and maintaining an upward trend. The net profit of the period was NT\$155,653 thousand.

Business plan implementation results are as follows:

Unit: NT\$ Thousands			
Item/Year	2023	2022	Percent Change (%)
Operating revenue	553,523	532,279	3.99%
Operating costs	343,290	268,412	27.90%
Gross profit from operations	210,233	263,867	-20.33%
Operating expenses	72,435	83,219	-12.96%
Net operating income	137,798	180,648	-23.72%
Net profit before tax	139,199	187,470	-25.75%
Net income	155,653	207,974	-25.16%

(II) Budget implementation

The company has not disclosed any financial forecasts for 2023.

(III) Financial structure and profitability analysis

Item/Year		2023	2022
Financial structure	Debt ratio (%)	4.55	5.88
	Ratio of long-term capital to property, plant and equipment (%)	127.59	119.43
Profitability analysis	Return on assets (%)	8.55	11.90
	Return on equity (%)	9.02	12.71
	Ratio of net profit before tax to paid-in capital (%)	10.07	13.56
	Net profit margin (%)	28.12	39.07

(IV) Financial income and expenses

The Company's financial income and expenses was normal in 2023 with operating revenue of NT\$553,523 thousand, operating cost of NT\$343,290 thousand, operating expense of NT\$72,435 thousand, non-operating income of NT\$1,401 thousand, net profit before tax of NT\$139,199 thousand, and net profit of NT\$155,653 thousand.

(V) Research and Development

1. 2023 Research & Development Expenses

Unit: NT\$ Thousands

Item/Year	2023	2022
R&D expenses	18,314	26,185
Operating revenue	553,523	532,279
R&D expenses as a percentage of net revenue (%)	3.31%	4.92%

2. Research and development achievement in 2023

(1) Development of pilot process system and technologies for chlorosilane derivated special chemicals production.

3. Plan of future research and development

(1) Development of chlorosilane derivated precursors for carbosilicon and nitridated silicon deposition processes.

(2) Development of special etching gases and chemicals as well as derivative products for advanced semiconductor manufacturing processes.

II. Summary of 2024 Business Plan

(I) Business policy

The Company has accumulated many market advantages, such as sales to many tier-1 international semiconductor customers, the synthesis and purification process technology of silane gases, complete logistics equipment for special gases, intelligent cylinder management system, healthy finances, and a professional and compliant special gas production base that will benefit expansion and development.

In order to quickly meet customer needs, in addition to investing in independent research and development, we also use competitive advantages such as advanced production technologies, ultra-trace element analysis laboratory, and immediate backup and warehousing services, which lead the industry in Taiwan for multiple special gas products. We selected excellent special gas partners to form a strategic alliance, and rapidly enriched our product portfolio through cooperative production and sales, becoming a total solutions provider for high-end transistor manufacturing.

(II) Sales Forecast and its Basis

According to forecasts of the World Semiconductor Trade Statistics (WSTS), the global semiconductor market is expected to bounce back grow by 13.1% in 2024. In addition to consolidating product sales in existing markets, our business model in 2024 will include the development of new products and the expansion of product agency to special gas products for advanced processes. This will enrich our product portfolio and is expected to drive another wave of company growth.

(III) Important Production and Sales Policies

1. Improve inventory turnover and generate cash inflow from operating activities.
 2. Increase the number of customers and market share of agent products.
 3. Enrich the product portfolio, create new business growth momentum, and increase customer stickiness.
- (IV) Future Development Strategy
1. Make every effort to increase revenue, enter the capital market, and strengthen the foundation of operations.
 2. Enhance TSC's core capabilities, strengthen its competencies, and enhance long-term overall competitiveness.
 3. Operate with integrity and establish business values and culture that take pride in TSC.
- (V) Impact of External Competition, Regulatory Environment and Macroeconomic Environment
1. Facing the recession of the semiconductor industry chain in 2023, the Company made planned adjustments to operating costs and inventory, and continue to enhance its competitiveness to respond to changes in the overall environment. Looking towards 2024, the leading foundry has set the tone for a year of healthy growth, and the Company expects its business to benefit.
 2. Due to the impact of geopolitics and supply chain management, manufacturers continue to invest in the special gas supply industry, and overall competition in the industry has intensified. As the Company continues to enhance its competitiveness in production technology, product quality and items, warehousing and logistics, it is expected to reduce the impact of new competitors.
 3. Development a carbon-neutral business environment has become a global trend. As requirements on energy conservation and carbon reduction from policies, regulations, and customers become growingly strict. The Company's processes use low-carbon technology, which creates synergies for receiving orders. We will continue to develop other low-carbon production technologies in the future, and not only respond to customers' carbon reduction needs, but also reduce the impact of climate change issues on the Company's operations.

Finally, we would like to thank all shareholders again for coming. Your support is the greatest blessing and motivation for all of our employees. Thank you and wish you all

health and happiness and all the best.

Chairperson: Hsiu-Lan Hsu

President: Hsiung-Fei Chang

Chief Accountant: Chieh-Che Liao

B. Company Overview

I. Date of Establishment

March 27, 2013

II. Company History

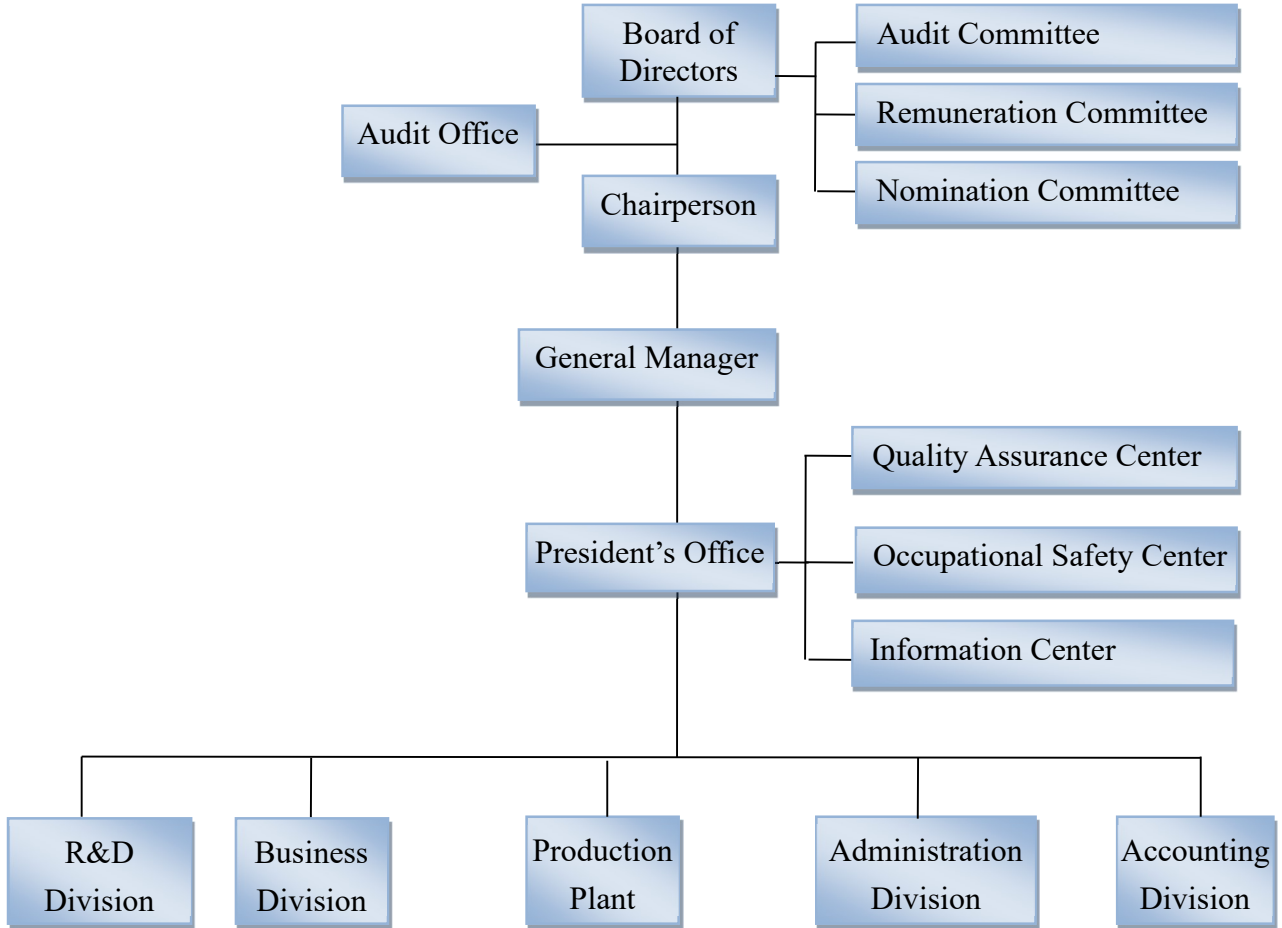
Year	Milestones
March, 2013	Taiwan Speciality Chemicals Corporation was established with a paid-in capital of NT\$500 thousand
May, 2013	The capital increase by creditor's right of NT\$753,000 thousand increased paid-in capital to NT\$753,500 thousand
September, 2013	The cash capital increase of NT\$81,800 thousand and capital increase by creditor's rights of NT\$38,200 thousand increased paid-in capital to NT\$873,500 thousand
June, 2014	The cash capital increase of NT\$104,800 thousand increased paid-in capital to NT\$978,300 thousand
November, 2014	The cash capital increase of NT\$121,190 thousand increased paid-in capital to NT\$1,099,490 thousand
March, 2015	Obtained Taiwan patents for silane and disilane production technologies
	The cash capital increase of NT\$63,024 thousand increased paid-in capital to NT\$1,162,514 thousand
June, 2015	OHSAS 18001 Occupational Safety and Health System Certification
September, 2015	Obtained ISO 9001 Quality Management System certification
January, 2017	The cash capital increase of NT\$1,738,567 thousand and capital increase by creditor's rights of NT\$8,594 thousand increased paid-in capital to NT\$2,909,675 thousand
December, 2017	Completed the phase 1.1 expansion project
January, 2018	Passed the supplier evaluation of a major semiconductor manufacturer
April, 2018	Obtained China patents for disilane and trisilane production technologies
June, 2018	SAS makes investment to strengthen the semiconductor industry chain
December, 2018	Launched the TAF laboratory accreditation plan
January, 2019	Obtained Taiwan invention patent for disilane production technology
February, 2019	Obtained Taiwan invention patent for a high-efficiency high-order silane conversion synthesis and purification recovery method

Year	Milestones
March, 2019	Obtained Taiwan invention patent for trisilane production technology
November, 2019	Obtained Korean invention patent for disilane production technology
November, 2019	Obtained ISO 14001 and ISO 45001 EHS system certifications
December, 2019	Recognized as an outstanding supplier at the 19th Supply Chain Forum of Company T, a major global semiconductor manufacturer
March, 2020	Obtained ISO 17025 TAF Laboratory certification
May, 2020	Obtained U.S. invention patent for disilane production technology
July, 2021	Completed the solar photovoltaic system, installed a meter, and began generating electricity with a total installed capacity of 1,456KW. Annual power generation is about 1.66 million kWh, which reduces carbon emissions by approximately 845,000 tons each year, which is equal to afforestation of 8.5 hectares
November, 2021	Reduced capital by NT\$1,527,309 thousand to offset losses and paid-in capital decreased to NT\$1,382,366 thousand
March, 2022	Public listing of stock
September, 2022	Stock listed in emerging market
November, 2023	Completed the construction of a comprehensive electronic-grade special gas warehouse

C. Corporate Governance Report

I. Company Organization

(I) The Company's organizational structure



(II) Business operations of major departments

Name of unit	Duties
Audit Office	<ol style="list-style-type: none"> 1. Audits and evaluates the correctness, reliability, efficiency, and effectiveness of the company's operating records and internal management controls, and then provides improvement suggestions to ensure the safety of the Company's operations, reduce risks and shortcomings, and ensure the effective implementation of internal controls. 2. Evaluates and audits various internal management systems and plans internal audits
President's Office	<ol style="list-style-type: none"> 1. Implementation by the Business Strategy Committee 2. New business investment plans
Quality Assurance Center	<ol style="list-style-type: none"> 1. Responsible for the planning, implementation and promotion of the quality assurance system 2. Tracks customer complaints, quality abnormality investigations, and corrective and preventive measures 3. Implements QCC to enhance the quality improvement concepts of all employees
Occupational Safety Center	<ol style="list-style-type: none"> 1. Responsible for the planning, implementation and promotion of occupational safety and health management systems 2. Promotes the 5S Implementation Committee
Information Center	<ol style="list-style-type: none"> 1. Information system planning and management 2. Information security maintenance and management 3. Overall network construction and management 4. Information software and hardware evaluation and introduction 5. Implementation and management of the Personal Data Protection Task Force
Accounting Division	<ol style="list-style-type: none"> 1. Planning, establishment and implementation of the accounting system 2. Accounting treatment, financial statement preparation and analysis 3. Creation, review, binding and safekeeping of accounting vouchers 4. Review and analysis of annual budget planning, summary, and execution 5. Financial planning, fund allocation, and foreign exchange management and operation 6. Tax planning and treatment, cashier management 7. Planning and handling of matters related to shareholders service, board meetings and shareholders' meetings
Administration Division	<ol style="list-style-type: none"> 1. Risk assessment and management 2. Proposes the Company's organizational structure based on the Company's corporate responsibility policy and management policy implementation plan 3. Business performance integration and tracking 4. Compilation of internal management regulations and document control

Name of unit	Duties
	<ol style="list-style-type: none"> 5. Management of employee recruitment, changes, rewards and punishments, dismissal, attendance, and salary 6. Execution and implementation of the human resources development plan 7. Labor-management negotiation, employee benefits, and health management 8. Procurement of raw materials, non-production supplies, and fixed assets, supplier management, integration of procurement resources, and implementation of strategic procurement direction and other related matters. 9. Raw materials, finished products, inventory management, and shipment scheduling 10. General affairs and public area and environment maintenance and management 11. Factory security management
Production Plant	<ol style="list-style-type: none"> 1. Production plan, execution, and quality control 2. Product carrier scheduling and management 3. Establishment and implementation of equipment maintenance system 4. Raw material requirements and management of spare parts 5. Construction project outsourcing evaluation, materials list, and budget management 6. Construction supervision and execution
Business Division	<ol style="list-style-type: none"> 1. Sales strategy formulation and execution 2. Business information collection and market development 3. Strategic alliance and sales channel establishment 4. Customer services and customer management
R&D Division	<ol style="list-style-type: none"> 1. Process technology integration and improvement 2. Promotion and execution of new product R&D project plans 3. New material source development and product application analysis 4. New production line expansion project planning 5. Design change management 6. Invention, patent application 7. Responsible for incoming raw material inspection, in-process inspection, and finished product and shipment inspection 8. ISO 17025 TAF Laboratory Management

II. Information on directors, supervisors, president, vice presidents, assistant vice presidents, and heads of departments and branch offices

(I) Information on directors

1. The director's name, experience (education), shares held, and nature

March 7, 2024; shares; %

Job Title	Name	Gender	Age	Nationality or place of registration	Date first elected	Date of election (appointment)	Term	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other manager, director or supervisor who is the spouse or a relative within second degree			Note
								Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job Title	Name	Relationship	
Chairperson	Sino-American Silicon Products Inc.	-		Republic of China	2018.07.16	2021.08.25	3 years	90,000,000	30.93	41,590,354	30.09	-	-	-	-	-	-	-	-	-	-
	Representative: Hsiu-Lan Hsu	Female	61-70 years old	Republic of China	2018.07.16	2021.08.25	3 years	-	-	-	-	-	-	-	-	Master of Computer Science, University of Illinois President of Sino-American Silicon Products Inc. Chairman of GlobalWafers Co., Ltd.	Chairperson and CEO of Sino-American Silicon Products Inc., Chairperson and CEO of GlobalWafers Co., Ltd., Representative of Institutional Director of Actron Technology Corporation, Representative of Institutional Director of Advanced Wireless Semiconductor Company, Representative of Institutional Director of SAS Sunrise Inc., Representative of Institutional Director of Sunrise PV Three Co., Ltd., Representative of Institutional Director of SAS Holding Co., Ltd., Representative of Institutional Director of Sustainable Energy Solution Co., Ltd., Representative of Institutional Director of Sunrise PV Four Co., Ltd., Representative of Institutional Director of GlobalWafers Holding Co., Ltd., Director of GlobalSemiconductor Inc., Chairperson and CEO of GlobiTech Incorporated, Chairperson of GlobalWafers Japan Co., Ltd., Chairperson of MEMC Japan Ltd., Vice Chairperson of Kunshan Sino Silicon Technology Co., Ltd., Chairperson of Topsil GlobalWafers A/S, Director of GlobalWafers Singapore Pte., Ltd., Director of GlobalWafers B.V., Director of MEMC Korea Company, and Chairperson of GlobalWafers America, LLC, Representative of Institutional Director of Crystalwise Technology Inc., and Director of Crystalwise Technology (HK) Limited.	-	-	-	-
Director	Sino-American Silicon Products Inc.	-		Republic of China	2018.07.16	2021.08.25	3 years	90,000,000	30.93	41,590,354	30.09	-	-	-	-	-	-	-	-	-	-
	Representative: Tang-Liang Yao	Male	61-70 years old	Republic of China	2018.07.16	2021.08.25	3 years	-	-	-	-	-	-	-	-	Master of Business Administration, Tamkang University Assistant Manager, Manufacturing Department, Xuxing Technology Corporation President of Sino-American Silicon Products Inc.	Vice Chairperson of Sino-American Silicon Products Inc., Representative of Institutional Director of GlobalWafers Co., Ltd., Chairperson and CEO of Actron Technology Corporation, Representative of Institutional Director Advanced Wireless Semiconductor Company, Representative of Institutional Director of REC Technology Corporation, Representative of Institutional Director Ding-Wei Technology Co., Ltd., Representative of Institutional Director of Mosel Vitelec Inc., Representative of Institutional Director Sunrise PV Three Co., Ltd., Representative of Institutional Director SAS Holding Co., Ltd., Director of GlobalWafers Holding Co., Ltd., Director of GlobiTech Incorporated, Director of GlobalWafers Japan Co., Ltd., Chairperson of Kunshan Sino Silicon Technology Co., Ltd., Director of GlobalWafers Singapore Pte. Ltd., and Director of GlobalWafers America, LLC, and Director of Yuan Hong Technical Materials Ltd.	-	-	-	-

Job Title	Name	Gender Age	Nationality or place of registration	Date first elected	Date of election (appointment)	Term	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other manager, director or supervisor who is the spouse or a relative within second degree			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job Title	Name	Relationship	
Director	Sino-American Silicon Products Inc.	-	Republic of China	2018.07.16	2021.08.25	3 years	90,000,000	30.93	41,590,354	30.09	-	-	-	-	-	-	-	-	-	-
	Representative: Hsiu-Ling Hsu	Female 51-60 years old		2024.02.27	2024.02.27		-	-	-	-	-	-	-	-	Enterprise Management Research Institute of Taipei University Director of PwC Taiwan Accounting Manager of Sunrise Global Solar Energy Co., Ltd. Accounting Manager of Globalwafers Corporation	Chief of the Accounting Department of Sino-American Silicon Products Inc. Director of Silicon Technology Inc. Supervisor of Xulu Energy Co., Ltd. Representative of Institutional Director of Crystalwise Technology Inc. Supervisor of Shanghai Sawyer Shenkai Technology Material Co.,Ltd. Supervisor of Xinzhou Yuanhong Information Material Co., Ltd. Supervisor of Yuan Hong Technical Materials Ltd.	-	-	-	-
Director	Wintec Innovation Co., Ltd.	-	Republic of China	2013.03.27	2021.08.25	3 years	15,100,000	5.19	7,765,517	5.62	-	-	-	-	-	-	-	-	-	-
	Representative: Jih-Chuan Li	Male, 51-60 years old		2022.06.17	2022.06.17		-	-	-	-	-	-	-	Department of Mechanical Engineering, National Central University	Chairperson of Wintec Innovation Co., Ltd., Director of Winnspec International Corporation	-	-	-	-	-
Independent Director	Chung-Hsien Liu	Male, 61-70 years old	Republic of China	2022.06.17	2022.06.17	3 years	-	-	-	-	-	-	-	Master of Management Sciences, Tamkang University Chairperson of Huihong Investment Co., Ltd. President, CEO, and Chairperson of Ruentex Development Co., Ltd.	Chair Professor of Soochow University, Independent Director of Actron Technology Corporation, Independent Director of Advanced Wireless Semiconductor Company, Independent Director of Johnson Health Tech Co., Ltd.	-	-	-	-	
Independent Director	Ju-Sheng Hung	Male, 61-70 years old	Republic of China	2022.06.17	2022.06.17	3 years	-	-	-	-	-	-	-	Research fellow at the National Renewable Energy Laboratory, U.S. Department of Energy Science and Technology Counselor, Taipei Economic and Cultural Representative Office in Japan Ph.D. in chemical engineering from the University of Tokyo, Japan	Full-time Professor, Department of Chemical Engineering, National Taiwan University of Science and Technology	-	-	-	-	
Independent Director	Ting-Kuo Chen	Male, 81-90 years old	Republic of China	2023.05.12	2023.05.12	3 years	-	-	-	-	-	-	-	Ph.D. in Business Administration from the University of Michigan Chairperson, Chinese Academy of Business Foundation	Founding Honorary Chairperson, Chinese Academy of Business Foundation Independent Director, Shiny Chemical Industrial Co., Ltd. Independent Director, Namchow Holdings Co., Ltd.	-	-	-	-	

2. Major shareholders of institutional shareholders:

Name of institutional shareholder	Major shareholders of the institutional shareholder
Sino-American Silicon Products Inc.	Hongwang Investment Co., Ltd. (4.27%), China Life Insurance Co., Ltd. (2.51%), Weilian Technology Co., Ltd. (2.24%), Cathay Life Insurance Co., Ltd. (1.97%), Ming-Kuang Lu (1.91%), Ching-Chao Chang (1.89%), Hongmao Investment Co., Ltd. (1.78%), Nanshan Life Insurance Co., Ltd. (1.64%), Investment Account of Morgan Stanley & Co. International Limited in the custody of HSBC Bank (1.62%), WT Microelectronics Co., Ltd. (1.35%)
Wintec Innovation Co., Ltd.	British Virgin Islands Greenhope Enterprises Ltd. (100.00%)

3. If a major shareholder of an institutional shareholder is also an institutional shareholder, its major shareholders

Name of institutional shareholder	Major shareholders of the institutional shareholder
Hongwang Investment Company	Weilian Technology Co., Ltd. (39.02%), GlobalWafers Co., Ltd. (30.98%), Actron Technology Corporation (30.00%)
Weilian Technology Co., Ltd.	Hongmao Investment Co., Ltd. (32.48%)
Hongmao Investment Co., Ltd.	Christian Chinese Trust, Hope and Love Foundation (17.50%), Cross-Strait Peace Taiwan Trust, Hope and Love Culture and Education Foundation (17.50%), Social Welfare Charitable Trust Social Welfare Foundation (17.50%), Weisheng Trust, Hope and Love Charity Foundation (17.50%).
WT Microelectronics Co., Ltd.	WPG Holdings (19.71%), ASMedia Technology Inc. (17.52%), Shao Yang Investment Co., Ltd. (7.34%), Yuanta/P-shares Taiwan Dividend Plus ETF Account (4.06%), Wen-Tsung Cheng (2.40%), Investment account of CIBC World Markets Inc. under the custody of the Business Department, Standard Chartered Bank (2.10%), Mega International Commercial Bank Finance Department (1.79%), Dedicated account of Privately Offered High Yield Securities Investment Trust Fund No. 5 of First Holdings under the custody of the Bank of Taiwan (1.74%), Mercuries Life Insurance Inc. (1.27%), Labor Pension Fund (the new fund) (1.18%)
British Virgin Islands Greenhope Enterprises Ltd.	Chu-Ming Kao (100%)

4. Professional qualifications and independence of directors:

Name	Criteria	Professional qualifications and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu		Master of Computer Science, University of Illinois President of Sino-American Silicon Products Inc. Chairman of GlobalWafers Co., Ltd.	The Company's Board of Directors continuous to evaluate the independence of directors, and takes into account all relevant factors, including: whether directors are able address constructive issues with management and other directors, whether or not their viewpoints are independent from management and other directors, and if their conduct inside and outside the Board of Directors is appropriate. See pages 9 and 10 of this annual report for the resume of all directors and related individuals, including (if any) relationships between members. In addition, none of the directors of the company has any of the cases listed in Article 30 of the Company Law. The three independent directors have the required qualifications set forth in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" of the Financial Supervisory Commission and Article 14-2 of the Securities and Exchange Act in the two years before appointment and during the term as independent directors. All independent directors are given the power to participate in decision-making and express opinions according to Article 14-3 of the Securities and Exchange Act, and independently perform their duties on this basis.	-
Sino-American Silicon Products Inc. Representative: Tang-Liang Yao		Master of Business Administration, Tamkang University Assistant Manager, Manufacturing Department, Xuxing Technology Corporation President of Sino-American Silicon Products Inc.		-
Sino-American Silicon Products Inc. Representative: Hsiu-Ling Hsu		Enterprise Management Research Institute of Taipei University Director of PwC Taiwan Accounting Manager of Sunrise Global Solar Energy Co., Ltd. Accounting Manager of Globalwafers Corporation		-
Wintec Innovation Co., Ltd. Representative: Jih-Chuan Li		Department of Mechanical Engineering, National Central University Chairperson of Wintec Innovation Co., Ltd. Director of Winnspec International Corporation		-
Chung-Hsien Liu		Master of Management Sciences, Tamkang University Chairperson of Huihong Investment Co., Ltd. President, CEO, and Chairperson of Ruentex Development Co., Ltd.		3
Ju-Sheng Hung		Research fellow at the National Renewable Energy Laboratory, U.S. Department of Energy Science and Technology Counselor, Taipei Economic and Cultural Representative Office in Japan Ph.D. in chemical engineering from the University of Tokyo, Japan		-
Ting-Kuo Chen		Ph.D. in Business Administration from the University of Michigan Chairperson, Chinese Academy of Business Foundation		2

5. Board diversity: The Company's "Corporate Governance Best Practice Principles" expressly defines the composition of the board of directors and abilities required by members. The Company also established a board diversity policy. Board members are selected on the basis of merit and have diverse and complementary abilities across industry sectors, including basic composition (e.g., age, gender, nationality, etc.), their individual industry experience and relevant skills, as well as business judgment, operations management, leadership, and crisis management. For the Board of Directors to achieve corporate governance goals, Article 20 of the Company's "Corporate Governance Code of Conduct" stipulates that the Board of Directors as a whole shall have the following capabilities:
 - (1) Ability to make sound business judgments
 - (2) Ability to perform accounting and financial analysis
 - (3) Ability to manage a business
 - (4) Ability to respond to a crisis
 - (5) Knowledge of the industry
 - (6) An understanding of international markets
 - (7) Leadership
 - (8) Decision-making ability

The Company's implementation of board diversity is as follows:

Of the 7 current directors of the Company, 3 are independent directors (accounting for 43%); 2 is female (accounting for 29%); 3 independent directors have held the position for less than 3 years. The Company emphasizes gender equality among board members, and aims to have at least one female director.

The professional knowledge, skills, abilities and experience of board members are shown in the table below:

Job Title	Chairperson	Director	Director	Director	Independent Director
Name	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu	Sino-American Silicon Products Inc. Representative: Tang-Liang Yao	Sino-American Silicon Products Inc. Representative: Hsiu-Ling Hsu	Wintec Innovation Co., Ltd. Representative: Jih-Chuan Li	Chung-Hsien Liu
Gender	Female	Male	Female	Male	Male
Nationality	Republic of China	Republic of China	Republic of China	Republic of China	Republic of China
Age	61~70	61~70	51~60	51~60	61~70
Concurrently an employee of the Company					
Professional knowledge and skills					
Business	✓	✓	✓	✓	✓
Technology	✓	✓			
Finance/Accounting			✓		✓
Marketing	✓	✓	✓	✓	✓
Ability and experience					
Leadership	✓	✓	✓	✓	✓
Decision-making ability	✓	✓	✓	✓	✓
An understanding of international markets	✓	✓	✓	✓	✓
Knowledge of the industry	✓	✓	✓		
Financial management ability			✓		✓
Operations and manufacturing	✓	✓			✓
Risk/Crisis management	✓	✓	✓	✓	✓

Job Title	Independent Director	Independent Director
Name	Ju-Sheng Hung	Ting-Kuo Chen
Gender	Male	Male
Nationality	Republic of China	Republic of China
Age	61~70	81~90
Concurrently an employee of the Company		
Professional knowledge and skills		
Business		✓
Technology	✓	
Finance/Accounting		✓
Marketing		✓
Ability and experience		
Leadership	✓	✓
Decision-making ability	✓	✓
An understanding of international markets	✓	✓
Knowledge of the industry	✓	
Financial management ability		✓
Operations and manufacturing		✓
Risk/Crisis management		✓

(II) President, Vice Presidents, Assistant Vice Presidents, and Managers of Departments and Branches

March 7, 2024; shares; %

Job Title	Name	Gender	Nationality	Date of appointment	Shareholding		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Concurrently held positions in other companies	Manager who is a spouse or a relative within the second degree			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job Title	Name	Relationship	
President and Director of the Business Division	Hsiung-Fei Chang	Male	Republic of China	2020.10.07	192	-	26,284	0.02	-	-	Department of Electronic Engineering, Tungfang Industrial Junior College Director, Sales Department, Top Green Energy Technologies Inc. Vice President, Able China Co., Ltd. Vice President, MEDIFY Sales Manager, Tai-Lien Automatic Technical Co., Ltd.	-	-	-	-	-
Occupational Safety Center Deputy Manager	Shu-Fu Yan	Male	Republic of China	2020.05.18	-	-	-	-	-	-	Master's in Vocational Administration, Department of Industrial Education and Technology, National Changhua Normal University Manager, Industrial Safety Section, Powtec ElectroChemical Corporation Officer, Management Department, DEPO Auto Parts Industry Co., Ltd.	-	-	-	-	-
Senior Manager of the Information Center	Wei-Chun Hsu	Male	Republic of China	2018.03.01	950	-	-	-	-	-	Department of Information Management, National Taichung University of Science and Technology ERP Engineer at Yaoi Fabric Co., Ltd. Engineer at the IT Department, Top Green Energy Technologies Inc.	-	-	-	-	-
Factory Director and Director of R&D Division	Teng-Chi Li	Male	Republic of China	2017.05.01	9,691	0.01	-	-	-	-	Department of Chemical and Materials Engineering, Tunghai University Deputy Factory Director, Top Green Energy Technologies Inc. Chemical Engineer, RSEA Engineering Corporation Deputy Chief, Manufacturing Section, TCC Chemical Corporation	-	-	-	-	-
Director of the Administration Division and Quality Assurance Center	Yu-Li Ke	Female	Republic of China	2014.07.01	190	-	4,833	-	-	-	Department of Business Administration, Feng Chia University Manager of the Human Resources Department and ISO9001 Management Representative, Top Green Energy Technologies Inc. Manager, Administration Division, E.C.I. Elastic Co., Ltd. Assistant Manager, Focus Underwear Assist Co., Ltd. Human Resources Specialist, Yeu Tyan Machinery Mfg. Co., Ltd. Human Resources Specialist, Yang Iron Precision Corporation	-	-	-	-	-
Director of the Accounting Division and Corporate Governance Officer	Chieh-Che Liao	Male	Republic of China	2014.07.01	4,940	-	15,962	0.01	-	-	Department of Accounting, Tunghai University Manager, Accounting Department, Top Green Energy Technologies Inc. Deputy Chief, Ernst & Young	-	-	-	-	-
Audit Manager	Chia-Chi Wu	Female	Republic of China	2014.07.01	190	-	-	-	-	-	Accounting Information Division, National Chung Hsing University Deputy Manager at the Accounting Department, Top Green Energy Technologies Inc. Planning Specialist of Baocheng Group Baoyuan CNC (Co., Ltd.) Senior Manager, CTK Contact Electronics Co., Ltd.	-	-	-	-	-

Note: Where the chairperson and president or equivalent position (highest level manager) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures must be disclosed: N/A.

(III) Remunerations to directors, supervisors, president, and vice presidents in the most recent year

1. Remuneration to directors and independent directors

December 31, 2023; Unit: NT\$ thousands; %

Job Title	Name	Director's remuneration						Ratio of total remuneration (A+B+C+D) to net profit after tax		Pay received as an employee						Ratio of total remuneration (A + B+ C+ D+ E+ F+ G) to net profit after tax		Remuneration received from investee companies other than subsidiaries or the parent company				
		Remuneration (A)		Severance pay and pension (B)		Directors' remuneration (C)				Business expenses (D)		Salary, bonus and special allowance (E)		Severance pay and pension (F)					Employee bonus (G)			
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	Cash amount	Stock amount		Cash amount	Stock amount	The Company	All companies in the consolidated financial statements
Directors	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu	-	-	-	-	720	720	100	100	820 and 0.53%	820 and 0.53%	2,087	2,087	108	108	95	-	95	-	3,110 and 2.00%	3,110 and 2.00%	71,881
	Sino-American Silicon Products Inc. Representative: Tang-Liang Yao																					
	Sino-American Silicon Products Inc. Representative: Chun-Cheng Yang																					
	Song-Yue Hsieh (Note)																					
	Wintec Innovation Co., Ltd. Representative: Jih-Chuan Li																					
Independent Director	Chung-Hsien Liu	1,910	1,910	-	-	-	-	60	60	1,970 and 1.27%	1,970 and 1.27%	-	-	-	-	-	-	-	-	1,970 and 1.27%	1,970 and 1.27%	-
	Ju-Sheng Hung																					
	Ting-Kuo Chen																					
<p>1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: In addition to the monthly fixed remuneration to independent directors and the transportation subsidies for attending board meetings, the Company may consider the degree of participation and contribution of independent directors to the Company's operations, and take into account the results of the independent director's performance appraisal, to decide the distribution of director's remuneration to the independent directors from the director's remuneration appropriated from the annual profit, if any. The aforesaid remuneration allocated to the independent directors, shall be deliberated and approved by the Remuneration Committee, and submitted to the Board of Directors for approval.</p> <p>2. Except as disclosed in the preceding table, the remuneration received by the directors of the Company in the most recent year for the services provided to all companies in the financial statements (e.g. as non-employee consultant in the parent company, all companies in the financial statements, and investee companies): None.</p>																						

Note: Director Sone-Yue Hsieh resigned on December 31, 2023.

Range of remuneration chart

Range of remuneration chart applicable to the Company's directors	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Less than NT\$1,000,000	Sino-American Silicon Products Inc., Representative of institution: Hsiu-Lan Hsu, Representative of institution: Tang-Liang Yao, Representative of institution: Chun-Cheng Yang, Song-Yue Hsieh, Wintec Innovation Co., Ltd., Representative of institution: Jih-Chuan Li, Chung-Hsien Liu, Ju-Sheng Hung, Ting-Kuo Chen	Sino-American Silicon Products Inc., Representative of institution: Hsiu-Lan Hsu, Representative of institution: Tang-Liang Yao, Representative of institution: Chun-Cheng Yang, Song-Yue Hsieh, Wintec Innovation Co., Ltd., Representative of institution: Jih-Chuan Li, Chung-Hsien Liu, Ju-Sheng Hung, Ting-Kuo Chen	Sino-American Silicon Products Inc., Representative of institution: Hsiu-Lan Hsu, Representative of institution: Tang-Liang Yao, Representative of institution: Chun-Cheng Yang, Wintec Innovation Co., Ltd., Representative of institution: Jih-Chuan Li, Chung-Hsien Liu, Ju-Sheng Hung, Ting-Kuo Chen	Sino-American Silicon Products Inc., Representative of institution: Hsiu-Lan Hsu, Representative of institution: Tang-Liang Yao, Representative of institution: Chun-Cheng Yang, Wintec Innovation Co., Ltd., Representative of institution: Jih-Chuan Li, Chung-Hsien Liu, Ju-Sheng Hung, Ting-Kuo Chen
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	-	-	Song-Yue Hsieh	Song-Yue Hsieh
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) ~ NT\$ 10,000,000 (exclusive)	-	-	-	-
NT\$10,000,000 (inclusive) ~ NT\$ 15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive)~ NT\$ 30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
NT\$100,000,000 and above	-	-	-	-
Total	8 people in total	8 people in total	8 people in total	8 people in total

2. Remuneration to supervisors: The Company has established an Audit Committee, so there is no remuneration to supervisors.

3. Remunerations to the president and vice presidents

December 31, 2023; Unit: NT\$ thousands; %

Job Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances, etc. (C)		Employee bonuses (D)				Ratio of total remuneration (A+B+C+D) to net profit after tax (%)		Remuneration received from investee companies other than subsidiaries or the parent company
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Hsiung-Fei Chang													
Chief Technology Officer	Song-Yue Hsieh (Note)	4,576	4,576	216	216	27	27	237	-	237	-	5,056 and 3.25%	5,056 and 3.25%	-

Note: CTO Song-Yue Hsieh retired on December 31, 2023.

Range of remuneration chart

Range of remuneration paid to presidents and vice presidents	Names of president and vice presidents	
	The Company	All companies in the consolidated financial statements
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Hsiung-Fei Chang, Song-Yue Hsieh	Hsiung-Fei Chang, Song-Yue Hsieh
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive) ~ NT\$ 10,000,000 (exclusive)	-	-
NT\$10,000,000 (inclusive) ~ NT\$ 15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive)~ NT\$ 30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
NT\$100,000,000 and above	-	-
Total	2 people in total	2 people in total

(IV) Names of managers that received employee bonuses and status of the distribution:

Unit: NT\$ thousands; %

Job Title	Name	Stock amount	Cash amount	Total	Percentage of total bonuses to net profit after tax
General Manager	Hsiung-Fei Chang	-	308	308	0.20
Chief Technology Officer	Song-Yue Hsieh				
Director of the Accounting Division	Chieh-Che Liao				

(V) Compare the percentage of after-tax net profit distributed by the Company and all companies on the consolidated financial statements as remuneration to the Company's directors, supervisors, president, and vice presidents in the most recent two years, and describe the policy, standard, and composition of remuneration, procedures to determining remuneration, and the connection to business performance and future risks.

1. Analysis of the amount of remuneration to the Company's directors, supervisors, president, and vice presidents in the past two years as a percentage of after-tax net profit:

Item	Year	Total remuneration as a percentage of net profit after tax			
		2022		2023	
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director		3.36	3.36	3.27	3.27
Supervisor		0.12	0.12	-	-
President and vice presidents		3.97	3.97	3.25	3.25

2. The remuneration policies, standards, and packages for directors, supervisors, president, and vice presidents; the procedure for making such decisions; and relation to business performance and future risks:

(1) Remuneration policies, standards, and packages

The Company's remuneration of directors comprises of directors' compensation, directors' remuneration, and business expenses, and is handled in accordance with the Articles of Incorporation. The Company's remuneration of the president and vice presidents comprises of salary, bonus, and employee bonus, which are determined according to the Articles of Incorporation and approval authority.

(2) Procedure for Deciding Remuneration

If the company makes a profit during the year, it must allocate no less than 1% as employee bonuses, and no more than 1% as directors and supervisors' remuneration. However, an amount shall be set aside in advance to offset any cumulative losses.

Employee bonuses in the preceding paragraph may be paid in shares or cash. Employees of controlling companies or subsidiaries that meet certain criteria may also qualify. The board of directors is authorized to establish related regulations. The remuneration of directors and supervisors in the preceding paragraph may only be paid in cash.

The matters in the preceding two paragraphs shall be decided by a majority vote in a board meeting with least two thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting.

If the board of directors adopted the resolution to pay employee bonuses in the form of stocks in the preceding paragraph, it may also adopt the resolution to issue new shares or acquire its own shares for paying employee bonuses.

Business expenses only include transportation expenses for attending board meetings. The procedures for determining directors' remuneration are based on the Board of Directors Performance Evaluation Guidelines, and reasonable remuneration is given after considering participation in and contribution to the Company's operation. The remuneration to the Company's president and vice presidents and the payment method is based on "Regulations Governing Remuneration to Managers" and "Regulations Governing the Distribution of Employee Bonuses."

The Company established the Remuneration Committee at the end of 2022, which periodically reviews the performance of directors and managers, as well as the remuneration policy, system, standard and structure, and submits it to the board of directors for discussion.

(3) Connection with business performance and future risk

Performance evaluations and remuneration of directors and managers take into consideration industry standards, business performance, degree of participation (including the director's attendance rate, frequency of communication, the suggestions provided, etc.), contribution to the Company's performance (including financial indicators such as revenue and profit achievement rate, and non-financial indicators such as laws and internal control compliance, or special achievements, etc.), and comprehensively consider the monetary amount, payment method, and the Company's future risks. It is highly correlated to the individual's responsibility and overall performance in the Company's operations.

III. Implementation of Corporate Governance

(I) Operations of the Board of Directors

A total of 4 Board meetings were held in 2023. The attendance of directors was as follows:

Job Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Note
Chairperson	Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu	4	0	100	Re-elected on August 25, 2021
Director	Sino-American Silicon Products Inc. Representative: Tang-Liang Yao	4	0	100	Re-elected on August 25, 2021
Director	Sino-American Silicon Products Inc. Representative: Chun-Cheng Yang	4	0	100	Re-elected on August 25, 2021
Director	Song-Yue Hsieh	4	0	100	Re-elected on August 25, 2021/ Resignation on December 31, 2023
Director	Wintec Innovation Co., Ltd. Representative: Jih-Chuan Li	4	0	100	Re-elected on August 25, 2021/Jih-Chuan Li was appointed as the new representative on June 17, 2022
Independent Director	Chung-Hsien Liu	4	0	100	Elected on June 17, 2022
Independent Director	Ju-Sheng Hung	4	0	100	Elected on June 17, 2022
Independent Director	Ting-Kuo Chen	3	0	100	Elected on May 12, 2023
	<p>Other disclosures:</p> <ol style="list-style-type: none"> If any of the following circumstances occurs in operations of the Board of Directors, specify the date, period, content of the motions, the opinions of all independent directors, and the Company's handling of independent directors' opinions: <ol style="list-style-type: none"> Matters listed in Article 14-3 of the Securities and Exchange Act: Not applicable. The Company has established an Audit Committee and is subject to Article 14-5 of the Securities and Exchange Act. In addition to the aforementioned matters, other board meeting resolutions with independent directors' dissenting and unqualified opinions in record or written statements: None. Specify the name of the director, agenda item, reason for recusal, and participation in voting of directors who recused themselves from agenda items they have a conflict of interest: <ol style="list-style-type: none"> The board meeting on May 22, 2023 discussed the distribution of employee bonuses. Director Song-Yue-Hsieh is a manager eligible to receive employee bonuses and therefore recused himself from discussion and voting. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of self (or peer) evaluations conducted by the Board of Directors, and to fill out the implementation status of board evaluations: 				

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	January 1, 2023 to December 31, 2023	Board of Directors Individual board members Functional committees (including the Audit Committee and Remuneration Committee)	Self-evaluation by the Board of Directors Self-evaluation by individual board members Self-evaluation by functional committees	Board of Directors performance evaluation: 1. Participation in company operations 2. Improving the quality of Board decisions 3. Board composition and structure 4. Election and continuing education of directors 5. Internal control Individual board member performance evaluation: 1. Understanding of the Company's goals and mission 2. Understanding of directors' duties 3. Participation in company operations 4. Maintaining internal relationships and communication 5. Expertise and continuing education of directors 6. Internal control Functional committee performance evaluation: 1. Participation in company operations 2. Understanding of the duties of the functional committee 3. Improving the quality of committee decisions 4. Functional committee composition and members selection 5. Internal control

4. Goals for enhancing Board functions in the current year and most recent year (e.g., establishing an Audit Committee, improving information transparency, etc.) and evaluation of implementation status:

Objectives for enhancing the functions of the board of directors	Evaluation of implementation status
Appointment of independent directors	Strengthen the independence and objective functions of directors and supervise board operations.
Establishment of the Remuneration Committee	Assist the Board of Directors in implementing and evaluating the Company's overall compensation and benefits system, and regularly review the appropriateness of remuneration to directors, supervisors, and managers.
Establishment of the Audit Committee	Exercise the functions and powers stipulated in the Securities and Exchange Act, Company Act, and related laws and regulations.
Establish the Nomination Committee	Improve the nomination system of the Company's Directors and senior managers.
Continue to improve information transparency	The Company appointed a designated person to be responsible for the disclosure of Company information and updating information on the Company's website.
Actively communicate with stakeholders	The Company has a spokesperson and acting spokesperson, and stakeholders can use them as channels of communication. Every year, the shareholders' meeting accepts shareholders' proposals according to the schedule. Shareholders who have the right to make proposals may submit an application to the Company during the period of acceptance. The Company will convene a board meeting to review the proposals in accordance with relevant regulations.
Improve the operational efficiency and decision-making ability of the Board of Directors	The Company has formulated the "Rules of Procedure for the Board of Directors' Meetings" to strengthen functions of the Board of Directors, and promote the healthy development of the Board of Directors' participation in decision-making.
Strengthen professional knowledge	The Company's directors are required to study for a number of hours each year as prescribed by the competent authority, board members are encouraged to participate in various professional courses, and relevant decrees are promulgated at board meetings to comply with the law.
Appointment of a Corporate Governance Officer	In order to implement corporate governance and enhance board performance, the Board of Directors approved the appointment of a corporate governance officer on July 29, 2022 to provide directors with information required to perform their duties and other necessary assistance.

(II) Operations of the Audit Committee or participation of supervisors in Board operations:

1. Operations of the Audit Committee:

The Audit Committee met 4 times in 2023. The attendance of independent directors is as follows:

Job Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Note
Independent Director	Chung-Hsien Liu	4	0	100	Elected on June 17, 2022
Independent Director	Ju-Sheng Hung	4	0	100	Elected on June 17, 2022
Independent Director	Ting-Kuo Chen	3	0	100	Elected on May 12, 2023
<p>For the professional qualifications and experience of Audit Committee members, please refer to "III. Corporate Governance Report / II. Information on Directors / 4. Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors".</p> <p>Composition and operations of the Audit Committee: The Company's Audit Committee consists of three independent directors, and its operations primarily supervise the following matters:</p> <p>I. Fair presentation of the Company's financial statements II. Selection (dismissal) of accountants and their capability, credentials, independence, and performance III. Effective implementation of the Company's internal control IV. The Company's compliance with laws and regulations V. Management of the Company's potential or existing risks</p> <p>Other disclosures: I. The date of the Audit Committee meeting, the term, contents of agenda items, dissenting or qualified opinions of independent directors or contents of major proposed items, resolutions of the Audit Committee, and the Company's handling of the Audit Committee's resolutions shall be recorded if the Audit Committee has any one of the following situations.</p> <p>(I) Matters listed in Article 14-5 of the Securities and Exchange Act: All agenda items in 2023 were approved by all members present during Audit Committee meetings and all directors present during Board of Directors meetings. Operations of the Audit Committee in 2023 were as follows:</p>					
Audit Committee Term/Date	Agenda content	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions of the Audit Committee and the Company's Handling of the Audit Committee's Opinions		
2023.02.20 1st Meeting of the 1st Term in 2023	The 2022 business report and financial statements	✓	Passed with the approval of all Audit Committee members in attendance		
	The 2022 dividend distribution	✓			
	The 2022 Statement on Internal	✓			
2023.05.22 2nd Meeting of the 1st Term in 2023	Proposal to revise the "Notes Management Regulations"	✓	Passed with the approval of all Audit Committee members in attendance		
	Proposal to amend the "Regulations Governing the Management of Changes in Professional Accounting Judgment, Accounting Policies, and Accounting Estimates"	✓			
2023.07.31 3rd Meeting of the 1st Term in 2023	The 2023 Q2 financial statements	✓	Passed with the approval of all Audit Committee members in attendance		
2023.11.27 4th Meeting of the 1st Term in 2023	The 2024 audit plan	✓	Passed with the approval of all Audit Committee members in attendance		
	The accountants' competency, independence and certification fees	✓			
	Proposal to revise the "Property, Plant and Equipment Control Procedure"	✓			
	Proposal to amend the "Rules of Procedure for Board of Directors' Meetings"	✓			
	Proposal to amend the "Production Cycle"	✓			

- (II) Other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of all directors: N/A.
- II. Regarding the recusal of independent directors due to conflict of interest, the name of the independent directors, agenda item, reasons for recusal, and the participation in voting should be clearly stated: No such matter has occurred in the Company.
- III. Communication between independent directors and the chief internal auditor and CPAs (must include matters of communication, methods, results relating to the Company's financial position and business situation).
- (I) The Company's chief auditor regularly communicates with members of the Audit Committee regarding results of audit reports and the implementation status of follow-up reports.

Summary of communication between independent directors and the chief auditor in 2023

Date	Main Points of Communication	Recommendations and results
2023/02/20 Audit Committee	The chief auditor presented the internal audit report	No opinion during the meeting
2023/05/22 Audit Committee	The chief auditor presented the internal audit report	No opinion during the meeting
2023/07/31 Audit Committee	The chief auditor presented the internal audit report	No opinion during the meeting
2023/11/27 Audit Committee	The chief auditor presented the internal audit report The 2024 audit plan	No opinion during the meeting

- (II) The Company's accountants reported the results of the audit or review of the Company's financial statements, as well as other communication matters required by relevant laws and regulations, to independent directors during the Audit Committee meeting.

Summary of communication between independent directors and accountants in 2023

Date	Main Points of Communication	Recommendations and results
2023/02/20 Audit Committee	The accountants explained the audit of 2022 financial statements and its results, and discussed the applicability of certain accounting principles, as well as the impact of new amendments.	No opinion
2023/07/31 Audit Committee	The accountants explained the audit of 2023 Q2 financial statements and its results, and discussed the applicability of certain accounting principles, as well as the impact of new amendments.	No opinion

IV. Summary of key work items of the Audit Committee:

The Audit Committee held a total of 4 meetings in 2023 to review the following matters

- (I) Fair presentation of the Company's financial statements
Reviewed the 2022 financial statements and 2023 Q2 financial statements
- (II) Selection (dismissal) of accountants and their capability, qualifications, independence, performance, and certification fees
Reviewed the competence and independence of the accountants in 2023
Reviewed service fees of the accountants
- (III) Effective implementation of the Company's internal control
Reviewed the internal audit report and revised the internal control system
- (IV) Review and amendment of various regulations
Reviewed various regulations, including the Notes Management Regulations, Regulations Governing the Management of Changes in Professional Accounting Judgment, Accounting Policies, and Accounting Estimates, etc.

2. Supervisors' participation in the operation of the Board of Directors:

The Company held a by-election of independent directors during the annual general meeting on June 17, 2022. After the new independent directors were elected and an Audit Committee was established, the current supervisors were dismissed at the same time. The Audit Committee formed by all independent directors replaced the function of supervisors, so it is not applicable.

(III) Status of corporate governance and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Has the company established and disclosed its Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company established its Corporate Governance Best Practice Principles according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and disclosed the principles on the company website.	No significant difference.
II. Shareholding structure & shareholders' equity				
(I) Has the company established internal operating procedures for handling shareholder suggestions, questions, complaints or litigation, and handled related matters accordingly?	✓		(I) The Company's spokesperson and stock affairs agency handle shareholder suggestions and questions.	No significant difference.
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	✓		(II) Using the list of shareholders provided by the stock affairs agency and changes in shareholding reported by insiders each month, the Company maintains a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders.	No significant difference.
(III) Has the company established and implemented risk management and firewall systems within its conglomerate structure?	✓		(III) The financial and business operations of the Company and its affiliated companies are all operated independently. Internal auditors regularly inspect affiliated companies to prevent affiliated companies from engaging in corrupt practices and creating risks to the Company. The Company has established "Regulations Governing Transactions between Group Members, Specific Companies, Related Parties, and Affiliated Enterprises" to clarify the management of affiliated enterprises.	No significant difference.
(IV) Does the company have internal regulations in place to prevent insiders from trading securities based on information not yet disclosed to the market?	✓		(IV) The Company established the "Regulations for the Prevention of Insider Trading" to prevent insiders from trading securities based on information not yet disclosed to the market.	No significant difference.
III. Composition and duties of the board of directors				
(I) Has the board of directors formulated and implemented a diversity policy and specific management goals?	✓		(I) The Company's "Corporate Governance Best Practice Principles" expressly defines the composition of the board of directors and abilities required by members. The Company also established a board diversity policy. For the education and experience, professional qualifications, independence, and diversity of directors, please refer to "Three. Corporate Governance Report/II. Information on Directors" in the annual report. The information above is also disclosed on the Company's website.	No significant difference.
(II) Has the company voluntarily established other functional committees in addition to the Remuneration Committee and Audit Committee?	✓		(II) The Company has established a Remuneration Committee, Audit Committee, and Nomination Committee to strengthen corporate governance; An ESG Committee was established to regularly compile and report ESG implementation and tracking matters to the Board of Directors. In the future, other functional committees will be established based on the Company's actual needs and relevant laws and regulations.	No significant difference.

Evaluation item	Operating status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
(III) Has the company established standards and methods for evaluating Board performance, conducted annual performance evaluations, submitted performance evaluation results to the Board, and used the results as a basis for determining the remuneration and nomination of individual directors?	✓		<p>(III) The Board of Directors approved the establishment of the "Regulations Governing Board of Directors and Functional Committee Performance Evaluations." Performance evaluations of the Board of Directors and functional committees (including the Remuneration Committee and the Audit Committee) are conducted at least once a year, and evaluation results are submitted to the Board of Directors. At the end of each year, the accounting department is responsible for executing and coordinating the evaluation process. Internal questionnaires are collected. The evaluation is completed through the internal self-evaluation, and self-evaluation by board members and functional members. The scope of evaluation includes the performance of the Board of Directors as a whole, individual board members, and functional committees.</p> <p>The performance evaluation standards of the Board of Directors and functional committees mainly include participation in the Company's operation, improvement of the decision-making quality of the Board of Directors and functional committees, composition and structure of the Board of Directors and functional committees, selection and continuing education of the Board of Directors and functional committees, and internal control. The evaluation results are submitted to the Board of Directors for reference when determining the remuneration of individual directors and when selecting or nominating directors. The Company has completed the performance evaluation for 2023, and all aspects of the evaluation results have reached the standard, indicating that the overall operation of the board of directors and committees are in an ideal condition. The performance evaluation results were reported to the Board of Directors and disclosed on the Company's website on March 25, 2024.</p>	No significant difference.
(IV) Does the company regularly evaluate the independence of its accountants?	✓		<p>(IV) The Company is required to regularly (at least once a year) evaluate the independence and competency of its accountants in accordance with Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," and prepared evaluation items according to Article 47 of the Certified Public Accountant Act and the Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountants of the Republic of China. The Company has completed the 2023 evaluation of the independence and performance of its accountants. The evaluation results were reviewed and approved during the Audit Committee meeting and the Board meeting on November 27, 2023.</p> <p>Independence evaluation items in the evaluation report consist of 15 indicators, including whether the accountants hold the position as</p>	No significant difference.

Evaluation item	Operating status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			director/supervisor or manager of customers, or any other positions that have significant influence on the audited cases, whether the accountants have direct or indirect material financial interest in the Company, whether the accountants have significant business relations and employment relations with the Company, and whether the accountants promote, or act as the broker for, the stock or other securities issued by the Company. Performance indicators include service quality, professionalism, and timely cooperation.	
IV. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	✓		<p>The Board of Directors appointed Mr. Ming-Huei Chien as the Company's corporate governance officer on July 29, 2022, in order to implement corporate governance and strengthen the function of directors. He has more than three years' experience with managerial work, including finance, stock affairs, and meetings, of public companies. The corporate governance officer and members of the Accounting Division are responsible for matters related to corporate governance. The main responsibilities of the corporate governance officer include providing the information needed by the directors to perform their duties, assisting directors to abide by the law, assisting directors in taking office and continuing their studies, handling matters related to the meetings of the Board of Directors, committees, and shareholders' meetings, and taking meeting minutes.</p> <p>The implementation of corporate governance in 2023 was as follows:</p> <ol style="list-style-type: none"> 1. Formulated and planned regulations related to corporate governance, and was compliant with the law. 2. Provided the information needed by directors to perform their duties, and assisted directors in complying with the law. 3. Planned Board meetings, notified all directors at least 7 days before the meeting, provided sufficient information for the meeting, and sent the minutes of board meeting within 20 days after the meeting. 4. Registered the date of the shareholders' meeting in advance according to law, prepared the notice of meeting, meeting handbook, and meeting minutes within the legal time limit, and changed the registration after amendments to the Articles of Incorporation or re-election of directors. 5. Provided director's with continuing education courses, and purchased liability insurance for directors and key employees. 6. Maintained relationships with investors, organized investor conferences, and established diverse communication channels with investors. <p>The corporate governance officer is required to complete at least 12 hours of continuing education courses each year. Please refer to "(IX) Continuing Education of Managers on Corporate Governance" for details on the</p>	No significant difference.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			implementation status of continuing education. Due to position adjustments, the Company's board of directors approved the "Proposed change of the Company's corporate governance officer" on November 27, 2023, and Chieh-Che Liao, Director of the Accounting Division, will concurrently serve as the corporate governance officer. Director Chieh-Che Liao has more than three years of experience in financial and shareholders service management positions in publicly listed companies.	
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), a stakeholder section on the company website, and properly responded to important CSR issues of concern to stakeholders?	✓		The Company's spokesperson and acting spokesperson serve as the company's external communication channels. The Company's information is uploaded to the Market Observation Post System in accordance with regulations, so that stakeholders have sufficient information to make judgments and protect their rights and interests.	No significant difference.
VI. Has the company designated a professional shareholder service agency to deal with matters of the shareholders' meeting?	✓		The Company has appointed Yuanta Securities Co., Ltd. to handle affairs of the shareholders' meeting.	No significant difference.
VII. Information disclosure				
(I) Has the company established a website to disclose information regarding the company's financial position, business performance, and corporate governance?	✓		(I) The Company has set up a website to disclose information regarding the Company's financial position, business performance, and corporate governance.	No significant difference.
(II) Has the company established other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, or webcasting investor conferences on the company website)?	✓		(II) The Company has set up an English website and assigned an appropriate person to handle information collection and disclosure, as well as webcasting investor conferences (https://www.tscs.com.tw), to fully disclose company information and implement the spokesperson system in accordance with the regulations.	No significant difference.
(III) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓		(III) The Company announces and reports financial statements within two months after the end of the fiscal year in accordance with relevant regulations. However, emerging companies are exempted from announcing and reporting Q1 and Q3 financial statements in accordance with Article 36, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act.	Except for Q1 and Q3 financial statements, the Company is in compliance with regulations.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk	✓		(I) Employee rights: The Company has always treated its employees in good faith, focused on reasonable and human-based management, established smooth communication channels, maintained good relations between employer and employees, and safeguarded the legal rights and interests of employees in accordance with the Labor Standard Act and the Company's personnel regulations. (II) Employee care: The Company has established a good relationship of mutual	No significant difference.

Evaluation item	Operating status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors)?			<p>trust with employees through its benefits system and education and training system. For example: establishing the Employee Welfare Committee, and providing company trips, employee insurance, various subsidies and benefits, and annual health examinations free of charge.</p> <p>(III) Investor relations: The Company fully discloses information through the MOPS and its website, allowing investors to fully understand the Company's business situation. The Company communicates with investors through shareholders' meetings and spokespersons.</p> <p>(IV) Supplier relations and rights of stakeholders: The Company has smooth communication and complaint channels with suppliers and stakeholders, and each has a dedicated department responsible for communication and coordination to protect their lawful rights and interests.</p> <p>(V) Continuing education of directors or supervisors: The Company informs directors of amendments to securities laws and regulations from time to time, and handles continuing education in accordance with regulations of the competent authority.</p> <p>(VI) Implementation of risk management policies and risk measurement standards: The Company has established various internal regulations and conducted various risk assessment and management in accordance with internal regulations.</p> <p>(VII) Customer policy implementation: The Company maintains close contact and stable and good relations with customers, so as to ensure that products achieve the expected reliability and quality, and generate profits for the Company.</p> <p>(VIII) Liability insurance purchased by the Company for directors: The Company has purchased liability insurance for directors.</p>	
IX. Specify the improvement of corporate governance with reference to the corporate governance evaluation by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and the measures prioritized for issues that require improvement: The Company was not evaluated so this is not applicable.				

Note: Provide a brief description regardless of whether "Yes" or "No" was selected.

(IV) If the Company established a Remuneration Committee or Nomination Committee, disclose its composition, duties, and operations:

1. Information on Remuneration Committee members

Position	Criteria	Professional qualifications and experience	Independence	Number of other public companies in which the member also serves as a member of their Remuneration Committee
	Name			
Independent Director (Convener)	Chung-Hsien Liu	Please refer to "III. Corporate Governance Report / II. Information on Directors / 4. Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors".	Please refer to "III. Corporate Governance Report / II. Information on Directors / 4. Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors".	3
Independent Director	Ju-Sheng Hung			0
Independent Director	Ting-Kuo Chen			2

2. Duties of the Remuneration Committee:

The Committee shall perform the following duties loyally with the due care of a good administrator, and submit its suggestions to the Board of Directors for discussion.

- (1) Periodically review the Remuneration Committee Charter, the performance evaluation of the Company's directors and managers, and the remuneration policy, system, standard and structure.
- (2) Periodically evaluate and review the contents and amount of the Company's remuneration to directors and managerial officers.

3. Operations of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members. Except for Mr. Ting-Kuo Chen, all members are independent directors.
- (2) Term of the current members: From June 17, 2022 to August 24, 2024. The Remuneration Committee convened a total of 2 meetings in the most recent year, the qualifications and attendance of members was as follows:

Job Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Note
Convener	Chung-Hsien Liu	2	0	100	Elected on June 17, 2022
Committee member	Ju-Sheng Hung	2	0	100	Elected on June 17, 2022
Committee member	Ting-Kuo Chen	2	0	100	Elected on September 7, 2022

Other disclosures:

- I. If the Board of Directors does not accept or revises the Remuneration Committee's recommendation, specify the date of the Board meeting, session, contents of the agenda item, resolution of the Board of Directors, and the Company's response to the Remuneration Committee's opinions (if the remuneration passed by the Board of Directors is higher than the recommendation of the Remuneration Committee, specify the discrepancy and reason): None.
- II. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members: N/A.
- III. The operation of the Remuneration Committee was as follows:

Remuneration Committee Term/Date	Agenda content	Resolution	The Company's handling of the opinions of the Remuneration Committee
2023.02.20 1st Meeting of the 1st Term in 2023	2022 Performance Evaluation Results of the Board of Directors and Functional Committees	✓	Passed with the approval of all Remuneration Committee members in attendance
	The Company's employee bonuses and directors and supervisors' remuneration in 2022	✓	
	The Company's 2023 employee bonuses	✓	
2023.05.22 2nd Meeting of the 1st Term in 2023	The Company's distribution of 2022 directors' remuneration	✓	Passed with the approval of all Remuneration Committee members in attendance
	The Company's distribution of 2022 employee bonuses	✓	

(V) Implementation status of sustainable development and deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation item	Operating status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
I. Has the company established a governance framework and a fully (or partially) dedicated department to promote sustainable development? Does the Board of Directors authorize and supervise senior managers in handling such matters?	✓		In response to international development trends and the high level of concern for ESG issues in 2022, the Company established its "ESG Committee," which is chaired by the president to facilitate the promotion and implementation of sustainability goals. The ESG Committee is the highest-level sustainability management and supervision organization in TSC. The Committee integrated matters of concern to various departments and sustainability issues of the Company for the implementation of ESG activities. The Committee regularly tracks, inspects, and reviews the activities. Every year, the chairman reviews performance and goal attainment, and continuous to review improvements. Different departments work together to fulfill the Company's commitment to sustainability. The Committee is supervised by the Board of Directors, and periodically reports the implementation of ESG to the Board of Directors, which supervises sustainable development goal-setting and reviews implementation. The Board of Directors provides recommendations and guidance based on contents of the Committee's report.	No significant difference.
II. Does the company assess the risk of environmental, social, and corporate governance issues relevant to its business activities and formulate risk management policies and strategies accordingly? (Note 2)	✓		The Company has established Sustainable Development Best Practice Principles and Code of Ethical Conduct, and considers environmental issues when making decisions. The Company will subsequently formulate related standards	No significant difference.
III. Environmental issues (I) Has the Company established a suitable environmental management system based on the characteristics of the industry? (II) Does the company endeavor to improve the efficiency of resource utilization and use recycled materials that have a low impact on the environment? (III) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	✓ ✓ ✓		(I) The Company has implemented and obtained the ISO 14001 Environmental Management Systems certification, and regularly reviews environmental impacts and safety risks and revises the management system every year. (II) The Company implements water and electricity saving measures to conserve resources. The Company has established a "Supplier Code of Conduct" and requires raw materials provided by suppliers to comply with the "Responsible Business Alliance Code of Conduct"; The Company restricts the use of raw materials with six hazardous substances, including lead, mercury, cadmium, hexavalent chromium, PBB, and PBDE. (III) The Company is in the manufacturing industry. Facing the issue of environmental sustainability, the Company considers greenhouse gas inventory, energy conservation and carbon reduction, ecological care, and related issues when making decisions. The Company implements management based on	No significant difference. No significant difference. No significant difference.

Evaluation item	Operating status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No		
			environmental protection and energy conservation principles to improve overall environmental performance indicators, so as to further improve environmental quality and set the direction for developing towards environmental sustainability.	
(IV) Has the company compiled statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and has it established policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?		✓	(IV) The Company compiles statistics of water consumption, total weight of waste, and greenhouse gas emissions, which are verified by a third party. The Company has formulated an environmental policy and planned short-term, mid-term, and long-term waste reduction goals. Facing the issue of environmental sustainability, the Company considers greenhouse gas inventory, energy conservation and carbon reduction, ecological care, and related issues when making decisions. The Company implements management based on environmental protection and energy conservation principles to improve overall environmental performance indicators, so as to further improve environmental quality and set the direction for developing towards environmental sustainability.	An inventory of greenhouse gas emissions in 2022 was compiled and verified in 2023. Other related issues will be handled in the future based on the company's operational needs or regulatory requirements.
IV. Social issues				
(I) Has the company formulated management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	✓		(I) The Company supports the principles of the United Nations Global Compact, respects human rights, and complies with local labor laws in accordance with the goals set forth in the United Nations Universal Declaration of Human Rights and ILO Convention. The basic wages, working hours, leave, pension payments, labor and health insurance benefits, occupational accident compensation for the Company's employees are in compliance with the Labor Standards Act. The Company established an Employee Welfare Committee, which is elected by employees, to handle employee welfare affairs. Labor-management meetings are regularly held to understand the ideas of both parties and achieve a win-win situation for labor and management. The Company respects internationally recognized principles of basic labor rights; employment policies are non-discriminatory and must not jeopardize the basic rights of workers. The Company has established a human rights policy.	No significant difference.
(II) Has the company established and implemented reasonable employee benefits (including remuneration, leave, and other benefits), and ensure business performance or results are reflected adequately in employee remuneration?	✓		(II) The Company's attendance rules were established according to the Labor Standards Act, and specify employees' right to leave. In addition to general benefits such as labor insurance, health insurance, group insurance and pension payment, benefits provided by the Company include festival bonuses, birthday and festival gifts, year-end party, wedding, funeral, and childbirth subsidies, and complete education and training. Pursuant to the Articles of Incorporation, if	No significant difference.

Evaluation item	Operating status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			the Company makes a profit in a fiscal year, it shall allocate no less than 1% as employee bonuses.	
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		(III) The Company attaches great importance to the management of occupational safety and health, and reduces the safety and health risks of its operations through regulations on workplace safety and health management, providing employees with a safe working environment, and conducting employee safety and health education and training.	No significant difference.
(IV) Does the company set up effective career development and training programs for its employees?	✓		(IV) In order to enhance employees' professional skills and new management knowledge, the Company formulates education and training plans based on the development of each employee's competencies, irregularly organizes education and training, and sends employees to receive on-the-job training.	No significant difference.
(V) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection or customer rights protection and grievance procedure policies implemented?	✓		(V) The Company complies with regulations and international standards related to customer health and safety, customer privacy, and marketing and labeling of its goods and services, and has established consumer rights protection policies and complaint methods in accordance with the law.	No significant difference.
(VI) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	✓		(VI) The Company established a "Supplier Control Procedure", including documentary review, monthly assessment, qualification assessment, continuous evaluation and guidance. The Company requires suppliers to sign the "Supplier Code of Conduct," which requires suppliers to comply with relevant regulations on anti-bribery and corruption, social and environmental responsibility, conflict-free minerals, trade compliance, and non-infringement.	No significant difference.
V. Does the company prepare <u>sustainability</u> reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third-party assurance or guarantees for the reports above?		✓	(VII) The Company has not prepared any sustainability reports.	The Company plans to start preparing sustainability reports in 2024, and will have the reports verified by a third party.
VI. If the company has established Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies," describe any discrepancy between the principles and their implementation: N/A.				
VII. Other important information to facilitate a better understanding of the Company's implementation of sustainable development: 1. Environmental protection: The Company promotes activities to save electricity, water, and copy paper, and strengthens waste sorting and recycling. In 2023, improved water recycling reduced water use by 25%. The promotion of digitalization reduced printing volume by 67,000 sheets. Greater efforts in waste sorting reduced the amount of domestic waste generated by 35% in 2023. In 2023, the Company was 100% compliant with regulations on the prevention and treatment of wastewater, waste and other pollution, and obtained ISO14001				

Evaluation item	Operating status		Summary	Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No		
certification.				
2. Participation in charity and welfare activities in 2023:				
(1) Subscribed to the garbage bags manufactured by the Erlin Association of Joy Nursery, safeguarding local sheltered workshops.				
(2) Donated a total of 2.3 tons of recyclables to Tzu Chi Foundation in 2023 for the recycling and reuse of resources.				
3. Consumer rights: The Company's main products are precision chemical materials, which are all directly sold to manufacturers, so the Company does not directly face consumers. For customers, the Company has internally established the "Customer Complaint Handling Procedure" to provide customers with a channel to express their complaints. The Company externally signed contracts such as supply contracts and quality contracts with its customers, in order to fully protect customer rights and interests.				
4. Human rights: The Company attaches great importance to human rights. Regardless of race, gender and age, employees enjoy the same right to work, and the Company also provides opportunities for free expression and development to standalone, in order to achieve respect.				
5. Safety and health: The Company is well aware of the importance of safety in the working environment, promotes occupational safety and health concepts, and abides by laws and regulations to prevent employees and outsiders from becoming injured or ill due to exposure during activities. The Company is committed to fulfilling its corporate social responsibility (EHS responsibilities), considers potential environmental impact or hazardous risks, attempts to prevent, eliminate and control the risks, and actively consults with workers or their representatives to understand their needs and expectations, so as to establish a good occupational safety and health culture in the company.				
6. Employee healthcare: The physical health of employees is an important factor in maintaining work-life balance. The Company employs full-time nursing staff to provide employee health services. In addition, the Company continues to protect the physical and mental health of employees through the four main themes, including maternal protection, prevention of injuries due to human factors, prevention of overwork, and prevention of illegal infringement. The Company sends monthly e-newsletters and irregularly organizes health lectures and various health promotions activities to create a happy and healthy workplace environment.				

Note 1: If "Yes" was selected, please describe important policies, strategies, measures, and implementation status. If "No" was selected, please explain the reason for discrepancies and describe future policies, strategies, and measures in "Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons."

Note 2: The principle of materiality means that ESG issues have a material effect on the Company's investors and other stakeholders.

(VI) Implementation of ethical corporate management and deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons

Evaluation item	Operating status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and plans				
(I) Has the company established an ethical corporate management policy that was approved by the Board of Directors, and declared its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?	✓		(I) The Company established the "Ethical Corporate Management Best Practice Principles," "Ethical Corporate Management Operating Procedures and Code of Conduct," "Code of Ethical Conduct," and "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases," which set forth the contents of the ethical corporate management policy and were approved by the Board of Directors, for the implementation of the ethical corporate management policy. The Company operates and formulated various operating procedures and regulations in compliance with relevant laws and regulations. The operating procedures and regulations are announced on the company website. The Company has announced that it will abide by the Ethical Corporate Management Best Practice Principles, and formulate related policies accordingly.	No significant difference.
(II) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		(II) In the "Ethical Corporate Management Operating Procedures and Code of Conduct", the Company has established the risk assessment mechanism for unethical conduct listed in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles." Within the scope of business activities, all employees are obligated to cooperate with unethical conduct investigations of the compliance unit.	No significant difference.
(III) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions,	✓		(III) The Company's programs for preventing unethical conduct in accordance with the "Ethical Corporate Management Best Practice Principles" include the	No significant difference.

Evaluation item	Operating status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?			"Code of Ethical Conduct," "Ethical Corporate Management Operating Procedures and Code of Conduct," and "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases," which explicitly prohibit the acceptance of any improper benefits and unethical and illegal conduct. The Company encourages the reporting of any illegal or unethical conduct, and also stipulates that the importance of ethical conduct must be regularly communicated with directors and employees. The appropriateness and effectiveness of the abovementioned programs are regularly reviewed using the method of the unethical conduct risk assessment mechanism, and appropriate adjustments or amendments are made accordingly.	
<p>II. Implementation of ethical corporate management</p> <p>(I) Does the Company evaluate the ethical conduct record of counterparts, and does it include an ethical conduct clause in contracts signed with counterparts? ✓</p> <p>(II) Does the company have a dedicated unit responsible for ethical corporate management under the board of directors, which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the board of directors while overseeing such operations? ✓</p>			<p>(I) The Company engages in business activities in a fair and transparent manner with customers and suppliers. When signing a contract, the rights and obligations of both parties are specified in detail.</p> <p>(II) The Company's Administration Division is responsible for reporting its implementation status to the board of directors. Since its establishment, the Company has operated on the basis of integrity, and implemented its ethical corporate management policy in accordance with the law to achieve sustainable development. Auditors oversee implementation through routine audits, and report to the Board of Directors at any time if any irregularities are found.</p> <p>(1) Establishment and review of policies related to ethical corporate management</p> <p>The Company has established "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Ethical Corporate Management Operating Procedures and Code of Conduct," and "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases," which explicitly prohibit the acceptance of any improper benefits and unethical and illegal conduct. The</p>	<p>No significant difference.</p> <p>No significant difference.</p>

Evaluation item	Operating status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			<p>abovementioned</p> <p>internal regulations are irregularly reviewed and adjusted or amended by the Compliance Section after referencing changes in external regulations and overseeing implementation internally.</p> <p>(2) Internal and external promotion of Company policies</p> <p>Important internal regulations, such as the "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Ethical Corporate Management Operating Procedures and Code of Conduct," and "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases" have been announced on the Company's website and intranet for access by the public and employees at any time. In addition, the Company requires suppliers to sign the "Supplier Code of Conduct and Supplier Commitment," which requires suppliers to act in compliance with legal, ethical, environmental and quality standards, and the content of the standard contract signed with business partners also includes clauses on compliance with ethical corporate management.</p> <p>(3) Whistleblowing channels, handling, and whistleblower protection</p> <p>The company established the "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases," established a disciplinary and appeal system for violations of ethical corporate management regulations, and set up and announced employee suggestion boxes, e-mail, and complaint hotline to encourage internal and external personnel to report unethical or misconduct. The Company maintains confidentiality of the whistleblower's identity and contents of reports. Administrative units are responsible for verifying and handling reports. Anyone who violates ethical corporate management regulations will be punished based on the severity of the circumstances, and if necessary, the matter will be reported to the competent authority or transferred to the judicial authority for investigation.</p>	
(III) Has the company established policies to prevent	✓		(III) The Company stipulated in the "Code of Ethical Conduct" that employees shall perform their duties in an objective and efficient manner, avoid taking	No significant difference.

Evaluation item	Operating status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
conflicts of interests, implemented such policies, and provided adequate channels of communications?			advantage of their position in the Company to obtain improper benefits for themselves, others, or other companies. The "Ethical Corporate Management Operating Procedures and Code of Conduct" details how stakeholders attending or present at a board meeting shall recuse themselves from any discussion and voting when there is a conflict of interest.	
(IV) Has the company established effective accounting systems and internal control systems to implement ethical corporate management, and designated its internal audit unit to, based on the assessment of the risk of unethical conduct, formulate related audit plans and audit the compliance with the prevention programs accordingly, or commissioned a CPA to conduct the audit?	✓		(IV) The Company has established an effective accounting system and internal control system to ensure the implementation of ethical corporate management, and internal auditors conduct audits according to the audit plan.	No significant difference.
(V) Does the company provide regular internal and external training on ethical corporate management?	✓		(V) The Company continues to promote the concept of ethical corporate management to management and employees in routine operations and management.	No significant difference.
III. Implementation of the Company's whistleblowing system				
(I) Does the company provide incentives and means for employees to report misconduct? Does the company assign dedicated personnel to investigate the reported misconduct?	✓		(I) The Company set forth a system in the "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases," including e-mail and handling principles, for the implementation of the ethical corporate management policy. Whistleblower cases are accepted by the Company's chief accountant and chief auditor, and forwarded to relevant departments for investigation and handling in accordance with the Company's "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases." Appropriate rewards will be given to whistleblowers depending on the severity of the case.	No significant difference.
(II) Does the company have standard operating procedures for investigating reports, as well as follow-up measures and confidentiality	✓		(II) The Company specifies different investigation and handling procedures based on the whistleblower and situation in the "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases." Whistleblowing cases are kept	No significant difference.

Evaluation item	Operating status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
mechanisms after investigation is complete?			confidential to fully protect the whistleblower and provide the accused with an opportunity to appeal, ensuring the lawful rights of both whistleblowers and the accused. If the whistleblowing case is verified to be true, the accused will be immediately required to stop and will be properly handled. Relevant departments will be instructed to review and propose improvement measures and report them to the chairperson.	
(III) Does the company take measures to protect whistleblowers from inappropriate treatment or retaliation?	✓		(III) The Company handles whistleblower cases in a confidential manner in accordance with the "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases," and exerts every effort to protect whistleblowers. Their identity will be kept absolutely confidential and they will not face mistreatment due to the whistleblowing. Personnel handling whistleblower cases issue a separate written statement stating that they will maintain the confidentiality of the identity of the whistleblower and the contents of the report.	No significant difference.
IV. Enhancing information disclosure (I) Does the company disclose the contents and implementation results of its Ethical Corporate Management Best Practice Principles on its website and MOPS?	✓		The Company has an official website that discloses information on its corporate culture, business policies, the "Code of Ethical Conduct," "Ethical Corporate Management Best Practice Principles," "Ethical Corporate Management Operating Procedures and Code of Conduct," "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases," and the implementation status of ethical corporate management.	No significant difference.
V. If the company has formulated Ethical Corporate Management Best Practice Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," describe the deviations, if any, between actual practices and the principles: The Company has established "Ethical Corporate Management Best Practice Principles," which specifies matters to be followed by the Company's employees. Provisions on whistleblower cases and penalties are clearly set out in relevant measures. There is no significant difference between practices and the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."				
VI. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management (e.g. review and amendment of the company's Ethical Corporate Management Best Practice Principles): 1. The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest as well as relevant regulations for listed companies or other business entities as the basic premise				

Evaluation item	Operating status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
<p>for implementing ethical corporate management. The Company also exerts effort to achieve the high standards adopted for its environmental and quality policies.</p> <p>2. The Company's "Rules of Procedure for Board of Directors Meetings" set forth a system for directors to recuse themselves due to conflict of interest. A director may express opinions and answer questions on agenda items that the director or any institution that the director represents is an interested party, but is prohibited from participating in discussion or voting on the agenda item and must recuse him/herself as it may damage the Company's interests. The director also may not vote on the agenda item as proxy for any other director.</p> <p>3. The Company established "Regulations Governing the Prevention of Insider Trading," which stipulates that upon actually knowing of any material information, the insiders, quasi-insiders and tippees shall not purchase or sell shares of the Company that are listed on an exchange or an over-the-counter market, or any other equity-type security of the Company after the material information is clear, and prior to the public disclosure of such information or within 18 hours after its public disclosure, in order to prevent them from accidentally engaging in insider trading because they are not familiar with regulations. In addition, the "Regulations Governing the Prevention of Insider Trading" stipulates that directors, managers, and the natural persons appointed as a proxy to exercise duties specified in Article 27, Paragraph 1 of the Company Act, are prohibited from trading their shares during the lock-up period from 30 days prior to the announcement of annual financial statements, and 15 days prior to the announcement of quarterly financial statements. After scheduling board meetings for the following year, the Company's shareholder service personnel inform the persons subject to the provisions of the lock-up period during which they are prohibited from trading. Shareholder service personnel also review the compliance of the concerned persons when reporting shareholding each month.</p> <p>4. The Company's "Ethical Corporate Management Operating Procedures and Code of Conduct" was revised in coordination with the template "OO Co., Ltd. Ethical Corporate Management Operating Procedures and Code of Conduct" announced by the Taipei Exchange in February 2020, and expressly states that the Administration Division is the dedicated unit responsible for ethical corporate management based on the Company's current organizational structure.</p>				

Note 1: Provide a brief description regardless of whether "Yes" or "No" was selected.

(VII) If the company has established corporate governance best practice principles and related guidelines, disclose the means of accessing this information: The Company discloses information related to corporate social responsibility on the company website (<https://www.tscs.com.tw>), and will exert every effort to provide any matters not covered following the Company's development.

(VIII) Disclose other material information that will benefit understanding of the Company's corporate governance status: The Company discloses information related to corporate social responsibility on the company website (<https://www.tscs.com.tw>), and will exert every effort to provide any matters not covered following the Company's development.

(IX) Implementation status of the internal control system

1. Statement on Internal Control

Taiwan Speciality Chemicals Corporation
Statement on Internal Control

Date: February 19, 2024

This statement relates to the Company's internal control system and the results of a self-assessment for the year 2023:

- I. The Company is fully aware that the establishment, implementation and maintenance of its internal control system is the responsibility of the Board of Directors and managerial officers. In this regard the Company has established such a system. The aim of the system is to provide reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguarding of asset security), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the three aforementioned objectives. Moreover, the operating environment and situation may change and impact the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control system to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company judges the design and operational effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system judgment criteria adopted by the Regulations divides internal control into five elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Monitor operations. Each element further contains several items. For more information on the aforementioned items, see the Regulations.
- IV. The Company has adopted the abovementioned criteria to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the evaluation results in the preceding paragraph, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2023, including the effectiveness and efficiency in operation, reliability, promptness, and transparency of reports, and compliance with relevant regulatory requirements, have achieved the abovementioned objectives.
- VI. Due to requirements for listing on the Taipei Exchange, the Company engaged an accountant to review the reliability of external financial reporting during the period above and internal controls related to the protection of asset safety (so that assets are not acquired, used or disposed of without authorization) in accordance with Article 6 of the "Taipei Exchange Procedures for Review of Securities Listing." As mentioned in the previous paragraph, the design and implementation are effective and do not have any major deficiencies that affect the reliability of recording, processing, summarization, and reporting of financial information. There are also no major deficiencies that would affect the security of assets and allow assets to be acquired, used, or disposed of without authorization.
- VII. This Statement constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.
- VIII. This Statement was passed by the Board of Directors on February 19, 2024 with all 7 directors in attendance affirming the content of this Statement.

Taiwan Speciality Chemicals Corporation

Chairperson: Hsiu-Lan Hsu Signature and Seal

President: Hsiung-Fei Chang Signature and Seal

Note 1: Regarding the design and implementation of a public company's internal control system, if there are major deficiencies in the year, the internal control system statement must add an explanatory note after Article 4 to list and explain the major deficiencies found in the self-assessment, and the improvements made before the balance sheet date.

Note 2: The date of the declaration is "the end of the fiscal year."

2. If the company engages an accountant to examine its internal control system, disclose the CPA examination report: N/A.

(X) If any penalties are imposed on the company and its personnel or punishments are imposed by the company on personnel in violation of internal control system regulations in the past year and up to the date of report, and the results of the penalty may have a material effect on shareholders equity or stock price, specify the contents of the penalty, major deficiencies, and improvement: N/A.

(XI) Important resolutions adopted in shareholders' meetings and board meetings in the past year and up to the date of report:

1. Important resolutions of shareholders' meetings

Important resolutions	Implementation status
Acknowledgment of the 2022 business report and financial statements	Acknowledged by the annual general meeting.
Acknowledgment of the 2022 dividend distribution proposal	After the resolution was adopted by the shareholders' meeting, the board meeting on July 31, 2023 approved the ex-dividend date for 2022 dividends, and the dividends were distributed on September 20, 2023.
Passed the proposed amendment to the Company's Articles of Incorporation.	After the resolution was adopted by the shareholders' meeting, the registration was approved by the Ministry of Economic Affairs on May 26, 2023, and the revised articles were implemented.
Passed the proposed amendment to the Company's Endorsement and Guarantee Regulations	After the resolution was adopted by the shareholders' meeting, the new revised articles were implemented.
Passed the proposed amendment to the Company's Procedures for Extending Loans to Others	After the resolution was adopted by the shareholders' meeting, the new revised articles were implemented.
Passed the proposed amendment to the Company's Procedures for Acquisition and Disposal of Assets	After the resolution was adopted by the shareholders' meeting, the new revised articles were implemented.
Passed the proposed renaming of the Company's "Procedure for the Election of Directors and Supervisors" to the "Procedure for the Election of Directors"	After the resolution was adopted by the shareholders' meeting, the new revised articles were implemented.
Passed the proposed amendment to the Company's Rules of Procedure for Shareholders' Meetings	After the resolution was adopted by the shareholders' meeting, the new revised articles were implemented.

2. Important resolutions of the Board of Directors

Time	Important resolutions of the Board of Directors
2023.2.20	<ul style="list-style-type: none"> (1) The Company's 2022 business report and financial statements (2) The Company's employee bonuses and directors and supervisors' remuneration in 2022 (3) The Company's 2022 dividend distribution proposal (4) The 2022 Statement on Internal Control (5) Proposed amendment to the Articles of Incorporation (6) The 2023 employee bonuses (7) Provision of credit line by financial institution (8) Proposed renaming of the "Regulations for Financial and Business Transactions between Affiliated Enterprises" to "Regulations for Financial and Business Transactions between Related Parties" (9) Proposed amendment to the "Property, Plant and Equipment Control Procedure" (10) Proposed amendment to the "Budget Management Regulations" (11) Proposed amendment to the "Seal Control Procedures" (12) Proposed amendment to the "Personal Data Protection Regulations" (13) Established the ESG Committee (14) By-election of one independent director (15) The Company's nomination of candidates for independent director (16) Plan to accept proposals from shareholders holding more than 1% of shares and period for accepting nominations for independent director candidates (17) Proposal to convene the 2023 annual general meeting (18) Proposal to waive the non-compete clause for newly appointed independent directors
2023.5.22	<ul style="list-style-type: none"> (1) Improvement plan for differences reaching 20% between the Company's 2023 budget and actual figures (2) Proposed amendment to the "Notes Management Regulations" (3) Proposed amendment to the "Regulations Governing the Management of Changes in Professional Accounting Judgment, Accounting Policies, and Accounting Estimates" (4) Proposed application for a credit line (5) The Company's distribution of 2022 directors and supervisors' remuneration (6) The Company's 2022 employee bonuses
2023.7.31	<ul style="list-style-type: none"> (1) The Company's 2023 Q2 financial statements (2) The Company's ex dividend date for cash dividends (3) Improvement plan for differences reaching 20% between the Company's 2023 budget and actual figures (4) Provision of credit line and foreign exchange quota by financial institution
2023.11.27	<ul style="list-style-type: none"> (1) The Company's 2024 business plan (2) The Company's 2024 audit plan (3) The accountants' competency, independence and certification fees (4) Proposed amendment to the "Property, Plant and Equipment Control Procedure" (5) Proposed amendment to the "Code of Conduct for Reporting Illegal, Unethical or Dishonest Cases" (6) Proposed amendment to the "Corporate Governance Best Practice Principles"

Time	Important resolutions of the Board of Directors
	<ul style="list-style-type: none"> (7) Proposed amendment to the "Rules of Procedure for Board of Directors' Meetings" (8) Proposed amendment to the "Production Cycle" (9) Proposed change of the Company's corporate governance officer
2024.2.19	<ul style="list-style-type: none"> (1) The Company's 2023 business report and financial statements (2) The 2023 employee bonuses and directors' remuneration (3) The Company's 2023 dividend distribution proposal (4) The 2023 Statement on Internal Control (5) Provision of credit line by financial institution (6) Proposed amendment to the Articles of Incorporation (7) Proposed amendment to the "Property, Plant and Equipment Control Procedure" (8) Proposed amendment to the "Computerized Information Processing Operations" (9) Proposed establishment of the Company's Information Security Management Policy" (10) Proposed amendment to the "Seal Control Procedures" (11) Proposed amendment to the "General Principles on Pre-Approval Policy for Non-Assurance Services" (12) Proposed amendment to the "Audit Committee Charter" (13) Proposed amendment to the "Rules of Procedure for Board of Directors' Meetings" (14) Proposed amendment to the "Rules of Procedure for Shareholders' Meetings" (15) Proposed amendment to the "Nomination Committee Charter" (16) Established the Company's 1st-term Nomination Committee (17) Proposal to hold a directors election (18) Proposal to waive non-compete clause for newly elected directors. (19) Matters concerning the convening of the 2024 annual general meeting and proposals and nominations submitted by shareholders (20) The accountant's AQI (21) Appointment of a R&D manager
2024.3.25	<ul style="list-style-type: none"> (1) The company's 2023 performance evaluation results of the board of directors and functional committees (2) The Company's Financial Forecast for the Second and Third Quarter of 2024 (3) Signed an over-allotment and specific shareholder lock-up period agreement

(XII) Dissenting or qualified opinion of directors or supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: N/A.

(XIII) Resignation and dismissal of managerial officers related to the financial report (including chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, corporate governance supervisor, and R&D supervisor) in the past year and up to the date of report:

Job Title	Name	Date Appointed	Date Dismissed	Reasons for resignation or dismissal
R&D manager	Song-Yue Hsieh	2020.10.07	2023.12.31	Retired

IV. Information of Fees to CPA

(I) Information on Fees to CPA

Unit: NT\$ Thousands

Name of the accounting firm	Name of accountants	Audit period	Audit fee	Non-audit fee	Total	Note
KPMG	An-Chih Cheng	2023	860	1,200	2,060	Note
	Yong-Hua Huang					

Note: Non-audit fees include tax certification service fees, internal control project review service fees, and commercial registration.

(II) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, disclose the amounts of the audit fees before and after the replacement and the reason: N/A.

(III) If the audit fees decreased more than 10% from that of the previous year, disclose the amount, percentage, and reasons for the decrease in audit fees: N/A.

V. Information on change of accountants: The Company has replaced its CPA in cooperation with KPMG's internal organizational and business adjustments the past two years. The Company did not change its accounting firm.

VI. If the Company's chairperson, president, financial or accounting manager previously worked for the accounting firm or its affiliated enterprise in the past year, disclose their name, title, and period spent working at the accounting firm or its affiliated enterprise: N/A.

VII. Share transfer by directors, supervisors, managerial officers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report

(I) Changes in shareholding of directors, supervisors, managerial officers, and shareholders holding more than 10% equity

Unit: Shares

Job Title	Name	2023		March 31, 2024	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairperson/ Major shareholder	Sino-American Silicon Products Inc.	(1,168,000)	-	-	-
	Representative: Hsiu-Lan Hsu	-	-	-	-
Director/ Major shareholder	Sino-American Silicon Products Inc.	(1,168,000)	-	-	-
	Representative: Tang-Liang Yao	-	-	-	-
Director/ Major shareholder	Sino-American Silicon Products Inc.	(1,168,000)	-	-	-
	Representative: Chun-Cheng Yang (Note 3)	(19,000)	-	-	-
	Representative: Hsiu-Ling Hsu (Note 3)	-	-	-	-
Director and manager	Song-Yue Hsieh (Note 1)	(139,000)	-	-	-
Director	Wintec Innovation Co., Ltd.	(158,000)	-	-	-
	Representative: Jih-Chuan Li	-	-	-	-
Independent Director	Chung-Hsien Liu	-	-	-	-
Independent Director	Ju-Sheng Hung	-	-	-	-
Independent Director	Ting-Kuo Chen (Note 2)	-	-	-	-
General Manager	Hsiung-Fei Chang	-	-	-	-
Director of the Accounting Division	Liao Chieh-Che	-	-	-	-

Note 1: Director Sone-Yue Hsieh resigned on December 31, 2023.

Note 2: A by-election of one independent director was held during the Company's annual general meeting on May 12, 2023.

Note 3: Legal person director Sino-American Silicon Products Inc. changed its representative to Hsiu-Ling Hsu on February 27, 2013.

(II) Information on share transfer to related parties by directors, supervisors, managerial officers, and shareholders holding more than 10% equity: N/A.

(III) Information on shares pledged to related parties by directors, supervisors, managerial officers, and shareholders holding more than 10% equity: N/A.

VIII. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

Unit: shares; %

Name	Shares held by the individual		Shares held by spouse and underage children		Total shares held in the name of others		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or name)	Relationship	
Sino-American Silicon Products Inc.	41,590,354	30.09	-	-	-	-	-	-	-
Sino-American Silicon Products Inc. Representative: Hsiu-Lan Hsu	-	-	-	-	-	-	-	-	-
Wintec Innovation Co., Ltd.	7,765,517	5.62	-	-	-	-	-	-	-
Wintec Innovation Co., Ltd. Representative: Jih-Chuan Li	-	-	-	-	-	-	-	-	-
Yu-Ching Chen	3,744,999	2.71	-	-	-	-	Han-Cheng Chen	Relative within the second degree of kinship	-
Meng-Hsia Tsai	3,231,053	2.34	-	-	-	-	-	-	-
CDIB Capital Group	2,598,638	1.88	-	-	-	-	-	-	-
CDIB Capital Group Representative: Chong-Ying Ku	-	-	-	-	-	-	-	-	-
Han-Cheng Chen	2,277,954	1.65	-	-	-	-	Yu-Ching Chen	Relative within the second degree of kinship	-
United Renewable Energy Co., Ltd.	2,225,746	1.61	-	-	-	-	-	-	-
Representative of United	-	-	-	-	-	-	-	-	-

Name	Shares held by the individual		Shares held by spouse and underage children		Total shares held in the name of others		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		Note
	Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio	Name (or name)	Relationship	
Renewable Energy Co., Ltd.: Chuan-Hsien Hung									
Yu-Hua Lin	2,045,523	1.48	-	-	-	-	-	-	-
Mei-Shu Yang	1,971,635	1.43	-	-	-	-	-	-	-
Powercom Co., Ltd.	1,950,005	1.41	-	-	-	-	-	-	-
Representative of Powercom Co., Ltd.: Kefei Investment Co., Ltd.	217,787	0.16	-	-	-	-	-	-	-

IX. The shareholding of the Company, directors, supervisors, managers, and enterprises that are directly or indirectly controlled by the Company in the same investee company: N/A.

D. Capital Overview

I. Capital and Shares

(I) Sources of Capital

1. Capital formation process up to the date of report:

Unit: thousand shares; NT\$ Thousands

Month/ Year	Issue price	Authorized capital		Paid-in capital		Note		
		Number of shares	Amount	Number of shares	Amount	Sources of Capital	Shares acquired with non- cash assets	Others
2013.03	10	50	500	50	500	Established by cash	N/A	Note 1
2013.05	10	150,000	1,500,000	75,350	753,500	Debts offset against shares amounting to NT\$753,000 thousand	N/A	Note 2
2013.09	10	150,000	1,500,000	87,350	873,500	Cash capital increase in the amount of NT\$81,800 thousand Debts offset against shares amounting to NT\$38,200 thousand	N/A	Note 3
2014.06	10	150,000	1,500,000	97,830	978,300	Cash capital increase in the amount of NT\$104,800 thousand	N/A	Note 4
2014.11	10	150,000	1,500,000	109,949	1,099,490	Cash capital increase in the amount of NT\$121,190 thousand	N/A	Note 5
2015.03	10	150,000	1,500,000	116,251	1,162,514	Cash capital increase in the amount of NT\$63,024 thousand	N/A	Note 6
2017.01	10	400,000	4,000,000	290,967	2,909,675	Cash capital increase in the amount of NT\$1,738,567 thousand Debts offset against shares amounting to NT\$8,594 thousand	N/A	Note 7
2021.11	10	400,000	4,000,000	138,237	1,382,366	Capital reduction to make up for losses of NT\$1,527,309 thousand	N/A	Note 8

Note 1: Approved in Letter Jing-Shou-Zhong-Zi No. 10233318370 dated March 27, 2013.

Note 2: Approved in Letter Jing-Shou-Shang-Zi No. 10201096830 dated May 24, 2013.

Note 3: Approved in Letter Jing-Shou-Shang-Zi No. 10201184320 dated September 9, 2013.

Note 4: Approved in Letter Jing-Shou-Shang-Zi No. 10301103930 dated June 17, 2014.

Note 5: Approved in Letter Jing-Shou-Shang-Zi No. 10301231780 dated November 14, 2014.

Note 6: Approved in Letter Jing-Shou-Shang-Zi No. 10401052420 dated March 31, 2015.

Note 7: Approved in Letter Jing-Shou-Shang-Zi No. 10501301090 dated January 10, 2017.

Note 8: Approved in Letter Jing-Shou-Shang-Zi No. 11001234880 dated December 21, 2021.

2.Type of Shares

March 31, 2024; Unit: Shares

Type of Shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Ordinary shares	138,236,552	261,763,448	400,000,000	Unlisted stocks

(II) Shareholder structure

March 7, 2024; Unit: person; Shares

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of people	-	-	57	5,428	8	5,493
Number of shares held	-	-	63,821,015	74,210,845	204,692	138,236,552
Shareholding ratio	-	-	46.17%	53.68%	0.15%	100%

(III) Information on shelf registration: None.

(IV) Shareholding distribution

March 7, 2024; Unit: person; Shares

Shareholding range	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	1,438	380,130	0.27
1,000 to 5,000	2,674	5,705,501	4.13
5,001 to 10,000	490	3,782,726	2.74
10,001 to 15,000	183	2,361,946	1.71
15,001 to 20,000	113	2,032,136	1.47
20,001 to 30,000	172	4,317,977	3.12
30,001 to 40,000	77	2,706,175	1.96
40,001 to 50,000	92	4,222,904	3.05
50,001 to 100,000	129	9,792,740	7.08
100,001 to 200,000	64	8,814,171	6.38
200,001 to 400,000	34	9,339,454	6.76
400,001 to 600,000	8	4,167,520	3.01
600,001 to 800,000	1	624,955	0.45
800,001 to 1,000,000	3	2,792,862	2.02
1,000,001 shares or more	15	77,195,355	55.85
Total	5,493	138,236,552	100.00

Dispersion of preferred share ownership: None.

- (V) List of major shareholders (all shareholders holding 5% or more shares, or the names of the top ten shareholders with the number of shares and percentage held by each shareholder):

March 7, 2024; Unit: Shares

Name of major shareholder	Number of shares held	Shareholding ratio
Sino-American Silicon Products Inc.	41,590,354	30.09%
Wintec Innovation Co., Ltd.	7,765,517	5.62%
Yu-Ching Chen	3,744,999	2.71%
Meng-Hsia Tsai	3,231,053	2.34%
CDIB Capital Group	2,598,638	1.88%
Han-Cheng Chen	2,277,954	1.67%
United Renewable Energy Co., Ltd.	2,225,746	1.65%
Yu-Hua Lin	2,045,523	1.48%
Mei-Shu Yang	1,971,635	1.43%
Powercom Co., Ltd.	1,950,005	1.41%

- (VI) Stock price, net worth, earnings, dividends and related information for the past two years

Unit: Thousand shares/NTD

Item	Year		2022	2023
	Stock price	Highest		Unlisted
Lowest			Unlisted	Unlisted
Average			Unlisted	Unlisted
Net worth per share	Before distribution		12.26	12.71
	After distribution		11.58	11.71
Earnings per share	Weighted average shares (thousand shares) (Before adjustment)		138,237	138,237
	Earnings per share (Before adjustment)		1.50	1.13
	Earnings per share (After adjustment)		0.82	0.13
Dividends per share	Cash dividends		0.68	1.00
	Stock dividends	Stock dividend from retained earnings	-	-
		Stock dividend from capital surplus	-	-
	Accumulated undistributed dividends		-	-
Return on investment analysis	Price-earnings ratio		Unlisted	Unlisted
	Price-dividend ratio		Unlisted	Unlisted
	Cash dividend yield		Unlisted	Unlisted

- (VII) Dividend policy and implementation status

1. Dividend policy set forth in the Articles of Incorporation

If the Company is profitable for the year, after paying taxes and making up for accumulated losses, 10% is allocated as the legal reserve. However, no amount needs to be allocated when the legal reserve has reached the paid-in capital. After allocating or

reversing the special reserve in accordance with the law or regulations of the competent authority, if necessary, if there is still any earnings remaining, it may be combined with undistributed earnings in the previous year and the Board of Directors may prepare an earnings distribution proposal. Where earnings are distributed in cash, the Board of Directors is authorized to distribute all or a part of the earnings in cash by adopting a resolution approved by the majority of directors in a board meeting with two thirds or more of all directors in attendance in accordance with Article 240, Paragraph 5 of the Company Act, and the distribution shall be reported to the shareholders' meeting. Where the dividends are distributed by issuing new shares, it shall be submitted to the shareholders' meeting for resolution before being distributed.

The Company's dividend policy will be in line with business development and expansion in the future. The distribution of earnings must take into account the Company's future capital expenditure budget and funding needs. After allocating legal reserve and special reserve from earnings each year, no less than 50% of distributable earnings shall be distributed as dividends to shareholders. However, if the net profit, after deducting the legal reserve and special reserve, is less than 5% of paid-in capital, the Company may choose to not distribute dividends. Dividends may be distributed to shareholders in cash or stock, in which cash dividends may not be lower than 50% of all dividends.

Regarding the cumulative net amount of other deductions from equity, allocate an amount of special reserve equal to the amount allocated from the undistributed earnings from the preceding period. If an insufficiency remains, allocate it from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

2.Dividend distribution proposed (decided) for the current year:

The Company's 2023 earnings distribution proposal was approved by the board of directors on February 19, 2024. A cash dividend of NT\$1.00 per share will be distributed, totaling NT\$138,237 thousand, and will be submitted to the 2024 annual general meeting for acknowledgment.

3.Provide an explanation when a material change to the dividend policy is expected: N/A.

(VIII) Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the Company's business performance and earnings per share: N/A.

(IX) Remuneration of Employees, Directors and Supervisors

1.Percentage and scope of remuneration to employees, directors and supervisors provided in Company's Articles of Incorporation:

If the company makes a profit during the year, it must allocate no less than 1% as employee bonuses, and no more than 1% as directors' remuneration. However, an amount shall be set aside in advance to offset any cumulative losses. Employee bonuses may be

paid in shares or cash. Employees of controlling companies or subsidiaries that meet certain criteria may also qualify. The board of directors is authorized to establish related regulations. The remuneration of directors in the preceding paragraph may only be paid in cash.

2. Basis for estimating the amount of remuneration of employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The Company's employee bonuses and directors and supervisors' remuneration is based on the percentage stipulated in the Company's Articles of Incorporation. The amounts are estimated each year based on this principle, and reported to the shareholders' meeting after resolution by the board of directors. If there is a discrepancy in the amount distributed and the estimate, it will be handled as a change in accounting estimates.

3. Distribution of remuneration passed by the Board of Directors

- (1) Employee bonuses and directors' remuneration will be distributed in cash or stocks. The difference, reasons and handling of discrepancies with the estimate in the year the expense is recognized:

The Company's board of directors passed the 2023 employee bonuses and directors' remuneration distribution proposal on February 19, 2024, in which NT\$5,070 thousand will be distributed as employee bonuses and NT\$720 thousand will be distributed as directors' remuneration, which will be paid in cash in the same amount as the estimates, so there is no difference with the expenses recognized.

- (2) The amount of employee bonuses to be paid in stocks as a percentage of the total of net profit after tax on the standalone financial statements and total employee bonuses: N/A.

4. The status and results of remuneration distribution reported to the shareholders' meeting:

The distribution of 2023 employee bonuses and directors' remuneration was approved by the board meeting on February 19, 2024 and will be reported during the 2024 annual general meeting.

5. Actual distribution of employee bonuses and remuneration of directors and supervisors in the previous year (including dividend shares, amount and stock price), discrepancies, if any, from the amount of employee bonuses and directors and supervisors' remuneration previously recognized, and the causes and treatments for the discrepancies:

The 2023 annual general meeting approved the distribution of NT\$6,830 thousand in employee bonuses and NT\$970 thousand in directors and supervisors' remuneration from the distributable earnings in 2022, which will be paid in cash. There was no difference in the amount distributed and the amount recognized.

(X) Stock buyback: N/A.

II. Issuance of corporate bonds: N/A.

III. Issuance of preferred shares: N/A.

IV. Issuance of global depositary receipts (GDR): N/A.

V. Exercise of employee stock option plan (ESOP): N/A.

VI. Issuance of restricted stock awards: N/A.

VII. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: N/A.

VIII. Implementation status of the capital utilization plan: N/A.

E. Business Overview

I. Business Activities

(I) Business scope:

1. The Company's main business activities:

The Company mainly engages in the manufacturing and trading of semiconductor specialty gases and precision chemical materials.

2. Revenue breakdown

Unit: NT\$ Thousands

Product	Year	2022		2023	
		Operating revenue	Revenue breakdown	Operating revenue	Revenue breakdown
Specialty electronic gases and precision chemical materials		532,279	100.00%	553,523	100.00%
Others		-	-	-	-
Total		532,279	100.00%	553,523	100.00%

3. Current products and services:

A. Electronic-grade disilane (4N8-5N)

The TSC's main product is high-purity disilane, a special gas for dielectric thin film deposition that is typically employed in the semiconductor fabrication processes, especially in the chemical vapor deposition (CVD) processes. The dielectric layers of poly-Si, SixOy, and SixNy compound films on electronic circuits are formed through the diffusion of silicon-based gas material in the deposition process. Compared to the application of silane in semiconductor manufacturing, disilane can offer better application properties and process efficiencies, such as denser coverage, better uniformity, and a higher epitaxial rate of film formation. Moreover, the utilization can also provide a thermal budget of 100 °C for the deposition process, and which could overcome technological limitations for advanced semiconductor processes. It is a key material to the silicon film epitaxy, which is crucial to progress the semiconductor industry into the next era of semiconductor technologies..

B. High purity trisilane (4N)

TSC's another product - trisilane, is also a special gas material for the silicon dielectric layer epitaxy application, and it offers even better application traits, that it is regarded as the next key raw material for the silicon film deposition technology. Due to limitations of the development of semiconductor equipment and

technologies, it is currently not widely used in the industry; however, trisilane has already been employed in the manufacturing of analog chips.

C. Electronic-grade silane (6N)

TSC possesses considerable experience from the development of the silane production process in the past though there is not a silane production line in operation. The supply of high-purity silane and services is still one of the TSC's business. Silane gas is mainly utilized for silicon film deposition in the optical panel manufacturing industry, and it is also adopted in the silicon film epitaxy of many semiconductor processes.

D. Special gas service platform

In order to meet the needs of overseas customers and in light of the demand from advanced semiconductor processes, there is a wide range of special gases. The Company has established complete warehousing and logistics facilities and has complete global semiconductor customer channels, which can provide sales services to the terminal supply chain platform. In addition to independently developing and producing products, the Company formed strategic alliances with high-quality partners to expand its special gas product portfolio, and used the platform to form a complete special gas supply chain. As customers expand their factories overseas, we have established overseas special gas supply and service bases for customers, forming a stable and reliable supply chain system that sells several key special gas products to international markets, such as the United States, Japan, and Europe.

4. New products (services) that will be developed:

A. High purity chlorosilane

Complying with the TSC's operation objectives, taking into consideration the market demands and the future development of special gases and chemical raw materials, halosilanes, such as fluorosilane and chlorosilane, are basic compounds for synthesizing silicon-based precursors due to the high reactivity of the halogen functional group for substitution. Comparing fluorine-based and chlorine-based compounds, chlorine-based compounds are relatively safe in terms of reactions and the management of their derivative products; thus, most semiconductor film deposition processes would directly utilized chlorosilanes (dichlorosilane, trichlorosilane) as raw materials rather than fluorosilanes. To reasons mentioned above, the TSC plans to develop chlorosilane products, and due to the selectivity of chlorosilane reaction, the developing process would be expected to simultaneously synthesize silanes composited with different numbers of chlorine elements, namely monochlorosilane (MCS) to silicon tetrachloride (STC), and each of the chlorosilanes

could be used as raw materials for the development of different silicon-based precursors, or they could be sold as special gas or chemical products.

B. High purity silicon-based precursor products

Considering the market demand and the trend of special gas applications in advanced semiconductor processes, as well as the production and transportation limitation of product sources, the TSC plans to develop high-value silicon-based precursor products with heavy technical involvement, and which products are adopted in advanced semiconductor manufacturing processes – atomic layer deposition (ALD) technology for epitaxially growing silicon film before oxidating or nitridating to become dielectric layers. As well as, the precursors are employed for the epitaxy of high-k and/or low-k dielectric layers, which are widely adopted in many high-end semiconductor chip manufacturing processes.

C. High-purity etching and cleaning special gases

In addition to demands and applications of special gases or chemicals for film deposition in the semiconductor processes, special gases and chemicals for etching the epitaxial film of dielectric silicon layers or cleaning the process equipment system are also indispensable. The amount of the etching and clean special gases or chemicals is comparable to or even higher than that of special gases and chemicals for deposition usage. As semiconductor technology nodes advance toward the Angstrom scale, the demand for special gases and chemicals for deposition and etching also increases exponentially, and the quality requirements become stricter. Hence, advanced semiconductor processes are evolving to adopt dry or moisture-free chemical raw materials to prevent residues in subsequent processes. TSC plans to integrate existing technologies and experience from producing dry special gas products in technical cooperation with a well-known special chemical raw material manufacturer to develop advanced and high-purity semiconductor etching and cleaning special chemicals. Based on the cooperation and product development, the TSC will further independently expand other high-purity etching and cleaning special gases and chemicals to meet the diverse applications for semiconductor processes.

(II) Industry overview:

1. Current industry trends and future outlook:

Semiconductor materials are a type of material with semiconductor properties (conductivity is between conductors and insulators, resistivity in the range of $1\text{m}\Omega\cdot\text{cm}$ - $1\text{G}\Omega\cdot\text{cm}$). Generally, conductivity increases with temperature. Semiconductor materials are characterized by their heat sensitivity, photosensitivity, and doping properties. They are important materials for wafer manufacturing and back-end packaging, and are widely used in integrated circuits or various types of semiconductors

in automobiles, home appliances, consumer electronics, and information and communications.

Semiconductor materials and equipment are the cornerstone of the semiconductor industry chain, and the engine that drives innovation in integrated circuit technology. Fabs must purchase equipment and materials and obtain corresponding process technology to operate normally. On the other hand, the three are constraints for each other, and the development of processes often requires equipment and materials to be updated at the same time to effectively avoid the buckets effect.

Gases used in semiconductor manufacturing processes can be divided into common gases and special gases. Commonly used gases generally refer to gases that are centrally supplied and used in large volumes, such as nitrogen (N₂), hydrogen (H₂), oxygen (O₂), argon (Ar), and Helium (He). Special gases refer to gases used in semiconductor manufacturing processes, such as epitaxial crystallization, lithography, diffusion, doping, cleaning, etching, ion implantation, and chemical vapor deposition, including high-purity silane, disilane, phosphine (PH₃), arsine (AsH₃), nitrogen trifluoride (NF₃), and tetrafluoromethane (CF₄).

According to TECHCET, a U.S. electronic materials market survey organization, the global electronic specialty gas market reached US\$4.19 billion in 2020. Following the active expansion of major semiconductor companies around the world and the continued expansion of high-end advanced process applications, it estimated that the global electronic specialty gas market will exceed US\$6 billion in 2025.

The Company's main product is currently disilane, which is mainly used in the chemical vapor deposition process of the semiconductor industry to produce a variety of silicon compound films through diffusion reactions. Since disilane has better material properties than silane, when the wire diameter of the advanced semiconductor process shrunk near the physical limit, the material properties can be used to assist the advancement of advanced processes. In logic IC, DRAM, 3D NAND Flash chip manufacturing, the demand for silane has gradually increased with the advancement of process technology.

The Company's main products are used in the semiconductor industry, in the race of advanced semiconductor processes, semiconductor foundries of Taiwan, South Korea and the United States each excel in their respective fields. TSMC faces future demand with complete advanced processes, while major IDM Intel has sensed the changing trends in the market and is trying to reach new heights by returning to the foundry business. Samsung is strengthening its advanced process portfolio in an attempt to share the 7nm and under market. The strategic direction of these leading players is expected to drive a new round of changes in the global foundry landscape.

In terms of changes that affect the global semiconductor market, besides developments in the COVID-19 pandemic continuing to affect the global economy and purchase intention, new fields of application and the pandemic have aggravated the issue of semiconductor supply distribution. Major countries are shifting from global division of labor to protectionism, are beginning to attempt to build their own semiconductor production bases. As countries attempt to build their own supply chains, the United States continues to suppress China's development of advanced semiconductor process technologies through its alliances with Indo-Pacific allies and related policies, which will also affect the development of global semiconductor supply chains in the next stage.

With regard to memory, the 5G smartphone market continues to grow with high-end smartphones performing well. However, the growth of mid- and low-end smartphones has slowed down due to the growingly severe epidemic situation in developing countries, but the market is still considerable. Demand for servers has also strengthened in response to the expansion of corporate IT spending and new platforms equipped with high-capacity DRAM. The demand for IT products is stable, and the demand for consumer electronics products, such as the network communications, IP cameras, game consoles, and automotive markets, has also been stable. Overall, the DRAM market is developing steadily and is moving towards high-end, detailed processes. The NAND Flash market making progress while ensuring stability, and the importance of niche products is increasing day by day. Gartner indicated that as major manufacturers reduce production in 2023 and supply and demand will become tighter, and supply shortages are expected to trigger price hikes in 2024. NAND Flash sales is expected to surge by 60.7% in 2024, and DRAM sales is expected to surge by 86.8%. Memory sales estimates for 2024 were revised upward from the previous estimate of US\$120.326 billion to US\$129.768 billion, a substantial increase of 44.8%.



Source: Science and Technology

Figure: Wafer manufacturing

Looking towards the future, Gartner estimates the compound annual growth rate (CAGR) of global terminal electronic products to be 5.7% from 2021 to 2025, showing that the trend of global digital transformation will continue to drive high growth momentum. Categories with higher CAGR than electronic products include industrial/military/aviation/other electronic products with a CAGR of 12.0% (2021-2025), and automotive electronic products with a CAGR of 7.5% (2021-2025), while other electronic products continue to maintain positive growth.

Global semiconductor production has been operating at capacity, driving high annual growth momentum. As semiconductor supply and demand gradually return to normal levels, the CAGR of the global semiconductor market from 2021 to 2025 is estimated at 3.7%. The global semiconductor market continues to thrive. The CAGR of the automotive semiconductor market is estimated at 12.5% (2021-2025), the CAGR of the storage semiconductor market is estimated at 9.6% (2021-2025), and the CAGR of the industrial semiconductor market is estimated at 8.0% (2021-2025). The global semiconductor market is expected to reach US\$683.6 billion in 2025.

2. The relationship between upstream, midstream and downstream in the industry:

The Company is located upstream of the raw material supply chain of the semiconductor industry, supplying various special gases required for chip manufacturing. The different types of chips produced by chip manufacturers are widely

used in various applications downstream of the industry, covering all communications, information, automobiles, electrical appliances, and automated control.

3. Product development trends:

Disilane is used to deposit silicon compound films in the chemical vapor deposition process. Mature processes of the semiconductor industry mostly use silane, but circuit nodes and wire diameter need to be further shrunk as the transistor density of advanced processes continues to increase, and the characteristics of silane can no longer meet the needs of advanced processes. Therefore, as semiconductor manufacturing processes continue to advance along with Moore's Law, market demand for silane will gradually increase with process development. In addition, the plasma-enhanced chemical vapor deposition (PECVD) process, which uses the most silane in the panel industry, a product paradigm shift may occur with the demand on end product diversity and the need to reduce process costs and improve yield. The characteristics of disilane will make it an excellent solution and will replace part of the demand on silane process applications. The product has extremely high application potential.

4. Market competition:

There are currently four manufacturers worldwide that can mass-produce silane, namely Voltaix in the United States, SK Materials in South Korea, Mitsui Chemicals in Japan, and the Company. At present, market demand has not fully exploded due to process applications. The combined production capacity of each company's production lines exceeds 100 tons/year, but due to the high barrier of production technologies and relatively few manufacturers, the market has moderate competition. In recent years, trade competition and restrictions between China and the United States, has led to the rise of the few silane manufacturers in China, such as China's ARGOSUN, which have expanded from silane production to disilane mass production (20 tons/year). The products have been certified by several Chinese semiconductor chip and memory manufacturers. Since Chinese manufacturers are protected by China's semiconductor development policy and the domestic demand of China's semiconductor industry, they have gradually become a major supplier for China's special gas market, which is an obstacle to the Company's expansion in China's market.

(III) Overview of Technology and R&D: R&D expenses invested and technologies or products successfully developed in the past year and up to the date of report:

1. Technological progression and the R&D status:

TSC's special gas production and technologies originated from a patented silane production method that utilizes magnesium silicide alloy as a raw material and the development and operation of the manufacturing process. Through an improvement to the method, TSC designed and constructed a manufacturing process including a reaction system, purification process, filling and packaging process, quality inspection and analysis system, as well as the exhaust gas and wastewater treatment processes for pilot trials and operation.

With the application of self-developed catalyst in the modified silane production process, the TSC had developed a higher silane product, and further adopted the TSC's proprietary purification process and technologies, the higher silane product quality and specification achieved strict requirements of the semiconductor process applications.

TSC also obtained a patent for the new silane production process and technologies in 2015 with our higher silane purity certified by an accredited third-party analysis institution, and our product quality and specifications were comparable and outstripped the international manufacturers’.

TSC gained abundant R&D experience and abilities from the development of a special gas process in the past years. Integrating the technologies and experience of the silane process operation with the self-developed silane pyrolysis technology and the chemical distilling purification system designed by the Industrial Technology Research Institute, TSC completed a more efficient and cost-effective higher silane production process that could co-produce both disilane and trisilane in a single and largest production line in 2017. TSC also obtained invention and utility patents in four countries in the year of 2018 and 2019 as well as accredited with the world's most advanced semiconductor foundry company on the raw material trials. Not only did the TSC establish a firm foundation in the special gas material market in Taiwan but also exported products to the DRAM, 3D NAND flash memory chip manufacturing, and semiconductor foundries in the United States, China, Japan, South Korea, and Germany. The disilane is applied in advanced semiconductor chip manufacturing, and the fabrication of solid-state and flash memory of 64 layers and higher, as well as the advanced automotive chip manufacturing processes.

With the experience and knowledge gained from the disilane process development, TSC has started to develop the reaction and distilling purification processes for producing chlorosilanes, which are the basic materials for synthesizing silicon-based semiconductor precursors. Once chlorosilane products are developed, they could be commercialized as special chemicals for the semiconductor industry, and they could also be applied as raw materials for synthesizing higher value and high-end silicon-based precursors for semiconductor epitaxial processes.

TSC has had a planned development of the chlorosilane production process and finished the preliminary process design. Once the pilot process equipment and system are completely in position, chlorosilanes production trial can be conducted.

2. R&D expenses as a percentage of net operating revenue in the past five years is as follows:

Unit: NT\$ thousands; %

Year	2019	2020	2021	2022	2023
Item					
R&D expenses	3,271	5,105	18,865	26,185	18,314
Net operating revenue	162,139	416,631	515,666	532,279	553,523
R&D expenses as a percentage of operating	2.02	1.23	3.66	4.92	3.31

3. Technologies and products successfully developed in the past year and up to the date of report:

Year	Successfully developed technologies and products
2019	5N electronic-grade disilane mass production process and technology (patented in Taiwan/China/the US/South Korea)
2020	4N electronic-grade trisilane mass production process and technology
2021	Tetrasilane producing process technologies
2022	Pilot process system and technologies for synthesizing of monochlorosilane Pilot process system and synthesis technologies for silyl-based precursors production
2023	Pilot system and synthesis technologies for chlorosilanes derivated precursors production

(IV) Long- and Short-Term Business Development Plans

1. Short-term business development plans

The short-term goal is to develop market channels and increase coverage, use the Company's disilane products to obtain customer certification and introduce the products into their supply chain, in order to increase customer coverage, and then expand customer applications in different processes to increase penetration and increase product sales.

In addition, the Company's facilities and resources, such as warehousing, quality assurance, inspection, and emergency response, can be used to sell related special gas products through the channels of certified customers, which can increase revenue and profits.

2. Mid-term and long-term business development plans

Independently develop specialty gas products for deposition and etching required in advanced semiconductor processes, increasing the product portfolio, and maintaining business expansion and growth momentum.

Utilize the Company's resources and advantages of customer channels to develop a specialty gas sales platform. Special gas products required for high-end chip manufacturing processes are set as the target market, and engage in product agency, packaging and sales, raw material purification, and cooperative production with international special gas manufacturers, form a strategic alliance in the industry.

II. Market, production and sales overview

(I) Market analysis:

1. Sales (Provision) regions of main products (services):

The Company's revenue in the past two years is broken down by region as follows:

Unit: NT\$ thousands; %

Item \ Year	2022		2023	
	Sales amount	%	Sales amount	%
Taiwan	431,479	81.06	408,392	73.78
Asia - Other	93,864	17.64	117,145	21.17
Americas	5,753	1.08	23,272	4.20
Northeast Asia (Japan, South Korea)	1,183	0.22	4,714	0.85
Total	532,279	100.00	553,523	100.00

Source: Financial statements audited and certified by the accountants and compiled by the Company

2. Market share:

The four silane manufacturers in the world, except for the Company, all have a company history of more than 20 to 30 years. Voltaix currently has the highest global market share of silane because it is the first company in the field of semiconductor special gases, and has numerous production patents and diverse product lines; followed by Mitsui Chemicals; SKM products are directly supplied to all semiconductor production plants of the Hynix Group, and ranks third in global market share. The Company is a new entrant compared to other competitors, but the Company chose to enter the most advanced logic chip process when it first entered the market, and currently ranks first in silane supply for advanced processes (16nm-3nm) for logic IC.

3. Future market supply, demand, and future growth:

The semiconductor specialty gas market is linked to global semiconductor chip demand and process development. In the future, with the development of electric vehicles, 5G applications, high-performance computing, and even entering the era of virtual reality technology, the demand on chip production will continue to grow and will drive the demand on semiconductor-related supply chains.

Due to the requirement on stable quality and reliability in the semiconductor manufacturing process, current major manufacturers in the market for special gas products will benefit the most. However, Chinese special gas manufacturers are the X factor in global market competition due to the support of government policy and subsidies and the strategy to prioritize localized production.

4. Competitive niche:

A. Core technologies have complete patent protection:

The Company's product manufacturing process was independently developed from design, development, construction, to operation. In the development process, the Company gained thorough understanding of silane characteristics, process operation

experience, and derived core technologies of silane products. Utilizing the combination of relevant experience and technology with the Company's intellectual property rights, the Company has applied for patents in countries where semiconductor specialty gas manufacturing is concentrated: the United States, China, South Korea and Taiwan, and obtained patent certificates. This can effectively prevent the infringement of technologies and intellectual property rights of special gas manufacturers that have invested in the development of high-order silanes due to their market value and future application potential, and ensure that their products are accepted in the markets.

B. The upper hand of TSC's silane co-producing process technologies:

TSC's silanes production technology and process overcome the barrier of mass disilane production with the traditional reaction method, and also successfully and simultaneously gain a (by-product) higher silane product (trisilane). The product quality could match or even better with the international forerunner, and the manufacturing cost makes the TSC more competitive. Compared to the application of silane in the panel and semiconductor manufacturing processes, higher silane, disilane, provides better application properties that are more favorable to the application demand in advanced semiconductor manufacturing processes and future semiconductor applications, which makes disilane possess relatively high market potential and value. TSC's silane co-producing processes and technologies outrun special gas manufacturers that attempt to develop higher silanes for at least 3 years in advance. In this period, TSC can take the lead for our product to be steadily promoted and supplied in the market, and then cooperate with advanced semiconductor equipment developers and chip manufacturers jointly to create the blue ocean for the higher silanes applications, and make it a new benchmark in the special gas material market, while establishing trustworthy relationships and accreditations with customers.

C. The Company has been certified by multiple international tier-one semiconductor customers, and has a complete management system, including: production management, quality assurance inspection, labor safety protection, and various internal control systems, making the Company internationally competitive:

As a pioneer in semiconductor specialty gas manufacturing in Taiwan, the Company is built based on the needs of the semiconductor industry, and internal regulations are compliant with requirements of regulations, customers, and social responsibility. Moreover, we strive to exceed the specifications. To provide customers with the most credible product shipment inspection reports, the Company's inspection unit cooperated with the Industrial Technology Research Institute to develop the TSC Laboratory Improvement Plan, which has obtained ISO17025 certification from the Taiwan Accreditation Foundation (TAF). Only a handful of special gas manufacturers have obtained this certification, which also shows that the Company has never stopped its pursuit of quality.

Current products have obtained the certification of many tier-one semiconductor customers around the world. The Company internalized the most stringent requirements of the global semiconductor industry and formed a management system in the process. The Company has shortened its growth and learning curve by standing on the shoulders of giants and as it pursues excellence.

- D. The TSC has the largest capacity of a single disilane production line in the world and is capable of fulfilling customers' requests swiftly. Disilane is mainly applied in advanced semiconductor processes. From the observation of the development of the semiconductor industry, an explosive growth of disilane demand is expected, and the TSC's production capacity can quickly respond and satisfy the market demand.
- E. Eco-friendly and energy-efficient production processes have built international competitiveness in the carbon-neutral era:

Different from traditional chemical engineering processes and industry, the production line for a single product process involves multiple high-energy-consuming rotating equipment and a common fluid system and equipment, such as: Fluid transfer pumps, refrigeration or heating equipment for common fluids, etc., are used to maintain the system environment for the transportation, operation, and distillation purification of process fluids in equipment pipelines. The Company's product manufacturing process and the physical characteristics of the product greatly reduces the use of rotating equipment. It uses a single common refrigerant fluid and effectively utilizes the cooling energy in its various temperature ranges to reduce the need to plan multiple high-energy-consuming refrigeration equipment and system maintenance. The Company has effectively maintained low-energy-consuming processes, reducing energy consumption by more than 50% compared with the industry. The product manufacturing process uses a single raw material and materials that are more compatible with the environment, reducing the disposal of waste generated by the production line and does not impact the environment. Following the rising environmental awareness and trends worldwide, the control of industrial carbon emissions will inevitably be written into law and will also trigger changes in the industry. However, the Company's process technology has considerable advantages and competitiveness to compete in the carbon neutral era.

- 5. Favorable and unfavorable factors for future development and response strategies:

- A. Favorable Factors:

- (a) Excellent geographic location

- According to the information announced by semiconductor manufacturers summarized by SEMI, approximately 85 8-inch or 12-inch wafer fabs around the world will gradually enter mass production between 2020 and 2024. Of these semiconductor fabs, 74% are located in Asia. In this background, the Company is located at the core of the world's most advanced semiconductor chip production hub.

The excellent location provides excellent conditions and opportunities for rapid and flexible supply, and has also created many opportunities for the certification of advanced process applications, which have grown steadily despite transportation and international changes in recent years.

- (b) The Company's facilities, management, quality assurance, and environmental safety have been certified by many semiconductor customers around the world, and the Company's products have been introduced into their supply chain. The Company has established a sound foundation of global market channels and customer applications.
- (c) The Company's disilane products are currently in the growth stage, and revenue is still expected to maintain growth.

Since disilane has better product properties than silane, and has better performance on thin film chips, disilane is gradually replacing silane in advanced processes. However, due to budget considerations of mature processes, silane is used more often. With the demand from terminal markets, such as 5G, AI, automotive chips, and high-end smartphones, chip manufacturers continue to improve their processes, and the paradigm shift in demand on disilane and silane will continue. The product is still in the growth stage of its life cycle, and increasing sales channels remained the sales focus in the past 5 years.

- (d) Only two manufacturers worldwide have the ability to mass produce the Company's by-product trisilane, which has the opportunity to become a next generation star product.

In addition to disilane, the Company also produces the next generation of high-end materials - trisilane, which has better electrical quality and performance than disilane. Currently, the process design of semiconductor manufacturers and next-generation materials and equipment are still being developed and have not yet been used in mass production. At the same time, the Company is cooperating with major equipment manufacturers worldwide in academic development, in hopes of developing high-end advanced processes for the next generation of star products.

- (e) The Company has abundant resources, sound operations, and considerable room for development.

The Company has strong R&D capabilities, and the group that the Company is a part of has abundant marketing, legal, and management resources. The management team has implemented systems for corporate governance, social responsibility, and environmental protection issues. The Company has sound operations and vast space for subsequent development.

B. Unfavorable factors:

- (a) Many manufacturers around the world have invested in the development of disilane production, and the market competition will become more intense.

Silicon-based special gases are very important to the semiconductor chemical vapor deposition (CVD) processes, and many manufacturers have invested in the development; however, the threshold of the quality requirement of special gas materials supplying to the semiconductor application is high and the pilot trials are time consuming, which could last one to two years or even longer. Once commencing to supply to the downstream semiconductor customers after evaluations and material trials, the customer would work closely with the company and drive to progress not only in the operational management and institutional procedures but also the scale and level of software and hardware, as well as the product quality, which also set up entry thresholds and requirement for other suppliers to compete with.

- (b) The high market price of disilane leads customers to adopt alternative technologies to reduce the application

The production of high-purity disilane is constituted upon complicated technologies, high-risky hazards, and strict criteria, and only a few companies can mass producing it. Even though the demand for advanced semiconductor process applications exists, the high market price has driven customers to search for alternative technologies or raw materials to reduce their manufacturing costs which gradually reduce the used amount of disilane and the product sales volume.

- (c) The Company's products are homogeneous with high market risk

The Company's production technology was independently developed and patented and has a long learning curve. The Company currently produces disilane and trisilane and product portfolio is relatively simple, making it susceptible to fluctuations in market applications, affecting revenue and profits. Even though the Company will not be affected in the short term, its long-term growth and development will be limited. Besides increasing the depth of products, the Company also utilizes software and hardware advantages for strategic cooperation in sales, expanding the breadth of products in the semiconductor market.

Response measures

- (a) Improve market coverage and penetration and quickly meet market demand with superior production capacity

The Company's products Disilane and Trisilane have been certified by international Tier 1 manufacturers, and have been supplied and applied. Domestically, the Company will use low-risk advantages, such as local production and storage, to pursue higher market coverage than foreign companies. In overseas markets, the Company will utilize the group's resources to work with peers to increase market reach and expand supply.

- (b) Raise product quality requirements and build a higher barrier for competitors

The quality of the Company's Disilane products is far superior to the current market specification of 4N8+ (99.998%) purity grade. The Company is currently stably producing 5N (99.999%) and above products, and can customize 5N+ quality products according to customer needs. The Company continues to make improvements with the goal of achieving higher quality. More silane manufacturers can be expected to join the competition of Disilane products in the future. Hence, the Company will continue to improve the purity and quality of its products. At the same time, we will meet the needs of customers for higher purity raw materials in their advanced processes, increase customers' dependency on our products, and build a higher entry barrier for competitors, making it harder for new competitors to enter the market.

- (c) Strengthen the company's product portfolio with three strategies: independent R&D, strategic technical cooperation, and development of agent product, which will diversify market risks and enhance the Company's core competitiveness

The Company has substantial independent R&D capabilities, which are reflected in the development of disilane products. In the future, we will continue to carry out the R&D blueprint for high-end and high-tech semiconductor precursor chemicals, and develop new products and production lines, in order to respond to the rapidly changing semiconductor market. The Company aims to be at the forefront of the industry, and plans to launch high-value advanced specialty gases and products to meet the demand on high-end, high-purity raw material supply, which is driven by developments in processes of the domestic and global semiconductor industry.

The Company will also develop new products through strategic technical cooperation with international companies or teams with core electronic grade special gas technologies. The Company's complete hardware facilities and professional management of special gas products can quickly obtain production technologies, using the Company's channel and geographical advantages to seize market opportunities.

The Company also has hazardous chemical warehouses, inspection equipment, production technologies, inventory and logistics management standards, and marketing channels that are complete and in line with the special gas industry standards. The Company can fully utilize market advantages to sell special gases and chemicals that meet market demand, expand its product portfolio, and increase its revenue.

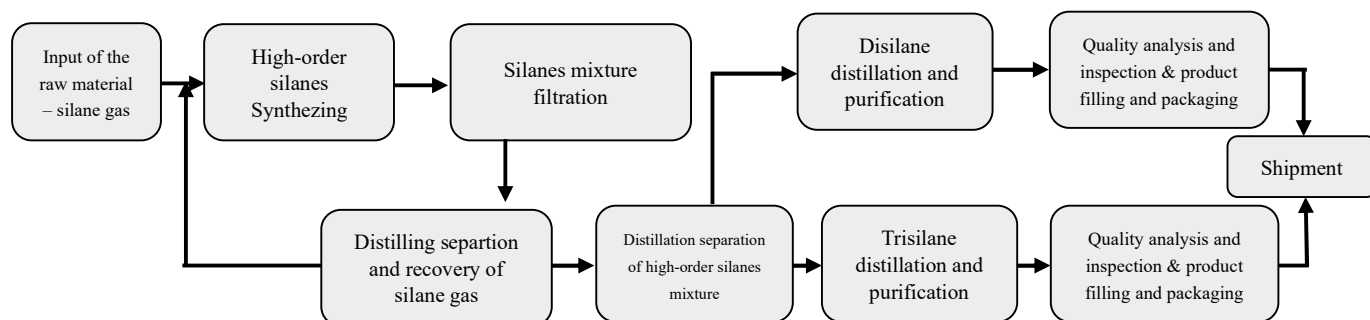
The three strategies above are the Company's business goals. We will enrich our product portfolio and continue to explore potential customers and application markets for existing products through R&D and agent products. Expand the breadth of products, explore the depth of quality, deepen customers' trust, and build the Company's core competitiveness in local and international markets.

(II) Important applications and production processes of main products

1. Important applications of main products

The Company's main products are "silane," "disilane," and "trisilane," which can be used in logic chips, 3D flash memory, RAM, analog chips, panel displays, and silicon source precursors in the semiconductor industry.

2. Production process of the silanes



(III) Supply of main raw materials

The Company's main raw materials are gases and chemicals. The Company has maintained good and stable relationships with its main suppliers for a long period of time, and the suppliers have stable production and sufficient supply.

(IV) List of major suppliers and customers in the past two years

1. List of major suppliers in the past two years

Unit: NT\$ thousands; %

Item	2022				2023				2024 up to the previous quarter			
	Name	Amount	As a percentage of net purchase	Relationship with issuer	Name	Amount	As a percentage of net purchase	Relationship with issuer	Name	Amount	As a percentage of net purchase	Relationship with issuer
1	Vendor A	51,276	63.93	N/A	Vendor A	69,190	53.64	N/A	N/A			
2	Vendor B	11,857	14.78	N/A	Vendor B	36,566	28.35	N/A				
3	Vendor C	8,348	10.41	N/A	Vendor C	7,392	5.73	N/A				
4	Others	8,722	10.87	-	Others	15,848	12.28	-				
	Net purchase	80,203	100.00	-	Net purchase	128,996	100.00	-				

Reasons for changes:

Slight changes in the Company's main suppliers in 2022 and 2023 were due to considerations of the procurement policy and market supply and demand, and appropriate adjustments were made to the annual supply ratio of suppliers.

2. List of major customers in the last two years

Unit: NT\$ thousands; %

Item	2022				2023				2024 up to the previous quarter			
	Name	Amount	As a percentage of net sales	Relationship with issuer	Name	Amount	As a percentage of net sales	Relationship with issuer	Name	Amount	As a percentage of net sales	Relationship with issuer
1	Customer A	320,819	60.27	N/A	Customer A	330,048	59.63	N/A	N/A			
2	Customer B	71,051	13.35	N/A	Customer B	110,817	20.02	N/A				
3	Customer C	58,753	11.04	N/A	Customer C	6,081	1.10	N/A				
4	Others	81,656	15.34	-	Others	106,577	19.25	-				
	Net sales	532,279	100.00	-	Net sales	553,523	100.00	-				

Reasons for changes:

The change in the Company's Customer C in 2022 and 2023 was due to the decline in demand from Customer C in 2023, resulting in a decrease in the percentage of sales accounted for by Customer C.

(V) Output volume and value in the last two years

Unit: KG; NT\$ Thousands

Main products	Year	2022			2023		
		Production capacity	Production volume	Output value	Production capacity	Production volume	Output value
Silanes special gases		26,400	9,396	138,176	26,400	4,306	66,234

(VI) Sales volume and value in the past two years

Unit: KG, NT\$ Thousands

Main products	Year	2022				2023			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Specialty electronic gases and precision chemical		63,499	431,479	1,582	100,800	91,133	408,392	Note	145,131

Note: Not listed due to the large number of measurement units and product types.

III. Employees

Information on employees in the last two years up to the date of report:

Unit: person; %

Year		2022	2023	March 31, 2024
Number of employees	Direct employees	33	31	30
	Indirect employees	71	62	65
	Total	104	93	95
Average age (Unit: years old)		39	39	39
Average years of service (Unit: Year)		5.96	5.03	6.62
Education background distribution	Ph.D.	1%	0%	0%
	Master's degree	12%	12%	16%
	Bachelor's degree/ Junior College	63%	66%	63%
	Senior High School or below	24%	21%	21%
	Total	100%	100%	100%

IV. Information on environmental protection expenses

1. According to the law, if the company is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up a dedicated unit for environmental issues, describe the status of such applications, payment or establishment:

(1) The Company has obtained the following permits

Item	Category	Status
1	Stationary pollution source operating permit	N/A
2	Water pollution control measures plan	V
3	Toxic chemical substance registration documents/approval documents	N/A
4	Waste disposal proposal	V
5	Wastewater discharge permit	V
<ul style="list-style-type: none"> Complete application for a discharge permit for polluting facilities in accordance with regulatory requirements 		

(2) Pay pollution control fees

Unit: NT\$ Thousands

Item	Category	2022	2023
1	Air pollution control fees	-	-
2	Wastewater management fees	170	135
3	Waste disposal fees	503	104

(3) Appointment of a dedicated environmental protection unit and personnel

Item	Category	Status
1	Air pollution control personnel	N/A
2	Water pollution control personnel/unit	N/A
3	Waste technicians	N/A
4	Professional technicians and managers of toxic chemical substances	N/A
● Failure to meet the standards for establishing dedicated personnel in accordance with the law		

2. The Company's investment in environmental pollution prevention equipment, use, and expected benefits: None.
3. The company's improvement of environmental pollution and how disputes related to pollution, if any, were handled in the last two years and up to the date of report: None.
4. Losses sustained due to environmental protection (including compensation and violations of environmental protection laws found in environmental protection inspection results, specify the date of the penalty, letter number, article violated, provision violated, details of the penalty) in the last two years and up to the date of report, and disclose current and future estimated amounts and response measures: None.
5. Explain the current status of pollution, the effect of improvements on the Company's earnings, competitive position, and capital expenditure, and major environmental protection capital expenditures expected in the next two years: None.

V. Labor-management relations

(I) The Company's employee benefit measures, education, training, retirement system and its implementation, as well as labor-management agreements and various employee rights protection measures

1. Employee benefit measures

The Company handles labor insurance and national health insurance in accordance with labor-related laws and regulations to provide employees with protection. In addition, in order to fully take care of employees, the Company's Administrative Division has planned various employee benefit measures to improve employee welfare. The Company's benefit measures are as follows:

- A. Benefits and subsidies: Wedding gifts, hospitalization consolation money, funeral consolation money, etc.
- B. Recreational activities: Annual company trip, year-end party arrangements, department dinners, etc.
- C. Other subsidies: Gifts during the three holidays, employee bonuses, performance bonuses, group insurance, regular employee health examinations, and discounts for staying at contracted hotels.

2. Continuing education and training

- A. Internal training: Education and training for new employees, internal education and training within the department, environmental safety training, other internal professional lecturer courses, direct personnel training, fire escape training, industrial safety training, basic business training, and process training.
- B. External training: Heads of departments and employees of each department may apply to send personnel to participate in courses and training organized by external companies and organizations based on work needs.

3. Retirement system and implementation status

Since the Company was established in 2013, its has contributed 6% of monthly salary to the personal labor pension account of employees in accordance with the Labor Pension Act. The Company handles retirement in accordance with the Labor Pension Act fully protect the rights and interests of employees.

4. Employer-employee agreements and employee rights protection measures

The Company has harmonious labor-management relations, and has always attached great importance to two-way communication between labor and management, in order to maintain good labor-management relations. Therefore, no major labor disputes have occurred so far.

(II) Losses sustained due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specify the date of the penalty, letter number, article violated, provision violated, details of the penalty) in the last two years and up to the date of report,

and disclose current and future estimated amounts and response measures; if it cannot be reasonably estimated, describe the facts that cannot be reasonably estimated:

(1) Losses sustained by the Company due to labor-management disputes in the last two years and up to the date of report: N/A.

(2) Estimated amount of losses due to potential labor management disputes in the future and response measures:

The Company has not had any major labor-management disputes, so there is no need to estimate losses that may be sustained due to labor-management disputes in the future.

VI. Information Security Management

(I) Describe the information security risk management framework, information security policies, specific management plans, and the resources invested in information security management.

1. Risk Management Framework

The Information Center is an independent department that is not subordinate to using departments. It is responsible for coordinating and implementing information security policies, promoting information security information, raising employees' information security awareness, and collecting and improving technologies, products or procedures for the performance and effectiveness of the organization's information security management system.

The Audit Office conducts information security audits on the internal control system - computerized information processing operations every year, in order to evaluate the effectiveness of internal controls on information operations.

2. Information Security Policy

The Company has established an internal control system - computerized information processing operations to implement information security management, hoping to achieve the following policy goals through the collective efforts of all employees.

A. Ensure the confidentiality and integrity of information assets.

B. Ensure data access is regulated according to department functions.

C. Ensure the continued operation of information systems.

D. Prevent unauthorized modification or use of data and systems.

E. Regularly conduct information security audits to ensure the implementation of information security.

3. Specific management plans

Internet information security control	Data access control	Response and recovery mechanisms	Promotion and verification
Set up a firewall	Computer equipment is held in the custody of dedicated personnel and protected by accounts and passwords	Regularly review emergency response plans	Promote information security and raise employees' information security awareness
Regularly conduct virus scans on computer systems and data storage media	Grant different access rights based on functions	Annual system recovery drills	Conduct regular information security inspections every year and report to senior management
The use of Internet services should be carried out in accordance with the information security policy	Revoke the original permissions of personnel who are transferred	Establish system backup mechanism and implement remote backup	
Regularly review the system log of various Internet services and track abnormal situations	Confidential and sensitive information and copyrighted software must be deleted or overwritten before equipment is discarded	Regularly review computer network security control measures	
	Remote access to management information systems must be approved		

4. Resources invested in information security management

Formulate computerized information processing operations and information security management rules, and regularly promote information security and conduct social engineering drills, such as internal phishing and attacks, to improve information security.

Dedicated personnel are assigned to regularly check various information security checklists on a daily, weekly, monthly, quarterly and yearly basis, and an abnormality checklist is compiled to analyze and track information security situations.

Important systems, such as: ERP, SPC process control, and report system are all virtualized, cloud and remote storage space is purchased for backups, and system recovery drills are periodically conducted.

(II) List any losses sustained by the company in the most recent year and up to the date of report due to major information security incidents, the possible impacts, and response measures. If

a reasonable estimate cannot be made, provide an explanation of the facts of why it cannot be made: None.

VII. Important Contracts

Nature of contract	The Parties	Commencement date/expiration date	Main Content	Restrictive clauses
Purchase contract	Vendor A	2023/01/01 to present day	Purchase of chemicals	Confidentiality policy
Purchase agreement	Customer A	2022/01/01 to 2024/12/31	Disilane	Confidentiality policy

F. Financial overview

I. Condensed Financial Information for the Last Five Years

(I) Condensed balance sheet and statement of comprehensive income

1. Condensed balance sheet - IFRS (Consolidated): None.

2. Condensed balance sheet - IFRS (Standalone)

Unit: NT\$ Thousands

Item		Year	Financial statements for the last five years (Note 1)					Financial data for the current year up to March 31, 2024
		2019	2020	2021	2022	2023		
Current assets			291,847	251,324	266,437	355,178	420,992	N/A
Property, plant and equipment			1,801,659	1,506,816	1,426,310	1,419,447	1,376,941	
Intangible assets			249	161	148	981	1,195	
Other assets			8,241	2,217	3,721	25,222	41,217	
Total assets			2,101,996	1,760,518	1,696,616	1,800,828	1,840,345	
Current liabilities	Before distribution		26,334	47,863	59,160	105,532	83,567	
	After distribution		26,334	47,863	149,014	199,533	221,804	
Non-current liabilities			600,193	330,290	60,646	366	196	
Total liabilities	Before distribution		626,527	378,153	119,806	105,898	83,763	
	After distribution		626,527	378,153	209,660	199,899	222,000	
Equity attributed to the owners of the parent company			1,475,469	1,382,365	1,576,810	1,694,930	1,840,345	
Share capital			2,909,675	2,909,675	1,382,366	1,382,366	1,382,366	
Capital surplus			-	-	-	-	-	
Retained earnings	Before distribution		(1,434,206)	(1,527,310)	194,444	312,564	374,216	
	After distribution		(1,434,206)	(1,527,310)	104,590	218,563	235,979	
Other equity			-	-	-	-	-	
Treasury stock			-	-	-	-	-	
Non-controlling interest			-	-	-	-	-	
Total equity	Before distribution		1,475,469	1,382,365	1,576,810	1,694,930	1,756,582	
	After distribution		1,475,469	1,382,365	1,486,956	1,600,929	1,618,345	

Note 1: The years listed above were all audited by a CPA.

3. Condensed Consolidated Income Statement - IFRS (Consolidated): None.

4. Condensed Consolidated Income Statement - IFRS (Standalone)

Unit: NT\$ Thousands

Item \ Year	Financial statements for the last five years (Note 1)					Financial data for the current year up to March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	162,139	416,631	515,666	532,279	553,523	N/A
Gross profit (loss)	(82,581)	(17,839)	261,166	263,867	210,233	
Operating profit or loss	(132,281)	(79,263)	195,312	180,648	137,798	
Non-operating income and expenses	(17,748)	(13,841)	(867)	6,822	1,401	
Net profit (loss) before tax	(150,029)	(93,104)	194,445	187,470	139,199	
Net profit from continuing operations for the current period	(150,029)	(93,104)	194,445	207,974	155,653	
Net profit (loss) for the current period	(150,029)	(93,104)	194,445	207,974	155,653	
Other comprehensive income for the current period (net income after tax)	27	-	-	-	-	
Total comprehensive income for the current period	(150,002)	(93,104)	194,445	207,974	155,653	
Net profit (loss) attributable to the parent company	(150,029)	(93,104)	194,445	207,974	155,653	
Net profit attributable to non-controlling interest	-	-	-	-	-	
Total comprehensive income attributable to owners of the parent company	(150,002)	(93,104)	194,445	207,974	155,653	
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-	
Earnings per share (NTD)	(1.09)	(0.67)	1.41	1.50	1.12	

Note 1: The years listed above were all audited by a CPA.

(II) Name of CPA and audit opinions in the last five years:

Year	Accounting firm	Name of accountants	Audit opinion
2019	KPMG	Chiu-Hua Hsieh, Tzu-Hsin Chang	Unqualified opinion
2020	KPMG	An-Chih Cheng, Chen-Chien Chen	Unqualified opinion
2021	KPMG	An-Chih Cheng, Yong-Hua Huang	Unqualified opinion
2022	KPMG	An-Chih Cheng, Yong-Hua Huang	Unqualified opinion
2023	KPMG	An-Chih Cheng, Yong-Hua Huang	Unqualified opinion

II. Financial analysis of the last five years

(I) Financial Analysis - IFRS (Consolidated): None.

(II) Financial Analysis- IFRS (Standalone):

Item		Year	Financial statements for the last five years					Financial data for the current year up to March 31, 2024
		2019	2020	2021	2022	2023		
Financial structure	Debt ratio (%)	29.81%	21.48%	7.06%	5.88%	4.55%	N/A	
	Ratio of long-term capital to property, plant and equipment (%)	115.21%	113.66%	114.80%	119.43%	127.59%		
Liquidity	Current ratio (%)	1,108.25%	525.09%	450.37%	336.56%	503.78%		
	Quick ratio (%)	508.26%	283.53%	219.50%	177.14%	329.90%		
	Times interest earned	-8.09	-12.79	83.81	1,443.08	34,800.75		
Operating ability	Receivables turnover (times)	6.38	6.05	6.28	7.45	5.76		
	Average collection period (days)	57	60	58	49	63		
	Inventory turnover (times)	1.64	3.07	1.99	1.78	2.25		
	Payables turnover (times)	45.33	92.12	32.79	21.75	19.43		
	Average inventory turnover days	223	119	183	205	162		
	Property, plant and equipment turnover (times)	0.09	0.25	0.35	0.37	0.40		
Profitability	Total assets turnover (times)	0.07	0.22	0.30	0.30	0.30		
	Return on assets (%)	-6.20%	-4.54%	11.36%	11.90%	8.55%		
	Return on equity (%)	-9.68%	-6.52%	13.14%	12.71%	9.02%		
	Ratio of net profit before tax to paid-in capital (%)	-5.16%	-3.20%	14.07%	13.56%	10.07%		
	Net profit margin (%)	-92.53%	-22.35%	37.71%	39.07%	28.12%		
Cash flows	Earnings per share (NTD)	-1.09	-0.67	1.41	1.50	1.13		
	Cash flow ratio (%)	Note 1	523.45%	582.41%	285.26%	280.78%		
	Cash flow adequacy ratio (%)	Note 1	-10.84%	15.06%	50.64%	202.22%		
Leverage	Cash reinvestment ratio (%)	Note 1	9.44%	12.84%	7.97%	5.47%		
	Operating leverage	Note 2	Note 2	2.01	2.20	3.28		
	Financial leverage	Note 2	Note 2	1.01	1.00	1.00		

Please explain reasons for changes in financial ratios in the last two years. (analysis not required if the change does not reach 20%)

1. Decrease in debt ratio: The debt ratio in 2023 decreased compared to the same period in 2022 due to a decrease in other current liabilities and an increase in total assets.
2. Increase in current ratio: The current ratio in 2023 increased compared with the same period in 2022 due to an increase in operating profit and cash and cash equivalents, as well as a decrease in current liabilities.
3. Increase in quick ratio: The quick ratio in 2023 increased compared with the same period in 2022 due to an increase in operating profit and cash and cash equivalents, as well as a decrease in current liabilities.
4. Increase in times interest earned: The increase in times interest earned in 2023 compared with the same period in 2022 was due to the Company not having any loans, resulting in a decrease in interest expenses.
5. Decrease in receivables turnover: The decrease in receivables turnover in 2023 compared with the same period in 2022 was mainly due to the increase in accounts receivable.
6. Increase in average collection days: The increase in average collection days in 2023 compared with the same period in 2022 was mainly due to the increase in accounts receivable.
7. Increase in inventory turnover: The increase in inventory turnover in 2023 compared with the same period in 2022 was mainly due to the decrease in inventory.
8. Decrease in average inventory turnover days: The decrease in average inventory turnover days in 2023 compared with the same period in 2022 was mainly due to the decrease in inventory.
9. Decrease in return on assets/equity: The decrease in return on assets/equity in 2023 compared with 2022 was due to the increase in cost of goods sold, which resulted in a decrease in net profit after tax.
10. Decrease in net profit before tax to paid-in capital ratio: The decrease in net profit before tax to paid-in capital

ratio in 2023 compared with the same period in 2022 was due to the increase in cost of goods sold.

11. Decrease in net profit margin/earnings per share: The decrease in net profit margin and earnings per share in 2023 compared with the same period in 2022 was due to the increase in cost of goods sold, which resulted in a decrease in net profit after tax.
12. Increase in cash flow adequacy ratio: The increase in cash flow adequacy ratio compared to 2022 was mainly due to an increase in net cash flow from operating activities in the last five years.
13. Decrease in cash reinvestment ratio: The decrease in cash reinvestment ratio compared with 2022 was mainly due to the decrease in net cash flow from operating activities.
14. Increase in operating leverage: The increase in operating leverage compared with 2022 was mainly due to the decrease in operating profits.

Note 1: Since the cash flow from operating activities was outflow, it does not meet the definition for cash flow analysis, so the analysis is not applicable.

Note 2: Financial leverage was not calculated because operating profit is negative.

Description of how ratios of analysis items are calculated:

1. Financial structure

- (1) Debt ratio = total liabilities / total assets.
- (2) Ratio of long-term capital to property, plant and equipment = (value of equity+ non-current liabilities) / net amount of property, plant and equipment.

2. Liquidity

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Interest protection multiples = net income before income tax and interest expense / current interest expense.

3. Operating ability

- (1) Receivables (including accounts receivable and business-related notes receivable) turnover ratio = net sales / average balance of receivables for each period (including accounts receivable and business-related notes receivable).
- (2) Average collection days = 365 / receivables turnover.
- (3) Inventory turnover = cost of goods sold / average amount of inventory.
- (4) Payables (including accounts payable and business-related notes payable) turnover = cost of goods sold / average balance of payables for each period (including accounts payable and business-related notes payable).
- (5) Average days of sales = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net amount of property, plant and equipment.
- (7) Total assets turnover = net sales / average total assets

4. Profitability

- (1) Return on assets = [profit and loss after tax + interest expenses * (1 - tax rate)] / average total assets.
- (2) Return on equity = income after tax / net average equity.
- (3) Pre-tax profit to paid-in capital ratio = (operating revenue - operating costs and expenses - non-operating income) / paid-in capital.
- (4) Net profit margin = profit and loss after tax / net sales.
- (5) Earnings per share = (Profit and loss attributable to owners of parent - stock dividends of preferred stocks) / weighted average number of outstanding shares.

5. Cash flows

- (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividends) in the past five years.
- (3) Cash re-investment ratio = (net cash flows from operating activities - cash dividends) / (gross amount of property, plant and equipment + long-term investment + other non-current assets + operating capital).

6. Leverage

- (1) Operating leverage = (net operating income - current operating costs and expenses) / operating profit.
- (2) Financial leverage = operating profit / (operating profit - interest expenses).

III. Supervisors or Audit Committee's review report in the most recent year

Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2023 business report, financial statements, and earnings distribution proposal, in which the financial statements have been audited and certified by CPA An-Chih Cheng and CPA Yong-Hua Huang of KPMG and audit reports were issued. The business report, financial statements, and earnings distribution proposal have been reviewed by the Audit Committee as correctly portraying the Company's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is submitted for shareholder's examination.

Sincerely
2024 Annual General Meeting

Taiwan Speciality Chemicals Corporation

Convener of the Audit Committee

Chung-Hsien Liu

February 19, 2024

- IV. Financial Statements and Independent Auditor's Report for the Most Recent Year: Please refer to Attachment 1.**
- V. Consolidated financial statements for the most recent year that were audited by the accountants: N/A.**
- VI. The impact of financial difficulties of the Company and affiliated companies, if any, on the Company's financial position in the past year and up to the date of report: N/A.**

G. Review and analysis of financial position, financial performance, and risk management

I. Financial position

- (I) Main reasons and impact of any material change in the Company's assets, liabilities, or shareholders' equity in the past two years

Unit: NT\$ thousands; %

Item \ Year	2022	2023	Difference	
			Amount	%
Current assets	355,178	420,992	65,814	19
Property, plant and equipment	1,419,447	1,376,941	(42,506)	(3)
Right-of-use assets	299	110	(189)	(63)
Intangible assets	981	1,195	214	22
Other assets	24,923	41,107	16,184	65
Total assets	1,800,828	1,840,345	39,517	2
Current liabilities	105,532	83,567	(21,965)	(21)
Non-current liabilities	366	196	(170)	(46)
Total liabilities	105,898	83,763	(22,135)	(21)
Share capital	1,382,366	1,382,366	-	-
Capital surplus	-	-	-	-
Retained earnings	312,564	374,216	61,652	20
Other equity	-	-	-	-
Total equity	1,694,930	1,756,582	61,652	4
1. Reason for changes: (changes reaching 20% and above or the amount of change reaching NT\$10 million)				
(1) Increase in other assets: Mainly due to the increase in deferred income tax assets in 2023.				
(2) Decrease in current liabilities and total liabilities: Mainly due to the decrease in equipment and project payments payable in 2023.				
(3) Increase in retained earnings: Due to the Company's profit in 2023.				
2. Future response plans: No impact.				

- (II) If the impact is significant, describe future response plans: N/A.

II. Financial performance

(I) Main reasons for material change in operating revenues, operating profit, or net income before tax in the past two years:

1. Comparative analysis of business performance and description of changes:

Unit: NT\$ thousands; %

Item \ Year	2022	2023	Difference	
			Amount	%
Operating revenue	532,279	553,523	21,244	4
Operating costs	268,412	343,290	74,878	28
Gross profit (loss)	263,867	210,233	(53,634)	(20)
Operating profit or loss	180,648	137,798	(42,850)	(24)
Non-operating income and expenses	6,822	1,401	(5,421)	(79)
Net profit (loss) before tax	187,470	139,199	(48,271)	(26)
Net profit (loss) for the current period	207,974	155,653	(52,321)	(25)
Other comprehensive income for the current period (net income after tax)	-	-	-	-
Total comprehensive income for the current period	207,974	155,653	(52,321)	(25)
<p>1. Main reason for changes reaching 20% and above:</p> <p>(1) Increase in operating costs and decrease in gross profit, operating profit and loss, net profit before tax, net profit for the period, and total comprehensive income for the period: Due to the decrease in production volume, the increase in idle production capacity, and the increase in the Company's product portfolio in 2023.</p> <p>(2) Decrease in non-operating income and expenses: Due to the decrease in miscellaneous income.</p> <p>2. Potential impact on future financial position and business performance: None.</p> <p>3. Future response plans: N/A.</p>				

(II) Expected sales volume and its basis, potential impact on the company's future financial position and business performance, and response plans:

The Company's expected sales volume is reasonably prepared based on the company's business plan, market demand forecast, industry competition situation and business outlook of major customers, and also takes into account the Company's production capacity, new product development plan, and other factors. The Company's performance is expected to show stable growth, which will benefit the Company's future financial position.

III. Cash flows

(I) Analysis of changes in cash flow in the most recent year:

Unit: NT\$ thousands; %

Item \ Year	2022	2023	Percentage of change (%)
Net cash inflow (outflow) from operating activities	301,036	234,641	(22)
Net cash inflow (outflow) from investing activities	(93,883)	(100,219)	(7)
Net cash inflow (outflow) from financing activities	(150,337)	(94,252)	37
Analysis of cash flow changes:			
(1) Inflow (Outflow) from operating activities: This is due to the increase in accounts receivable at the end of 2023 and the decrease in net profit for the current period.			
(2) Inflow (Outflow) from investing activities: This is due to the increase in equipment purchases in 2023.			
(3) Inflow (Outflow) from financing activities: This is due to the repayment of long-term loans in 2022.			

(II) Improvement plan for insufficient liquidity: The Company's funds are still sufficient and there is no shortage of liquidity.

(III) Liquidity analysis for the coming year:

Unit: NT\$ Thousands

Cash balance at beginning of period	Expected annual net cash flow from operating activities	Expected annual net cash flow from investment activities	Expected annual net cash flow from finance activities	Expected cash surplus (deficit)	Remedial measures for expected cash deficit	
					Investment plan	Financial plan
154,770	384,871	(55,435)	859,987	1,344,193	-	-
1. Analysis of changes in cash flow in the coming year:						
(1) Operating activities: The Company expects continued revenue growth and profits, resulting in net cash inflow from operating activities.						
(2) Investing activities: The Company's development of new products and product optimization will result in net cash outflows from investing activities.						
(3) Financing activities: There will be a net cash inflow from financing activities, mainly due to cash capital increase.						
2. Remedial measures for expected cash shortfalls and liquidity analysis: N/A						

IV. Effect of major capital expenditures on financial position and business performance in the most recent year

1. Sources and utilization of funds for major capital expenditures: None.
2. Impact on financial position and business performance: None.

V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year: None.

VI. Risk Management and Assessment

(I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

1. Interest rate changes

Unit: NT\$, in thousands

Year \ Item	2022		2023	
	Amount	as a percentage of net revenue	Amount	as a percentage of net revenue
Interest income	550	0.10%	1,113	0.20%
Interest expense	130	0.02%	4	0.00%

Source: Financial statements audited and certified by the accountants

The Company's interest income in 2022 and 2023 accounted for 0.10% and 0.20% of the net operating income, respectively. The Company's capital planning is based on the principle of being conservative and steady. Since interest income is mainly from bank deposits and accounts for a relatively low percentage of net operating income, it has little impact on the Company as a whole.

The Company's interest expenses accounted for 0.02% and 0.00% of net operating income in 2022 and 2023, respectively. The Company currently does not have any loans from financial institutions, so fluctuations in market interest rates do not have a significant impact on the Company.

2. Exchange rate fluctuations

Unit: NT\$, in thousands

Year \ Item	2022		2023	
	Amount	as a percentage of net revenue	Amount	as a percentage of net revenue
Operating revenue	532,279	100.00%	553,523	100.00%
Exchange gain (loss)	2,424	0.46%	(2,427)	(0.44)%
Net profit (loss) before tax	187,470	35.22%	139,199	25.15%

Source: Financial statements audited and certified by the accountants

A. The Company's exchange gains (losses) accounted for 0.46% and (0.44)% of the net operating income in 2022 and 2023, respectively. The exchange gains (losses) were mainly caused by fluctuations in the USD exchange rate. Exchange gains (losses) accounted for a minuscule percentage of net operating income, so exchange rate

fluctuations do not have a significant impact on the Company.

- B. The Company keeps track of international exchange rate fluctuations to avoid the risk, and maintains close contact with banks to fully understand international exchange rate trends and information. The Company actively controls the net position of foreign currency assets and liabilities, and converts foreign currency positions into NTD when appropriate, in order to reduce potential exchange risks.

3. Inflation

The Company has not been significantly affected by inflation. The Company maintains close and good relationships with suppliers and customers, and also pays close attention to the price fluctuations of raw materials, making timely adjustments to procurement strategies and sales prices, so as to mitigate the impact of inflation.

- (II) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

1. The Company does not engage in high-risk, high-financial-leverage investments, in order to manage its financial risks. The Company has formulated internal management regulations and operating procedures, including the "Procedures for Extending Loans to Others," "Procedures for the Acquisition or Disposal of Assets," and "Endorsement and Guarantee Regulations," based on sound finances and operations in accordance with the law to manage and control transaction risks.
2. The Company's financial operations are based on the principles of being conservative and steady. The Company has not engaged in any high-risk, high-leverage investments, extended loans to others, provided endorsements or guarantees, or traded and derivatives in the past year and up to the date of report in 2024.

- (III) Future R&D projects and expected R&D expenses

1. Future R&D projects

TSC aims to be a professional manufacturer of semiconductor special gas and chemical materials and a key material supplier for the fabrication of the high-tech electronic commodities with our product quality specification linking up to global standards. With such objectives, TSC makes an effort to expand our product portfolio and develop products centered around the key process materials for thin film deposition, doping, special chemicals, etching, process clearing, and special substrates of semiconductor process applications. At the same time, TSC endeavors to enhance the competitiveness of such high-threshold core technologies as a special gas manufacturer and the product values to become a world-class professional manufacturer of precision raw materials for semiconductor manufacturing, as well as to fill up the lack of upstream raw material supply and complete the semiconductor industry chain in Taiwan.

TSC's current R&D plan is to develop and establish a chlorosilanes production process for synthesizing and producing monochlorosilane and dichlorosilane, which could be commercialized as special gas materials for semiconductor deposition processes, and/or the products could also be applied as raw materials for producing advanced silicon-based precursor materials and their derivatives that are adopted in the high and low dielectric thin film deposition process.

TSC also plans to develop special gases and chemicals as well as their derivated material products for the etching processes of semiconductor manufacture.

2. Expected R&D expenses

The R&D expenses invested by the Company are gradually allocated according to the progress of new process technology and product development planned. To maintain and enhance the competitiveness of technologies and products, the Company will continue to invest manpower and material resources in the development of new process technologies and products. R&D expenses are expected to remain at the current level, and will be adjusted based on product process development needs.

(IV) The effect of changes in important domestic and foreign policies and laws on the Company's financial position and business operations, and response measures

There have been no changes to major policies and laws in Taiwan and overseas that impacted the Company's financial position and business performance in the most recent year and up to the date of report. The Company's operations are in compliance with domestic and foreign laws and regulations. The Company monitors trends in domestic and foreign policies, as well as regulatory changes, and collects information for management to reference when making decisions. We also consult professionals to fully understand and respond to changes in the market environment, and make timely adjustments to our business strategies.

(V) The impacts of technology changes (including information security risks) and industry changes on the Company's financial position and business performance, and response measures

The Company pays attention to developments in semiconductor technologies, and communicates and understands changes in customer needs and industry supply and demand, in order to grasp market trends and maintain market competitiveness. Due to the continued advancement of technology, the Company also faces information security threats, and the Information Center coordinates and implements information security policies, propagates information on information security, and raises employees' information security awareness in response to the threats. The Company's financial position and business performance have not been impacted by any technology changes (including information security risks) and industry changes in the most recent year and up to the date of report.

(VI) Impact of corporate image change on risk management and response measures

The Company has always adhered to the principles of integrity, pragmatism, and

innovation, and complies with various laws and regulations. As of the date of report, the Company has not had any changes in corporate image that required crisis management.

(VII) Expected benefits and potential risks of merger and acquisition and response measures

The Company did not engage in any merger and acquisition plans in the most recent year and up to the date of report. However, the Company will conduct cost-effectiveness assessments and avoid potential risks of strategic investments or vertical integration or even horizontal integration in the future.

(VIII) Expected benefits and potential risks of capacity expansion and response measures

The Company has no specific plans to expand its factory in the most recent year and up to the date of report. If there are any factory expansion plans in the future, the Company will implement it and make an announcement in accordance with relevant laws and regulations.

(IX) Risks associated with over-concentration in purchase or sale and response measures

1. Risks associated with over-concentration in purchase and response measures:

The Company's purchase amount from the largest supplier accounted for 63.93% and 53.64% of the total purchase amount in 2022 and 2023, respectively. To reduce the risk of over-concentration in purchase, the Company has gradually introduced a second supplier to reduce operational risks. In addition, the Company has established stable relationships with its suppliers over a long period of time to reduce the risk of over-concentration in purchase. Therefore, the risk of over-concentration in purchase is limited.

2. Risks associated with over-concentration in sale and response measures

The Company's products are used in the chemical vapor deposition process of the semiconductor industry to produce a variety of silicon compound films through diffusion reactions, the proportion of sales to the largest customer in 2022 and 2023 accounted for 60.27% and 59.63% of the overall net sales, respectively. Although sales are concentrated, major customers have high requirements for technical level and supply stability, requiring close cooperation with suppliers in development and material supply. The Company is actively developing new customers to reduce the risk of sales concentration.

(X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures:

The Company's directors, supervisors, and major shareholders with more than 10% shares did not make any large share transfers in the most recent year and up to the date of report.

(XI) The effect of changes in management right on the Company, risks, and response measures:

There were no changes in management right in the most recent year and up to the date

of report.

(XII) Litigation or non-litigation events

1. Litigation, non-litigation, or administrative events in the past two years and up to the date of report that have been determined by verdict of a court or are still pending, the results of which may have a significant impact on shareholders' equity or stock prices, and the facts in dispute, the amount of the subject matter, date of commencement of litigation, main parties involved in litigation, and current handling situation: N/A.
2. Events in which the Company's directors, supervisors, presidents, substantial persons-in-charge, major shareholders holding more than 10% of shares, or subordinate companies are involved that have been determined by verdict of the court or are still pending in a major litigation, non-litigation, or administrative litigation in the past two years and up to the date of report, the outcome of which may have a significant impact on the Company's shareholders' equity or stock prices: None.
3. The company's directors, supervisors, managers and major shareholders holding more than 10% of shares with the circumstances specified in Article 157 of the Securities and Exchange Act in the past two years and up to the date of report, and how the company has handled the situation: None.

(XIII) Other important risks: None.

VII. Other important matters: N/A.

H. Special notes

I. Information on affiliated enterprises:

(I) Consolidated business report: N/A.

(II) Consolidated financial statements of affiliated enterprises: N/A.

(III) Affiliation Report: Please refer to Appendix II of the annual report.

II. Private placement of securities in the most recent year and up to the date of report: N/A.

III. Holding or disposal of the Company's shares by subsidiaries in the past year and up to the date of report: N/A.

IV. Other supplemental information: N/A.

V. Matters, if any, that may affect shareholders' equity or stock prices specified in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and up to the date of report: None.

Appendix 1 2023 Financial Statements and Independent Auditor's Report

Independent Auditors' Report

To the Board of Directors of Taiwan Speciality Chemicals Corporation:

Opinion

We have audited the financial statements of Taiwan Speciality Chemicals Corporation (“the Company”), which comprise the balance sheets as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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. Based on our judgment, the key audit matters that should be disclosed in this audit report are as follows:

Revenue recognition

Please refer to note 4(12) for accounting policy and note 6(16) “Revenue from contracts with customers” of the financial statements for further information.

Description of key audit matter:

The Company's major revenues are the sales of Precision Chemical materials. Revenue recognition is also dependent on whether the specified sales terms in each individual contract are met. Base on different contracts to assess whether the timing of revenue recognition was depending on the trade term agreed with the customer is complicated, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of revenue recognition policies and assessing whether revenue recognition policies are appropriate based on sales terms and revenue recognition criteria; understanding the design and process of implementation of internal controls and testing operating effectiveness; testing sales cut-off, on a sample basis, for transactions incurred within a certain period before or after the balance sheet date by reviewing related sales terms, inspecting delivery documents, and other related supporting document to evaluate whether the revenue was recorded in the proper period.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are An-Chih Cheng and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
February 19, 2024

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
Taiwan Speciality Chemicals Corporation

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2023</u>		<u>December 31, 2022</u>	
		Amount	%	Amount	%
Assets					
Current assets:					
1100	Cash and cash equivalents (note 6(1))	\$ 154,700	8	114,600	7
1170	Notes and accounts receivable, net (note 6(2))	120,612	7	71,716	4
1210	Other receivable—related parties (note 7)	141	-	138	-
130X	Inventories (note 6(3))	138,682	8	165,963	9
1479	Other current assets (note 6(7))	6,787	-	2,761	-
		<u>420,992</u>	<u>23</u>	<u>355,178</u>	<u>20</u>
Non-current assets:					
1600	Property, plant and equipment (notes 6(4) and 8)	1,376,941	75	1,419,447	79
1755	Right-of-use assets (note 6(5))	110	-	299	-
1780	Intangible assets (note 6(6))	1,195	-	981	-
1840	Deferred tax assets (note 6(13))	36,958	2	20,504	1
1990	Other non-current assets (note 6(7))	4,419	-	4,419	-
		<u>1,419,353</u>	<u>77</u>	<u>1,445,650</u>	<u>80</u>
Total assets		<u>\$ 1,840,345</u>	<u>100</u>	<u>1,800,828</u>	<u>100</u>
Liabilities and Equity					
Current liabilities:					
2170	Accounts payable	\$ 21,558	1	13,775	1
2201	Payroll and bonus payable	16,682	1	19,443	1
2220	Other payable—related parties (note 7)	42	-	276	-
2300	Other current liabilities (notes 6(10) and (11))	45,285	3	72,038	4
		<u>83,567</u>	<u>5</u>	<u>105,532</u>	<u>6</u>
Non-Current liabilities:					
2600	Other non-current liabilities (notes 6(10) and (11))	196	-	366	-
		<u>196</u>	<u>-</u>	<u>366</u>	<u>-</u>
Total liabilities		<u>83,763</u>	<u>5</u>	<u>105,898</u>	<u>6</u>
Equity (note 6(14)):					
3110	Ordinary shares	1,382,366	75	1,382,366	77
3350	Retained earnings	374,216	20	312,564	17
Total equity		<u>1,756,582</u>	<u>95</u>	<u>1,694,930</u>	<u>94</u>
Total liabilities and equity		<u>\$ 1,840,345</u>	<u>100</u>	<u>1,800,828</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
Taiwan Speciality Chemicals Corporation

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings PerShare)

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (note 6(16))	\$ 553,523	100	532,279	100
5000	Operating costs (notes 6(3), (4) and (12))	343,290	62	268,412	50
	Gross profit from operations	<u>210,233</u>	<u>38</u>	<u>263,867</u>	<u>50</u>
	Operating expenses (notes 6(4), (5), (6), (11), (12) and 7):				
6100	Selling expenses	14,295	3	14,069	3
6200	Administrative expenses	39,826	7	42,965	8
6300	Research and development expenses	18,314	3	26,185	5
		<u>72,435</u>	<u>13</u>	<u>83,219</u>	<u>16</u>
	Net operating income	<u>137,798</u>	<u>25</u>	<u>180,648</u>	<u>34</u>
	Non-operating income and expenses:				
7100	Interest income (note 6(18))	1,113	-	550	-
7010	Other income (notes 6(18) and 7)	2,787	1	8,097	1
7020	Other gains and losses (notes 6(4) and (18))	(2,495)	(1)	(1,695)	-
7050	Finance costs (notes 6(11) and (18))	(4)	-	(130)	-
		<u>1,401</u>	<u>-</u>	<u>6,822</u>	<u>1</u>
	Income before income tax	139,199	25	187,470	35
7950	Less: Income tax expenses (note 6(13))	(16,454)	(3)	(20,504)	(4)
	Net income	<u>155,653</u>	<u>28</u>	<u>207,974</u>	<u>39</u>
8300	Other comprehensive income	-	-	-	-
8500	Total comprehensive income	<u>\$ 155,653</u>	<u>28</u>	<u>207,974</u>	<u>39</u>
	Earnings per share (NT dollars) (note 6(15))				
9750	Basic earnings per share	<u>\$ 1.13</u>		<u>1.50</u>	
9850	Diluted earnings per share	<u>\$ 1.12</u>		<u>1.50</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
Taiwan Speciality Chemicals Corporation

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Total equity
	Ordinary shares	Legal reserve	Unappropriated retained earnings	Total retained earnings	
Balance at January 1, 2022	\$ 1,382,366	-	194,444	194,444	1,576,810
Net income for the year	-	-	207,974	207,974	207,974
Other comprehensive income for the year	-	-	-	-	-
Comprehensive income for the year	-	-	207,974	207,974	207,974
Appropriation and distribution of retained earnings:					
Legal reserve	-	19,445	(19,445)	-	-
Cash dividends of ordinary shares	-	-	(89,854)	(89,854)	(89,854)
Balance at December 31, 2022	1,382,366	19,445	293,119	312,564	1,694,930
Net income for the year	-	-	155,653	155,653	155,653
Other comprehensive income for the year	-	-	-	-	-
Comprehensive income for the year	-	-	155,653	155,653	155,653
Appropriation and distribution of retained earnings:					
Legal reserve	-	20,797	(20,797)	-	-
Cash dividends of ordinary shares	-	-	(94,001)	(94,001)	(94,001)
Balance at December 31, 2023	\$ 1,382,366	40,242	333,974	374,216	1,756,582

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
Taiwan Speciality Chemicals Corporation

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 139,199	187,470
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	119,099	143,980
Amortization expenses	266	106
Interest expenses	4	130
Interest income	(1,113)	(550)
Gain on disposal of property, plant and equipment	68	2,740
Recognition (reversal) of write-down of inventory	(428)	(60)
Recognition of impairment losses on non-financial assets	(20)	(9,856)
Total adjustments	117,876	136,490
Changes in operating assets and liabilities:		
Notes and accounts receivable	(48,896)	(598)
Other receivable—related parties	(3)	312
Inventories	27,709	(31,156)
Other operating assets	(4,026)	(424)
Accounts payable	7,783	2,872
Other payable—related parties	(234)	163
Other current liabilities	(5,880)	5,487
Total changes in operating assets and liabilities	(23,547)	(23,344)
Total adjustments	94,329	113,146
Cash inflow generated from operations	233,528	300,616
Interest received	1,113	550
Interest paid	-	(130)
Net cash flows generated from operating activities	234,641	301,036
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(100,885)	(94,742)
Proceeds from disposal of property, plant and equipment	966	1,098
Decrease(increase) in refundable deposits	30	(239)
Acquisition of intangible assets	(330)	-
Net cash flows used in investing activities	(100,219)	(93,883)
Cash flows from financing activities:		
Repayments of long-term borrowings	-	(60,000)
Guarantee deposits refunded	(59)	(90)
Cash dividends paid	(94,001)	(89,854)
Repayment of the principal portion of lease liabilities	(192)	(393)
Net cash flows from (used in) financing activities	(94,252)	(150,337)
Net increase (decrease) in cash and cash equivalents	40,170	56,816
Cash and cash equivalents at beginning of period	114,600	57,784
Cash and cash equivalents at end of period	\$ 154,770	114,600

See accompanying notes to financial statements.

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

Taiwan Speciality Chemicals Corporation (the “Company”) in No.1, Zhangbin W. 3rd Rd., Xianxi Township, Changhua County 507, as a company limited by shares under the Company Act of the Republic of China (ROC) at March 27, 2013. The major business activities the sale and produce of Precision Chemical materials.

2. Approval date and procedures of the financial statements:

These financial statements were authorized for issuance by the Board of Directors on February 19, 2024.

3. New standards, amendments and interpretations adopted:

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from May 23, 2023:

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

- (2) The impact of IFRS issued by the FSC but not yet effective

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

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

- Amendments to IFRS16 “Leases Liability in a sale and Leaseback”

- (3) The IFRS Accounting Standards in issue but not yet endorsed by the FSC

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and Amendments to IFRS 17
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- Amendments to IAS 21 “Lack of Exchangeability”

4. Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (1) Statement of compliance

The financial statements have been prepared in accordance with the “ Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations).

- (2) Basis of preparation

A. Basis of measurement

The statements have been prepared on a historical cost basis.

B. Functional and presentation currency

The Company’s functional currency is the currency of the main economic environment in which it operates. The financial statements is presented in the Company’ s functional currency, New Taiwan Dollar. Except for those specifically indicated, All financial information presented in NT dollars is expressed in NT\$ thousand.

- (3) Foreign currencies

Foreign currency transactions

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

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

(4) Classification of current and non-current assets and liabilities

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

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

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

- A. It is expected to settle in its normal operating cycle; or
- B. It is held primarily for the purpose of trading; or
- C. It is due to be settled within twelve months after the reporting date; or
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

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

(6) Financial instruments

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost, Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Assess whether the contractual cash flow is entirely for the payment of the principal and interest on the outstanding principal amount

For the purpose of assessment, the principal is the fair value of the financial assets at the time of initial recognition. The interest consists of the following considerations: the time value of money, the credit risk associated with the amount of the outstanding principal in a specified period, and other basic loan risks and costs, and margin of profit.

To assess whether the contractual cash flow is entirely for the payment of the principal and interest on the outstanding principal amount, the Company considers the terms of the financial instrument contract, including assessing whether the financial asset contains a contractual term that changes the time point or amount of the contractual cash flow, resulting not meeting this condition. At the time of evaluation, the Company consider:

- Any contingency that would change the point or amount of the contractual cash flow;
- The terms that adjust the contractual coupon rate, including the characteristics of the variable interest rate;
- Early repayment and extension features; and
- The Company's claim is limited to terms derived from the cash flow of a particular asset (e.g. non-recourse characteristics).

(c) Impairment of financial assets

The Company recognizes the allowance for the expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable, refundable deposits and other financial assets, etc.) and contractual assets.

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

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- Debt securities that are determined to have low credit risk at the reporting date ; and
- The credit risk of other debt securities and bank deposits (i.e., the risk of default on the expected duration of the financial instruments) has not increased significantly since the initial recognition.

The allowance for receivables and contractual assets is measured at the amount of expected credit losses during the lifetime.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers the time deposit have low credit risk because the counterparty of the transaction and the performance of other parties are financial institutions above the investment grade.

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's

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financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

(d) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

(b) Equity instrument

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

(c) Financial liabilities

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

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

(d) Derecognition of financial liabilities

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

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

(e) Offsetting of financial assets and liabilities

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

(7) Inventories

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

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

(8) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent cost

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

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C. Depreciation

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

Land is not depreciated.

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

- (a) Buildings: 5 to 30 years
- (b) Machinery equipment, other equipment and leased asset: 2 to 10 years

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

(9) Lessee

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

A. As a lessee

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

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

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

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

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- (c) amounts expected to be payable under a residual value guarantee; and

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- (d) payments for purchase or termination options that are reasonably certain to be exercised.

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

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise an extension or termination option; or
- (e) there are any lease modifications

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

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

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

The Company has elected not to recognize right of use assets and lease liabilities for short term leases with a term of 12 months or less and leases of the low-value assets, mainly including some of machinery equipments and transportation equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(10) Intangible assets

A. Recognition and measurement

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

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B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives (3 to 5 years) of intangible assets, from the date that they are available for use.

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

(11) Impairment of non-financial assets

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

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

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

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

Impairment losses are recognized in profit or loss. And then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis

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

(12) Revenue from contracts with customers

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

A. Sale of goods- Precision Chemical materials

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

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

B. Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(13) Employee Benefits

A. Defined contribution plans

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

B. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. Liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(14) Income tax

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and

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liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized except for the following:

- A. Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- B. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- C. Taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

(15) Earnings per share

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

(16) Operating segment

An operating segment is a component of the Company that engages in business activities from which

TAIWAN SPECIALITY CHEMICALS CORPORATION

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it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing the company financial statements in conformity with the Regulations and the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C., the management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the company financial statements is as follows:

Impairment assessment of property, plant and equipment (including right-to-use assets)

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 50	100
Demand deposits	56,007	42,145
Time deposit	33,775	72,355
Repurchase bills	64,938	-
	\$ 154,770	114,600

Please refer to note 6(19) for the interest rate risk and sensitivity analysis of the Company financial assets and liabilities

(2) Notes and accounts receivable, net

	December 31, 2023	December 31, 2022
Notes receivable	\$ 2,264	751
Accounts receivable	118,348	70,965
	\$ 120,612	71,716

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As of December 31, 2023 and 2022, the Company applied the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

As of December 31, 2023 and 2022, the loss allowance provision of accounts receivable (including related parties) was determined as follows:

	December 31, 2023		
	Gross amount of accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ 120,612	0%	-
	December 31, 2022		
	Gross amount of accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ 71,716	0%	-

(3) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 3,717	4,575
Work in progress	2,057	6,264
Finished goods	98,088	148,474
Merchandises	34,820	6,650
	\$ 138,682	165,963

Components of operating costs were as follows:

	For the year ended December 31,	
	2023	2022
Cost of goods sold	\$ 226,257	167,690
Recognition (reversal) of provisions for inventory valuation gain	(428)	(60)
Impairment gain of property, plant and equipment (note 6 (5))	(20)	(9,856)
Unallocated fixed manufacturing expense	126,719	118,092
Other operating costs	(9,238)	(7,454)
	\$ 343,290	268,412

As of December 31, 2023 and 2022, the Company's inventories mentioned above were not pledged as collateral.

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

(4) Property, plant and equipment

The Company for the years ended December 31, 2023 and 2022, the movements of cost, depreciation and impairment of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Construction in progress and equipment under installation</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 797,910	440,404	1,088,026	67,864	2,394,204
Additions	-	33,582	12,764	31,072	77,418
Disposals	-	(2,282)	(241,492)	-	(243,774)
Reclassification	-	28,752	41,644	(70,396)	-
Balance at December 31, 2023	\$ 797,910	500,456	900,942	28,540	2,227,848
Balance at January 1, 2022	\$ 797,910	470,441	1,189,687	15,031	2,473,069
Additions	-	4,789	70,201	55,724	130,714
Disposals	-	(34,826)	(174,753)	-	(209,579)
Reclassification	-	-	2,891	(2,891)	-
Balance at December 31, 2022	\$ 797,910	440,404	1,088,026	67,864	2,394,204
Depreciation and impairment loss:					
Balance at January 1, 2023	\$ -	113,588	849,029	12,140	974,757
Depreciation for the year	-	19,421	99,489	-	118,910
Impairment loss	-	-	(20)	-	(20)
Disposals	-	(2,282)	(240,458)	-	(242,740)
Reclassification	-	-	12,140	(12,140)	-
Balance at December 31, 2023	\$ -	130,727	720,180	-	850,907
Balance at January 1, 2022	\$ -	123,354	911,265	12,140	1,046,759
Depreciation for the year	-	24,826	118,769	-	143,595
Impairment loss	-	-	(9,856)	-	(9,856)
Disposals	-	(34,592)	(171,149)	-	(205,741)
Balance at December 31, 2022	\$ -	113,588	849,029	12,140	974,757
Carrying amounts:					
Balance at December 31, 2023	\$ 797,910	369,729	180,762	28,540	1,376,941
Balance at January 1, 2022	\$ 797,910	347,087	278,422	2,891	1,426,310
Balance at December 31, 2022	\$ 797,910	326,816	238,997	55,724	1,419,447

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Notes to the Financial Statements

The Company recognized an impairment loss of some machinery amounting to \$20 thousand and \$9,856 thousand for the years ended December 31, 2023 and 2022, where were recognized as cost of sales, due to changes in production technology.

As of December 31, 2023 and 2022, the property, plant and equipment of the Company had been pledged as collateral for long-term and short-term loans and credit lines. Please refer to note 8.

(5) Right-of-use assets

The Company leased transportation equipment. Information about leases for which the company as a lessee was presented below:

	Trasportation equipment
Cost:	
Balance at January 1, 2023	\$ 1,157
Disposals	(591)
Balance at December 31, 2023	<u>\$ 566</u>
Balance at December 31, 2022 (as of Balance at January 1, 2022)	<u>\$ 1,157</u>
Accumulated depreciation:	
Balance at January 1, 2023	\$ 858
Depreciation	189
Disposals	(591)
Balance at December 31, 2023	<u>\$ 456</u>
Balance at January 1, 2022	\$ 473
Depreciation	385
Balance at December 31, 2022	<u>\$ 858</u>
Carrying amount:	
Balance at December 31, 2023	<u>\$ 110</u>
Balance at January 1, 2022	<u>\$ 684</u>
Balance at December 31, 2022	<u>\$ 299</u>

Please refer to note 6(11) for lease liabilities related to right-of-use assets.

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Notes to the Financial Statements

(6) Intangible assets

The Company's intangible assets is computer software. For the years ended December 31, 2023 and 2022, the cost and amortization of the intangible assets of the Company were as follows:

	Computer software
Cost:	
Balance at January 1, 2023	\$ 1,408
Additions	480
Disposal	(378)
Balance at December 31, 2023	<u>\$ 1,510</u>
Balance at January 1, 2022	\$ 539
Additions	939
Disposal	(70)
Balance at December 31, 2022	<u>\$ 1,408</u>
Amortization:	
Balance at January 1, 2023	\$ 427
Amortization	266
Disposal	(378)
Balance at December 31, 2023	<u>\$ 315</u>
Balance at January 1, 2022	\$ 391
Amortization	106
Disposal	(70)
Balance at December 31, 2022	<u>\$ 427</u>
Carrying amounts:	
Balance at December 31, 2023	<u>\$ 1,195</u>
Balance at January 1, 2022	<u>\$ 148</u>
Balance at December 31, 2022	<u>\$ 981</u>

For the years ended December 31, 2023 and 2022, the amortization expenses of intangibles assets were \$266 thousand and \$106 thousand, respectively, recognized in the statements of comprehensive income.

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

(7) Other current and non-current assets

	December 31, 2023	December 31, 2022
Prepaid equipment	\$ 3,115	824
Prepaid expense	5,120	1,009
Prepaid insurance	1,504	1,263
Prepaid construction	-	2,532
Others	1,197	1,552
	\$ 10,936	7,180
Other current assets	\$ 6,787	2,761
Other non-current assets	4,149	4,419
	\$ 10,936	7,180

(8) Short-term borrowings

There is no short-term borrowings for the Company. The details of Unused credit lines were as follows:

	December 31, 2023	December 31, 2022
Unused credit lines	\$ 730,000	630,000

(9) Long-term borrowings

Collateral for loan

Please refer to Note 8 for details of the Company's guarantees for bank loans with land and buildings.

(10) Other current and non-current liabilities

	December 31, 2023	December 31, 2022
Equipment and project payable	\$ 26,446	50,003
Accrued expense	13,764	19,224
Others	5,271	3,177
	\$ 45,481	72,404
Other current liabilities	\$ 45,285	72,038
Other non-current liabilities	196	366
	\$ 45,481	72,404

(11) Lease liabilities

The carrying amounts of lease liabilities of the Company were as follows:

	December 31, 2023	December 31, 2022
Other current liabilities	\$ 112	189
Other non-current liabilities	\$ -	112

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

For the maturity analysis, please refer to note 6(19) “Financial instruments” .

The amounts recognized in profit or loss were as follows:

	For the year ended December 31,	
	2023	2022
Interest on lease liabilities	\$ 3	6
Expenses relating to short-term leases	\$ -	72
Expenses relating to leases of low value assets, excluding short term leases of low value asset	\$ 230	247

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

	For the year ended December 31,	
	2023	2022
Total cash outflow for leases	\$ 422	712

The lease period of the Company's leased transportation equipment is three years.

(12) Employee benefits

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

The pension costs incurred from contributions to the defined contribution plan were \$3,591 thousand and \$3,528 thousand for the years ended December 31, 2023 and 2022, respectively. Such contributions were made to the Bureau of the Labor Insurance, Ministry of Labor.

(13) Income tax

A. The components of income tax expenses (benefit) in 2023 and 2022 were as follows:

	For the year ended December 31,	
	2023	2022
Deferred tax benefit	\$ (16,454)	(20,504)

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

	For the year ended December 31,	
	2023	2022
Income before income tax	\$ 139,199	187,470
Income tax using the Company's domestic tax rate	\$ 27,840	37,494
Change in unrecognized temporary differences	(4,023)	(15,360)
Current-year losses for which no deferred tax asset was recognized	(37,794)	(42,645)
Other	(2,477)	7
Income tax expense	\$ (16,454)	(20,504)

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

B. Deferred tax assets and liabilities

The deferred tax assets have not been recognized

The deferred tax assets have not been recognized in respect of the following items:

	December 31, 2023	December 31, 2022
Carryforward of unused tax losses	\$ 109,706	147,500
Tax effect of deductible temporary differences	30,768	34,791
	\$ 140,474	182,291

According to the R.O.C. Income Tax Act, the previous 10 years' losses of the Company and its domestic subsidiaries as assessed by the tax authorities can offset the current year's net income for income tax purposes. The deferred tax assets have not been recognized in respect of these items because it is probable that future taxable profit will be available against which the Company can utilize the benefits there from.

As of December 31, 2023, the Company's unused operating loss carry forwards were as described below:

Year of loss	Unused tax losses	Expiry date
2017 (examined and assessed)	\$ 57,003	2027
2018 (examined and assessed)	298,769	2028
2019 (examined and assessed)	192,758	2029
	\$ 548,530	

Recognized deferred tax assets and liabilities:

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Deferred tax assets:							
Tax losses	\$ -	20,504	-	20,504	16,454	-	36,958

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

(14) Capital and other equity

A. Share capital

As of December 31, 2023 and 2022, the authorized common stock of the Company amounted to \$4,000,000 thousand, with a par value of \$10 per share, of which \$100,000 thousand was divided into 10,000 thousand shares reserved for employee stock options. The numbers of Company's ordinary shares outstanding for the years ended December 31, 2023 and 2022 were both 138,237 thousand shares.

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

B. Retained earnings

The Company's Article of Incorporation stipulates that Company is profitable for the year, after paying taxes and making up for accumulated losses, 10% is allocated as the legal reserve. However, no amount needs to be allocated when the legal reserve has reached the paid-in capital. After allocating or reversing the special reserve in accordance with the law or regulations of the competent authority, if necessary, if there is still any earnings remaining, it may be combined with undistributed earnings in the previous year and the Board of Directors may prepare an earnings distribution proposal. Where earnings are distributed in cash, the Board of Directors is authorized to distribute all or a part of the earnings in cash by adopting a resolution approved by the majority of directors in a board meeting with two thirds or more of all directors in attendance in accordance with Article 240, Paragraph 5 of the Company Act, and the distribution shall be reported to the shareholders' meeting. Where the dividends are distributed by issuing new shares, it shall be submitted to the shareholders' meeting for resolution before being distributed. The Company's dividend policy will be in line with business development and expansion in the future. The distribution of earnings must take into account the Company's future capital expenditure budget and funding needs. After allocating legal reserve and special reserve from earnings each year, no less than 50% of distributable earnings shall be distributed as dividends to shareholders. However, if the net profit, after deducting the legal reserve and special reserve, is less than 5% of paid-in capital, the Company may choose to not distribute dividends. Dividends may be distributed to shareholders in cash or stock, in which cash dividends may not be lower than 50% of all dividends.

Regarding the cumulative net amount of other deductions from equity, allocate an amount of special reserve equal to the amount allocated from the undistributed earnings from the preceding period. If an insufficiency remains, allocate it from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

In accordance with Article 241 of the Company Act, the Company may distribute its legal reserve and capital reserve, in whole or in part, by issuing new shares or in cash, with both methods being proportional to the existing shareholders' respective shareholdings. When opting for cash distribution, the Company shall proceed only after the Board is authorized by adopting a resolution approved by the majority of directors at a Board meeting where two-thirds or more of all directors are present. Additionally, the cash distribution shall be reported to the shareholders' meeting; Where the dividends are distributed by issuing new shares, it shall be submitted to the shareholders' meeting for resolution before being distributed.

On February 19, 2024 the earnings distribution proposal for the year of 2023 was approved by the Board of Directors of the Company. The Company on May 12, 2023, the general meeting of shareholders resolved the amount of cash dividends for the 2022 profit distribution. The amount of dividends distributed to owners is as follows:

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

	For the year ended December 31,			
	2023		2022	
	Allotment rate (NT dollar)	Amount	Allotment rate (NT dollar)	Amount
Dividends distributed to ordinary shareholder:				
Cash dividends	\$ 1.00	138,237	0.68	94,001

(15) Earnings per share

The Company's basic earnings per share are calculated as follows:

	For the year ended December 31,	
	2023	2022
Basic earnings per share		
Net Income attributable to the owner of the Company	\$ 155,653	207,974
Weighted average number of ordinary shares outstanding during the year (in thousands of shares)	138,237	138,237
Basic earnings per share (NT dollars)	\$ 1.13	1.50
	For the year ended December 31,	
	2023	2022
Diluted earnings per share		
Net Income attributable to the owner of the Company	\$ 155,653	207,974
Weighted average number of ordinary shares outstanding during the year (in thousands of shares) (basic)	138,237	138,237
Effect of dilutive potential ordinary shares:		
— Effect of employee stock remuneration	476	557
Weighted average number of ordinary shares outstanding (in thousands of shares)	138,713	138,794
Diluted earnings per share (NT dollars)	\$ 1.12	1.50

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

(16) Revenue from contracts with customers

	For the year ended December 31,	
	2023	2022
Primary geographical markets:		
Taiwan	\$ 408,392	431,479
Asia-other	117,145	93,864
America	23,272	5,753
Northeast Asia (Japan and Korea)	4,714	1,183
Total	\$ 553,523	532,279
Major product categories		
Precision Chemical materials	\$ 553,523	532,279
Total	\$ 553,523	532,279

For details on trade receivables and allowance for impairment, please refer to note 6(2).

(17) Remuneration to employees, directors and supervisors

In accordance with the articles of incorporation the Company should contribute no less than 1% of the profit as employee remuneration and no more than 1% as directors and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$5,070 thousand and \$6,830 thousand, respectively, and directors' and supervisors' remuneration amounting to \$720 thousand and \$970 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. If there is any change on the actual amount incurred and estimated amount, this shall be accounted for change in accounting estimates and recognized as profit or loss in the following year. There is no significant difference between the above-mentioned amount of remuneration for employees, directors and supervisors distributed by the resolution of the board of directors and the estimated amount in the company's financial report for the years ended December 31, 2022. The numbers of shares to be distributed for 2023 and 2022 were calculated based on the net worth financial statement of the previous year.

On June 17, 2022, the Company set up an audit committee in accordance with the Securities and Exchange Act, and no longer set up supervisors in accordance .

Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for the years ended December 31, 2023 and 2022

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

(18) Non-operating income and expenses

A. Interest income

For the year ended December 31,

2023 2022

Interest income	\$ 1,113	550
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B. Other revenue

For the year ended December 31,

2023 2022

Rent revenue	\$ 1,773	1,751
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Miscellaneous Income	882	6,346
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Revenue from sale of scraps	132	-
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	<u>\$ 2,787</u>	<u>8,097</u>
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C. Other gains and losses

For the year ended December 31,

2023 2022

Gains(losses) on disposal of property, plant and	\$ (68)	(2,740)
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Foreign exchange gains (losses)	(2,427)	2,424
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Others	-	(1,379)
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	<u>\$ (2,495)</u>	<u>(1,695)</u>
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D. Finance costs

For the year ended December 31,

2023 2022

Interest expenses on lease liabilities	\$ 3	6
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Interest expenses on bank loans	-	124
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Others	1	-
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	<u>\$ 4</u>	<u>130</u>
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TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

(19) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The main customers of the Company are from the silicon wafer and related industries. The Company generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of December 31, 2022 and 2021, 76% and 68%, respectively of the Company's accounts receivable (including related parties) were from the 2 customers. Although there is a potential for concentration of credit risk, the Company routinely assesses the collectability of the accounts receivable and makes a corresponding allowance for doubtful accounts.

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2023							
Non-derivative financial liabilities							
Accounts payable	\$ 21,558	(21,558)	(21,558)	-	-	-	-
Accrued payroll and bonus	16,682	(16,682)	(16,682)	-	-	-	-
Other accounts payable (including related parties)	42	(42)	(42)	-	-	-	-
Other accrued expense (other current liabilities)	40,210	(40,210)	(40,210)	-	-	-	-
Current lease liabilities	112	(112)	(96)	(16)	-	-	-
Guarantee deposits received (other current liabilities)	196	(196)	-	-	(196)	-	-
Accrued remuneration of directors and supervisors (other current liabilities)	2,630	(2,630)	(2,630)	-	-	-	-
	<u>\$ 81,430</u>	<u>(81,430)</u>	<u>(81,218)</u>	<u>(16)</u>	<u>(196)</u>	<u>-</u>	<u>-</u>
December 31, 2022							
Non-derivative financial liabilities							
Accounts payable	\$ 13,775	(13,775)	(13,775)	-	-	-	-
Accrued payroll and bonus	19,443	(19,443)	(19,443)	-	-	-	-

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years	Over 5 years
Other accounts payable (including related parties)	276	(276)	(276)	-	-	-	-
Other accrued expense (other current liabilities)	69,227	(69,227)	(69,227)	-	-	-	-
Current and noncurrent lease liabilities	301	(304)	(96)	(96)	(112)	-	-
Guarantee deposits received (other current liabilities)	255	(255)	-	-	(255)	-	-
Accrued remuneration of directors and supervisors (other current liabilities)	1,900	(1,900)	(1,900)	-	-	-	-
	\$ 105,177	(105,180)	(104,717)	(96)	(367)	-	-

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

C. Currency risk

(a) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 3,534	30.705	108,511	875	30.710	26,871
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	548	30.705	16,826	319	30.710	9,796

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and other accounts receivable those are denominated in foreign currency. A weakening (strengthening) of 5% of the NTD against the USD, as of December 31, 2023 and 2022, would have increased or decreased the net income before income tax by \$4,584 thousand and \$854 thousand, respectively. The analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

(c) Foreign exchange gain and losses on monetary exchange

The exchange rate information and the exchange gain or loss (including realized and unrealized) of the Company's monetary items converted into functional currency (i.e. the Company's expression currency) were as follows:

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

	For the year ended December 31,			
	2023		2022	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	\$ 2,427	31.1773	(2,424)	29.8489

D. Interest rate analysis

Please refer to the notes on liquidity risk management for interest rate exposure of the Company's financial assets and financial liabilities.

As of December 31, 2023 and 2022, the Company adopts cash and equivalent cash and long-term Term loan. If the interest rate had increased or decreased by 0.25%, the Company's net income before income tax would have decreased or increased by \$140 thousand and 105 thousand, for the years ended December 31, 2023 and 2022, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's bank deposits and borrowings with variable rates.

E. Fair value of financial instruments

(a) Fair value hierarchy

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

	Carrying amount	December 31, 2023			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial assets measured at					
amortized cost					
Cash and cash equivalents	\$ 154,770	-	-	-	-
Net notes and accounts receivable	120,612	-	-	-	-
Other accounts receivable (including related parties)	141	-	-	-	-
	\$ 275,523	-	-	-	-
Financial liabilities measured					
with amortized costs					
Accounts payable	\$ 21,558	-	-	-	-
Accrued payroll and bonus	16,682	-	-	-	-
Other accounts payable (including related parties)	42	-	-	-	-
Other accrued expense (other current liabilities)	40,210	-	-	-	-
Lease liabilities-current and noncurrent	112	-	-	-	-
Accrued remuneration of directors and supervisors (other current liabilities)	2,630	-	-	-	-
	\$ 81,234	-	-	-	-

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

	December 31, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 114,600	-	-	-	-
Net notes and accounts receivable	71,716	-	-	-	-
Other accounts receivable (including related parties)	138	-	-	-	-
	\$ 186,454	-	-	-	-
Financial liabilities measured with amortized costs					
Accounts payable	\$ 13,775	-	-	-	-
Accrued payroll and bonus	19,443	-	-	-	-
Other accounts payable (including related parties)	276	-	-	-	-
Other accrued expense (other current liabilities)	69,227	-	-	-	-
Lease liabilities-current and noncurrent	301	-	-	-	-
Accrued remuneration of directors and supervisors (other current liabilities)	1,900	-	-	-	-
	\$ 104,922	-	-	-	-

(b) Valuation technique of fair value of financial instruments that are not measured at fair value

Fair value measurement for financial assets and financial liabilities measured at amortized cost will be based on the latest quoted price and agreed-upon price if these prices are available in active markets. When market value is unavailable, the fair value of financial assets and financial liabilities is evaluated based on the discounted cash flow of the financial liabilities.

There are no transfers between fair value tiers in December 31, 2023 and 2022.

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

(20) Financial risk management

A. Overview

The financial instrument that the Company is using is exposed to the following risks:

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

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks.

B. Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company adopts a comprehensive risk management and control system to identify all risks of the Company, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's market risk management objectives are to achieve optimal risk parts, maintain appropriate liquidity parts, and centrally manage all market risks under due consideration of the economic environment, competition conditions, and market value risks.

The Board of Directors has overall responsibility for supervise the Company adopts a comprehensive risk management and control system. The Company's financial accounting department provides services to various businesses and conducts financial market operations. Important financial activities are reviewed after review by the board of directors. During the implementation of the financial plan, the Company must obey the relevant financial risk management and division of powers and responsibilities. Financial operation procedures.

C. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities, please refer to note 6(19).

D. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

E. Market risk

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

(a) Currency risk

Some of the Company's transactions are based on USD and RMB, so it is revealed to non-functional currency. The Company adopts a natural risk avoidance strategy for the exchange rate risk arising from the denominated transactions.

(b) Interest risk

Interest rate risk refers to the risk of changes in the fair value of financial instruments due to changes in market interest rates, or the risk of changes in the cash flow of financial instruments caused by changes in market interest rates. The risk of interest rate exposure of financial assets and financial liabilities of the Company is described in the liquidity risk management of this note.

(21) Capital management

The Company's capital management goal is to protect the ability to going concern, to continue to provide shareholder remuneration and other stakeholders' interests, and to maintain an optimal capital structure to reduce capital costs.

In order to maintain or adjust the capital structure, the company may adjust the dividends paid to shareholders, reduce capital and return shareholders' shares, issue new shares or sell assets to pay off liabilities.

The Company is the same as its peers, which controls capital on the basis of the debt to equity ratios. The ratio is calculated as net debt divided by total equity. Net debt is the total liabilities shown in the balance sheet minus cash and cash equivalents. Total equity is all components of equity (including share capital, capital surplus, retained earnings and other equity interests).

The Company's debt to equity ratios at the end of the reporting periods were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 83,763	105,898
Less: cash and cash equivalents	(154,770)	(114,600)
Net debts	<u>\$ (71,007)</u>	<u>(8,702)</u>
Total equity	<u>\$ 1,756,582</u>	<u>1,694,930</u>
Debt-to-equity ratio	<u>-</u>	<u>-</u>

Decrease in debt-to-equity ratio as of December 31, 2022 due to the decrease in equipment and project payable.

(22) Cash flow information

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Others	December 31, 2023
Guarantee deposits received	\$ 255	(59)	-	196
Current and noncurrent lease liabilities	301	(192)	3	112
Total liabilities from financing activities	\$ 556	(251)	3	308

	January 1, 2022	Cash flows	Others	December 31, 2022
Long-term borrowings	\$ 60,000	(60,000)	-	-
Guarantee deposits received	345	(90)	-	255
Current and noncurrent lease liabilities	688	(393)	6	301
Total liabilities from financing activities	\$ 61,033	(60,483)	6	596

7. Related-party transactions:

(1) Parent company and ultimate controlling company

Sino-American Silicon Product Inc. ("SAS") is both the parent company and the ultimate controlling the Company. As of December 31, 2023, it owns 30.09% of all shares outstanding of the Company and has issued the consolidated financial statements available for public use.

(2) Names and relationship with related parties

The followings are entities that have had transactions with the Company during the periods covered in the financial statements:

Name of related party	Relationship with the Company
Sino-American Silicon Products Inc. ("SAS")	The parent company
Sunrise PV Four Co., Ltd. (Sunrise PV Four)	SAS's subsidiary
GlobalWafers Co., Ltd ("GWC")	SAS's subsidiary

(3) Significant transactions with related parties

A. Lease

The Company has entered into a factory car park and roof lease contract with related parties, and the details of the rent revenue are as follows:

Categories	For the year ended December 31,	
	2023	2022
Other related parties- (Sunrise PV Four)	\$ 1,085	1,050

The Company leased the factory to (Sunrise PV Four). As of December 31, 2023 and 2022, the

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

rent receivables (other accounts receivable (including related parties)) are \$141 thousand and \$138 thousand, respectively.

B. Others

(a) The related parties charged the Company for their services, including administrative assistance, technical service, legal work appointment, and plant lease, etc. Details of related other expenses and payables to related parties were as follows:

Categories	For the year ended December 31,	
	2023	2022
Parent company	\$ 285	1,091
Other related parties- (GWC)	81	-
	\$ 366	1,091

Items	Categories	December 31, 2023	December 31, 2022
Other accounts payable (including related parties)	Parent company	\$ 42	276

(b) The Company provided other services for related parties, details of miscellaneous income and other related income are included are as follows:

Categories	For the year ended December 31,	
	2023	2022
Other related parties- (GWC)	\$ 22	-

(4) Key management personnel compensation

Key management personnel compensation comprised of:

	For the year ended December 31,	
	2023	2022
Short-term employee benefits	\$ 20,288	22,123
Post-employment benefits	915	890
	\$ 21,203	23,013

8. Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Purpose of pledge	December 31, 2023	December 31, 2022
Land	Long-term borrowings	\$ 797,910	797,910
Buildings	Long-term borrowings	292,067	310,073
		\$ 1,089,977	1,107,983

9. Commitments and contingencies:

The Company signed a number of equipment purchase contracts with manufacturers. As of December 31, 2023 and 2022, the contracted unpaid expense are \$10,165 thousand and \$42,836 thousand, respectively.

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

10. Losses Due to Major Disasters: None

11. Subsequent Events: None

12. Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows :

By item	By function	For the year ended December 31					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		40,230	30,340	70,570	44,344	35,588	79,932
Labor and health insurance		5,202	3,034	8,236	4,957	2,843	7,800
Pension		2,132	1,459	3,591	2,114	1,414	3,528
Remuneration of directors		-	2,785	2,785	-	1,888	1,888
Others		2,396	2,053	4,449	2,288	1,780	4,068
Depreciation		108,882	10,217	119,099	134,657	9,323	143,980
Amortization		-	266	266	-	106	106

As of December 31, 2023 and 2022, the number of employees in the company is 109 and 110, respectively, the number of non-part-time directors is 7 and 6, respectively.

13. Other disclosures:

(1) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- I. Trading in derivative instruments: None.

(2) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China): None.

(3) Information on investment in mainland China:

- A. The names of investees in Mainland China, the main businesses and products, and other information: None.
- B. Limitation on investment in Mainland China: None.
- C. Significant transactions: None.

14. Segment information:

(1) General information

The operating department of the company is only a single department, which is mainly engaged in the research, development and sales of precision chemical materials. In addition, the information of departmental profit and loss, departmental assets and departmental liabilities is consistent with the financial report. Please refer to the balance sheet and comprehensive income statement

(2) Products and services information

The Company's production and sales of fine precision chemical materials all come from external customers. For relevant information, please refer to Note 6 (16) of the revenue of the customer contract.

(3) Geographical information

- A. For the Company's revenue from external customers and the relevant customer contract revenue, please refer to note 6(16). Company revenue is classified based on the geographic location of the customer or the location of the agent's company registration, while non-current assets are classified based on the geographic location of the asset.

TAIWAN SPECIALITY CHEMICALS CORPORATION

Notes to the Financial Statements

B. Non-current assets:

Geographical information	December 31, 2023	December 31, 2022
Non-current assets:		
Taiwan	\$ 1,382,395	1,425,146

(4) Major Clients Information

The clients that accounted for 10% or more of the company's operating revenue as follow :

	For the year ended December 31,	
	2023	2022
Client A	\$ 309,707	320,819
Client E	110,817	71,051
Client B	6,081	58,753
	\$ 426,605	450,623

Appendix 2 2023 Affiliation Report

Statement

The Company's 2023 Affiliation Report (from January 1, 2023 to December 31, 2023) was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and there is no material discrepancy between the information disclosed in the Affiliation Report and the Notes to Financial Statements for the period above.

It is hereby declared

Taiwan Speciality Chemicals Corporation

Chairperson: Hsiu-Lan Hsu

February 19, 2024

Independent Auditors' Report on the Affiliation Report

To the Board of Directors of Taiwan Speciality Chemicals Corporation:

Taiwan Speciality Chemicals Corporation prepared the 2023 Affiliate Report pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" (hereafter "Criteria"); the financial information related to the Report has been reviewed by us against the information disclosed in the notes of the financial reports during the abovementioned period, with this review opinion issued pursuant to the Criteria.

We believe the information disclosed in the 2023 Affiliate Report of Taiwan Speciality Chemicals Corporation has no material inconsistency to the information disclosed in the notes of the financial reports during the abovementioned period, and no violation of the Criteria is found.

KPMG CPA

Accountants :

An-Chih Cheng

Yong-Hua Huang

Financial
supervision audit

No. 1060005191

Securities authority approved
and certified document No :

Financial
supervision audit

No. 1010004977

February 19, 2024

Taiwan Speciality Chemicals Corporation

Affiliation Report

2023

I. Overview of relationships between controlling and subsidiary companies

Unit: Shares

Name of controlling company	Reason for control	Status of the controlling company's share ownership and pledge			Status of director, supervisor, or manager designation by the controlling company	
		Number of shares held	Shareholding ratio	Number of shares pledged	Job Title	Name
Sino-American Silicon Products Inc.	Parent company with control over the Company	41,590,354	30.09%	0	Chairperson Director Director	Hsiu-Lan Hsu Tang-Liang Yao Chun-Cheng Yang

II. Transactions

The Company's transactions with the controlling company Sino-American Silicon Products Inc. are as follows:

(I) Purchase (sales) of goods: None.

(II) Property transactions: None.

(III) Financing arrangements: None.

(IV) Asset leasing: None.

(V) Other significant transactions:

Unit: NT\$, in thousands

Transactions with the controlling company			Comparison of the general terms of transactions with the terms of transactions with the controlling company
Title	Amount	Unsettled amounts are recorded as "Other accounts payable - Related parties"	
Others expenses	285	42	No significant deviation

III. Endorsements and guarantees: None.

Taiwan Speciality Chemicals Corporation

Chairperson Hsiu-Lan Hsu