



Stock Code: 4991

GCS Holdings, Inc.

2023 Annual Report

Publication date: April 8, 2024

Annual report inquiry website: <http://mops.twse.com.tw/>
<http://www.gcsincorp.com/>

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II. Board Director List

Title	Name	Title	Name	Nationality of independent director
Chairman	Huang, Ta-Lun	Independent Director	Tseng, Tsung-Lin	R.O.C.
Director	Unikorn Semiconductor Corporation Representative: Ann, Bau- Hsing)	Independent Director	Chao, Mei-Chun	R.O.C.
Director	Unikorn Semiconductor Corporation Representative: Su, Feng-Cheng)	Independent Director	Lin, Shang-Yi	R.O.C.
Director	Unikorn Semiconductor Corporation Representative: Lee, Tsun Chung)			

Please refer to pages 19-22 of this annual report for the main experiences of each director.

III. Address and telephone number of the Company

GCS Holdings, Inc.
Registered address: One Nexus Way, Camana Bay, Grand Cayman, KY1-9005, Cayman Islands
Tel.: (1) 310-5307274
Operational head office: Global Communication Semiconductors, LLC.
Address: 23155 Kashiwa Court, Torrance, California 90505, USA
Tel.: (1)310-5307274
Taiwan subsidiary: GCS Device Technologies, Co., Ltd.
Address: 7F-5, No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City
Tel.: (886)2-8228-0488
USA Subsidiary: D-Tech Optoelectronics, Inc.
Address: 18062 Rowland St., City of Industry, CA 91748 USA
Tel.: (1)626-269-1102
Taiwan Subsidiary: D-TECH Optoelectronics (Taiwan) Corporation
Address: 7F-5, No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City
Tel.: (886)2-8228-0488

IV. Name, address, telephone number, and website of the stock transfer agency:

Name: Stock Affairs Department of CTBC Bank
Address: 5F., No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City
Tel.: (886)2-6636-5566
Website: www.chinatrust.com.tw

V. Name, firm, address, telephone number, and website of the CPA attesting the most recent annual financial statements:

CPAs: Ms. Bai, Shu-Chian and Ms. Cheng, Ya-Huei
CPA Firm: PricewaterhouseCoopers Taiwan
Address: 27F, No. 333, Sec. 1, Keelung Road, Taipei City
Tel.: (886)2-2729-6666
Website: www.pwc.com

VI. The name of any exchanges where the Company's securities are listed offshore, and the method by which to access information on the offshore securities:

Global Depositary Receipts (GDR)
Trading venue: Luxembourg Stock Exchange
Website: www.bourse.lu/Accueil.jsp

VII. Company's website: <http://www.gcsincorp.com/>

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One. Letter to Shareholders

Dear shareholders:

The overall 2023 revenue for GCS Holdings, Inc. increased by approximately 1.26% compared to 2022, but decreased by about 3.12% when calculated in US dollars. By product category, revenue from orders for GaN (Gallium nitride) and BAW (bulk acoustic wave) filter processes grew in 2023. However, due to the overall market downturn, some customers reduced orders as demand slowed, resulting in a decrease of about 12% in revenue from RF wafer foundry services in 2023 compared to the previous year. In the optoelectronic wafer foundry segment, revenue decreased by approximately 20% in 2023 compared to the previous year, due to reduced production by major customers with poor financial conditions. Conversely, revenue from our own brand of optoelectronic components (KGD) increased by about 19% in 2023 compared to the previous year, mainly driven by increased demand for data center products from the second half of 2023 in response to related AI demand.

The source of GCS's operating income mainly comes from its production base, the 4-inch wafer fabrication foundry located in California, U.S.A. Due to limited capacity, the fabrication foundry has undergone strategic investment projects over the past few years and expanded the 6-inch wafer foundry capacity through the joint venture. To cope with the changes in international trade situations, GCS's investment distribution offers clients choices of production sites in different regions such as the U.S., China and Taiwan, in order to expand the business scale and strengthen corporate competitiveness. GCS started investing in Unikorn Semiconductor Corporation (Unikorn) since March 2019, namely sustaining the development of the strategic investment division. As of the end of 2023, our shareholding in Unikorn stands at 39.05%. The wafer foundry business of Unikorn includes optoelectronic, microwave, filtering components, and other products. Unikorn has made significant progress in upgrading capacity, processing improvement, and approaching new customers, as well as growth in sales revenue. However, due to market factors this year, the demand for consumer electronics products has slowed, resulting in reduced customer orders, delayed product development progress, and high expenses and costs, leading to continued losses for this period. Moreover, GCS started investing in ChangZhou ChemSemi Co., Ltd. (ChangZhou ChemSemi) in May 2020. To optimize financial structure and increase working capital, we sold part of our investment in ChangZhou ChemSemi in the fourth quarter of 2023. By the end of 2023, our shareholding in ChangZhou ChemSemi is 20.99%. ChangZhou ChemSemi is based on the wafer foundry business for consumer electronics products. Currently, the Company is committed to expanding its capacity to increase sales revenue, To support capacity expansion and new plants, ChangZhou ChemSemi continued to purchase equipment and increase personnel, significantly increasing related production costs and expenses. Although ChangZhou ChemSemi 's operating income has grown slightly compared to the previous year, order volumes have not yet reached an economic scale, resulting in continued operational losses for this year . GCS invested in Shanghai Galasemi Co., Ltd. (Shanghai Galasemi) in 2021. The purpose of this investment aimed to expand the production and sales of optoelectronic components. As of the end of 2023, our shareholding ratio is 48%.

GCS product array includes three categories: RF wafer foundry, optoelectronic wafer foundry, and KGD. Our company continues to collaborate with multiple customers on the research and development of advanced process technologies. In the area of RF wafer foundry services, in addition to revenue growth from advanced processes such as GaN and BAW filters, we are actively working with customers to secure production orders through successful validation. Looking ahead to 2024, our company will continue to develop next-generation GaN and BAW filter processes, targeting applications in base station infrastructure and the aerospace and defense industries. We will seek customer collaboration opportunities to expand our revenue. In the optoelectronic wafer

foundry segment, we will continue to research and develop related PIC (Photonic Integrated Circuits), VCSEL, GaAs LD, and InP laser projects, aiming to secure mass production orders. These technologies have applications in optical communications, healthcare, 3D sensing, and LIDAR. For our own brand of optoelectronic components, we will continue to develop high-margin, high-speed optical communication products and transmitter products. Additionally, we will implement cost optimization solutions to increase profitability, expand our customer base, and improve market share. In terms of KGD, GCS will continue to develop high-margin optical communication products and radiation products high in products and applied at high speed. GCS will also offer solutions for cost optimization to increase profits and source of customers, thereby expanding the market share.

With regards to finance, the GCS 2023 consolidated net operating revenue was TWD1,350,604 thousand, increase 1.26%, compared with TWD1,333,810 thousand in 2022. The 2023 gross profit was TWD237,259 thousand, down 24.66%, compared with TWD314,929 thousand in 2022. The 2023 operating loss was TWD 227,027 thousand, up 65.31%, compared with TWD137,333 thousand in 2022. The 2023 net loss attributed to the owners of the parent company was TWD792,236 thousand and the 2022 net loss attributed to the owners of the parent company was TWD 939,717 thousand, down 15.69%. The 2023 losses per share was TWD 7.18 and the 2022 losses per share was TWD8.53.

In recent years, factors such as the ongoing impact of the pandemic, inflation affecting consumer demand, and geopolitical issues have adversely impacted the global economy, slowing down the recovery progress in 2024. Although the overall economic environment continues to face numerous challenges and uncertainties, the outlook for the third-generation compound semiconductor application market is positive, providing potential growth momentum for the future. Despite facing operational losses, our company remains committed to developing new products and improving process technologies to enhance quality, yield, and production efficiency. We are implementing appropriate cost control measures and collaborating with strategically invested companies to secure customer orders, with the goals of expanding our customer base and increasing profitability. We aim to improve operational efficiency and appropriately evaluate and adjust our investment structure to reduce losses from these investments. Our ultimate objective is to continuously enhance our company's operational profitability and maximize shareholder value.

Chairman: Huang, Ta-Lun



Chief Executive Officer: Ann, Bau Hsing



Accounting Officer: Mark L. Raggio



Two. Company profile

I. Incorporation date and Group profile

GCS Holdings, Inc. (hereinafter referred to as “the Company”) was incorporated in the Cayman Islands on November 30, 2010 in response to the application for Emerging Stock listing and the first-time listing in Taiwan. The Company had completed the stock exchange with the shareholders of Global Communication Semiconductors, Inc. (hereinafter referred to as the “GCS.C”) in the United States on December 28, 2010, and then became the parent company of GCS.C with 100% shareholding held.

GCS.C was incorporated in Torrance, California, USA in August 1997, and was renamed as “Global Communication Semiconductors, LLC” (hereinafter referred to as “GCS, USA”) on January 24, 2011. GCS, USA is the main operating entity of the Group, mainly engaged in GaAs/InP/GaN advanced RF foundry and optoelectronic device compound semiconductor wafer foundry, related intellectual property rights licensing, and the research, development, production, and sales of KGD-brand optoelectronic products.

The Company for the needs of developing new businesses had GCS Device Technologies Co., Ltd. incorporated on April 23, 2015 to engage in product design and related services.

In addition, GCS, USA, the subsidiary, acquired 100% equity of D-Tech Optoelectronics, Inc. and its subsidiary D-TECH Optoelectronics (Taiwan) Corporation in cash in July 2017. D-Tech Optoelectronics, Inc. is engaged in the development, production, and sale of avalanche photodiodes (APD). D-TECH Optoelectronics (Taiwan) Corporation is engaged in the packaging of optoelectronic devices, the production of telecommunication devices and electronic components, and wholesale and sale.

II. Company and Group History

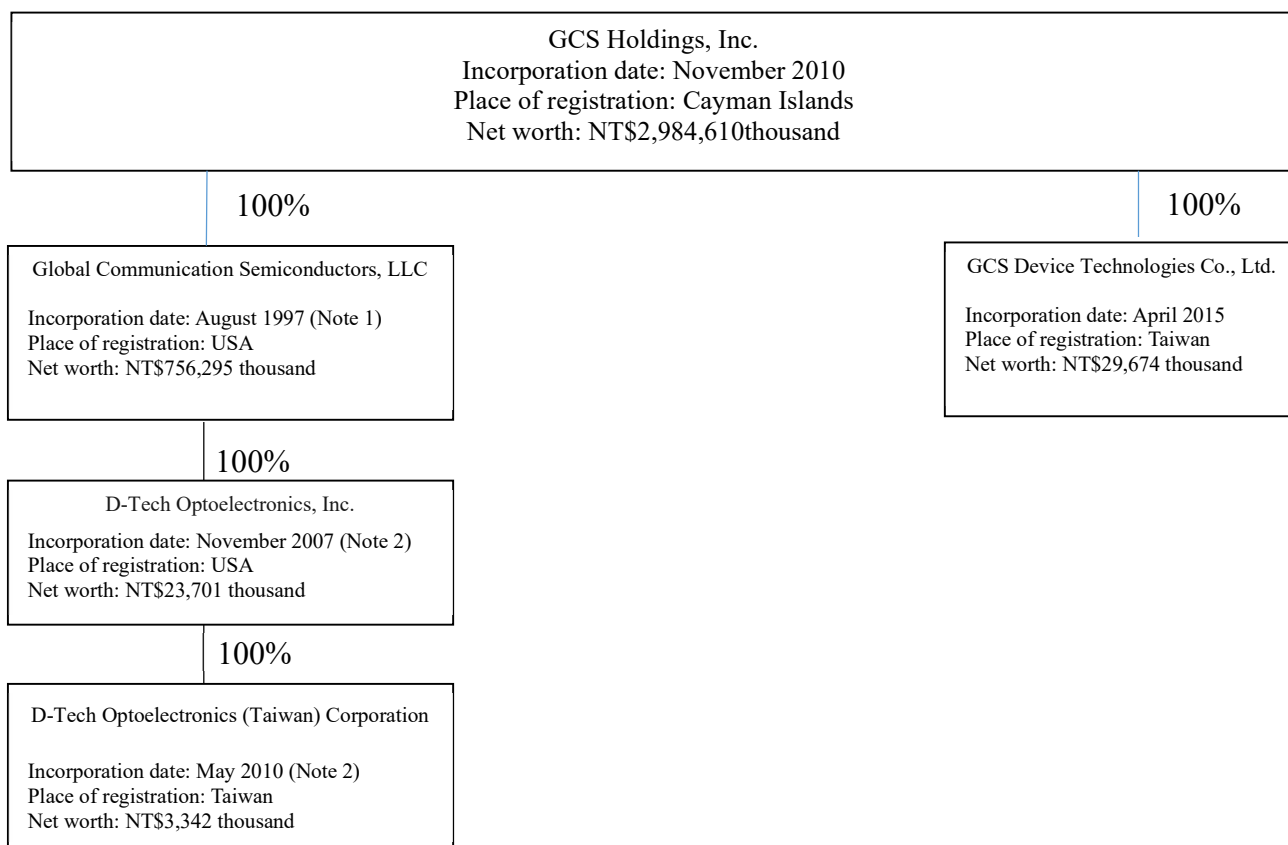
Date	Events
August 1997	GCS, C was incorporated with a plant constructed in Torrence City, California, USA.
December 1998	InGaP HBT technology was successfully developed.
October 1999	Successfully qualified for ISO 9001-2000 certification.
May 2000	Successfully developed GaAs PIN Photodiode.
April 2001	Successfully developed high voltage InGaP HBT technology.
August 2001	Successfully developed InP HBT technology.
December 2001	Successfully developed InGaAs PIN photodiode.
April 2003	Started mass production of RF 0.5 μ m pHEMT Switch.
March 2004	Successfully developed the world’s fastest InP HBT technology (Ft > 300 GHz) for optical communication 40-100G Trans-impedance Amplifier (TIA) and high-speed test instrument IC.
August 2008	Started the GaAs concentrator photovoltaic wafer foundry business.
November 2010	Signed multiple technology transfer contracts for InGaP HBT and pHEMT with world-class silicon wafer foundries.
November 2010	GCS Holdings, Inc., the Group’s holding company, was incorporated in the Cayman Islands.
December 2010	The stock exchange between GCS Holdings, Inc. and GCS.C. was initiated. The stock capital of GCS Holdings, Inc. after the reorganization was NT\$306,946 thousand.

Date	Events
January 2011	GCS.C was renamed as “Global Communication Semiconductors, LLC.”
February 2011	Obtained the GaN R&D plan from international Integrated Device Manufacturers (IDM).
August 2011	Successfully transferred multiple GaAs HBT and pHEMT technologies to a world-class silicon wafer foundries.
October 2011	Successfully obtained the certification of GaN/Si high-power RF devices from an US company.
February 2012	Obtained the HBT foundry orders for satellite communication electronics from international Integrated Device Manufacturers (IDM).
February 2013	Successfully developed high-voltage InGaP HBT P7 process for next-generation small cell base stations.
February 2013	SiC power electronics devices process had been successfully certified by customers.
March 2013	Successfully developed width-modulation VCO HBT.
July 2013	Signed a technology contract with American company D for GaN on SiC technology.
August 2013	Developed Super Low Noise E/D pHEMT for WLAN, GPS, DBS, and VSAT receivers.
September 2013	Successfully developed high-gain, high-efficiency and high-linearity InGaP HBT for 802.11ac and 3G/4G mobile phone power amplifiers.
March 2014	Successfully developed high frequency and higher breakdown strength 0.15 μ m GaN on SiC HEMT technology.
September 2014	Officially listed on the TPEX.
March 2015	Successfully developed low-loss millimeter-wave monolithic mixer diode.
April 2015	GCS Device Technologies, Co., Ltd. a subsidiary in Taiwan, was incorporated.
June 2015	Successfully developed high-performance Bulk Acoustic Wave Resonator.
August 2015	Initiated mass production of 25G 1310-1550nm InGaAs/InP PIN PD.
October 2015	Initiated mass production of 25G 850nm GaAs PIN PD.
December 2015	Successfully developed high-speed, low-loss planar RF PIN diode.
December 2015	Complete the Opto foundry process developments on 100G/400G InP-PIC and InP/Si-PIC.
March 2016	The board of directors resolved the merger with SAIC Acquisition, Inc., a 100% subsidiary of Xiamen San’an Integrated Circuit Co., Ltd.
July 2016	Initiated the mass production of SiC JFET.
August 2016	The board of directors resolved to terminate the merger with SAIC Acquisition, Inc., a 100% subsidiary of Xiamen San’an Integrated Circuit Co., Ltd. with a termination agreement signed.
September 2016	Initiated the “6-inch VCSEL wafer fab foundry.”
November 2016	The board of directors resolved to have a joint venture contract signed with Xiamen San’an Integrated Circuit Co., Ltd., and jointly establish Xiamen Global Advanced Semiconductor Co, Ltd.
July 2017	GCS, USA, a subsidiary, acquired 100% equity of D-Tech Optoelectronics, Inc. and its subsidiary D-TECH Optoelectronics (Taiwan) Corporation in cash.
June 2018	The board of directors resolved to sign an equity transfer agreement to receive 2% equity of Xiamen Global Advanced Semiconductor Co, Ltd. transferred from Xiamen San’an Integrated Circuit Co., Ltd.
September 2018	Completed the acquisition of additional 2% equity of Xiamen Global Advanced Semiconductor Co, Ltd.

Date	Events
January 2019	Issued Global Depositary Receipts (GDR) on the Luxembourg Stock Exchange.
January 2019	Signed a strategic cooperation agreement with Epistar Corporation.
February 2019	GCOM Semiconductor Co., Ltd., a subsidiary in Taiwan, was incorporated.
March 2020	Xiamen Global Advanced Semiconductor Co, Ltd. has cancelled its business registration.
November 2020	Invested in Changzhou Galasemi Co., Ltd, a subsidiary in China.
July 2021	Changzhou Galasemi Co., Ltd, a subsidiary in China, was sold to Shanghai Galasemi Co., Ltd, a joint venture.
January 2022	A private placement has been completed to issue 20,000 thousand ordinary shares for cash capital increase.
June 2023	Finished the liquidation process of the Taiwan subsidiary GCOM Semiconductor Co., Ltd.
November 2023	The disposal of portion of equity interest of Changzhou Chemsemi Co., Ltd.

III. Investment structure

December 31, 2023



Data source: The 2023 Consolidated Financial Statements audited and attested by CPAs and those provided by the Company.

Note 1: Global Communication Semiconductors, Inc. was renamed as “Global Communication Semiconductors, LLC” in January 2011.

Note 2: Global Communication Semiconductors, LLC, a subsidiary, acquired 100% equity of D-Tech Optoelectronics, Inc. in cash in July 2017 with 100% equity of its subsidiary, D-Tech Optoelectronics (Taiwan) Corporation, acquired indirectly. On November 1, 2022, the board of directors resolved to dissolve and liquidate D-Tech Optoelectronics (Taiwan) Corporation. On December 22, 2023, we received approval from the local authorities for the dissolution registration. As of the date of the annual report's publication, the liquidation process has not yet been completed.

IV. Risk matters

The Group is mainly engaged in GaAs/InP/GaN advanced RF foundry and optoelectronic devices wafer foundry, related intellectual property rights licensing, and the research, development, production, and sales of KGD. The Company is registered in the Cayman Islands, but without any real economic activity operated. The Group is mainly operated in the United States. The macroeconomy, changes in the political and economic environment, relevant laws and regulations, foreign exchange controls and taxes of the country where the Group is registered, the validity of the judgment of the court of the R.O.C., and the countermeasures adopted are explained below. Please refer to Section VI “Risk Management and Evaluation” in Seven. “Review and analysis of the financial status and financial performance and risks” for other risk matters in detail.

(I) Place of registration: The Cayman Islands

1. Changes in macroeconomy and political and economic environment

The Cayman Islands is a self-governing British Overseas Territory in the western Caribbean Sea, which is 268 kilometers northwest of Jamaica and 640 kilometers south of Miami. George Town is the capital city with the financial service industry as the main source of economic income; also, it has become the 5th largest financial center in the world after New York, London, Tokyo, and Hong Kong.

The Cayman Islands has maintained political stability for a long time, with English as its primary official language. The registered company types in the Cayman Islands can be classified into five categories: Ordinary Company, Ordinary Non-Resident Company, Exempted Company, Exempted Limited Duration Company, and Foreign Company. The Exempted Company is primarily used by companies and individuals from various countries for financial planning purposes, but they are not allowed to conduct business locally. Additionally, in recent years, the government of the Cayman Islands has actively strengthened the reputation of its offshore financial operations. In 1990, it signed the Mutual Legal Assistance Treaty with the United States and the United Kingdom to facilitate joint efforts in preventing international criminal organizations from engaging in illegal transactions through the financial system of the Cayman Islands.

In summary, the Company is an Exempted Company registered in the Cayman Islands without carrying out any actual operation locally. The Cayman Islands is with a stable political situation and is ranked the 5th largest financial center in the world. Changes in the macroeconomy and political and economic environment do not have a significant impact on the Company’s overall operation.

2. Exchange controls, taxes, and related laws and regulations

The Cayman Islands is free of any foreign exchange restriction. An Exempted Company does not have to pay taxes to the Cayman Islands, except for the annual license fees. In terms of laws and regulations, the government of the Cayman Islands passed the International Tax Cooperation (Economic Substances) Act on December 27, 2018 (hereinafter referred to as the “Economic Substances Act”) with the Rules and

Directions (Version 1.0) published on February 22, 2019, and amended the Directions (Version 2.0) on 30 April 2019. According to the Economic Substances Act, specific companies (that is, “Relevant Entities” as defined by the Economic Substances Act) in the Cayman Islands that are engaging in specific activities (that is, “Relevant Activities” as defined by the Economic Substances Act) shall pass the tests related to the said relevant activities. The government of the Cayman Islands is expected to announce other rules and directions occasionally in the future to further clarify the important practical content and scope of the economic substance requirements. The impact of the “Economic Substances Act” is insignificant on the Company’s finances and operations currently. However, the impact of more rules and directions to be announced in the future is yet to be further observed and evaluated. The Company is and will continue to consult attorneys in the Cayman Islands for complying with the relevant provisions of the Economic Substances Act. In addition, the main regulations imposed on the exempted companies in the Cayman Islands are as follows:

- (1) Do not conduct business operations in the Cayman Islands.
- (2) An Exempted Company may not issue invitations to the people of the Cayman Islands to subscribe their shares or bonds; also, may not own land in the Cayman Islands.
- (3) According to the Company Act of the Cayman Islands, an annual regular shareholders meeting is not mandatory. The Company shall have the regular shareholders meeting and board meeting convened in accordance with the Company’s articles of association inside or outside the Cayman Islands. However, according to the Company’s articles of association (hereinafter referred to as the “AoA of the Listed Company”) adopted by the Company through a resolution at the shareholders' meeting on August 25, 2011, the Company is obligated to hold an annual general meeting of shareholders within six months after the end of each fiscal year. In addition, according to the “AoA of the Listed Company”, the shareholders’ meeting shall be convened at the time and place designated by the board of directors. Unless otherwise stipulated by laws and regulations, the shareholders’ meeting shall be convened within the territory of the Republic of China.
- (4) The issuance of new shares requires approval from the board of directors and/or shareholders meeting. According to the Company’s articles of association, the issuance of new shares should be limited to the Company’s authorized stock capital and requires the attendance of two-thirds or more of the directors at the board meeting, with the consent of the majority of the attending directors. Bearer shares shall not be issued.
- (5) An exempted company is not obliged to file or report shareholder information to the Registry of the Cayman Islands. However, according to the Company’s articles of

association, the board of directors shall maintain a register of shareholders at the Company's registered office (if applicable) and the Company's stock affairs agency in the Republic of China. Furthermore, according to the AoA of the Listed Company, the board of directors shall have the general register of shareholders placed at an adequate location inside or outside the Cayman Islands, which shall contain shareholder information and the number of shares held, including other particulars required by laws and regulations.

- (6) It is not mandatory to have the register of shareholders of an exempted company disclosed for public information. However, according to the Company's articles of association, except during the book closure period, the general register of shareholders and any supporting registers shall be made available for any shareholder to check his/her registration status during business hours. Shareholders may request to check or copy the designated section of the register free of charge by presenting the proof of interest supporting document.
- (7) An exempted company may apply to the Cayman Islands government to obtain a letter of commitment that the exempted company will not be taxed. The validity of the letter of commitment applied for the first time is for 20 years, and an application for renewal can be filed prior to the expiry date.
- (8) An exempted company can apply for deregistration and can have the registration transferred to another country.
- (9) An exempted company can be registered as an exempted limited duration company. There must be at least 2 shareholders in an exempt limited duration company for a maximum validity of 30 years.

In summary, the Cayman Islands government adopts an open policy in foreign exchange without any relevant control and restriction imposed; therefore, it has no significant impact on the Company's fund utilization. In addition, the Company has obtained a tax exemption commitment from the Cayman Islands government. According to the "Tax Concessions Law" (Revised in 1999), the law related to profits, income, gains, or appreciations is not applicable to the Company during the 20-year exemption period from the commitment date. Also, the Company's stock shares, bonds, or other debts is not subject to the levy of capital gain tax, income tax, profit tax, or incremental tax, or any amount to be withheld in accordance with the Tax Concessions Law.

In terms of laws and regulations, the laws of the Cayman Islands on protecting the rights and interests of minority shareholders are not the same as the laws and regulations in other jurisdictions, such as, the Republic of China. The Company has the articles of incorporation amended within the laws and regulations of the Cayman Islands to protect the rights and interests of Taiwanese shareholders in accordance

with the Securities and Exchange Act, the Company Act, and other laws and regulations and the requirements of the competent authorities of the Republic of China.

3. Whether the validity of the civil court judgment of the Republic of China is recognized

According to the legal opinion of the Cayman Islands, where a definitive final judgment is obtained from a Taiwanese court in an action against a person demanding payment from a company (excluding multiplied compensation for damages, taxes or other similar payments, fines, or other penalties), it is deemed as valid by the court of the Cayman Islands with a judgment made based on the said judgment of Taiwan court, provided that: (1) the Taiwan court shall have appropriate jurisdiction over the parties involved in the judgment; (2) the Taiwan court has not violated the Cayman Islands' principle of natural justice; (3) the judgment is not obtained by fraud; (4) the execution of the judgment will not violate the public policy of the Cayman Islands; (5) admissible new evidence in connection with the judgment has not been submitted before a judgment issued by the court of the Cayman Islands; and (6) the due process under the laws of the Cayman Islands has been complied with completely.

In summary, according to the laws of the Cayman Islands, the civil judgment made by the courts of the Republic of China that meets the aforesaid requirements will be recognized and enforced in the Cayman Islands, otherwise, it will be dismissed. Therefore, the risk that the civil judgment made by the court of the Republic of China will not be recognized and enforced by the court of the Cayman Islands cannot be ruled out.

(II) Main country of operation: the United States

1. Changes in macroeconomy and political and economic environment

According to data released by the U.S. Bureau of Economic Analysis (BEA) on January 25, 2024, the annual GDP growth rate for the United States in 2023 was 2.5%. This growth was primarily driven by a resilient job market, wage increases, and a slowdown in inflation, which collectively boosted consumer spending. Analyzing by quarters, in the first quarter, businesses reduced inventories and adopted a conservative outlook, resulting in limited growth in non-residential investment. However, an increase in consumer spending, which accounts for 70% of GDP, led to a 2% YoY GDP growth in the first quarter. In the second quarter, corporate investment expanded, driven by a strong job market prompting wage increases and easing inflationary pressures, which spurred consumer spending. Although growth momentum slowed compared to the first quarter, GDP still grew by 2.1%. In the third quarter, GDP grew by 4.9% QoQ, driven by increases in consumer spending, business inventories, exports, residential investment, and government spending. This growth was significantly higher than the 2.1% in the second quarter and marked the largest quarterly increase since the fourth quarter of 2021. In the fourth quarter, GDP growth was 3.3%, primarily due to the strong performance of the job market and consumer spending. Although this growth was lower than the third quarter's increase, it was significantly better than the market's expected 2%, reflecting the continued resilience of the U.S. economy. Looking ahead, the International Monetary Fund (IMF) report on January 31, 2024, forecasts that GDP growth for 2024 will be 2.10%, driven by strong personal consumption.

In summary, the moderate growth of the U.S. economy is expected to stimulate market demand, which should positively impact our company's performance.

2. Exchange controls, taxes, and related laws and regulations

The US financial system has become a mature and complete one after years of refinement. The US monetary market is the most advanced one in the world with the most convenient platform for international financial exchanges provided. Foreign exchange control is non-existence; therefore, the Company's operations in the United States are free of any risk of foreign exchange control. In terms of laws and regulations, the Company's subsidiaries operating in the United States shall comply with the US Delaware General Corporation Law and other governing regulations. The finance of the Company's subsidiaries operated in the United States has not yet been affected by changes in relevant laws and tax regulations. However, changes in relevant laws and regulations and tax policies in the United States may have an adverse impact on the Company in the future. In addition, the Finance Department and Administration Office of the Company are observing the changes in the relevant US laws and regulations and the political and economic environment; also, consult with professional consultants, such as, lawyers and CPAs in a timely manner to reduce the possibility of risks.

3. Whether the validity of the civil court judgment of the Republic of China is recognized

The court judgments of foreign countries are recognized by the courts of California in accordance with “California’s Uniform Foreign-Country Money Judgments Recognition Act (California Code of Civil Procedure Sections 1713-1724) (hereinafter referred to as the “Foreign-Country Money Judgment Recognition Act”), which took effect on January 1, 2008. The Foreign-Country Money Judgment Recognition Act is only applicable to foreign judgments that apply for recognition after January 1, 2008.

(1) In general, according to “The Foreign-Country Money Judgment Recognition Act,” a foreign judgment can be recognized when it is for a payment or a refusal of payment for a certain amount of money. Also, according to “The Foreign-Country Money Judgment Recognition Act,” the judgment must be final, conclusive, enforceable, and free of any of the following situations:

- ① A taxation-related judgment;
- ② A fine- or penalty-related judgment;
- ③ A judgment related to divorce, custody, alimony, and other kinship;
- ④ However, a judgment related to divorce, custody, alimony, and other kinship does not preclude other courts in California from recognizing such judgments under the California Code of Civil Procedure Sections 1723.

(2) The party applying for recognition must have an application filed before the time limit when the foreign judgment is still valid in the foreign country, or within 10 years from the effective date of the foreign judgment in the foreign country (whichever is earlier). Also, the applying party is responsible for providing evidence to prove the foreign judgment complying with “The Foreign-Country Money Judgment Recognition Act.” However, the California court shall not recognize the validity of the civil judgment in the following circumstances:

- ① The judicial system at where the civil judgment rendered does not provide an impartial tribunal or a due process of law equivalent to California law.
- ② The court of this judgment has no jurisdiction over the defendant and the subject of the dispute.

In addition, the California court has the right not to recognize a civil judgment in any of the following circumstances: (1) the defendant has not been notified in time by the court, thus without sufficient time to defend the case; (2) the civil judgment has been obtained by fraudulent means, thus the losing party does not have sufficient time to defend the case; (3) the civil judgment, the claim basis, or the asserted remedy violates California or U.S. public policy; (4) the civil judgment contradicts other final and conclusive judgments ; (5) the civil court proceedings of the judgment rendered are inconsistent with the dispute resolution method agreed by the parties; (6) if the jurisdiction stipulates that service should be delivered in person, but the civil judgment court has serious forum non conveniens; (7) the integrity of the civil court that made

the judgment is considerably doubtful; (8) the specific proceedings of the court that made the judgment do not meet the requirements of due process of law; (9) the judgment including compensations for restoration of reputation; unless a California court determines that the foreign court has protected freedom of speech and freedom of the press to the extent required by the California Constitutions and U.S. Constitutions.

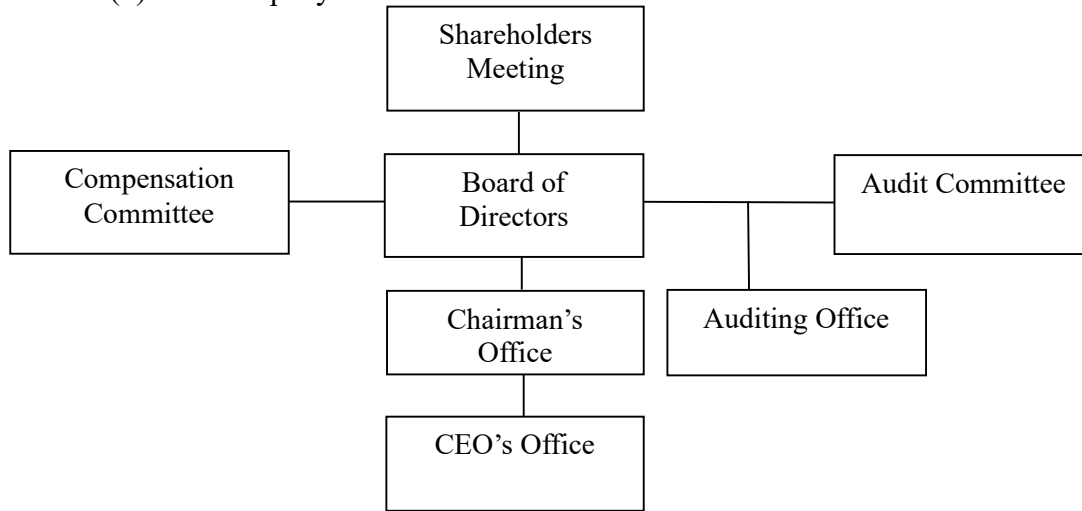
In summary, according to the laws of the United States, the civil judgment made by the courts of the Republic of China that conforms to the provisions of the “Foreign-Country Money Judgment Recognition Act” will be recognized and enforced in the California court of the United States, otherwise, it will be dismissed. Therefore, the risk that the civil judgment made by the court of the Republic of China will not be recognized and enforced by the court of the United States cannot be ruled out.

Three. Corporate Governance Report

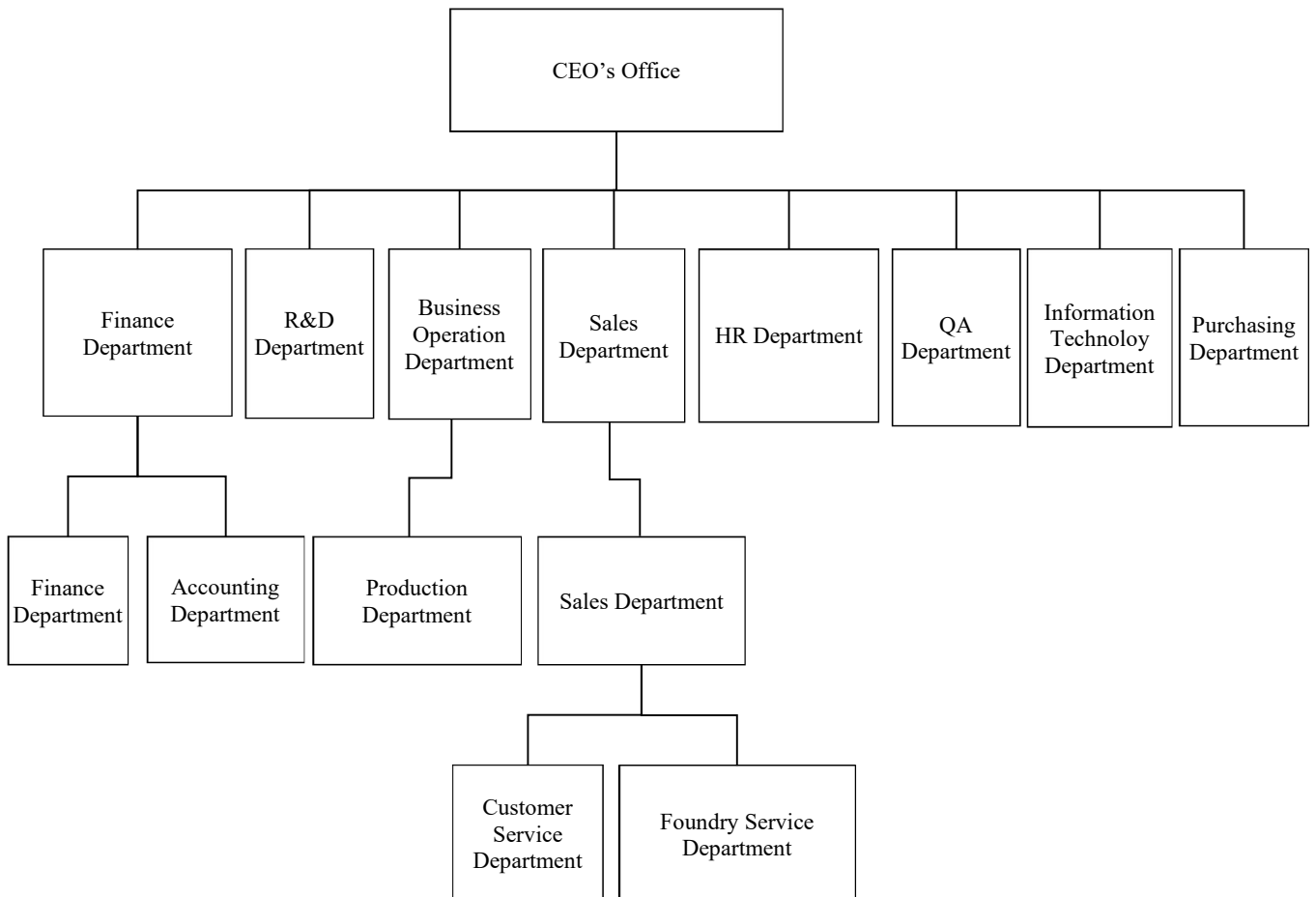
I. Organizational system

(I) Organizational structure

(1) The Company



(2) GCS, USA



(II) Departmental operations

Department	Job Responsibilities
Chairman's Office	Formulate policies and objective guidelines for the Company's business operations, and supervise the business implementation and promotion of the key managerial officers.
CEO's Office	Implement the resolutions of the board of directors and supervise the implementation and execution of the Company's various operations.
Auditing Office	Evaluate the implementation of the Company's internal control system, provide suggestions for improvement, and follow up on the improvement status in a timely manner to ensure the continuous and effective implementation of the internal control system.
Finance / Accounting Department	Manage the Company's working capital and accounting and bookkeeping operations, as well as the related legal affairs, investment management, mergers and acquisitions, etc.
R&D Department	Take charge of technology development, design, product trial production, testing, verification, and related patent application and maintenance.
Business Operation Department	Take charge of the Company's production matters, product trial production, testing, and annual production plan and goals.
Sales Department	Take charge of the market information collection, product sales, customer service, market and customer development, and the maintenance of existing customers.
Human Resources (HR) Department	Take charge of the Company's recruitment, training, salary, and personnel regulations.
Quality Assurance (QA) Department	Take charge of the Company's product quality refinement and the implementation of quality control.
Information Technology Department	Take charge of the Company's IT information management and maintenance.
Purchasing Department	Take charge of the procurement of raw materials and substances, and the management of suppliers.

II. Information on Directors, Supervisors, Presidents, Vice Presidents, Junior VPs, and officers of departments and branches

(I) Directors and Supervisors (The Company does not have supervisors)

1. Director information

April 8, 2024

Job Title	Name	Nationality or place of registration	Gender & age (Note 9)	First-term elected date	Elected date	Term of office (Years)	Number of Shares Owned When Elected		Existing Number of Shares Owned (Note 1)		Current Number of Shares Owned by Spouse or Minor Children (Note 1)		Number of shares held in the name of others (Note 1)		Main education (experience)	Currently holding positions in the Company and other companies	Whose Spouse or Second-Degree Relative Serving as a Head, Board Director, or supervisor		
							Number of Shares (shares)	Shareholding ratio	Number of Shares (shares)	Shareholding ratio (Note 2)	Number of Shares (shares)	Shareholding ratio (Note 2)	Number of Shares (Shares)	Shareholding ratio (Note 2)			Title	Name	Relation
Chairman	Huang, Ta-Lun (Note 3)	ROC	Male	11/30/2010	6/6/2023	3	-	-	-	-	3,710,886	3.32%	-	-	MBA, University of Michigan, Ann Arbor Partner of AsiaVest Partners, TCW/YFY Ltd.	Head of the Company's Strategy Development Office Representative of Corporate Director of GCS Device Technologies Co., Ltd. Director of Parade Technologies, Ltd. Director of Amulair Thermal Technology Inc.. Director of InnoCare Optoelectronics Corp. Director of Unikorn Semiconductor Corp. Director of Shanghai Galasemi Co., Ltd Independent Director of SYSTEX Corporation	-	-	-
Director	Ann, Bau Hsing (Note 4)	ROC	Male	11/15/2012	7/2/2021	2	-	-	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	MBA, Rutgers, The State University of New Jersey Master of Engineering, Ohio State University VP of Hotung International Company KTB Investment Partner and Executive Director of KTB Investments VP of Pegatron Corporation	Chief Executive Officer and President of the Company Director of D-Tech Optoelectronics, Inc. Chairman of D-TECH OPTOELECTRONICS (TAIWAN) CORPORATION Vice Chairman of Unikorn Semiconductor Corp. Vice Chairman of Changzhou Chemsemi Co., Ltd. Chairman of Changzhou Galasemi Co., Ltd Director of Shanghai Galasemi Co., Ltd	-	-	-
Director	Shih, Wei (Note 5)	ROC	Male	7/2/2021	7/2/2021	2	-	-	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	Master of Electrical Engineering Institute of University of Southern California Junior VP of FH Trust VP of EPISTAR Corporation President of Unikorn Semiconductor Corp.	Not applicable	-	-	-
Director	Lee, Biing Jye (Note 6)	ROC	Male	5/20/2022	5/20/2022	1	-	-	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	PhD in Chemical Engineering, National Tsing Hua University Chairman of Epistar Corporation Chairman and president of ENNOSTAR INC.	Not applicable	-	-	-
	Unikorn Semiconductor Corp. (Note 3)	ROC	-	7/2/2021	6/6/2023	3	20,000	0.022%	20,000	0.022%	(NA)	(NA)	-	-	None	None	-	-	-

Job Title	Name	Nationality or place of registration	Gender & age (Note 9)	First-term elected date	Elected date	Term of office (Years)	Number of Shares Owned When Elected		Existing Number of Shares Owned (Note 1)		Current Number of Shares Owned by Spouse or Minor Children (Note 1)		Number of shares held in the name of others (Note 1)		Main education (experience)	Currently holding positions in the Company and other companies	Whose Spouse or Second-Degree Relative Serving as a Head, Board Director, or supervisor		
							Number of Shares (shares)	Shareholding ratio	Number of Shares (shares)	Shareholding ratio (Note 2)	Number of Shares (shares)	Shareholding ratio (Note 2)	Number of Shares (Shares)	Shareholding ratio (Note 2)			Title	Name	Relation
Director	Ann, Bau Hsing (Note 3)	ROC	Male	11/15/2012	6/6/2023	3	-	-	-	-	502,007	0.45%	-	-	MBA, Rutgers, The State University of New Jersey Master of Engineering, Ohio State University VP of Hotung International Company KTB Investment Partner and Executive Director of KTB Investments VP of Pegatron Corporation	Chief Executive Officer and President of the Company Director of D-Tech Optoelectronics, Inc. Vice Chairman of Unikorn Semiconductor Corp. Vice Chairman of Changzhou Chemsemi Co., Ltd. Chairman of Changzhou Galasemi Co., Ltd Director of Shanghai Galasemi Co., Ltd	-	-	-
Director	Unikorn Semiconductor Corp. (Note 3)	ROC	-	7/2/2021	6/6/2023	3	20,000	0.022%	20,000	0.02%	(NA)	(NA)	-	-	None	None	-	-	-
	Shih, Wei (Note 8)	ROC	Male	7/2/2021	6/6/2023	3	-	-	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	Master of Electrical Engineering Institute of University of Southern California Junior VP of FH Trust VP of EPISTAR Corporation President of Unikorn Semiconductor Corp.	Not applicable	-	-	-
Director	Unikorn Semiconductor Corp. (Note 3)	ROC	-	7/2/2021	6/6/2023	3	20,000	0.022%	20,000	0.02%	(NA)	(NA)	-	-	None	None	-	-	-
	Representative: Lee, Biing Jye (Note 8)	ROC	Male	5/20/2022	6/6/2023	3	-	-	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	PhD in Chemical Engineering, National Tsing Hua University Chairman of Epistar Corporation Chairman and president of ENNOSTAR INC.	Not applicable	-	-	-
Director	Unikorn Semiconductor Corp. (Note 3)	ROC	-	7/2/2021	6/6/2023	3	20,000	0.022%	20,000	0.02%	(NA)	(NA)	-	-	None	None	-	-	-
	Feng-Cheng Su (Note 9)	ROC	Male	12/25/2023	12/25/2023	3	-	-	-	-	-	-	-	-	Chairman, Lextar Electronics Corp. Senior VP, AU Optonics Corp Ph.D., Materials Science and Engineering, State University of New York, Stony Brook	VP of the Ennostar Inc. Representative of Corporate Director of Hexawave, Inc., Tyntek Corporation Director of Darwin Precisions Corporation	-	-	-
Director	Unikorn Semiconductor Corp. (Note 3)	ROC	-	7/2/2021	6/6/2023	3	20,000	0.022%	20,000	0.02%	(NA)	(NA)	-	-	None	None	-	-	-
	Tsun Chung Lee (Note 9)	ROC	Male	12/25/2023	12/25/2023	3	-	-	-	-	-	-	-	-	VP of the Lextar Electronics Corp. CSO and COO of NICHE-TECH GROUP LIMITED MBA, UC Berkeley	Vice President of Ennostar Inc. Representative of Corporate Director of ProLight Opto Technology Corporation, Amengine Corporation, Trendylite Corporation, Domi-Star	-	-	-

Job Title	Name	Nationality or place of registration	Gender & age (Note 9)	First-term elected date	Elected date	Term of office (Years)	Number of Shares Owned When Elected		Existing Number of Shares Owned (Note 1)		Current Number of Shares Owned by Spouse or Minor Children (Note 1)		Number of shares held in the name of others (Note 1)		Main education (experience)	Currently holding positions in the Company and other companies	Whose Spouse or Second-Degree Relative Serving as a Head, Board Director, or supervisor		
							Number of Shares (shares)	Shareholding ratio	Number of Shares (shares)	Shareholding ratio (Note 2)	Number of Shares (shares)	Shareholding ratio (Note 2)	Number of Shares (Shares)	Shareholding ratio (Note 2)			Title	Name	Relation
															Optoelectronics Corporation, Tyntek Corporation, Bridgelux Optoelectronics (Xiamen) Co., Ltd., LEADSTAR Micro-Crystal Display Corporation (JiangSu) Ltd., iReach Corporation Director of Beijing Zhongke Epistar Materials Co., Ltd., Changzhou Chemsemi Co.,Ltd.				
Independent Director	Tseng, Tsung-Lin (Note 7)	ROC	Male	11/15/2012	6/6/2023	3	-	-	-	-	-	-	-	MBA, University of Missouri at Columbia Accounting Bachelor of National Cheng Kung University Chief Investment Officer of QUANTA COMPUTER INC., CFO of United Microelectronics Corporation, and CFO of Taiwan Semiconductor Manufacturing Co., Ltd.	Director of XAC Automation Corp. Independent Director of Groundhog Technologies Inc.	-	-	-	
Independent Director	Yang, Jung-Kung (Note 7)	ROC	Male	3/26/2012	6/5/2020	3	-	-	(NA)	(NA)	(NA)	(NA)	(NA)	MBA, University of Missouri at Columbia Bachelor of Mechanical Engineering, National Tsing Hua University VP and Senior VP of UMC Capital Junior VP of Inve Star Capital Manager of Shanho International Corp.	(Note 7)	-	-	-	
Independent Director	Cheng, Jian-Jong (Note 7)	ROC	Male	6/5/2020	6/5/2020	3	-	-	(NA)	(NA)	(NA)	(NA)	(NA)	Bachelor of Electrical Engineering, National Taiwan University Master in Electrical Engineering, University of Southern California President of Pegatron Corporation VP of ASUSTEK COMPUTER INC.	(Note 7)	-	-	-	
Independent Director	Chao, Mei-Chun	ROC	Female	6/6/2023	6/6/2023	3	-	-	-	-	-	-	-	Bachelor of Laws and Master of Laws, National Taiwan University Master of Laws, Columbia University, USA Partner Attorney at Zhongda International Law Firm President of the Taiwan Branch, International Women's Rights Law Association Executive Director of the National Bar Association Executive Director of the National Federation of Bar Associations, Republic of China	Executive Director of the Taiwan Branch of the International Women's Law Association Director and Academician of the Arbitration Academy, Arbitration Association of the Republic of China Executive Director and Attorney of the Women's Association of the Republic of China				

Job Title	Name	Nationality or place of registration	Gender & age (Note 9)	First-term elected date	Elected date	Term of office (Years)	Number of Shares Owned When Elected		Existing Number of Shares Owned (Note 1)		Current Number of Shares Owned by Spouse or Minor Children (Note 1)		Number of shares held in the name of others (Note 1)		Main education (experience)	Currently holding positions in the Company and other companies	Whose Spouse or Second-Degree Relative Serving as a Head, Board Director, or supervisor		
							Number of Shares (shares)	Shareholding ratio	Number of Shares (shares)	Shareholding ratio (Note 2)	Number of Shares (shares)	Shareholding ratio (Note 2)	Number of Shares (Shares)	Shareholding ratio (Note 2)			Title	Name	Relation
														Regional Vice President of International Federation of Women Lawyers					
Independent Director	Lin, Shang-Yi	ROC	Male	6/6/2023	6/6/2023	3	-	-	-	-	-	-	-	Master of Economics and Master of Business Administration, Illinois State University at Urbana-Champaign Master of Mechanical Engineering, Tatung Institute of Technology Director of Procurement, Fujian Jinhua Integrated Circuit Co., Ltd. Site Procurement Manager at Micron Technology Taiwan, Inc. Deputy Director of Materials Management, Rexchip Corporation Project Manager, Procurement Department, Powerchip Semiconductor Corporation					

Note 1: It refers to the shareholdings as of the annual report publication date (April 8, 2024).

Note 2: It is calculated based on the total issuance of 111,834,924 shares.

Note 3: Elected on June 6, 2023 for a term of office from June 6, 2023 to June 5, 2026.

Note 4: Elected on June 5, 2020 and resigned on April 28, 2021 in compliance with the legal requirements, and then elected again in the by-election on July 2, 2021 for a term of office from July 2, 2021 to June 4, 2023.

Note 5: Elected on July 2, 2021 for a term of office from July 2, 2021 to June 4, 2023.

Note 6: Elected on May 20, 2022 for a term of office from May 20, 2022 to June 4, 2023.

Note 7: Elected on June 5, 2020 for a term of office from June 5, 2020 to June 4, 2023.

Note 8: Dismissed on December 25, 2023, due to reassignment of the corporate representative director.

Note 9: Appointed on December 25, 2023, due to the reassignment of the corporate representative director.

Note 10: Please refer to page 26 of this annual report for information on the age of directors.

2. Major shareholders of corporate shareholders

The name of corporate shareholders	Major shareholders of corporate shareholders	Shareholding ratio
Unikorn Semiconductor Corporation	GCS Holdings Inc.	39.05%
	Ennostar Inc.	19.53%
	Harvestar Investment Corp.	15.45%
	Epistar Corporation	11.89%
	Precistar Investment Corp.	7.08%
	Praistar Investment Corp.	3.98%
	Shih, Wei	0.34%
	Wen, Jiin-Shiarng	0.23%
	Chen, Shih-I	0.14%
	Chen, Hsin-Kang	0.12%

Note : record on the shareholder roster on the book closure day, March 31, 2024.

3. The major shareholders of the major shareholder in the table above are corporate :

Name of corporation	Major shareholder of corporation	Shareholding ratio
GCS Holdings Inc.(Note 1)	ENNOSTAR INC.	8.07%
	Harvestar Investment Corp	8.06%
	Calystar Investment Corp.	5.81%
	Chen,Yu-Zhen	4.42%
	Joray Co., Ltd.	4.25%
	Wei,Shih-Yu	3.32%
	Ronly Venture Corporation	3.13%
	Hsieh, Shi-Han	2.86%
	Chuan Wei Investment Co.,Ltd	2.24%
	He,Mei-Yu	2.23%
Ennostar Inc. (Note 2)	AU Optronics Corp.	12.40%
	Ronly Venture Corp.	2.74%
	Konly Venture Corp.	2.17%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.22%
	Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	1.21%
	Taiwan Life Insurance Co., Ltd.	1.01%
	Tai Li Corp.	0.93%
Polunin Developing Countries Fund,	0.89%	

Name of corporation	Major shareholder of corporation	Shareholding ratio
	LLC	
	Zeng, Wan-Ting	0.72%
	United Microelectronics Corp.	0.71%
Harvestar Investment Corp. (Note 3)	Ennostar Inc.	100.00%
Epistar Corporation (Note 4)	Ennostar Inc.	100.00%
Precistar Investment Corp. (Note 5)	Ennostar Inc.	100.00%
Praistar Investment Corp. (Note 6)	Ennostar Inc.	100.00%

Note 1: The record date for shareholding in the table above is based on the shareholder register as recorded on April 8, 2024, by GCS Holdings Inc.

Note 2: The record date for shareholding in the table above is based on the shareholder register as recorded on April 2, 2023, by Ennostar Inc.

Note 3: The record date for shareholding in the table above is based on the shareholder register as recorded on March 31, 2024, by Harvestar Investment Corp.

Note 4: The record date for shareholding in the table above is based on the shareholder register as recorded on March 31, 2024, by Epistar Corporation.

Note 5: The record date for shareholding in the table above is based on the shareholder register as recorded on March 31, 2024, by Precistar Investment Corp.

Note 6: The record date for shareholding in the table above is based on the shareholder register as recorded on March 31, 2024, by Praistar Investment Corp.

4. Information on the professional qualifications of Directors, Board diversity policy, and independence

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

Conditions		Professional qualifications and experience	Independence	Number of publicly listed company that he/she serves as an Independent Director
Title / Name				
Chairman	Huang, Ta-Lun	1. Please refer to pages 19-22 of this annual report for the professional qualifications and experience of directors. 2. All of the directors are free of any of the conditions specified in Article 30 of the Company Act (Note 1).	NA	1
Director	Ann, Bau Hsing (Note 1)			0
Director	Su, Feng-Cheng (Note 1)			0
Director	Lee, Tsun Chung (Note 1)			0
Independent Director	Tseng, Tsung-Lin	All independent directors meet the following conditions: 1. Comply with Article 14-2 of the Securities and Exchange Act		1

Independent Director	Chao,Mei-Chun		and the relevant provisions of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” (Note 2).	0
Independent Director	Lin,Shang-Yi		2. The Company’s shares are not held by the principal and the principal’s spouse and minor children. 3. There had been no amount of remuneration received for providing business, legal, financial, accounting, and other services to the Company or the Company’s affiliated enterprises in the last two years.	0

Note 1 : The legal representative of Unikorn Semiconductor Corp.

Note 2: A person who is under any of the following circumstances shall not act as a managerial officer of a company. If

he/she has been appointed as such, he/she shall certainly be discharged:

- (1) Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
- (2) Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
- (3) Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
- (4) Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his/her rights and privileges;
- (5) Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;
- (6) Having no or only limited disposing capacity;
- (7) Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 3: The relevant provisions are as follows:

- (1) Not a government, juristic persons, or its representative as specified in Article 27 of the Company Act;
- (2) Serve as an independent director of no more than three other publicly listed companies.
- (3) There is not any of the following circumstances occurred during the two years before being elected or during the term of office:
 1. An employee of the company or any of its affiliates;
 2. A director or supervisor of the company or any of its affiliates.
 3. A natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate of 1% or more of the total number of issued shares of the company or ranking in the top 10 in holdings;
 4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer in subparagraph 1 or any of the persons in subparagraph 2 and 3;
 5. A director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, Paragraph 1 or 2 of the Company Act;
 6. If a majority of the company’s director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company;
 7. If the Chairperson, President, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or executive), supervisor, or employee of that other company or institution.
 8. A director (executive), supervisor (supervisor), managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
 9. A professional individual who, or an owner, partner, director (executive), supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the last 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Compensation Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

Note 4: The director information is based on the list of incumbent directors as of the annual report publication date.

(2) Board diversity and independence

- A. Board Diversity: The members of our company's board of directors are selected based on considerations of independence and diverse capabilities, including diverse backgrounds in industries, academia, or professions. The specific management objectives and achievements of our company's diversity policy are as follows:

Management objectives	Achievement
Less than one-thirds of the Board Directors serving as the managerial officers of the company	Achieved
The number of independent directors exceeds one-thirds of the board directors	Achieved
At least one director of each gender	Achieved
More than half of the independent directors shall not serve for more than three consecutive terms	Achieved
The directors possess diverse professional capabilities, and the overall competencies that the board of directors should have are as follows: (1) Legal, accounting, or finance profession; (2) Business management ability; (3) Industry experience; (4) Science and technology profession	Achieved

Implementation of the Board Diversity Policy:

Name	Title	Personal profile					Professional ability				
		Nationality	Sex	Serving as an employee too	Age		Term of office for independent director (not more than 3 terms consecutively)	Legal, accounting, or finance profession	Business management ability	Industry experience	Science and technology profession
					51-60	61-70					
Huang, Ta-Lun	Chairman	ROC	Male	V	V	NA	V	V	V	V	
Ann, Bau Hsing (Note)	Director		Male	V	V		V	V	V	V	
Su, Feng-Cheng (Note)	Director		Male		V		V	V	V	V	
Lee, Tsun Chung (Note)	Director		Male	V			V	V	V	V	
Tseng, Tsung-Lin	Independent Director		Male		V		V	V	V		
Chao, Mei-Chun	Independent Director		Female		V		V	V	V		
Lin, Shang-Yi	Independent Director		Male		V		V	V	V	V	

Note : The legal representative of Unikorn Semiconductor Corp.

B. Board Independence:

The independence of the Company's Board of Directors as of the annual report publication date is as follows:

- a. There are 7 members in the Company's board of directors, including 3 independent directors that account for 43% of the board of directors.

- b. All of the board directors are citizens of the Republic of China.
- c. Except for Mr. Huang, Ta-Lun and Mr. Ann, Bau Hsing who are concurrently employees of the Company, all other board directors are not holding any position within the Company. The number of board directors who also serve as an employee of the Company accounts for 29% of the board directors.
- d. Two of the independent directors has not served for 3 consecutive terms accounts for 67% of the board independent directors.
- e. There is not a spouse or a relative within the second degree of kinship between the board directors.

In summary, the Company's Board of Directors is independent.

(II) Information on the President, Vice President, Junior VP, and Head of Departments or Branches

April 8, 2024

Title	Nationality	Name	Gender	Service date	Number of Shares Owned (Note 1)		Number of Shares Owned by Spouse and Minor Child (Note 1)		Number of shares held in the name of others (Note 1)		Experience and Education Background	Concurrent Job Title Held in Other companies	Manager Who is a Spouse or has the Second-degree Kinship		
					Number of shares (shares)	Shareholding ratio (Note 2)	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Chairman and Head of Strategic Development Office	ROC	Huang, Ta-Lun	Male	8/1/2015	-	-	3,710,886	3.33%	-	-	MBA, University of Michigan, Ann Arbor Partner of AsiaVest Partners, TCW/YFY Ltd.	Representative of Corporate Director of GCS Device Technologies Co., Ltd. Director of Parade Technologies, Ltd. Director of Amulair Thermal Technology Inc. Director of InnoCare Optoelectronics Corp. Director of Unikorn Semiconductor Corp. Director of Shanghai Galasemi Co., Ltd Independent Director of SYSTEX Corporation	-	-	-
Chief Executive Officer & President	ROC	Ann, Bau Hsing	Male	3/1/2012	-	-	502,007	0.45%	-	-	MBA, Rutgers, The State University of New Jersey Master of Engineering, Ohio State University VP of Hotung International Company KTB Investments Partner and Executive Director of KTB Investments VP of Pegatron Corporation	Director of D-Tech Optoelectronics, Inc. Vice Chairman of Unikorn Semiconductor Corp. Vice Chairman of Changzhou Chemsemi Co., Ltd. Chairman of Changzhou Galasemi Co., Ltd Director of Shanghai Galasemi Co., Ltd	-	-	-
Senior VP of R&D Unit	USA	Wang, Shing-Kuo	Male	12/18/2000	250,876	0.22%	-	-	-	-	Postdoctoral Researcher in Electrical Engineering at Carnegie Mellon University PhD in Physics, Carnegie Mellon University Department of Physics, National Taiwan University Director of TRW Electronics System Group's Advanced Microelectronics	-	-	-	
VP of Operating Unit	ROC	Chen, Minkar	Male	8/2/2013	159,036	0.14%	-	-	-	-	Master of Materials Department, National Chiao Tung University Foundry Manager of HEXAWAVE INC. Engineering Manager of WIN SEMICONDUCTORS CORP.	-	-	-	
Senior VP of Optoelectronic Products of Business Unit	ROC	Yu, Yeou-Chong	Male	10/1/2004	299,887	0.27%	-	-	-	-	Master of Engineering, Case Western Reserve University Sales VP of WIN SEMICONDUCTORS CORP. Sales Director of N. America Region of United Microelectronics Corporation Senior Manager of Cirrus Logic, Inc.	President of GCS Device Technologies Co., Ltd.	-	-	-

Title	Nationality	Name	Gender	Service date	Number of Shares Owned (Note 1)		Number of Shares Owned by Spouse and Minor Child (Note 1)		Number of shares held in the name of others (Note 1)		Experience and Education Background	Concurrent Job Title Held in Other companies	Manager Who is a Spouse or has the Second-degree Kinship		
					Number of shares (shares)	Shareholding ratio (Note 2)	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
VP of Finance/Accounting Unit	USA	Mark L. Raggio	Male	7/28/2004	475,918	0.43%	-	-	-	-	Bachelor of Business Management and Accounting, University of Louisiana at Lafayette Assistant Manager of Accounting Department, Exxon Mobil USA	-	-	-	
Senior VP of Optoelectronic Devices, R&D Unit	ROC	Wang, Samuel	Male	7/15/2000	31,898	0.03%	-	-	-	-	Ph.D. in Engineering, Northwestern University Senior engineer of GE Aerospace Manager of Lockheed Martin Corporation	-	-	-	
Senior VP of RF Devices of Business Unit	USA	Yau, Wing	Male	11/30/1998	326,731	0.29%	-	-	-	-	Master of Engineering, University of Southern California Planning manager of Raytheon Systems, Co.	-	-	-	
Corporate Governance Officer	ROC	Lin, Shu-Wei	Female	2/20/2023	32,712	0.03%	-	-	-	-	Master of Financial Risk Management, University of Illinois at Chicago Audit Manager, of AU Optronics Corp.	-	-	-	

Note 1: It refers to the shareholdings as of the annual report publication date (April 8, 2024).

Note 2: It is calculated based on the total issuance of 111, 834,924 shares.

Note 3: As of the annual report publication date, the person mentioned is currently in service.

III. Remuneration for Directors, Supervisors, President, and Vice Presidents in the most recent year

(I) Remuneration of directors and independent directors

Unit: NTS Thousands; %

Title	Name	Director's Remuneration								Ratio of the total amount (A+ B+ C+D) to the net income (loss)		Remuneration to part-time employees								Ratio of the total amount (A+ B+ C+D+E+F+G) to the net income (loss)		Remuneration received from reinvested business other than the subsidiaries or parent company
		Remuneration (A)		Pension (B)		Director's remuneration (C) (Note 1)		Business execution expense (D)				Salary, bonus, special expenses, etc. (E)		Pension (F)		Employee remuneration (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Huang, Ta-Lun	-	\$165	-	-	-	-	-	\$133	-	\$298 (0.04%)	-	\$3,115	-	-	-	-	-	-	-	\$3,413 (0.43%)	None
Director	Ann, Bau Hsing(Note 3)	-	-	-	-	-	-	-	-	-	-	-	\$15,918	-	\$411	-	-	-	-	-	\$16,329 (2.06%)	None
Director	Shih, Wei(Note 3)	-	-	-	-	-	-	-	\$93	-	\$93 (0.01%)	-	-	-	-	-	-	-	-	-	\$93 (0.01%)	None
Director	Lee, Bing Jye (Note 3)	-	-	-	-	-	-	-	\$93	-	\$93 (0.01%)	-	-	-	-	-	-	-	-	-	\$93 (0.01%)	None
Corporate Director	Unikorn Semiconductor Corp. (Note 4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
Director	Representative of Unikorn: Ann, Bau Hsing(Note 4)	-	\$150	-	-	-	-	-	\$40	-	\$190 (0.02%)	-	-	-	-	-	-	-	-	-	\$190 (0.02%)	None
Director	Representative of Unikorn: Lee, Bing Jye (Note 5)	-	\$150	-	-	-	-	-	\$40	-	\$190 (0.02%)	-	-	-	-	-	-	-	-	-	\$190 (0.02%)	165
Director	Representative of Unikorn: Shih, Wei (Note 5)	-	\$150	-	-	-	-	-	\$30	-	\$180 (0.02%)	-	-	-	-	-	-	-	-	-	\$180 (0.02%)	2,322
Director	Representative of Unikorn: Su, Feng-Cheng (Note 6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6
Director	Representative of Unikorn: Lee, Tsun Chung(Note 6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6
Independent Director	Tseng, Tsung-Lin	-	165	-	-	-	-	-	\$308	-	\$473 (0.06%)	-	-	-	-	-	-	-	-	-	\$473 (0.06%)	None
Independent Director	Yang, Jung-Kung(Note 3)	-	-	-	-	-	-	-	\$218	-	\$218 (0.03%)	-	-	-	-	-	-	-	-	-	\$218 (0.03%)	None
Independent Director	Cheng, Jian-Jong(Note 3)	-	-	-	-	-	-	-	\$218	-	\$218 (0.03%)	-	-	-	-	-	-	-	-	-	\$218 (0.03%)	None
Independent Director	Chao,Mei-Chun(Note 4)	-	\$150	-	-	-	-	-	\$90	-	\$240 (0.03%)	-	-	-	-	-	-	-	-	-	\$240 (0.03%)	None

Title	Name	Director's Remuneration								Ratio of the total amount (A+ B+ C+D) to the net income (loss)		Remuneration to part-time employees						Ratio of the total amount (A+ B+ C+D+E+F+G) to the net income (loss)		Remuneration received from reinvested business other than the subsidiaries or parent company	
		Remuneration (A)		Pension (B)		Director's remuneration (C) (Note 1)		Business execution expense (D)				Salary, bonus, special expenses, etc. (E)		Pension (F)		Employee remuneration (G)					
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report		
Independent Director	Lin, Shang-Yi (Note 4)	-	\$150	-	-	-	-	-	\$90		\$240 (0.03%)	-	-	-	-	-	-	-	-	\$240 (0.03%)	None

(Note 1): The Company suffered a net loss before tax in 2023; therefore, director remuneration was not appropriated in accordance with the Company's articles of incorporation.
(Note 2): The shareholders' meeting on June 6, 2023, conducted a complete re-election, resulting in the resignation of the directors
(Note 3): The shareholders' meeting on June 6, 2023, elected new members.
(Note 4): New members were elected at the shareholders' meeting on June 6, 2023. Due to the corporate director reassigning its representative, the director was relieved of duties on December 25, 2023
(Note 5): New members were elected at the shareholders' meeting on June 6, 2023. Due to the corporate director reassigning its representative, the new representative assumed office on December 25, 2023.
(Note 6): Please describe the remuneration policy, system, standard, and structure of the independent directors, and describe the correlation between the remuneration amount and the responsibilities, risks, time invested, and other factors: Independent directors are members of the Audit Committee, and when the remuneration of directors is distributed, taking into account their responsibilities, the degree of participation in the Company's operations and the value of their contributions, risk taking and time invested, and determining reasonable remuneration by referring to the payment standards of other companies in this industry.
(Note 7): Except for the aforementioned disclosure, the remuneration received by the Company's board of directors in the most recent year for service provided (such as, serving as a consultant instead of an employee of the parent company / all companies listed in the financial report / invested enterprises, etc.): None

(II) Remuneration paid to supervisors in the most recent year: The Company has no supervisor appointed; therefore, it is not applicable.

(III) Remuneration paid to the President and Vice President in the most recent year

Unit: NT\$ Thousands

Title	Name (Note 1)	Salary (A) (Note 3)		Pension (B)		Bonuses, special expenses, etc. (C)		Employee remuneration (D) (Note 2)				Ratio of the total amount (A+ B+ C+D) to the net income (loss)		Remuneration received from reinvested business other than the subsidiaries or parent company
		The Company	All companies in the financial report (Note 3)	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chief Executive Officer & President	Ann, Bau Hsing (Note 4)	-	\$11,262	-	\$411	-	\$4,657	-	-	-	-	-	\$16,330 (2.06%)	None
Senior VP of R&D Unit	Wang, Shing-Kuo (Note 4)	-	\$8,701	-	\$360	-	\$1,177	-	-	-	-	-	\$10,238 (1.29%)	None
Senior VP of Sales	Yau, Wing (Note 4)	-	\$7,979	-	\$328	-	\$1,149	-	-	-	-	-	\$9,456 (1.19%)	None
Senior VP of Operating Unit	Chen, Minkar (Note 4)	-	\$7,441	-	\$299	-	\$872	-	-	-	-	-	\$8,612 (1.09%)	None
VP of Finance/Accounting Unit	Mark L. Raggio (Note 4)	-	\$7,170	-	\$291	-	\$872	-	-	-	-	-	\$8,333 (1.05%)	None

Title	Name (Note 1)	Salary (A) (Note 3)		Pension (B)		Bonuses, special expenses, etc. (C)		Employee remuneration (D) (Note 2)				Ratio of the total amount (A+ B+ C+D) to the net income (loss)		Remuneration received from reinvested business other than the subsidiaries or parent company
		The Company	All companies in the financial report (Note 3)	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman and Head of Strategic Development Office	Huang, Ta-Lun													None
VP of R&D Unit	Wang, Samuel	-	\$19,599	-	\$653	-	\$910	-	-	-	-	-	\$21,162 (2.69%)	
Senior VP of Sales	Yu, Yeou-Chong (Note 4)													
Corporate Governance Officer	Lin, Shu-Wei													

Note 1: The information on the remuneration of the Company's managerial officers as of the end of 2023 is filled in the table.

Note 2: The Company's board of directors resolved not to distribute remuneration to employees on February 20, 2024.

Note 3: It included salary expenses of NT\$5,031 thousand recognized pursuant to IFRS 2 share-based payment (new restricted employee shares and employee stock warrants).

Note 4: It refers to the top five executives with the highest remuneration received.

Remuneration Bracket

Remuneration bracket for the payment made to each President and Vice President of the Company	Name of President and Vice President	
	The Company	All companies in the financial report
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)~NT\$2,000,000 (non-inclusive)	-	-
NT\$2,000,000 (inclusive)~NT\$3,500,000 (non-inclusive)	-	Huang, Ta-Lun, Lin, Shu-Wei
NT\$3,500,000 (inclusive)~NT\$5,000,000 (non-inclusive)	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (non-inclusive)	-	Wang, Samuel, Yu, Yeou-Chong, Yau, Wing, Chen, Minkar, and Mark L. Raggio
NT\$10,000,000 (inclusive)~NT\$15,000,000 (non-inclusive)	-	Ann, Bau Hsing and Wang, Shing-Kuo
NT\$15,000,000 (inclusive)~NT\$30,000,000 (non-inclusive)	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000 (non-inclusive)	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (non-inclusive)	-	-
Over NT\$100,000,000	-	-
Total	-	9 persons

- (IV) Name of the managerial officers who received employee remuneration and the distribution situation: Not applicable
- (V) Compare and explain the analysis of the total remuneration paid to the Directors, Supervisors, Presidents, and Vice Presidents of the Company and all the companies in the consolidated financial report in the last two years as a percentage of the net income on the standalone or individual financial reports; also, explain the remuneration policy, standard and combination, procedures for determining remuneration, and correlation with business performance and future risks:
1. Analysis of the remuneration paid to Directors, Supervisors, Presidents, and Vice Presidents in the last two years

Unit: NT\$ Thousands

Item	2022		2023	
	Amount	%	Amount	%
Director	\$74,634	(8)	\$76,564	(10)
President & Vice President				
Net loss	(939,717)	100	(\$792,236)	100

2. The policies, standards and combinations of remuneration payments, the procedures for determining remuneration, and their correlation with business performance and future risks

According to the Company's articles of incorporation, the remuneration of directors shall be determined by the Board of Directors by referring to the recommendations of the Compensation Committee and the standards of other companies in this industry, which shall be paid regardless of a profit or loss resulted. Directors may request reimbursement for travel expenses, lodging expenses, and other expenses reasonably incurred for attending the Board meetings and other committee meetings designated by the Board of Directors, the Company's shareholders meetings, or performing the Company's business or the general duties of directors. Directors are entitled to the distribution of the Company's profits in accordance with the Company Act of the Cayman Islands, the regulations of public companies, service agreements, or other similar contracts signed with the Company.

The remuneration of Directors, Presidents, and Vice Presidents is based on their responsibilities assumed within the Company, the degree of participation in the Company's operations and the value of their contributions, as well as the achievement rate of overall operational goals and individual performance. The remuneration of the Company's Directors, Presidents, and Vice Presidents shall be handled in accordance

with the recommendations of the Compensation Committee and the resolutions of the Board of Directors.

IV. Implementation of corporate governance

(I) Information on the operation of the Board of Directors

The Board of Directors had held 8 meetings (A) in 2023 with the attendance of directors illustrated as follows:

Job Title	Name	Number of meetings(A)	Frequency of attendance (B)	Frequency of attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks												
Chairman	Huang, Ta-Lun	8	8	0	100%	Re-elected on June 6, 2023.												
Director	Ann, Bau Hsing	3	3	0	100%	Resigning on June 4, 2023.												
Director	Lee, Bing Jye	3	3	0	100%	Resigning on June 4, 2023.												
Director	Shih, Wei	3	3	0	100%	Resigning on June 4, 2023.												
Director	Representative of Unicorn: Ann, Bau Hsing	5	5	0	100%	Elected on June 6, 2023.												
Director	Representative of Unicorn: Lee, Bing Jye	5	5	0	100%	Elected on June 6, 2023. Due to the director reassigning its representative, the director was relieved of duties on December 25, 2023.												
Director	Representative of Unicorn: Shih, Wei	5	4	1	80%	Elected on June 6, 2023. Due to the director reassigning its representative, the director was relieved of duties on December 25, 2023.												
Director	Representative of Unicorn: Su, Feng-Cheng	0	0	0	NA	Due to the director reassigning its representative, the new representative assumed office on December 25, 2023.												
Director	Representative of Unicorn: Lee, Tsun Chung	0	0	0	NA	Due to the director reassigning its representative, the new representative assumed office on December 25, 2023.												
Independent Director	Tseng, Tsung-Lin	8	8	0	100%	Re-elected on June 6, 2023.												
Independent Director	Yang, Jung-Kung	3	3	0	100%	Stepped down on June 4, 2023												
Independent Director	Cheng, Jian-Jong	3	3	0	100%	Stepped down on June 4, 2023												
Independent Director	Chao, Mei-Chun	5	5	0	100%	Elected on June 6, 2023.												
Independent Director	Lin, Shang-Yi	5	5	0	100%	Elected on June 6, 2023.												
<p>Other matters to be recorded:</p> <p>I. The date, term, proposal contents of the board meeting, the opinions of all independent directors, and the Company's handling of the independent directors' opinions must be detailed in any of the following circumstances:</p> <p>(I) Matters stated in Article 14-3 of the Securities and Exchange Act: Article 14-3 are not applicable since the Company has already established an Audit Committee. Please refer to the Operation of the Audit Committee (p. 36-39) for the matters listed in Article 14-5 of the Securities and Exchange Act.</p> <p>(II) In addition to the aforementioned matters, other matters resolved by the Board of Directors with the dissent or reservation of the independent directors recorded or documented in writing: None</p> <p>II. The name, proposal contents, the reason for recusal, and the participation in voting of the director who has a conflict of interest in the proposal concerned must be detailed:</p> <table border="1" data-bbox="408 1733 1449 2121"> <thead> <tr> <th>Board meeting date</th> <th>Name of Director</th> <th>Proposal content</th> <th>Reasons for recusal, and the participation in voting of the director</th> </tr> </thead> <tbody> <tr> <td>February 20, 2023</td> <td>Ann, Bau Hsing</td> <td>Proposal for the remuneration of the Company's managerial officers</td> <td>1 director (including 0 director by proxy) was recused due to a conflict of interest in this proposal without participating in the discussion and voting. The proposal was resolved by the 6 directors present who did not have a conflict of interest.</td> </tr> <tr> <td>August 1, 2023</td> <td>Ann, Bau Hsing</td> <td>Proposal for the remuneration of the Company's managerial officers</td> <td>1 director (including 0 director by proxy) was recused due to a conflict of interest in this proposal without participating in the discussion and voting. The proposal was resolved by the 6 directors present who did not have a conflict of interest.</td> </tr> </tbody> </table>							Board meeting date	Name of Director	Proposal content	Reasons for recusal, and the participation in voting of the director	February 20, 2023	Ann, Bau Hsing	Proposal for the remuneration of the Company's managerial officers	1 director (including 0 director by proxy) was recused due to a conflict of interest in this proposal without participating in the discussion and voting. The proposal was resolved by the 6 directors present who did not have a conflict of interest.	August 1, 2023	Ann, Bau Hsing	Proposal for the remuneration of the Company's managerial officers	1 director (including 0 director by proxy) was recused due to a conflict of interest in this proposal without participating in the discussion and voting. The proposal was resolved by the 6 directors present who did not have a conflict of interest.
Board meeting date	Name of Director	Proposal content	Reasons for recusal, and the participation in voting of the director															
February 20, 2023	Ann, Bau Hsing	Proposal for the remuneration of the Company's managerial officers	1 director (including 0 director by proxy) was recused due to a conflict of interest in this proposal without participating in the discussion and voting. The proposal was resolved by the 6 directors present who did not have a conflict of interest.															
August 1, 2023	Ann, Bau Hsing	Proposal for the remuneration of the Company's managerial officers	1 director (including 0 director by proxy) was recused due to a conflict of interest in this proposal without participating in the discussion and voting. The proposal was resolved by the 6 directors present who did not have a conflict of interest.															

III. The performance evaluation of the Company's Board of Directors: The 2023 performance evaluation of the Board of Directors was completed in accordance with the "Rules for Performance Evaluation of Board of Directors;" also, the performance evaluation results were reported to the Board of Directors on February 20, 2024.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation approach	Evaluation contents
Once a year	1/1/2023 ~ 12/31/2023	Board of Directors	Internal evaluation of the Board of Directors	<p>1. This evaluation includes five aspects (A. Participation in the company's operations, B. Improvement of the quality of the board of directors' decision-making, C. Composition and structure of the board of directors, D. Election and continuing education of the directors, and E. Internal control), a total of 44 indicators. The average score of each aspect of the evaluation is between 4.33 and 5 points. The overall operation of the board of directors is satisfactory and meets the requirements of corporate governance.</p> <p>2. In addition, directors are suggested to participate in diversified professional advanced courses in response to regulatory revisions and industry changes. The company will continue to collect and provide relevant course information for directors' reference to improve their professionalism and comply with regulatory requirements.</p> <p>3. It is recommended that after the board of directors passes a resolution on a related proposal if it is not a routine matter and requires follow-up review, the relevant personnel of the company should report the progress of the subsequent execution at the next board meeting.</p>
Once a year	1/1/2023 ~ 12/31/2023	Each board director	Self-evaluation of each	<p>This evaluation includes six aspects (A. Alignment of the goals and missions of the company, B. Awareness of the duties of a director, C. Participation in the operation of</p>

					board director	the company, D. Management of internal relationship and communication, E. The director's professionalism and continuing education, and F. Internal control), a total of 23 indicators. The average score in each aspect of the evaluation is between 4.86 and 4.95, indicating that all directors had positive comments on evaluating their participation in the board of directors and the efficiency and effectiveness of various operational indicators.																																																						
<p>IV. Evaluating the objectives (such as setting up an Audit Committee, improving information transparency, etc.) and implementation of enhancing the functions of the board of directors in the current year and the most recent year: The Company has three independent directors, an Audit Committee, and a Compensation Committee in service. Currently, the functions of the board of directors are sound. The Company will have the functions of the board of directors enhanced and the transparency of information improved in accordance with the governing laws and regulations.</p> <p>V. The attendance of independent directors at each board meeting in 2023 is as follows:</p> <p style="text-align: right;">✓: Attended in person ○: Attended by proxy ✗: Absence</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>2023</th> <th>1st</th> <th>2nd</th> <th>3rd</th> <th>4th</th> <th>5th</th> <th>6th</th> <th>7th</th> <th>8th</th> </tr> </thead> <tbody> <tr> <td>Tseng, Tsung-Lin</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Yang, Jung-Kung</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✗ (Note)</td> <td>✗ (Note)</td> <td>✗ (Note)</td> <td>✗ (Note)</td> <td>✗ (Note)</td> </tr> <tr> <td>Cheng, Jian-Jong</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✗ (Note)</td> <td>✗ (Note)</td> <td>✗ (Note)</td> <td>✗ (Note)</td> <td>✗ (Note)</td> </tr> <tr> <td>Chao, Mei-Chun</td> <td>✗ (Note)</td> <td>✗ (Note)</td> <td>✗ (Note)</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Lin, Shang-Yi</td> <td>✗ (Note)</td> <td>✗ (Note)</td> <td>✗ (Note)</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> </tbody> </table> <p>Note: Did not attend the board meeting as they were not serving as an independent director at that time.</p>							2023	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	Tseng, Tsung-Lin	✓	✓	✓	✓	✓	✓	✓	✓	Yang, Jung-Kung	✓	✓	✓	✗ (Note)	✗ (Note)	✗ (Note)	✗ (Note)	✗ (Note)	Cheng, Jian-Jong	✓	✓	✓	✗ (Note)	✗ (Note)	✗ (Note)	✗ (Note)	✗ (Note)	Chao, Mei-Chun	✗ (Note)	✗ (Note)	✗ (Note)	✓	✓	✓	✓	✓	Lin, Shang-Yi	✗ (Note)	✗ (Note)	✗ (Note)	✓	✓	✓	✓	✓
2023	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th																																																				
Tseng, Tsung-Lin	✓	✓	✓	✓	✓	✓	✓	✓																																																				
Yang, Jung-Kung	✓	✓	✓	✗ (Note)	✗ (Note)	✗ (Note)	✗ (Note)	✗ (Note)																																																				
Cheng, Jian-Jong	✓	✓	✓	✗ (Note)	✗ (Note)	✗ (Note)	✗ (Note)	✗ (Note)																																																				
Chao, Mei-Chun	✗ (Note)	✗ (Note)	✗ (Note)	✓	✓	✓	✓	✓																																																				
Lin, Shang-Yi	✗ (Note)	✗ (Note)	✗ (Note)	✓	✓	✓	✓	✓																																																				

Notes:

- (1) The resignation date of a board director who resigned before the end of the fiscal year should be indicated in the "Remark" column. The actual attendance rate (%) shall be calculated based on the number of board meetings convened during the office term of the resigned director and the actual number of board meetings attended by the resigned director.
- (2) If there is a director re-election convened before the end of the fiscal year, the names of the new and old directors and supervisors shall be filled in with the information of newly elected directors, incumbent directors, re-elected directors, and the re-election date indicated in the "Remark" column. The actual attendance rate (%) shall be calculated based on the number of board meetings convened during the office term of the resigned director and the actual number of board meetings attended by the resigned director.

(II) Operations of the Audit Committee

1. Summary of annual work priorities of the Audit Committee:

The Company's Audit Committee consists of 3 independent directors.

The following matters were reviewed by the Audit Committee in 2023:

- (1) Financial report review

- (2) Articles of Incorporation and related company operating procedures
- (3) Important Accounting Policies and Procedures
- (4) The effectiveness of the internal control system evaluation
- (5) Significant asset transactions
- (6) Significant loaning of funds and endorsement/guarantee transactions
- (7) Offering, issuing, or private placement of equity securities
- (8) CPA independence and competence evaluation
- (9) Appointment and Dismissal of the Chief Internal Auditor

- Financial report review

The board of directors prepared the Company's 2023 business report, consolidated financial statements, and deficit compensation proposal, among which, the consolidated financial statements were audited by PricewaterhouseCoopers Taiwan (PwC Taiwan) with an audit report issued. The aforementioned business report, financial statement, and deficit compensation proposal were reviewed by the Audit Committee with a review report was issued.

- Evaluating the effectiveness of the internal control system

The Audit Committee has evaluated the effectiveness of the internal control system in accordance with the regulations. The audit officer, independent auditor, and management have reported to the Audit Committee on a regular basis.

- Independence and competence of independent auditors

To ensure the independence of the certifying accounting firm, our company has formulated an independence assessment form by referring to Article 47 of the CPA Act and Bulletin No. 10 of the Code of Professional Ethics for Certified Public Accountants, which addresses integrity, impartiality, objectivity, and independence. Additionally, we refer to the Audit Quality Indicators (AQI) guidelines prepared by the accounting firm to evaluate the independence, professionalism, and suitability of the accountants. Every year, we also obtain a declaration of independence from the accountants. Our company reported to the Audit Committee and the Board of Directors on February 20, 2023, and February 20, 2024, respectively, and it was determined that the certifying accountants meet the independence criteria after evaluation.

2. The Company had a total of 7 Audit Committee meetings held in 2023 with the attendance of the independent directors as follows:

Job title	Name	Number of meetings (A)	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener & Independent Director	Tseng, Tsung-Lin	7	7	0	100%	Re-elected on June 6, 2023
Independent Director	Yang, Jung-Kung	3	3	0	100%	Stepped down on June 4, 2023

Independent Director	Cheng, Jian-Jong	3	3	0	100%	Stepped down on June 4, 2023
Independent Director	Chao, Mei-Chun	4	4	0	100%	Elected on June 6, 2023
Independent Director	Lin, Shang-Yi	4	4	0	100%	Elected on June 6, 2023

Other matters to be recorded:

I. The date, term, and proposal contents of the Audit Committee meeting, the dissent or reservation and major recommendations of the independent directors, the resolutions of the Audit Committee, and the Company's handling of the independent directors' opinions must be detailed in any of the following circumstances:

(I) For matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the important resolutions of the Shareholders Meeting and the Board Meetings in "Three. Corporate Governance Report" of this Annual Report (pages 57-61): The said important resolutions were with the approval of more than one-half of all the Audit Committee members before having them submitted to the board of directors for resolutions. The event that the said important resolutions not approved by the Audit Committee members but resolved with the consent of more than two-thirds of all directors did not occur.

(II) Except for the aforementioned matters in the preceding paragraph, the proposals without the approval of the Audit Committee members but resolved with the consent of more than two-thirds of all directors: None

II. The name, proposal contents, and the reason for recusal, and the participation in voting of the independent directors who have a conflict of interest in the proposal concerned must be detailed: None

III. Communication between independent directors and internal audit officer and CPAs (such as, the matters, methods, and results of communication on the company's finance, business status, etc.):

(1) The Company's internal audit officer reports the auditing operation to the Audit Committee on a quarterly basis. The summary of all communications conducted in 2023 is as follows:

Date	Nature and Communication Content	Independent directors' recommendations and implementation results
Audit Committee meeting on February 20, 2023	1. The 2022Q4 Internal audit report 2. The 2022Q3 Internal audit follow-up report 3. The 2022 Internal Control Statement	1. Independent directors had no comments and no recommendations. 2. Independent directors had no comments and no recommendations. 3. The resolutions were reported to the board of directors.
Audit Committee meeting on May 2, 2023	1. The 2023Q1 Internal audit report	1. Independent directors had no comments and no recommendations.
Audit Committee meeting on August 1, 2023	1. The 2023Q2 Internal audit report	1. Independent directors had no comments and no recommendations.

	<p>Audit Committee meeting on October 31, 2023</p>	<ol style="list-style-type: none"> The 2023Q3 Internal audit report The 2023Q2 Internal audit follow-up report The 2024 Audit Plan 	<ol style="list-style-type: none"> Independent directors had no comments and no recommendations. Independent directors had no comments and no recommendations. The resolutions were reported to the board of directors. 															
<p>(2) The Audit Committee communicates with the CPAs the quarterly financial statement review or audit results and other matters required by relevant laws and regulations and reviews the independence of CPAs. The communications conducted in 2023 is summarized as follows:</p>																		
<table border="1"> <thead> <tr> <th data-bbox="459 645 608 741">Date</th> <th data-bbox="608 645 1023 741">Nature and Communication Content</th> <th data-bbox="1023 645 1434 741">Independent directors' recommendations and implementation results</th> </tr> </thead> <tbody> <tr> <td data-bbox="459 741 608 987"> <p>Audit Committee meeting on February 20, 2023</p> </td> <td data-bbox="608 741 1023 987"> <ol style="list-style-type: none"> CPA's independent evaluation The 2022 consolidated financial report audit results Matters communicated with the governance unit </td> <td data-bbox="1023 741 1434 987"> <ol style="list-style-type: none"> Independent directors had no comments and no recommendations. The resolutions were reported to the board of directors. Independent directors had no comments and no recommendations. </td> </tr> <tr> <td data-bbox="459 987 608 1144"> <p>Audit Committee meeting on May 2, 2023</p> </td> <td data-bbox="608 987 1023 1144"> <ol style="list-style-type: none"> The 2023Q1 consolidated financial report review results Matters communicated with the governance unit </td> <td data-bbox="1023 987 1434 1144"> <ol style="list-style-type: none"> The resolutions were reported to the board of directors. Independent directors had no comments and no recommendations. </td> </tr> <tr> <td data-bbox="459 1144 608 1301"> <p>Audit Committee meeting on August 1, 2023</p> </td> <td data-bbox="608 1144 1023 1301"> <ol style="list-style-type: none"> The 2023Q2 consolidated financial report audit results Matters communicated with the governance unit </td> <td data-bbox="1023 1144 1434 1301"> <ol style="list-style-type: none"> The resolutions were reported to the board of directors. Independent directors had no comments and no recommendations. </td> </tr> <tr> <td data-bbox="459 1301 608 1496"> <p>Audit Committee meeting on October 31, 2023</p> </td> <td data-bbox="608 1301 1023 1496"> <ol style="list-style-type: none"> The 2023Q3 consolidated financial report audit results Matters communicated with the governance unit </td> <td data-bbox="1023 1301 1434 1496"> <ol style="list-style-type: none"> The resolutions were reported to the board of directors. Independent directors had no comments and no recommendations. </td> </tr> </tbody> </table>				Date	Nature and Communication Content	Independent directors' recommendations and implementation results	<p>Audit Committee meeting on February 20, 2023</p>	<ol style="list-style-type: none"> CPA's independent evaluation The 2022 consolidated financial report audit results Matters communicated with the governance unit 	<ol style="list-style-type: none"> Independent directors had no comments and no recommendations. The resolutions were reported to the board of directors. Independent directors had no comments and no recommendations. 	<p>Audit Committee meeting on May 2, 2023</p>	<ol style="list-style-type: none"> The 2023Q1 consolidated financial report review results Matters communicated with the governance unit 	<ol style="list-style-type: none"> The resolutions were reported to the board of directors. Independent directors had no comments and no recommendations. 	<p>Audit Committee meeting on August 1, 2023</p>	<ol style="list-style-type: none"> The 2023Q2 consolidated financial report audit results Matters communicated with the governance unit 	<ol style="list-style-type: none"> The resolutions were reported to the board of directors. Independent directors had no comments and no recommendations. 	<p>Audit Committee meeting on October 31, 2023</p>	<ol style="list-style-type: none"> The 2023Q3 consolidated financial report audit results Matters communicated with the governance unit 	<ol style="list-style-type: none"> The resolutions were reported to the board of directors. Independent directors had no comments and no recommendations.
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<p>(3) The Company regularly convenes the Audit Committee meeting and invites CPAs, audit officers, and relevant supervisors to attend in a non-voting capacity. A meeting can be convened at any time upon the occurrence of nonconformities.</p>																		

Notes:

- (1) The resignation date of an independent director who resigned before the end of the fiscal year should be indicated in the "Remark" column. The actual attendance rate (%) shall be calculated based on the number of Audit Committee meetings convened during the office term of the resigned independent director and the actual number of Audit Committee meetings attended by the resigned independent director.
- (2) If there is an independent director re-election convened before the end of the fiscal year, the name of the new and old independent directors shall be filled in with the information of newly elected independent directors, incumbent independent directors, re-elected independent directors, and the re-election date indicated in the "Remark" column. The actual attendance rate (%) shall be calculated based on the number of Audit Committee meetings convened during the office term of such independent

directors and the actual number of Audit Committee meetings attended by such independent directors.

(III) The operation of corporate governance and its differences from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons

Evaluation Item	Operations		Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons	
	YES	No		Summary Description
I. Does the company formulate and disclose its Corporate Governance Best Practice Principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?”		V	The Company has incorporated the spirit of corporate governance into the internal control system and various regulations and substantially implemented the relevant norms of corporate governance. The Company will enhance information transparency, the functions of the Board of Directors, the Audit Committee, and the Compensation Committee, etc. to promote the operation of corporate governance in the future in accordance with the Company’s operational needs and the provisions of the “Corporate Governance Best Practice Principle for TWSE/TPEX Listed Companies.”	The Company has not yet formulated and disclosed the Corporate Governance Best Practice Principle, but has the spirit of corporate governance incorporated into the internal control system and various regulations, which can help substantially implement the relevant norms of corporate governance without any significant differences occurred.
II. The company’s shareholding structure and shareholders’ equity (I) Has the company established internal operating procedures for handling shareholders’ proposals, inquiries, disputes, and litigation matters, and then has them processed in accordance with the procedures?		V	The Company has the spokespersons and acting spokespersons appointed and has full-time stock affairs personnel in place to deal with relevant issues of shareholders. A legal issue is to be handled with the assistance of the Company’s lawyers. The relevant operating procedures will be formulated according to the actual operational needs of the Company in the future.	The Company’s internal operating procedures are sufficient to help handle shareholders’ suggestions, doubts, disputes, and litigation matters without significant differences resulted.
(II) Does the company have a list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders?	V		The Company has full knowledge of the shareholdings of directors, managerial officers, and major shareholders.	No significant difference occurred.
(III) Does the company establish and implement risk control and firewall mechanisms with affiliated companies?	V		The Company has established relevant controls in the Company’s internal control system and related party management approach in accordance with the governing laws and regulations.	No significant difference occurred.
(IV) Does the company formulate internal regulations to prohibit insiders from using undisclosed information to buy and sell securities?	V		The Company has formulated the “Operational Procedures for Preventing Insider Trading” to prohibit insiders from using undisclosed information to buy and sell securities.	No significant difference occurred.
III. Composition and responsibilities of the Board of Directors (I) Does the board of directors formulate diversity policies, specific management objectives, and have them implemented?	V		Please see the notes on pages 26-27 of this annual report.	No significant difference occurred.
(II) Is the company willing to set up other functional committees in addition to the Compensation Committee and the Audit Committee?		V	There is not any functional committee organized by the Company except for the Compensation Committee and the Audit Committee.	The Company will set up other functional committees as needed in the future.
(III) Does the company formulate the “Regulations Governing Self-Evaluation or Peer Evaluation of the Board of Directors,” conduct a performance evaluation annually	V		The Company has formulated the “Regulations Governing Self-Evaluation or Peer Evaluation of the Board of Directors,” and conducted performance evaluation in accordance with the content of the Regulations. Please refer to page 37-38 of this annual	No significant difference occurred.

Evaluation Item	Operations			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	YES	No	Summary Description	
and regularly, report the performance evaluation results to the board of directors, and apply it as a reference for determining the director’s remuneration and nomination of directors for another term?			report for the results of the performance evaluation of the Board of Directors in 2023.	
(IV) Does the company regularly evaluate the independence of the independent auditors?	V		The Company evaluates the independence of CPAs at least once a year, which is carried out by the Company’s responsible unit depending on the operation and reputation of the CPA firm, the years of providing auditing services continuously, and the items specified in the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.” An independent statement is obtained from the CPA firm annually. The evaluation results were reported to the Audit Committee and the Board of Directors on February 20, 2023 and February 20, 2024, respectively, in the most recent year and as of the annual report publication date.	No significant difference occurred.
IV. Does the TWSE/TPEX listed company have sufficient number of competent and appropriate corporate governance personnel and a corporate governance supervisor appointed to be responsible for corporate governance-related affairs (including but not limited to providing directors and supervisors with the information necessary for business operation, assisting directors and supervisors in complying with law and regulations, handling matters related to the board meetings and shareholders meetings lawfully, preparing the minutes of board meeting and shareholders meetings, etc.)?	V		The Company has had full-time personnel responsible for providing the directors with the necessary information for business operation, handling matters related to the board meetings and shareholders meetings lawfully, handling company registration and change registration, and preparing minutes of the board meetings and shareholders meetings. The other corporate governance related matters will be handled by personnel from appropriate units depending on the Company’s business operation.	No significant difference occurred.
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a page specially for stakeholders on the company’s website, and appropriately responded to the important corporate social responsibility issues of concern to stakeholders?	V		The Company maintains good communication channels with banks, suppliers, and other stakeholders. The Company also has a dedicated person and an e-mail to handle matters related to the Company’s external relations and stakeholders.	No significant difference occurred.
VI. Does the company contract a professional stock affairs agency to handle the affairs of the shareholders meeting?	V		The Company has appointed the Agency Department of China Trust Commercial Bank as the Company’s stock agency to handle matters related to stock affairs.	No significant difference occurred.
VII. Information disclosures: (I) Does the company set up a website to disclose financial business and corporate governance information?	V		The Company has set up a website to regularly update financial business information and corporate governance implementation.	No significant difference occurred.

Evaluation Item	Operations			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	YES	No	Summary Description	
(II) Does the company adopt other information disclosure methods (Such as, the company has set up an English website, appointed a person to be responsible for the collection and disclosure of information, implementation of the spokesperson system, investor conferences, etc.)?	V		The spokesperson system has been implemented, and the Company’s operation information has been disclosed in accordance with the information disclosure regulations; also, an English website has been set up.	No significant difference occurred.
(III) Does the company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the financial statements for the first, second, and third quarters and the operating conditions of each month before the specified deadline?		V	The Company’s annual financial report, the first, second, and third quarter financial reports and the operating conditions of each month are announced and reported within the prescribed time limit.	There should be no significant difference occurred.
VIII. Does the company have other important information that is helpful to understand the operation of corporate governance (including but not limited to employee interests, employee care, investor relations, supplier relations, stakeholders’ rights, continuing education of directors and supervisor, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, the company’s purchase of liability insurance for directors and supervisors, etc.)?	V		The Company values the importance of the rights and interests of employees. Please refer to the “Five. Operation Overview” in this annual report for the relevant measures. Investor relations, supplier relations, and rights of stakeholders: The Company has designated spokespersons and full-time investor relations personnel to assist investors, and suppliers and stakeholders in inquiring about the Company’s operation status or related rights and interests. The Company maintains good communication channels with banks, suppliers, and other stakeholders. The Company also has a dedicated person and an e-mail to handle matters related to the Company’s external relations and stakeholders. Advanced study of directors and supervisors: The Company has provided information on training courses to directors and independent directors. The liability insurance acquired by the Company for directors: The Company has purchased liability insurance for directors and independent directors.	No significant difference occurred.
IX. Please explain the corrective action performed for the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and propose prioritized enhancements and measures for those that have not yet been corrected: Plans will be made to gradually improve the nonconformities found in the corporate governance evaluations in order to substantiate corporate governance.				

(IV) The compositions, responsibilities, and operations of the Compensation Committee or Nomination Committee, if it is available:

1. Information of the Compensation Committee members:

Identity (Note)	Terms	Professional qualifications and experience (Note 2)	Independence status (Note 3)	Number of Publicly Listed Companies that He/She also Works as a Member of the Compensation Committee
	Name			
Convener & Independent Director	Tseng, Tsung-Lin	Please refer to pages 19-22 of this annual report for information on directors, and pages 24-27 of this annual report for information on directors' professional qualifications and the independence of independent directors.	Please refer to pages 24-27 of this annual report for information on directors' professional qualifications and independence of independent directors.	1
Independent Director	Chao, Mei-Chun			0
Independent Director	Lin, Shang-Yi			0

Note: Please indicate the identity as either Director, Independent Director, or Other.

2. Responsibilities of the Compensation Committee:

The responsibilities of the Company's Compensation Committee are to assess the performance evaluation and remuneration policy, system, and standard structure of the Company's directors and managerial officers in a professional and objective position; also, evaluate the remuneration of directors and managerial managers at least once a year. Propose recommendations to the Board for Discussion and for reference in decision-making.

3. Operation of the Compensation Committee:

(1) The Company's Compensation Committee is with 3 members on board.

(2) The term of office of the incumbent (5th) members of the Audit Committee: From June 6, 2023 to June 5, 2026, a total of 3 Compensation Committee meetings were held in 2023 with the attendance of the members as follows:

Job Title	Name	Number of meetings (A)	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Member	Tseng, Tsung-Lin	3	3	0	100%	Re-elected on June 6, 2023
Member	Yang, Jung-Kung	1	1	0	100%	Stepped down on June 4, 2023
Member	Cheng, Jian-Jong	1	1	0	100%	Stepped down on June 4, 2023

Job Title	Name	Number of meetings (A)	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Member	Chao, Mei-Chun	2	2	0	100%	Elected on June 6, 2023
Member	Lin, Shang-Yi	2	2	0	100%	Elected on June 6, 2023

Other matters to be recorded:			
Compensation Committee	Proposal content and subsequent processing	Resolution	The Company's handling of the opinions of the Compensation Committee
February 20, 2023	<ol style="list-style-type: none"> Passed the resolution of issuing employee stock warrants and new restricted employee shares to employees. Passed the 2022 remuneration to employees and directors. Passed the 2022 Manager Bonus and 2023 Salary proposal. 	Resolved by the committee members unanimously	Deliberated by the board of directors and resolved by the directors present unanimously
July 17, 2023	<ol style="list-style-type: none"> Election of the Chairperson for the 5th Compensation Committee. Passed the Board of Directors' remuneration distribution plan. 	<ol style="list-style-type: none"> The chairperson of this session is Committee Member Tseng, Tsung-Li All committee members agreed to pass the resolution. 	<ol style="list-style-type: none"> Not applicable Deliberated by the board of directors and resolved by the directors present unanimously
August 1, 2023	Passed the proposal for remuneration of the managerial officers.	Resolved by the committee members unanimously	Deliberated by the board of directors and resolved by the directors present unanimously

I. If the board of directors does not adopt or amend the recommendations of the Compensation Committee, the date, term, proposal content, resolution of the board of directors, and the company's handling of the opinions of the Compensation Committee (such as, the remuneration approved by the board of directors is superior to the recommendation of the Compensation Committee, the differences between them, and reasons should be stated): None

II. For matters resolved by the Compensation Committee, except for the objections or reservations of the members that have been recorded or stated in writing, the date, term, proposal content, all members' opinions, and the handling of the members' opinions shall be stated: None

Notes:

- (1) The resignation date of a Compensation Committee member who resigned before the end of the fiscal year should be indicated in the "Remark" column. The actual attendance rate (%) shall be calculated based on the number of Compensation Committee meetings convened during the office term of the resigned member and the actual number of Compensation Committee meetings attended by the resigned member.

(2) If there is a Compensation Committee member re-election convened before the end of the fiscal year, the names of the new and old members shall be filled in with the information of newly elected member, incumbent member, re-elected member, and the re-election date indicated in the "Remark" column. The actual attendance rate (%) shall be calculated based on the number of Compensation Committee meetings convened during the office term of such member and the actual number of Compensation Committee meetings attended by such member.

(V) The promotion and operation of the sustainable development and its differences from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:

Evaluation items	Operations			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary Description	
I. Has the company established a governance structure to promote sustainable development, set up a dedicated (part-time) unit to promote sustainable development; also, is the senior management authorized and supervised by the Board of Directors?		V	Although the Company has not yet established a governance structure to promote sustainable development, the Company will continue to observe sustainable development issues and continue to realize social responsibility, and will formulate relevant policies in the future depending on the actual practice.	The Company will evaluate and establish a governance structure to promote sustainable development depending on the Company’s operating conditions, which will be carried out by relevant units in compliance with regulations.
II. Does the company, according to the materiality principle, conduct risk evaluation towards environmental, social, and corporate governance issues related to operations of the company and enact relevant risk management policies and strategies? (Note 2)		V	The Company has not yet conducted relevant evaluation in accordance with the principle of materiality.	The Company will conduct risk evaluation on environmental, social, and corporate governance issues related to the company’s operations in compliance with regulations.
III. Environmental issues (I) Has the company established an appropriate environmental management system according to its industrial characteristics?	V		The Company has established an appropriate environmental management system, and valued the importance of and cooperated with the environmental protection directives of local laws and regulations.	No difference occurred
(II) Is the company committed to improving energy efficiency and using recycled materials with low impact on the environment?	V		The Company’s efforts in improving the utilization efficiency of various resources include the use of ERP systems and e-mails, replacing the printing of correspondence and official letters with electronic forms in order to protect the resources on the Earth.	No difference occurred
(III) Does the company evaluate the impact of climate change on the current and future potential risks and opportunities with countermeasures adopted in response to the climate-related issues?	V		In order to slow down and adapt to climate change, the Company strives to use energy-saving equipment in the production process to reduce the consumption of electricity throughout the production process, and promotes policies related to energy saving and carbon reduction to employees in order to avoid energy waste.	No difference occurred
(IV) Has the company counted statistically the greenhouse gas emissions, water consumption, and total weight of waste of the last two years, and formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management policies?		V	The operating entity of the company, Global Communication Semiconductors LLC (hereinafter referred to as GCS USA) in the United States, conducts relevant statistics and monitoring of greenhouse gas emissions, water consumption, and total waste weight in accordance with local regulations. GCS USA has established a waste disposal plan to manage the disposal of waste generated during various manufacturing processes. In the year 2023, GCS USA generated 90.2 tons of hazardous waste and 18.4 tons of non-hazardous waste. GCS USA has also established an air quality management plan to monitor and reduce greenhouse gas emissions, with direct greenhouse gas emissions totaling 4,558.1542 tons and indirect greenhouse gas emissions totaling 1,713.3177 tons in the year 2023. Additionally, GCS USA has implemented a	The company will revise relevant management policies as required and continuously monitor greenhouse gas emissions, water usage, and total waste weight.

Evaluation items	Operations			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary Description	
			water quality management plan to manage wastewater treatment and discharge. Besides setting up relevant management policies, GCS USA also regularly educates employees about energy-saving and carbon-reduction policies and handles waste in accordance with legal requirements. Furthermore, the relevant departments of the company closely monitor and comply with government environmental protection policies and regulations.	
IV. Social issues				
(I) Does the company formulate relevant management policies and procedures in accordance with relevant laws and International Bill of Human Rights?	V		The Company has formulated relevant management policies to actively shape a corporate environment that respects, cares, and protects human rights, and has promoted healthy and positive labor relations.	No difference occurred
(II) Does the company formulate and implement reasonable employee benefit measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect business performance or results in employee remuneration?	V		The Company has handled the matter in accordance with the relevant laws and regulations. Please refer to pages 128-129 of this annual report for details. The Company has also formulated employee remuneration distribution regulations in the Company’s articles of incorporation.	No difference occurred
(III) Does the company provide employees with a safe and healthy working environment, and arrange safety and health education for employees regularly?	V		The Company has arranged safety and health education for employees occasionally.	No difference occurred
(IV) Has the company established an effective career development training program for employees?	V		The Company has planned necessary technical and knowledge training to cultivate the skills of employees according to the needs of each job position and the individual career plan.	No difference occurred
(V) Does the company follow relevant laws and regulations, and international standards, and formulate relevant policies and complaint procedures for the protection of consumers’ or customers’ rights and interests regarding issues related to customer health and safety, customer privacy, marketing, and labeling of products and services?	V		The Company ensures the quality of products and services in accordance with government laws and industry-related regulations. The Company’s marketing and labeling of products and services shall comply with relevant laws and regulations and international standards, and shall not deceive, mislead, fraud, or act to undermine consumer trust and damage consumer rights. In addition, the Company provides telephone, Internet, and other service platforms to let consumers communicate relevant issues, and makes transparent and effective customer complaint handling procedures available.	No difference occurred
(VI) Has the company formulated a supplier management policy, requiring suppliers to follow relevant codes on issues related to environmental protection, occupational safety and health, or labor rights, and their implementation?		V	The Company will evaluate whether the supplier has a record of damaging the environment and society before initiating any business transaction, and will avoid doing businesses with those who violate the corporate social responsibility policy. The Company when signing or renewing contracts with major suppliers in the future will include the requirements of complying with the corporate social responsibility policies of both parties depending on actual needs, and having the contracts terminated or rescinded at any time when the suppliers violate the policy with a significant impact on the environment and society.	The Company will formulate relevant specifications depending on the operating situation.

Evaluation items	Operations		Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
V. Does the company refer to the internationally accepted reporting standards or guidelines to prepare the sustainability reports that disclose non-financial information of the company? Has the aforementioned report received a confirmation or guarantee opinion from a third-party verification unit?		V	The Company has not yet prepared a sustainable development report, and will continue to observe relevant regulations and handle them in compliance with the requirements in the future.
VI. If a company has formulated its “Sustainable Development Best Practice Principles” in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the operation and its difference from the “Sustainable Development Best Practice Principles”: Although the Company has not formulated the sustainable development policy or system, the Company will continue to realize social responsibility with relevant policies formulated depending on the situation in the future.			
VII. Other important information that is helpful to understand the promotion and operation of sustainable development: The Company understands the impact of sustainable development on the public; therefore, the Company will strive to operate the main business, provide employees with a stable and excellent working environment, and realize social responsibilities jointly with the stakeholders.			

Note 1: If you check “Yes” for the implementation situation, please specify the important policies, strategies, measures, and implementation situations adopted. If you check “No” for the implementation situation, please explain the circumstances and reasons for the differences in the “Difference from the ‘Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons’” column, and explains the plans of adopting relevant policies, strategies, and measures in the future. Regarding the item 1 and 2, TWSE/TPEX Listed companies should provide a clear description of the governance and supervisory framework for sustainable development, including but not limited to management policies, strategy and goal setting, review measures, etc. Additionally, companies should outline their risk management policies or strategies regarding operational environmental, social, and corporate governance issues, as well as their assessment status

Note 2: The principle of materiality refers to the significant impact of environmental, social, and corporate governance issues on the Company’s investors and other stakeholders.

(VI) Implementation of climate-related information

Items	Operations
1. Describe the board of directors and management's oversight and governance of climate-related risks and opportunities.	In response to the high uncertainty of climate and the rapid changes in policies and markets, our company will convene senior executives from various departments on an irregular basis to identify significant climate risks and opportunities. Additionally, we further assess the potential risks of floods, droughts, typhoons, and high temperatures to each of our operational sites. This enables us to understand the external environmental climate changes and market dynamics more comprehensively, allowing for a more holistic consideration in our overall operational strategy planning.
2. Describe how the identified climate risks and opportunities impact the company's business, strategy, and	Our company is actively developing solutions to reduce the operational and financial impacts of climate change and enhance organizational climate resilience. We define short-term as within 3 years, mid-term as 3 to 5 years, and long-term as over 5 years. We assess the potential operational and financial impacts of related climate risks and opportunities on the company to plan various actions in response to these climate-related risks and opportunities.

financials (short-term, mid-term, long-term).		Types of risk and opportunity	Short-term	Mid-term	Long-term
	Risk	Transition risk	Total greenhouse gas emissions control and carbon tax, carbon fee.	1.Consumer demand and preferences shift. 2.Transition to low-carbon and plastic reduction technologies. 3.Addition of regulations governing renewable energy sources. 4.Inadequate climate adaptation measures leading to a decline in brand reputation.	Net zero emissions trend
		Physical risk	The extreme changes in climate patterns lead to increased flooding, causing damage to one's operational assets.	Increased disasters causing supply chain disruptions.	The average temperature rises.
	Opportunity		The research and innovation of new low-carbon products and services.	Enhancing resource efficiency.	Enhancing corporate reputation.

Our company has assessed the aforementioned risks and presented climate-related risks and opportunities that may have significant financial impacts, along with the following response strategies:

Transition risk/Weather opportunity		
Risk(R)/Opportunity(O)	-/+ Financial Impact	Response Strategy
R : Greenhouse gas emissions control and carbon tax, carbon fee R : Addition of regulations governing renewable energy sources	- Increase in operating costs due to carbon tax payment - Increase in operating costs due to purchase of renewable energy certificates - Non-compliance with regulatory requirements leads to fines, resulting in increased operating expenses	-Strengthening green research and innovation -Enhance energy efficiency and invest in green energy equipment
R : Enhance energy efficiency and invest in green energy equipment	- Increase in installation and operation costs of carbon reduction equipment	-Continue implementing greenhouse gas reduction actions -Construct green factories to obtain green building certification -Encourage suppliers to take climate mitigation and adaptation actions
-R : Consumer demand and preference shifts -O : Research and innovation of new low-carbon products and services	- (R) Decrease in market sales, resulting in revenue decline + (O) Increase the sales ratio of low-carbon products, thereby increasing revenue	-Continue investing in the research and development of low-carbon products -Use raw materials with low carbon footprint and reconfigure product components -Research and innovate green products
-R : Transition to low-carbon/plastic reduction technologies	- Development of low-carbon new processes and plastic reduction technologies will increase	-Establish a project research and development team and seek collaboration with external research teams to jointly develop optimized, low-carbon, and easy-to-

		research and development costs, and failure in development will lead to financial losses	manage low-carbon plastic reduction technologies
	-R : Inadequate climate adaptation actions leading to a decline in brand reputation	– Inability to meet stakeholder expectations, resulting in damage to corporate reputation and reduced market sales	-Actively monitor and respond to climate-related issues, strengthen corporate social responsibility image, and increase customer identification
	-O : Enhancing corporate reputation	+ Improve fundraising availability and reduce capital costs	-Enhance corporate green image through transparent disclosure -Strengthen corporate governance and establish a culture of prioritizing and acting on climate-related issues -Improve sustainability rating scores and establish a positive image.
Physical risk/Weather opportunity			
	Risk(R)/Opportunity(O)	-/+ Financial Impact	Response Strategy
	R : Extreme changes in climate patterns lead to increased flooding R : Supply chain disruptions (disasters)	– Decreased revenue due to operational site shutdowns – Property loss due to damage to machinery and equipment – Increased operating costs due to rising raw material prices – Reduced product output leading to decreased revenue	- Consider flood risk when selecting new operational site locations - Assess flood risk at production sites and implement risk mitigation measures - Develop alternative raw materials - Seek suppliers in other regions
	R : Rise in average temperature O : Enhance resource efficiency	– (R) Increased operating expenses due to higher electricity consumption – (R) Raw material shortages causing price increases – (R) Increased costs or reduced output leading to decreased revenue + (O) Reduced electricity costs	- Construct green buildings Use renewable energy - Develop alternative raw materials - Procure energy-efficient equipment - Adopt environmental management systems to track energy usage
3. Describe the financial impact of extreme climate events and transition actions.	<p>Financial Impact of Extreme Climate Events Our company will identify potential risks to production or transportation stages due to disasters, changes in precipitation patterns, and extreme climate changes through internal discussions, inventory, and evaluation. Heavy rainfall causing floods can lead to operational site shutdowns and equipment damage, resulting in temporary shipping disruptions. Droughts and water shortages can affect the normal operation of production lines, and during water shortages, the need to reduce water usage or transport water across regions increases operating costs. Changes in precipitation and climate patterns can also affect the transportation of some raw materials and finished products, leading to higher transportation costs.</p> <p>Financial Impact of Transition Actions Under transition risks, transitioning to a low-carbon economy may involve widespread policy and regulatory, technological, and market changes. Depending on the nature, speed, and focus of these changes within the analysis timeframe, carbon fees, greenhouse gas emissions control, renewable energy regulations, and shifts in consumer preferences could increase operating costs or reduce sales volumes. Considering our company's continuous innovation and diversification of related products, there is no significant impact on market sales in various scenarios. Therefore, the company focuses on analyzing operating costs. In the context of low-carbon transition, carbon pricing will financially impact the company's operations and supply chain costs. Our company will address these transition risks by implementing energy-saving and carbon-reduction projects to minimize the impact of energy consumption, water use, and waste on the climate. We</p>		

	enhance energy efficiency, invest in green energy equipment, and innovate green products to meet consumer demands. These projects will lead to increased capital investments and operating costs for the company.
4. Describe how the identification, assessment, and management of climate risks are integrated into the overall risk management system.	The Board of Directors is the highest decision-making body for risk control within the group, directly overseeing the risk governance structure of each company within the group. To improve risk assessment and enhance management functions, our company will establish a risk management team responsible for identifying and managing operational risks, including physical and transition risks related to climate change, and leading the planning of related response measures. We will set risk governance policies to control potential risks arising from various business activities within acceptable limits, establishing sound risk management principles. The risk management team will conduct risk identification and analysis across seven aspects: operations, finance, national, compliance, ESG, personnel, and information security, and update the annual major risk identification matrix. Based on the risk identification results, each department will plan response strategies to integrate and manage risks that may affect operations and profitability. The team will report on management implementation and risk control to the Board of Directors, supervising and reviewing the management team's risk management practices to strengthen the company's resilience.
5. If scenario analysis is used to assess the impact of climate change risks, the context, parameters, assumptions, analysis factors, and major financial impacts should be explained.	The company has not established dedicated risk team to address climate change-related issues. However, in the future, we will analyze factors and major financial impacts in this direction to avoid production interruptions caused by extreme weather events that could lead to increased production costs and reduced sales revenue. We will carry out facility improvements and technological upgrades. To reduce the impact on the company's capital expenditures. In the future, we will allocate resources to manage supply chain risks, including collaboration with suppliers and emergency logistics preparations, after conducting assessments..
6. If there is a plan to manage climate-related risk transformations, please explain the contents of the plan and how it addresses awareness and management of physical and transitional risks and targets.	The plan is intended to be developed in the following directions: Risk assessment and identification, establishing response strategies, enhancing employee awareness, technical upgrades, and implementation improvements to provide comprehensive management. The plan and goals will be gradually implemented through the following steps: Sufficiently reducing risks, improving efficiency, providing risk assessment, and employee training coverage.
7. If internal carbon pricing is used as a planning tool, the basis for price setting should be explained.	The company will initially consider the following directions as the basis for price setting: Internal carbon footprint assessment, carbon cost estimation, referencing external prices, cost internalization, and implementation transparency. This will allow for better management and reduction of carbon emissions and promoting sustainable development.
8. If climate-related goals are set, the covered activities, greenhouse gas emission scopes, planning timeframe, and annual progress information should be explained. If carbon offsets or renewable energy certificates (RECs) are used to achieve related goals, the source and amount of the carbon offsets or the number of renewable energy certificates (RECs) should be explained.	The company will set climate-related goals to reduce greenhouse gas emissions in line with global reduction efforts to mitigate the impact of climate change on the environment and society. It is expected to cover production processes, supply chain management, energy use, transportation, and waste management; the emission scopes include direct and indirect emissions. The company hopes to plan these as long-term goals, with regular tracking and progress reporting to ensure effective monitoring and evaluation of goal achievement. The progress report will include related indicators such as emission reductions, carbon footprint, and energy use efficiency. The company does not use carbon offsets or renewable energy certificates (RECs) to achieve these goals yet.
9. Greenhouse Gas Inventory, Assurance, Reduction Targets, Strategies, and Specific Action Plans	Our operational entity, GCS USA in compliance with local regulations, conducts relevant statistics and monitoring on greenhouse gas emissions, water usage, and total waste weight. GCS USA has developed a waste disposal plan to manage waste generated during various manufacturing processes, with 90.2 metric tons of hazardous waste and 18.4 metric tons of non-hazardous waste generated in 2023. The company has formulated an air quality management plan to monitor and reduce greenhouse gas emissions, with direct greenhouse gas emissions amounting to 4,558.1542 metric tons and indirect emissions amounting to 1,713.3177 metric tons in 2023. Additionally, GCS USA has a water quality management plan to manage wastewater treatment and discharge. Besides setting relevant management policies, GCS USA regularly educates employees on energy-saving and carbon-reduction policies and properly disposes of waste in accordance with regulations. Relevant departments also closely monitor and comply with government environmental protection policies and regulations.

(VII) The operation of ethical corporate management and its differences from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:

Evaluation Item	Operations			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary Description	
I. Formulating ethical corporate management policies and plans (I) Does the company formulate an ethical corporate management policy approved by the Board of Directors, and clearly express the policy and practice of ethical corporate management in the company’s articles of incorporation and external documents; also, the commitment of the Board of Directors and management to actively substantiate the ethical corporate management policy?	V		The Company has established the “Ethical Corporate Management Best Practice Principle” to express the policy of ethical management and prevent unethical conducts.	No difference occurred
(II) Has the company established an evaluation mechanism for the risk of unethical conduct, regularly analyzed and evaluated the business activities with high risk of unethical conduct within the business scope with a plan for preventing unethical conduct formulated accordingly, which at least covers the matters stated in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?”	V		The Company for the sake of preventing any unethical conduct requires employees to take the initiative to explain the moral doubts and conflicts of interest encountered and to comply with the norms of the ethical management. The Company’s preventive plan covers the following preventive actions: 1. Bribing and bribed. 2. Offer illegal political contributions. 3. Improper charitable donations or sponsorships. 4. Offer or accept unreasonable gifts, hospitality, or other improper profits. 5. Infringe business secrets, trademarks, patents, copyrights, and other intellectual property rights. 6. Engage in unfair competition. 7. Products and services directly or indirectly endanger the rights, health, and safety of consumers or stakeholders during the research and development, procurement, production, supply, or sale.	No difference occurred
(III) Has the company clearly defined operating procedures, guidelines for conduct, punishment and appealing systems in the unethical conduct prevention plan, implemented them, and regularly reviewed and revised the said plan?	V		The Company has formulated a plan for preventing unethical conduct in the “Ethical Corporate Management Best Practice Principle.” The Company and the directors, independent directors, managerial officers, employees, and substantial controllers shall act in accordance with the relevant regulations.	No difference occurred
II. Implementation of ethical corporate management (I) Does the company evaluate the ethical conduct record of the counterparties and specify the ethical conduct terms in the contracts signed with counterparties?	V		The Company prevents unethical business activities through customer credit limit evaluation and supplier credit evaluation system. The Company also states the relevant ethical conduct terms in the contracts signed with the counterparties.	No difference occurred
(II) Does the company set up a dedicated unit under the Board of Directors to promote ethical corporate management, and report the ethical corporate management policies, related prevention measures, and supervision of its implementation to the Board of Directors regularly (at least once a year)?		V	Currently, internal auditors perform regular audits and report the results of the audits to the board of directors.	The Company will formulate relevant measures and regularly report the implementation to the board of directors.
(III) Does the company have a policy formulated to prevent conflicts of interest, provide and implement appropriate channels for communication?	V		The Company’s employees who have a conflict of interest in business execution shall notify their direct supervisors in advance to be recused. The employees who have a conflict of interest in the resolutions reached may not engage in discussion and voting and shall be recused in accordance with the Company’s	No difference occurred

Evaluation Item	Operations			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary Description	
			“Rules of Procedure for Board of Directors Meetings.”	
(IV) Has the company established an effective accounting system and internal control system for the implementation of ethical corporate management, and had the internal audit unit to formulate relevant audit plans based on the risk evaluation results of the unethical conducts, and checked the compliance of the plan in preventing unethical conduct accordingly, or entrusted a CPA to perform the audit?	V		The Company’s audit officer conducts audits in accordance with the annual audit plan approved by the board of directors, and reports the audit results to the board of directors, and also reports to the competent authority in accordance with regulations.	No difference occurred
(V) Does the company regularly hold internal and external education and training on ethical corporate management?	V		The Company regularly holds internal education and announcement on ethical corporate management.	No difference occurred
III. Implementation of the company’s whistleblowing system (I) Has the company formulated a specific whistle-blowing and reward system, established a convenient reporting channel, and assigned appropriate personnel to deal with the reported party? (II) Has the company established standard operating procedures for the investigation of reported matters, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism? (III) Does the company take measures to protect whistleblowers from retaliation due to whistleblowing?		V	The Company has not yet established a reporting and reward system, investigation standard operating procedures, and related confidentiality mechanisms. However, the Company has setup a mailbox and e-mail for employee complaints, and has full-time staff designated to handle employee complaints. V The Company will have relevant operating procedures and management measures formulated according to actual needs to substantiate ethical corporate management in the future. V	The Company will have relevant reporting methods formulated in accordance with the actual situation in order to establish reporting channels and handling procedures.
IV. Enhance information disclosure Does the company disclose the content of its “Ethical Corporate Management Best Practice Principles” and the implementation effectiveness on its website and Market Observation Post System?		V	The Company will disclose all relevant information of the Company on the Company’s website and Market Observation Post System.	The Company will disclose all relevant information of the Company on the Company’s website and Market Observation Post System.
V. If a company has formulated its “Ethical Corporate Management Best Practice Principles” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the operation and its difference from the “Ethical Corporate Management Best Practice Principles”: The Company has business operation conducted generally in accordance with the “Ethical Corporate Management Best Practice Principles.”				
VI. Other important information (such as, the company’s review and amendments of the Ethical Corporate Management Best Practice Principles, etc.) that is helpful to understand the operation of the company’s ethical corporate management: None				

(VIII) Disclose the inquiry methods for the company’s Corporate Governance Best Practice Principles and relevant regulations, if any:

The Company has not formulated a corporate governance best practice principle, but has established operating procedures, such as, “Rules of Procedure for Shareholders Meetings,” “Rules of Procedure for Board of Directors Meetings,” “Operating Procedures for Related Party, Group Enterprises, and Specific Company Transaction,” “Internal Control System,” etc. The corporate governance related regulations are operated and implemented in accordance with the spirit of corporate governance. The operation of corporate governance will be promoted by revising relevant management measures, enhancing information transparency, and strengthening the functions of the board of directors.

(IX) Other important information that is helpful to further understand the implementation of the Company’s corporate governance: None

(X) Implementation of internal control system

1. Internal Control Statement

GCS Holdings Inc.
Internal Control System Statement

February 20, 2024

The Statement on the Company's 2023 Internal Control System according to the self-evaluation result is made as follows:

- I. The Company knows that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the internal control system, and the Company has set up such system. It is intended for providing a reasonable assurance for an effective and efficient operation (including profit, performance, and protection of asset safety), reliability, timeliness, transparency of reporting, and compliance with relevant rules and regulations.
- II. There are some limitations to the internal control system. No matter how good the design is, an effective internal control system can only provide reasonable assurance to achieve the said three objectives. Additionally, due to changes in environment and situation, the effectiveness of the internal control system may change accordingly. However, the internal control system of the Company is developed with the self-monitoring mechanism and once a defect is identified, the Company will immediately adopt corrective actions.
- III. The Company determines the effectiveness of the internal control system design and implementation in accordance with the criteria defined in the "Regulations Governing Establishment of Internal Control System by Public Companies" (hereinafter referred to as the "Regulations"). The criteria for determining the effectiveness of the internal control system stated in the "Regulations" refers to the five elements of the internal control system that are gathered throughout a management and control process: 1. Control environment; 2. Risk evaluation; 3. Control operations; 4. Information and communication, and 5. monitoring operations. There are several sub-items under each composition element. Please refer to the "Regulations" for the aforementioned items in details.
- IV. The Company has adopted the aforementioned criteria for internal control system to evaluate the effectiveness of the internal control system design and implementation.
- V. The Company based on the aforementioned evaluation result believes that the internal control system (including supervising and managing the subsidiaries) as of December 31, 2023, including understanding the operating effect, the realization of efficiency, and reporting, is reliable, timely, transparent; also, the compliance with the relevant regulations, the design and implementation of the internal control system is effective and is sufficient to ensure the achievement of the aforementioned objectives.
- VI. The Internal Control System Statement will become major contents of the annual report and the prospectus of the Company, which will be disclosed to the public. Any misrepresentation and nondisclosure of the aforementioned contents is a violation against Article 20, 32, 171, and 174 of the Securities and Exchange Act and will be held accountable by law.
- VII. The Internal Control System Statement was approved by the Company's Board of Directors on February 20, 2024 and none of the seven attending directors objected. Therefore, the Internal Control System Statement was approved by the seven attending directors.

Chairman: Huang, Ta-Lun
President: Ann, Bau Hsing

2. Internal Control System Review Report of the CPAs: None

(XI) If the Company and the internal personnel have been punished by law, or the Company has punished the internal personnel for violating the provisions of the internal control system in the most recent year and as of the annual report publication date, and the said violation may have a significant impact on the shareholders' equity or securities prices, the content of the punishment, the major nonconformities, and the implementation of the corrective action should be detailed:
None

(XII) The important resolutions of the shareholders meeting and the Board meeting in the most recent year and as of the annual report publication date:

Date	Board of Directors and Shareholders Meeting	Contents of Important Resolutions
1/18/2023	The 22 th meeting of the 4 th term of office	<ol style="list-style-type: none"> 1. Passed the 2023 budget. 2. Passed the changes to internal audit supervisor.(Note) 3. Passed the proposal of filing a Cayman Economic Substance Statement.
2/20/2023	The 23 th meeting of the 4 th term of office	<ol style="list-style-type: none"> 1. Passed the 2022 consolidated financial statements (Note). 2. Passed the amendments to the Company's organizational charter and articles of incorporation (Note). 3. Passed the 2022 Internal Control Statement (Note) 4. Passed the proposal for the issuance of new restricted employee shares in 2023 and the plan(Note). 5. Passed the 2022 business report (Note). 6. Passed the Termination of Issuing Securities by way of Private Placement as Resolved in 2022 Annual General Meeting (Note). 7. Passed the 2022 Deficit Compensation Proposal. 8. Passed the issuance of employee stock options and restricted shares grants requests.(Note) 9. Passed the 2022 Employees' and Directors' Compensation 10. Passed the 2022 Executives' Bonus and 2023 Salary. 11. Passed the establishment of the corporate governance supervisor 12. Passed the 2023 Annual General Meeting agenda and proposals. 13. Passed the announcement contents on accepting the proposals of shareholders who hold more than 1% of the Company's shares at the regular shareholders meeting. 14. Passed on accepting the nominations of directors and independent directors by shareholders who hold more than 1% of the Company's shares 15. Passed the nomination of director and independent director candidates.

Date	Board of Directors and Shareholders Meeting	Contents of Important Resolutions
		16. Passed Granting Waiver to Director's Engagement in any Business within the Scope of the Company's Business.
5/2/2023	The 24 th meeting of the 4 th term of office	<ol style="list-style-type: none"> 1. Approval of the consolidated financial statements for the first quarter of 2023, reviewed by the accountant. (Note). 2. Passed the issuance of employee stock options to employees. (Note) 3. Passed the proposal of opening a bank account for the company in the Bank of China. 4. Passed the funding provided by the company to its subsidiary Global Communication Semiconductors, LLC. (Note)
6/6/2023	Shareholders Meeting	<ol style="list-style-type: none"> 1. Passed the 2022 business report. 2. Reported the Audit Committee's review on the 2022 financial reports. 3. Reported the 2022 employees' and directors' compensation. 4. Report on Implementation Status for Resolutions adopted by 2021 Extraordinary General Meeting pertaining to Issuing Securities by way of Private Placement. 5. Report on Implementation Status for Resolutions adopted by 2022 Annual General Meeting pertaining to Issuing Securities by way of Private Placement. 6. Approved the 2022 financial statements. 7. Approved the 2022 deficit compensation proposal. Proposal implementation: It was resolved in the shareholders meeting not to have dividend distributed. 8. Passed the amendments to the Company's articles of incorporation. Proposal implementation: The amended "articles of incorporation" is announced on the Company's website and handled in accordance with the amended procedures. 9. Passed the Issuance of 2023 Employee Restricted Shares and the Plan. Proposal implementation: The issuance of restricted employee stock has been approved and notified by the FSC through letter No. 1120359704. It will take effect from November 7th, 2023, and will be issued in installments according to its plan. 10. Passed the re-election of four directors and three independent directors. Status: It was resolved that Huang, Ta-Lun; Ann, Bau Hsing, representative of Unikorn

Date	Board of Directors and Shareholders Meeting	Contents of Important Resolutions
		<p>Semiconductor Corporation; Lee, Biing Jye, representative of Unikorn Semiconductor Corporation; Shih, Wei, representative of Unikorn Semiconductor Corporation be and are elected as the Director of the Company; Tseng, Tsung-Lin; Chao, Mei-Chun; Lin, Shang-Yi be and are elected as the Independent Director of</p> <p>11. The Board recommends to the Members to grant waivers to Directors' and Independent Directors' engagement in any business within the scope of the Company's business</p> <p>Proposal Implementation: It was announced on the Market Observation Post System on June 6, 2023.</p>
6/6/2023	The 1 st meeting of the 5 th term of office	<ol style="list-style-type: none"> 1. Election of the Chairman of the Board for the Fifth Term 2. Election of members of the Audit Committee and the Compensation Committee.
7/17/2023	The 2 nd meeting of the 5 th term of office	<ol style="list-style-type: none"> 1. Review and Approval of Stock Options Grant Requests. (Note) 2. Adoption and Approval of Granting Authorization to the Chairman to negotiate the Transfer of Equity Interest in Changzhou Chemsemi Co., Ltd. (Note) 3. Adoption and Approval of Amended Articles of Association and Corporate Policy of GCS Device Technologies Co., Ltd. (Note) 4. Approval of Application with Mega International Commercial Bank for Issuing a Standby Letter of Credit to Secure the Repayment of the Loan of Global Communication Semiconductors, LLC. (Note) 5. Adoption and Approval of Provision of Collateral for Issuing a Standby Letter of Credit. (Note) 6. Approval of Opening an NTD and a USD Bank Account of GCS Holdings, Inc. in Mega International Commercial Bank. 7. Adoption and Approval of Compensation for Board of Directors for the Fifth Term
8/1/2023	The 3 rd meeting of the 5 th term of office	<ol style="list-style-type: none"> 1. Approval of the consolidated financial statements for the second quarter of 2023, audited by the accountant. (Note) 2. Adoption and Approval of Cancellation of 27,500 Restricted Shares. (Note) 3. Adoption and Approval of the Executive Compensation.

Date	Board of Directors and Shareholders Meeting	Contents of Important Resolutions
9/27/2023	The 4 th meeting of the 5 th term of office	<ol style="list-style-type: none"> 1. Adoption and Approval of Transfer of Equity Interest of Changzhou Chemsemi Co., Ltd. 2. Adoption and Approval of Granting Authorization to the Chairman of the Company to determine the Deposits Amounts pledged by the Company and GDT pursuant to the Facility Letter issued by Mega International Commercial Bank for issuing a Standby Letter of Credit approved on July 17, 2023.
10/31/2023	The 5 th meeting of the 5 th term of office	<ol style="list-style-type: none"> 1. Approval of the consolidated financial statements for the third quarter of 2023, reviewed by the accountant. (Note). 2. Passed the 2024 audit plan (Note). 3. Passed the application for bank load by GDT and provided endorsement to GDT. 4. Passed the fund lending to D-Tech Optoelectronics, Inc. by Global Communication Semiconductors, LLC.
1/16/2024	The 6 th meeting of the 5 th term of office	<ol style="list-style-type: none"> 1. Passed the 2024 budget. 2. Adoption and Approval of Capital Contribution Increase in Global Communication Semiconductors, LLC.
2/20/2024	The 7 th meeting of the 5 th term of office	<ol style="list-style-type: none"> 1. Review and Adoption of the Consolidated Financial Statements for the Year ended December 31, 2023 and Submission to the AGM to report that the Accumulated Losses Reached one half of the Paid-In Capital. (Note) 2. Approval of Change of Certified Public Accountant. (Note) 3. Adoption and Approval of Revised Corporate Policies. <ol style="list-style-type: none"> (1) Audit Committee Charter(Note) (2) Amendment of the Board Meeting Rules (3) Procedures for Lending Funds to Others by the Company(Note) (4) Procedures for Lending Funds to Others by the Subsidiary GCS USA(Note) 4. Adoption and Approval of 2023 Internal Control Statement. (Note) 5. Adoption and Approval of Business Report of 2023. (Note) 6. Adoption and Approval of the 2023 Deficit Compensation Proposal. (Note) 7. Review and Approval of (1) Stock Options and (2) Restricted Shares Grants Requests. (Note) 8. Adoption and Approval of 2023 Employees' and Directors' Compensation. (Note) 9. Review and Adoption of 2023 Executives' Bonus and 2024 Salary. (Note)

Date	Board of Directors and Shareholders Meeting	Contents of Important Resolutions
		10. Passed the Annual General Meeting schedule and agenda. 11. AGM Proposals submitted by Members holding 1% or more shares. 12. Approval of Grant of Waivers to Directors' Engagement in any Business within the Scope of the Company's Business.

(Note) Matters listed in Article 14-5 of the Securities and Exchange Act.

(XIII) The matters resolved by the Board of Directors with the dissent or reservation of the directors or supervisors recorded or documented in writing in the most recent year and as of the annual report publication date: None

(XIV) Summary of the resignations and dismissals of the Company's Chairman, President, accounting officer, financial officer, internal audit officer, corporate governance officer, and research and development officer in the most recent year and as of the annual report publication date:

Title	Name	Date of appointment	Date of termination	Reasons for resignation or termination
Internal audit officer	Lin, Shu-Wei	2016/3/2	2023/1/18	Job reassignment

V. Independent auditor's auditing fees

Amount unit: NT\$ Thousands

Name of Accounting firm	Name of CPA	Audit Period	Audit fees	Non-audit fees	Total	Remarks
PwC Taiwan	Bai, Shu-Chian	1/1/2023	9,465	426 (Note)	9,891	
	Cheng, Ya-Huei	~12/31/2023				

Note: The "other non-audit fees" include NT\$120 thousand for tax attestation service, NT\$147 thousand for the issuance of employee stock options and new restricted employee shares, and NT\$159 thousand for tax consulting services.

(I) If the CPA firm is replaced and the audit fee paid in the year of change is less than in the year before, information on the audit fee amount before and after the said replacement and the root cause should be detailed: None

(II) If the audit fee paid in the current year is more than 10% less than the year before, it is necessary to disclose the amount of reduction, percentage of reduction, and reasons for the reduction of public audit fees: None

VI. If there is a change of independent auditors in the last two years and subsequent periods, the following matters shall be disclosed:

(I) Former independent auditors

Date of replacement	It was resolved by the board of directors on August 2, 2022.		
Reason for and description of the replacement	The arrangement of replacement is in cooperation with the internal rotation adjustment of PwC Taiwan. Starting from the second quarter of 2022, the financial report's CPA for the company was changed from Cheng, Ya-Huei and Lin, Yu-Kuan to Bai, Shu-Chian and Cheng, Ya-Huei.		
Please state whether the appointment is terminated	Status	Party	Client

or declined by the client or the independent auditor	Automatic termination of appointment		NA	NA
	Decline of (continuous) appointment		NA	NA
The audit reports with an opinion other than unqualified opinion issued in the last two years and the reasons	Audit report period	Audit report opinion	Reason for the audit report opinion	
	Consolidated Financial Report for the second quarter of 2021	Qualified opinion	As of June 30, 2021, the investment balance accounted for using the equity method by the company represents 24% of the total consolidated assets. The share of comprehensive (loss) income of associates and joint ventures accounted for using the equity method for the periods April 1, 2021, to June 30, 2021, and January 1, 2021, to June 30, 2021, account for 82% and 96% of the total consolidated comprehensive income, respectively. Due to the inclusion of equity-method recognized financial statements of the investee companies in the Company's consolidated financial statements for the second quarter of 2021, which were not audited by the auditors, the auditors were unable to determine whether necessary adjustments should be made to those amounts. Therefore, a qualified opinion is expressed.	
	Consolidated Financial Report for the second quarter of 2022	Qualified opinion	As of June 30, 2022, the investment balance accounted for using the equity method by the company represents 48% of the total consolidated assets. The share of comprehensive (loss) income of associates and joint ventures accounted for using the equity method for the periods April 1, 2022, to June 30, 2022, and January 1, 2022, to June 30, 2022, account for 262% and 304% of the total consolidated comprehensive income, respectively. Due to the inclusion of equity-method recognized financial statements of the investee companies in the Company's consolidated financial statements for the second quarter of 2022, which were not audited by the auditors, the auditors were unable to determine whether necessary adjustments should be made to those amounts. Therefore, a qualified opinion is expressed.	
Is there a disagreement with the opinion of the issuer	Yes		Accounting principles or practices	
			Disclosures of financial statements	
			Audit scope or steps	
			Others	
	No	V		
Remarks:				

Other disclosures (Matters to be disclosed additionally as stated in Article 10, Paragraph 6, Subparagraph 1-4 ~ 1-7 of the “Regulations Governing Information to be Published in Annual Reports of Public Companies”)	None
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Date of replacement	It was resolved by the board of directors on February 20, 2024.		
Reason for and description of the replacement	The arrangement of replacement is in cooperation with the internal rotation adjustment of PwC Taiwan. Starting from the first quarter of 2024, the financial report's CPA for the company was changed from Bai, Shu-Chian and Cheng, Ya-Huei to Bai, Shu-Chian and Liu, Chien-Yu.		
Please state whether the appointment is terminated or declined by the client or the independent auditor	Party		
	Status	CPA	Client
	Automatic termination of appointment	NA	NA
	Decline of (continuous) appointment	NA	NA
The audit reports with an opinion other than unqualified opinion issued in the last two years and the reasons	Audit report period	Audit report opinion	Reason for the audit report opinion
	Consolidated Financial Report for the second quarter of 2022	Qualified opinion	As of June 30, 2022, the investment balance accounted for using the equity method by the company represents 48% of the total consolidated assets. The share of comprehensive (loss) income of associates and joint ventures accounted for using the equity method for the periods April 1, 2022, to June 30, 2022, and January 1, 2022, to June 30, 2022, account for 262% and 304% of the total consolidated comprehensive income, respectively. Due to the inclusion of equity-method recognized financial statements of the investee companies in the Company's consolidated financial statements for the second quarter of 2022, which were not audited by the auditors, the auditors were unable to determine whether necessary adjustments should be made to those amounts. Therefore, a qualified opinion is expressed.
	Consolidated Financial Report for the second quarter of 2023	Qualified opinion	As of June 30, 2023, the investment balance accounted for using the equity method by the company represents 53% of the total consolidated assets. The share of comprehensive (loss) income of associates and joint ventures accounted for using the equity method for the periods April 1,

			2023, to June 30, 2023, and January 1, 2023, to June 30, 2023, account for 91% and 74% of the total consolidated comprehensive income, respectively. Due to the inclusion of equity-method recognized financial statements of the investee companies in the Company's consolidated financial statements for the second quarter of 2023, which were not audited by the auditors, the auditors were unable to determine whether necessary adjustments should be made to those amounts. Therefore, a qualified opinion is expressed.
Is there a disagreement with the opinion of the issuer	Yes		Accounting principles or practices
			Disclosures of financial statements
			Audit scope or steps
			Others
No	V	Remarks:	
Other disclosures (Matters to be disclosed additionally as stated in Article 10, Paragraph 6, Subparagraph 1-4 ~ 1-7 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies")	None		

(II) Current independent auditors

CPA Firm	PwC Taiwan
Name of CPAs	Ms. Bai, Shu-Chian and Ms. Cheng, Ya-Huei
Appointment date	It was resolved by the board of directors on August 2, 2022.
Inquires on accounting treatment methods or accounting principles for specific transactions and possible opinions on financial reports before the appointment, and the results	Not applicable
Written opinions of the successor accountants that are different from the opinions issued by the predecessor accountants	Not applicable

CPA Firm	PwC Taiwan
Name of CPAs	Ms. Bai, Shu-Chian and Ms. Liu, Chien-Yu
Appointment date	It was resolved by the board of directors on February 20, 2024.
Inquires on accounting treatment methods or accounting principles for specific transactions and possible opinions on financial reports before the appointment, and the results	Not applicable

Written opinions of the successor accountants that are different from the opinions issued by the predecessor accountants	Not applicable
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(III) The written replies of the former independent auditor regarding the matters stated in Article 10, Paragraph 6, Subparagraph 1 and Subparagraph 2, Item 3 of the “Regulations”: Not applicable

VII. The Chairman, President, or officer in charge of financial or accounting matters of the Company, who has worked in the firm of the CPAs or its affiliated companies within the last year: None

VIII. Equity transfer and changes in equity pledge of directors, supervisors, managerial officers, and shareholders who have more than 10% shareholdings:

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

		Unit: Shares			
Job title	Name	2023		As of April 8, 2024	
		Increase (decrease) in shareholding	Increase (decrease) in shareholding	Increase (decrease) in shareholding	Increase (decrease) in shareholding
Chairman and Head of Strategic Development Office	Huang, Ta-Lun	-	-	-	-
Director/Chief Executive Officer & President	Ann, Bau Hsing (Note 1)	-	-	NA	NA
Director	Shih, Wei (Note 1)	-	-	NA	NA
Director	Lee, Biing Jye (Note 1)	-	-	NA	NA
Director	Representative of Unicorn: Ann, Bau Hsing (Note 2)	-	-	-	-
Director	Representative of Unicorn: Lee, Biing Jye (Note 3)	-	-	NA	NA
Director	Representative of Unicorn: Shih, Wei (Note 3)	-	-	NA	NA
Director	Representative of Unicorn: Su, Feng Cheng (Note 4)	-	-	-	-
Director	Representative of Unicorn: Lee, Tsun Chung (Note 4)	-	-	-	-
Independent Director	Yang, Jung-Kung (Note 1)	-	-	NA	NA
Independent Director	Tseng, Tsung-Lin	-	-	-	-
Independent Director	Cheng, Jian-Jong (Note 1)	-	-	NA	NA
Senior VP of R&D Unit	Wang, Shing-Kuo	24,500	-	20,000	-
Senior VP of Sales	Yu, Yeou-Chong	10,000	-	10,000	-
Senior VP of R&D Unit	Wang, Samuel	15,000	-	15,000	-

Job title	Name	2023		As of April 8, 2024	
		Increase (decrease) in shareholding	Increase (decrease) in shareholding	Increase (decrease) in shareholding	Increase (decrease) in shareholding
Senior VP of Sales	Yau, Wing	12,500	-	17,500	-
VP of Finance/Accounting Unit	Mark L. Raggio	12,500	-	15,000	-
VP of Operating Unit	Chen, Minkar	12,500	-	16,500	-
Corporate Governance Officer	Shu-Wei Lin (Note 5)	6,500	-	9,000	-

Note 1: Newly dismissed in the re-election on June 6, 2023 with the statistical period of 2023 from January 1, 2023 to June 4, 2023.

Note 2: Newly Elected in the re-election on June 6, 2023 with the statistical period of 2023 from June 6, 2023 to December 31, 2023.

Note 3: Newly elected in the re-election on June 6, 2023, and dismissed on December 25, 2023, due to a change in the legal entity representative. The statistical period for 2023 is from June 6, 2023, to December 25, 2023.

Note 4: Newly appointed on December 25, 2023, due to a change in the legal entity representative. The statistical period for 2023 is from December 25, 2023, to December 31, 2023.

Note 5: Appointed as the corporate governance supervisor by a board resolution on February 20, 2023. The statistical period for 2023 is from February 20, 2023, to December 31, 2023.

(II) The counterparty of the share transfer and pledge is a related party: NA

IX. Information on the top ten shareholders who are related to each other or as spouses or relatives within the second degree of kinship:

April 8, 2024, Unit: Shares; %

Name	Principal's shareholding		Shareholdings of spouses and minors		Shareholdings in the name of others		Name (title) and relationship between top 10 shareholders who are related parties, spouses, or relatives within the second degree of kinship to one another (Note 2)		Remarks
	Number of Shares (Note 1)	Shareholding ratio (%)	Number of Shares (Note 1)	Shareholding ratio (%)	Number of Shares (Note 1)	Shareholding ratio (%)	Title (Name)	Relations	
ENNOSTAR INC.	9,028,000	8.07%	NA	NA	-	-	Harvestar Investment Corp.	A subsidiary of ENNOSTAR Group	
							Calystar Investment Corp.	A subsidiary of ENNOSTAR Group	
							Ronly Venture Investment Company	(Note 2)	
ENNOSTAR Group Representative: Peng, Shuang-Lang	-	-	Data not available						
Harvestar Investment Corp.	9,013,000	8.06%	NA	NA	-	-	Calystar Investment Corp.	A subsidiary of ENNOSTAR Group	
							ENNOSTAR Group	Parent company – subsidiary	
							Ronly Venture Corporation	(Note 2)	
Harvestar Investment Corp. Representative: Peng, Shuang-Lang	-	-	Data not available						
Calystar Investment Corp.	6,500,000	5.81%	NA	NA	-	-	Harvestar Investment Corp.	A subsidiary of ENNOSTAR	

Name	Principal's shareholding		Shareholdings of spouses and minors		Shareholdings in the name of others		Name (title) and relationship between top 10 shareholders who are related parties, spouses, or relatives within the second degree of kinship to one another (Note 2)		Remarks
	Number of Shares (Note 1)	Shareholding ratio (%)	Number of Shares (Note 1)	Shareholding ratio (%)	Number of Shares (Note 1)	Shareholding ratio (%)	Title (Name)	Relations	
								Group	
							ENNOSTAR Group	Parent company – subsidiary	
							Ronly Venture Corporation	(Note 2)	
Calystar Investment Corp. Representative: Peng, Shuang-Lang	—	—	Data not available						
Chen, Yu-Zhen	4,943,000	4.42%	Data not available						
Joray Co., Ltd.	4,750,063	4.25%	NA	NA	Data not available		—	—	
Joray Co., Ltd. Representative: Chong-Ren Huang	610,280	0.55%	2,488,350	2.23%	Data not available		Mei-Yu He	Spouse	
Wei, Shih-Yu	3,710,886	3.32%	—	—	—	—	—	—	
Ronly Venture Corporation	3,500,000	3.13%	NA	NA	—	—	ENNOSTAR Group	(Note 2)	
							Harvestar Investment Corp.	(Note 2)	
							Calystar Investment Corp.	(Note 2)	
Ronly Venture Corporation Representative: Peng, Shuang-Lang	—	—	Data not available						
Hsieh, Shi-Han	3,197,000	2.86%	Data not available						
Chuan Wei Investment Co., Ltd.	2,500,000	2.24%	NA	NA	Data not available		—	—	
Chuan Wei Investment Co., Ltd. Representative: Zhiguang Yan	—	—	Data not available						
He, Mei-Yu	2,488,350	2.23%	610,280	0.55%	—	—	Chong-Ren Huang	Spouse	

Note 1: It is the information recorded in the shareholder register of the Company's latest book-entry closing date (April 8, 2024).

Note 2: Ronly Venture Corporation is a subsidiary of AUO Corporation, and AUO Corporation is a related party of ENNOSTAR Group.

X. The number of shares held in the same reinvested enterprise jointly by the company, the company's directors, supervisors, managerial officers, and enterprises directly or indirectly controlled by the company, and the comprehensive shareholding ratio jointly

December 31, 2023

Invested company (Note 1)	The Company's investment		Investment of the directors, supervisors, managerial officers, and directly or indirectly controlled business entities		Consolidated investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
GCS USA	(Note 2)	100%	-	-	(Note 2)	100%
GCS Device Technologies Co., Ltd.	(Note 3)	100%	-	-	(Note 3)	100%
D-Tech Optoelectronics, Inc.	-	-	360,000	100%	360,000	100%
D-TECH Optoelectronics (Taiwan) Corporation (Note 4)	-	-	1,800,000	100%	1,800,000	100%
Unikorn Semiconductor Corp.	131,400,000	39.05%	-	-	131,400,000	39.05%
Changzhou ChemSemi Co., Ltd.	(Note 3)	20.99%	-	-	(Note 3)	20.99%
Shanghai Zhouga Optoelectronics Co., Ltd.	(Note 3)	48%	-	-	(Note 3)	48%

Note 1: It is an investment under the equity method.

Note 2: GCS USA is a limited liability company, not a company limited by shares; therefore, no stock share is issued.

Note 3: It is a limited company, not a company limited by shares; therefore, no stock share is issued.

Note 4: On November 1, 2022, the company's board of directors resolved to dissolve and liquidate the subsidiary D-TECH Optoelectronics (Taiwan) Corporation. As of the date of the annual report printing, the liquidation process is still ongoing."

Four. Capital Overview

I. Capital and Shares

(I) Source of capital

1. Formation of capital

April 8, 2024; Unit: NTD

Month / Year	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid-in capital with property other than cash	Others
November 2010	10	15,000	150,000	1	10	Registered Capital	None	
December 2010	10	70,000,000	700,000,000	1	10	Increase in authorized capital	None	
December 2010	10	70,000,000	700,000,000	30,694,587	306,945,870	Capital conversion	The company underwent a restructuring through a stock swap, resulting in the issuance of 30,694,587 shares outstanding.	
April 2011	10	70,000,000	700,000,000	32,835,587	328,355,870	Cash capital increase	None	
August 2011	10	70,000,000	700,000,000	35,096,587	350,965,870	Cash capital increase	None	
January 2011 - December 2011	10	70,000,000	700,000,000	35,172,587	351,725,870	The stock warrants executed in 2011; 76,000 shares issued for capital increase.	None	
December 2011	10	70,000,000	700,000,000	36,490,587	364,905,870	Cash capital increase	None	
August 2013	10	70,000,000	700,000,000	36,867,587	368,675,870	New restricted employee shares increased by 377,000 shares	None	
October 2013	10	70,000,000	700,000,000	36,973,587	369,735,870	New restricted employee shares increased by 106,000 shares	None	
September 2014	10	70,000,000	700,000,000	41,956,587	419,565,870	Cash capital increase	None	
September 2014	10	70,000,000	700,000,000	41,976,587	419,765,870	Exercised employee stock options	None	
October 2014	10	70,000,000	700,000,000	45,304,209	453,042,090	capital increase from earnings	None	
March 2015	10	70,000,000	700,000,000	45,331,429	453,314,290	Exercised employee stock options	None	
April – June, 2015	10	70,000,000	700,000,000	45,890,240	458,902,400	Exercised employee stock options and converted convertible bonds to new shares	None	
July – September 2015	10	70,000,000	700,000,000	46,908,917	469,089,170	Exercised employee stock options and issued new restricted employee shares	None	
October – December 2015	10	70,000,000	700,000,000	57,799,943	577,999,430	Issuance of shares for capital increase from earnings, cancellation of new restricted employee shares,	None	

Month / Year	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid-in capital with property other than cash	Others
						and converted convertible bonds to new shares		
January – March 2016	10	70,000,000	700,000,000	59,616,786	596,167,860	Issued new restricted employee shares, converted convertible bonds to new shares, and exercised employee stock options	None	
April – June 2016	10	90,000,000	900,000,000	60,206,286	602,062,860	Exercised employee stock options, converted corporate bonds to new shares, and cancelled new restricted employee shares	None	
July – September 2016	10	90,000,000	900,000,000	61,006,863	610,068,630	Exercised employee stock options, converted corporate bonds to new shares, and cancelled new restricted employee shares	None	
October – December 2016	10	90,000,000	900,000,000	74,402,266	744,022,660	Issuance of shares for capital increase from earnings, exercised employee stock options, converted corporate bonds to new shares, and cancelled new restricted employee shares	None	
January – March 2017	10	90,000,000	900,000,000	74,402,680	744,026,800	Exercised employee stock option	None	
April – June 2017	10	90,000,000	900,000,000	76,069,909	760,699,090	Exercised employee stock option and converted corporate bonds to new shares	None	
July – September 2017	10	90,000,000	900,000,000	79,460,443	794,604,430	Exercised employee stock option, converted corporate bonds to new shares, and issued new restricted employee shares	None	
October – December 2017	10	90,000,000	900,000,000	80,438,886	804,388,860	Exercised employee stock option, converted corporate bonds to new shares, and cancelled new restricted employee shares	None	
January – April 2018	10	90,000,000	900,000,000	81,929,001	819,290,010	Exercised employee stock	None	

Month / Year	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid-in capital with property other than cash	Others
						options, converted corporate bonds to new shares, and issued new restricted employee shares		
May 2018	10	200,000,000	2,000,000,000	81,980,334	819,803,340	Exercised employee stock options and canceled new restricted employee shares	None	
June – December 2018	10	200,000,000	2,000,000,000	82,169,126	821,691,260	Exercised employee stock options, issued new restricted employee shares, and canceled new restricted employee shares	None	
January – March 2019	10	200,000,000	2,000,000,000	90,177,022	901,770,220	Issuance of Global Depository Receipts (GDR), exercise of employee stock options, and cancellation of new restricted employee shares	None	
April – June 2019	10	200,000,000	2,000,000,000	90,747,022	907,470,220	Issuance of new restricted employee shares	None	
July – September 2019	10	200,000,000	2,000,000,000	90,791,129	907,911,290	Exercised employee stock options	None	
October – December 2019	10	200,000,000	2,000,000,000	90,833,504	908,335,040	Exercised employee stock options and canceled new restricted employee shares	None	
January – July 2020	10	200,000,000	2,000,000,000	91,351,504	913,515,040	Issuance of new restricted employee shares	None	
August 2020	10	200,000,000	2,000,000,000	91,400,462	914,004,620	Exercised employee stock options	None	
September – October 2020	10	200,000,000	2,000,000,000	91,435,254	914,352,540	Exercised employee stock options	None	
November 2020 - March 2021	10	200,000,000	2,000,000,000	91,405,754	914,057,540	Cancelled new restricted employee shares	None	
April 2021 – August 2021	10	200,000,000	2,000,000,000	91,823,254	918,232,540	Issuance of new restricted employee shares and cancellation of new restricted employee shares	None	
September 2021 – November 2021	10	200,000,000	2,000,000,000	91,726,567	917,265,670	Exercised employee stock options and canceled treasury stock	None	
December 2021 - February 2022	10	200,000,000	2,000,000,000	110,676,067	1,106,760,670	Exercised employee stock	None	

Month / Year	Issue price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Paid-in capital with property other than cash	Others
						options, canceled treasury stock and new restricted employee shares, and issued 20,000,000 common stock shares through private placement for cash capital increase		
March – April 2022	10	200,000,000	2,000,000,000	110,882,567	1,108,825,670	Exercised employee stock options, issued new restricted employee shares, and canceled new restricted employee shares and treasury stock	None	
May –October 2022	10	200,000,000	2,000,000,000	110,842,067	1,108,420,670	Cancelled new restricted employee shares	None	
November 2022~February 2023	10	200,000,000	2,000,000,000	110,825,067	1,108,250,670	Cancelled new restricted employee shares	None	
March 2023~July 2023	10	200,000,000	2,000,000,000	111,310,734	1,113,107,340	Exercised employee stock options, issued new restricted employee shares,	None	
August 2023~January 2024	10	200,000,000	2,000,000,000	111,283,234	1,112,832,340	Cancelled new restricted employee shares	None	
February 2024~March 2024	10	200,000,000	2,000,000,000	111,834,924	1,118,349,240	Issuance of new restricted employee shares	None	

2. Type of stock shares issued

April 8, 2024; Unit: Shares

Type of Stock	Authorized stock capital			Remarks
	Outstanding stock shares	Unissued shares	Total	
Common stock	111,834,924	88,165,076	200,000,000	Outstanding stock shares include: TPEX listing: 91,834,924 shares Private placement: 20,000,000 shares

3. Information on the shelf registration system: Not applicable

(II) Shareholder structure

April 8, 2024

Shareholder structure Quantity	Government agency	Financial institution	Other juristic persons	Foreign institution and foreigner	Individuals	Treasury stock	Total
Number of persons	-	1	232	80	16,515	1	16,829
Shareholdings	-	293,420	42,170,856	5,187,202	64,172,946	10,500	111,834,924
Shareholding ratio	-	0.26%	37.71%	4.64%	57.38%	0.01%	100.00%
Shareholding of Mainland Area Investors: -, shareholding ratio: -							

Note: First-TWSE/TPEX listed companies and emerging companies should disclose the shareholding ratios of Mainland Area Investors. Mainland Area Investors refer to people, juristic persons, groups, and other institutions or their investment companies located in a third country as defined in Article 3 of the "Regulations Governing Investment in Taiwan by Mainland Area Investors."

(III) Equity dispersion (NT\$10 par)

April 8, 2024

Classification of shareholding	Number of shareholders	Shareholdings	Shareholding ratio (%)
1-999	13,100	150,213	0.13%
1,000-5,000	2,773	5,592,551	5.00%
5,001-10,000	380	2,979,665	2.66%
10,001-15,000	135	1,753,393	1.57%
15,001-20,000	91	1,692,530	1.51%
20,001-30,000	92	2,353,111	2.10%
30,001-40,000	46	1,628,910	1.46%
40,001-50,000	27	1,259,581	1.13%
50,001-100,000	70	4,773,968	4.27%
100,001-200,000	41	6,026,642	5.39%
200,001-400,000	35	9,496,949	8.49%
400,001-600,000	11	5,196,925	4.65%
600,001-800,000	6	3,895,826	3.48%
800,001-1,000,000	4	3,784,000	3.38%
Over 1,000,001 shares	18	61,250,660	54.78%
Total	16,829	111,834,924	100.00%

Note: This is the shareholder register information as of the latest book closure date, which was April 8, 2024.

(IV) Major shareholders list

The Company's shareholders with more than 5% shareholding, or the name, shareholding, and shareholding ratio of the top-10 shareholders

April 8, 2024

Major shareholders	Shares	Shareholdings (shares)	Shareholding ratio
ENNOSTAR INC.		9,028,000	8.07%
Harvestar Investment Corp		9,013,000	8.06%
Calystar Investment Corp.		6,500,000	5.81%
Chen, Yu-Zhen		4,943,000	4.42%
Joray Co., Ltd.		4,750,063	4.25%
Wei, Shih-Yu		3,710,886	3.32%
Ronly Venture Corporation		3,500,000	3.13%
Hsieh, Shi-Han		3,043,000	2.86%
Chuan Wei Investment Co., Ltd		2,500,000	2.24%
He, Mei-Yu		2,488,350	2.23%

Note: This is the shareholder register information as of the latest book closure date, which was April 8, 2024.

(V) Market price, net worth, earnings, dividends, and related information in the last two years

Unit: NTD

Year \ Item		2022	2023	As of April 8, 2024	
Market price per share	Highest	49.3	39.25	32.3	
	Lowest	31.7	27.5	28.6	
	Average	40.39	33.72	30.45	
Net value per share	Before distribution	33.39	26.82	(Note 6)	
	After distribution	33.39	26.82(Note 4)	(Note 6)	
Loss per share	Weighted average of share number (thousand shares)		90,016	110,148	(Note 6)
	Loss per share (Note 5)	Before retroaction	(8.53)	(7.18)	(Note 6)
		After retroaction	(8.53)	(7.18)	Undistributed earnings
Dividend per share	Cash dividend		—	—(Note 4)	Undistributed earnings
	Stock dividend	Stock dividend from retained earnings	—	—	Undistributed earnings
		Stock dividend from capital reserve	—	—	Undistributed earnings
	Cumulative unpaid dividend		—	—	—
Return on investment analysis	Price-to-earnings ratio (Note 1)		—	—	(Note 6)
	Price-dividend ratio (Note 2)		—	—(Note 4)	Undistributed earnings
	Cash dividend yield rate (Note 3)		—	—(Note 4)	Undistributed earnings

Note 1: Price-to-earnings ratio = Average closing price per share of current year/earnings per share.

Note 2: Price-dividend ratio = Average closing price per share of current year/cash dividend per share.

Note 3: Cash dividend yield rate = Cash dividend per share/average closing price per share of current year.

Note 4: The proposal for the distribution of cash dividends was to be resolved by the board of directors according to the company's articles of incorporation. The board of directors had the said proposal resolved on February 20, 2024 that no cash dividends should be distributed, which was reported to the shareholders meeting on June 6, 2024.

Note 5: It is presented as a consolidated basic loss per share.

Note 6: The net value per share and earnings per share have not yet been reviewed by the independent auditors as of the annual report publication date (April 8, 2024). The data filled in the other columns are the data of the current year as of the annual report publication date.

(VI) The Company's dividend policy and the implementation

1. The Company's dividend policy stated in the Articles of Incorporation

According to Article 14.3A of the Company's articles of association: "If the Board, upon approval by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors, determines the dividends and bonus shall be paid in cash in whole or in part, in proportion to the number of shares held by them, and shall report to the Members in the next general meeting." In addition, according to Article 14.3 of the Company's articles of association: "The Board may, subject to approval by the Members by way of Ordinary Resolution or, in the case of Article 12.3(a), Supermajority Resolution and subject to these Articles and any direction of the Members in annual general meeting, declare dividends to be paid in shares to the Members, in proportion to the number of shares held by them."

In addition, according to Article 14.4 of the Company's articles of association: "Subject to the restrictions set out in this Article, dividends may be declared and paid out of profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Board determine is no longer needed, or not in the same amount. In determining the Company's dividend policy, the Board recognizes that the Company operates in a capital-intensive industry at the steady growth stage of its business, and in determining the amount, if any, of the dividend or other distribution the Board recommends to Members for approval in any financial year, the Board may take into consideration financial, business and operational factors of the Company. Dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for this purpose in accordance with the Law. Notwithstanding any other provision in these Articles and subject to compliance with the Law, if there are profits, in making the profits distribution recommendation, the Board shall set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; and (iii) a special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules. After combining accumulated undistributed earnings in the previous years and setting aside a certain amount of remaining profits of such financial year as a reserve or reserves for development purposes as the Board may from time to time think fit, subject to the compliance with the Law, the Company shall distribute no less than 10% of the remaining profit as dividends to the Members.

Dividends to the Members may be distributed, at the discretion of the Board, by way of cash or by way of applying such sum in paying up in full unissued shares or a combination of both for allocation and distribution to the Members. Cash dividends to Members shall not be less than 10% of the total amount of dividends to Members. However, the Board may adjust the payout ratio of annual cash dividends in any specific year based on the net profit and business operation of the Company during related fiscal years."

2. Dividend distribution proposed by the board of directors in the current year

The Company's board of directors resolved on February 20, 2024 not to have dividends distributed.

3. Expected significant changes in dividend policy: None

(VII) The impact of the proposed stock dividend in the current year on the Company's operating performance and earnings per share: NA

(VIII) Compensation to employees, directors, and supervisors (The Company does not have supervisors appointed)

1. The percentage or range of remuneration to employees, directors, and supervisors stated in the Company's articles of association

According to Article 14.2 of the Company's articles of association, the Company shall allocate employees' and Directors' compensation out of the current year's profit in the following sequence and manner:

- (a) no more than 15% and no less than 5% as employees' compensation;
- (b) no more than 2% as Directors' compensation; and
- (c) accumulated losses of the Company be set aside before allocation, if any.

Compensation to the employees' may be distributed, in the discretion of the Board, by way of cash or by way of applying such sum in paying up in full unissued shares or a combination of both for allocation and distribution to the employees. The employees' compensation recipients may include qualified employees of the Company's Subsidiaries. And the Directors' compensation shall be distributed by way of cash.

2. The basis for the estimated compensation of employees, directors, and supervisors in the current period, the basis for the calculation of stock dividend distributed to employees as compensation, and the accounting treatment for the difference, if any, between the actual amount distributed and the amount estimated:

The compensation of the Company's employees and directors is based on the percentages stipulated in the Company's articles of association, which is estimated according to this principle every year. If there is a discrepancy between the actual distribution amount resolved by the board of directors subsequently and the estimated amount, it shall be handled in accordance with the change in accounting estimates and booked as profit or loss for the year as resolved by the board of directors.

3. The distribution of compensation approved by the Board of Directors

- (1) If the actual compensation paid to the employees, directors, and supervisors in cash or stock shares is different from the amount estimated and recognized as expense, the amount of discrepancies, reasons, and handling shall be disclosed:

The Company had a net loss before tax resulted in 2023. The board of directors resolved on February 20, 2024 not to distribute compensation to employees and directors; also, the 2023 financial report does not include estimated compensation of employees and directors.

- (2) The amount of employee compensation paid with stock share and ratio of such amount to the total of net income plus total employee compensation on the standalone and individual financial report: 0%

4. If there is difference between the actual distribution of compensation to employees, directors, and supervisors (including shares and amount distributed, and stock price) and the recognized compensation to employees, directors, and supervisors, the amount of difference, reasons, and handling process shall be stated:

The Company had a net loss before tax resulted in 2022. The board of directors resolved on February 20, 2023 not to distribute compensation to employees and directors; also, the 2022 financial report does not include estimated compensation of employees and directors.

(IX) The Company's repurchasing the Company's stock shares: None

II. Disclosure of corporate bond: None

III. Disclosure of preferred stocks: None

IV. Issuance of Global Depository Receipts (GDR):

April 8, 2024

		Issue (process) date	January 21, 2019
Item			
Issuance and transaction place		The Luxembourg Stock Exchange (LuxSE)	
Total amount issued		US\$13,120,000	
Unit issue price		US\$8.20	
Total number of units issued		1,600,000 units	
The source of securities represented		Issuance of new shares from cash capital increase	
Amount of securities represented		Global Depository Receipts (GDR) per unit representing interest in 5 common stock shares of the Company	
Rights and Obligations of Depository Receipt Holders		Same as the rights and obligations of common stock	
Trustee		NA	
Depository institution		The Bank of New York Mellon	
Custodian institution		Mega Bank	
Unredeemed balance		Fully redeemed	
The allocation methods on the relevant costs incurred as a result of the issuance and during the effective period		Borne by the issuing company	
Important agreements for depository and custody contracts		Please refer to the depository agreement and custody contracts for details	
Market price per unit (US\$)	2023	Max.	US\$ 6.6
		Min.	US\$ 4.46
		Average	US\$ 5.41
	As of April 8, 2024 (Note 1)	Max.	US\$ 5.2
		Min.	US\$ 4.44
		Average	US\$ 4.82

Note 1: As of the annual report publication date (April 8, 2024).

V. Disclosure of employee stock options

(I) The company's outstanding employee stock options:

1. Employee stock option plan in 2013~2017:

April 8, 2024

Types of Employee Stock Warrants	2014 Employee stock option plan	2015 Employee stock option plan	2016 Employee stock option plan	2017 Employee stock option plan	2018 Employee stock option plan
The effective date of declaration and the total number of units	11/3/2014 1,000 units	12/21/2015 1,000 units	12/28/2016 1,000 units	1/15/2018 1,000 units	1/7/2019 1,000 units
Issue Date	Note 1	Note 1	Note 1	Note 1	Note 1
Duration	10 years	10 years	10 years	10 years	10 years
Number of units issued	797.2 units (136.022 units expired)	934 units (190 units expired)	230 units (15 units expired)	400 units (66 units expired)	618 units (108 units expired)
Remaining units for issuance	202.8 units (Note 3)	66 units (Note 3)	770 units (Note 3)	600 units (Note 3)	682 units (Note 3)
The ratio of subscribed shares to the total number of shares issued	0.72%	0.84%	0.21%	0.36%	0.55%
Contract performance	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restricted subscription period and ratio (%)	From the date when two full years have elapsed after the Grant Date, the Optionee may exercise his/her Options in accordance with the schedule and percentage listed below: 1. From two years after the Grant Date, the Optionee may exercise up to 50% of the Options. 2. As to the remaining 50% of the Options, the Optionee may exercise ratably in equal installments of the succeeding 24 months.	From the date when two full years have elapsed after the Grant Date, the Optionee may exercise his/her Options in accordance with the schedule and percentage listed below: 1. From two years after the Grant Date, the Optionee may exercise up to 50% of the Options. 2. As to the remaining 50% of the Options, the Optionee may exercise ratably in equal installments of the succeeding 24 months.	From the date when two full years have elapsed after the Grant Date, the Optionee may exercise his/her Options in accordance with the schedule and percentage listed below: 1. From two years after the Grant Date, the Optionee may exercise up to 50% of the Options. 2. As to the remaining 50% of the Options, the Optionee may exercise ratably in equal installments of the succeeding 24 months.	From the date when two full years have elapsed after the Grant Date, the Optionee may exercise his/her Options in accordance with the schedule and percentage listed below: 1. From two years after the Grant Date, the Optionee may exercise up to 50% of the Options, and As to the remaining 50% of the Options, the Optionee may exercise ratably in equal installments of the succeeding 24 months.	From the date when two full years have elapsed after the Grant Date, the Optionee may exercise his/her Options in accordance with the schedule and percentage listed below: 2. From two years after the Grant Date, the Optionee may exercise up to 50% of the Options, and 3. As to the remaining 50% of the Options, the Optionee may exercise ratably in equal installments of the succeeding 24 months.
Number of shares already exercised	437,809 shares	135,000 shares	—	—	—
Amount of exercised stock options	NT\$17,444,038	NT\$8,660,000	—	—	—
Number of unexercised stock options	223,369 shares	609,000 shares	215,000 shares	334,000 shares	510,000 shares
Exercise price per share for unexercised stock options	NT\$39.30	NT\$61.40~62.70	NT\$54.50~63.40	NT\$61.00~82.70	NT\$56.80~58.20
Ratio of unexercised stock options to the total issued shares (%)	0.20%	0.55%	0.19%	0.30%	0.46%
Impact on shareholders' equity	The presentation of financial statements is handled in accordance with generally accepted accounting principles, and it causes the original shareholders' equity being diluted year by year.				

Note 1: Previous issue dates and number of shares issued:

- (1) The 2014 Employee stock option plan: 75,000 shares were issued on November 6, 2014; 30,000 shares were issued on January 20, 2015; 652,200 shares were issued on February 25, 2015; and 40,000 shares were issued on July 27, 2015 for a total of 797,200 shares, of which, 136,022 shares expired.
- (2) The 2015 Employee stock option plan: 5,000 shares were issued on March 2, 2016; 895,000 shares were issued on August 15, 2016; and 34,000 shares were issued on November 10, 2016 for a total of 934,000 shares, of which, 190,000 shares expired.
- (3) The 2016 Employee stock option plan: 15,000 shares were issued on February 23, 2017 and 215,000 shares were issued on August 3, 2017 for a total of 230,000 shares, of which 15,000 shares expired.
- (4) The 2017 Employee stock option plan: 13,000 shares were issued on January 19, 2018; 355,000 shares were issued on February 27, 2018; 27,000 shares were issued on August 3, 2018; and 5,000 shares were issued on November 2, 2018 for a total of 400,000 shares, of which, 66,000 shares expired.
- (5) The 2018 Employee stock option plan: 578,000 shares were issued on March 15, 2019; 40,000 shares were issued on August 9, 2019 for a total of 618,000 shares, of which, 108,000 shares expired.

Note 2: It is calculated based on the total issuance of 111,834,924 shares.

Note 3: Issuance period has expired.

2. The 2019-2022 Employee Stock Option Plan:

April 8, 2024

Types of Employee Stock Warrants	2019 Employee stock option plan	2020 Employee stock option plan	2021 Employee stock option plan	2022 Employee stock option plan
Effective date of declaration and total number of units	1/7/2020 1,000 units	1/4/2021 1,000 units	1/11/2022 1,000 units	1/3/2023 1,000 units
Issue date	Note 1	Note 1	Note 1	Note 1
Duration	10 years	10 years	10 years	10 years
Number of units issued	259 units (70 units expired)	840 units (238 units expired)	513 units (55 units expired)	136 units (5 units expired)
Remaining units for issuance	741 units (Note 3)	160 units (Note 3)	487 units (Note 3)	864 units
The ratio of subscribed shares to the total number of shares issued	0.23%	0.75%	0.46%	0.12%
Contract performance	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares
Restricted subscription period and ratio (%)	From the date when two full years have elapsed after the Grant Date, the Optionee may exercise his/her Options in accordance with the schedule and percentage listed below: 1. From two years after the Grant Date, the Optionee may exercise up to 50% of the Options. 2. As to the remaining 50% of the Options, the Optionee may exercise ratably in equal installments of the succeeding 24 months.	From the date when two full years have elapsed after the Grant Date, the Optionee may exercise his/her Options in accordance with the schedule and percentage listed below: 1. From two years after the Grant Date, the Optionee may exercise up to 50% of the Options. 2. As to the remaining 50% of the Options, the Optionee may exercise ratably in equal installments of the succeeding 24 months.	From the date when two full years have elapsed after the Grant Date, the Optionee may exercise his/her Options in accordance with the schedule and percentage listed below: 3. From two years after the Grant Date, the Optionee may exercise up to 50% of the Options. As to the remaining 50% of the Options, the Optionee may exercise ratably in equal installments of the succeeding 24 months.	From the date when two full years have elapsed after the Grant Date, the Optionee may exercise his/her Options in accordance with the schedule and percentage listed below: 4. From two years after the Grant Date, the Optionee may exercise up to 50% of the Options. As to the remaining 50% of the Options, the Optionee may exercise ratably in equal installments of the succeeding 24 months.
Number of shares already exercised	—	—	—	—
Amount of exercised stock options	—	—	—	—
Number of unexercised stock options	189,000 shares	602,000 shares	458,000 shares	131,000 shares
Exercise price per share for unexercised stock option	NT\$43.80~52.50	NT\$48.70	NT\$35.05~45.90	NT\$30.35~NT\$38.65
Ratio of unexercised stock option to the total issued shares (%)	0.17%	0.54%	0.41%	0.12%
Impact on shareholders' equity	The presentation of financial statements is handled in accordance with generally accepted accounting principles, and it causes the original shareholders' equity being diluted year by year.			

Note 1: Previous issue dates and number of shares issued:

- (1) The 2019 Employee stock option plan: 250,000 shares were issued on March 16, 2020; 3,000 shares were issued on August 5, 2020; and 6,000 shares were issued on November 9, 2020 for a total of 259,000 shares, of which, 70,000 shares expired.
- (2) The 2020 Employee stock option plan: 820,000 shares were issued on March 19, 2021 and 20,000 shares were issued on April 27, 2021 for a total of 840,000 shares, of which, 238,000 shares expired.
- (3) The 2021 Employee stock option plan: 454,000 shares were issued on February 23, 2022; 23,000 shares were issued on August 2, 2022; and 36,000 shares were issued on November 1, 2022 for a total of 513,000 shares, of which, 55,000 shares expired.

(4) The 2022 Employee Stock Option Plan: 40,000 shares were issued on February 20, 2023, and 75,000 shares were issued on May 2, 2023, and 18,000 shares were issued on July 17, 2023, and 3,000 shares were issued on February 20, 2024 for a total of 136,000 shares, of which, 5,000 shares expired.

Note 2: It is calculated based on the total issuance of 111,834,924 shares.

Note 3: Issuance period has expired.

(II) The managerial officers who have obtained employee stock warrants, and the names, acquisition, and subscription of the top-10 employees who have obtained stock warrants as of the annual report publication date

April 8, 2024
Unit: USD/NTD; shares

	Job Title	Name	Number of shares acquired	The ratio of the number of shares acquired to the total number of shares issued	Executed				Not executed			
					Number of shares subscribed	Stock subscription price executed	Stock subscription amount executed	The ratio of the number subscribed to the total number of shares issued	Number of shares not subscribed	Stock subscription price not executed	Stock subscription amount not executed	The ratio of the number not subscribed to the total number of shares issued
Managerial Officers	Chief Executive Officer & President	Ann, Bau Hsing	2,685,000 (135,000 shares expired)	2.40%	1,200,000	NT\$11.35~ NT\$64.10 / US\$ 1.17	NT\$25,054,310 US\$231,660	1.07%	1,350,000	NT\$39.30~ NT\$79.70	NT\$78,896,700	1.21%
	Senior VP of R&D Unit	Wang, Shing-Kuo										
	VP of Operating Unit	Chen, Minkar										
	Senior VP of Sales	Yu, Yeou-Chong										
	VP of Finance /Accounting Unit	Mark L. Raggio										
	Senior VP of R&D Unit	Wang, Samuel										
	Senior VP of Sales	Yau, Wing										
Corporate Governance Officer	Lin, Shu-Wei											
Employee	CAD Senior Engineering Manager	Chen, Frank J	2,034,000 (288,750 shares expired)	1.82%	815,750	NT\$11.35~ NT\$65.40 / US\$ 1.17	NT\$15,572,818 US\$118,076.40	0.73%	929,500	NT\$39.30~ NT\$79.70	NT\$52,709,150	0.83%
	Special Assistant	Curtis, Jerry (Note 2)										
	VP of Quality Unit	Fraser, James										
	Accounting Manager	Gu, Wenjie (Note 2)										
	Senior VP of R&D Unit	Hou, Liping										
	Direct of R&D Unit	Kumar, Dhiraj (Note 2)										
Special Assistant to President	Li, Ya Ching (Note 2)											

	Job Title	Name	Number of shares acquired	The ratio of the number of shares acquired to the total number of shares issued	Executed				Not executed				
					Number of shares subscribed	Stock subscription price executed	Stock subscription amount executed	The ratio of the number subscribed to the total number of shares issued	Number of shares not subscribed	Stock subscription price not executed	Stock subscription amount not executed	The ratio of the number not subscribed to the total number of shares issued	
	VP of Process Engineering	Luu, Lena T											
	Director of R&D Unit and President of D-Tech Optoelectronics, Inc.	Wu, Xiucheng											
	VP of R&D Unit	Yang, Yuefei											

Note 1: It is calculated based on the total issuance of 111,834,924 shares.

Note 2: The said employee had resigned or retired as of the annual report publication date.

Note 3: Employee names are in alphabetical order by English surname.

VI. Disclosure of new restricted employee shares:

(I) New restricted employee shares

April 8, 2024

Type of new restricted employee shares	2022 New Restricted Employee Shares plan	2023 New Restricted Employee Shares plan
Date of effective registration and number of total shares	10/12/2022 1,000,000 shares	11/7/2023 1,000,000 shares
Issue Date	Note 1	Note 1
New restricted employee shares issued	483,000 shares	551,690 shares
Number of new restricted employee shares available to be issued	517,000 shares (Note 3)	448,310 shares
Issue price	NT\$0	NT\$0
The ratio of new restricted employee shares issued to the total number of shares issued	0.43%	0.49%
Vesting conditions of new restricted employee shares	<p>As long as an eligible employee being granted the RS still stays employed, the percentage of the RS awards shall vest in accordance with the following schedule:</p> <p>A. First anniversary of the Grant Date, 50% of the total number of the granted RS.</p> <p>B. Second anniversary of the Grant Date, 50% of the total number of the granted RS.</p> <p>C. The Company shall have the right to forfeit and cancel all unvested RS awards without the payment of any consideration in the event that after the Grand Date that such employee has committed acts such as breaching his/her employment contract or work rules or violating the Plan.</p> <p>The Grant Date and the first day of Vesting Schedule referred to under</p>	<p>As long as an eligible employee being granted the RS still stays employed, the percentage of the RS awards shall vest in accordance with the following schedule:</p> <p>A. First anniversary of the Grant Date, 50% of the total number of the granted RS.</p> <p>B. Second anniversary of the Grant Date, 50% of the total number of the granted RS.</p> <p>C. The Company shall have the right to forfeit and cancel all unvested RS awards without the payment of any consideration in the event that after the Grand Date that such employee has committed acts such as breaching his/her employment contract or work rules or violating the Plan.</p> <p>The Grant Date and the first day of Vesting Schedule referred to under</p>

Type of new restricted employee shares	2022 New Restricted Employee Shares plan	2023 New Restricted Employee Shares plan
	this Plan means the record date of the capital increase.	this Plan means the record date of the capital increase.
The restricted rights of the new restricted employee shares	<p>The rights to the RS issued based on this Plan will be restricted as follows:</p> <p>(1) The employee shall not, with the exception of inheritance, sell, hypothecate, assign, give to others as a present, pledge or dispose in other way until such RS have vested.</p> <p>(2) The employee will have rights to attend, submit proposals, make a speech, vote at any meeting of shareholders according to an applicable trust or custodian agreement.</p> <p>Except for the above restrictions, the employee will have all rights as a shareholder of common shares with respect to the RS, whether vested or unvested, including but not limited to any rights to receive dividends, premiums, additional paid-in capital, and pre-emptive right to subscribe new shares issued for cash capital increase and to vote and act at any meeting of shareholders.</p>	<p>The rights to the RS issued based on this Plan will be restricted as follows:</p> <p>(1) The employee shall not, with the exception of inheritance, sell, hypothecate, assign, give to others as a present, pledge or dispose in other way until such RS have vested.</p> <p>(2) The employee will have rights to attend, submit proposals, make a speech, vote at any meeting of shareholders according to an applicable trust or custodian agreement.</p> <p>Except for the above restrictions, the employee will have all rights as a shareholder of common shares with respect to the RS, whether vested or unvested, including but not limited to any rights to receive dividends, premiums, additional paid-in capital, and pre-emptive right to subscribe new shares issued for cash capital increase and to vote and act at any meeting of shareholders.</p>
Custody status of new restricted employee shares	Trust custody, appointed custody, and bank custody	Trust custody, appointed custody, and bank custody
Measures to be taken when vesting conditions are not met	<p>Methods to handle the unvested RS awards or in the event of inheritance:</p> <p>A. Voluntary termination or discharge based on the causes not attributable to the Company: The Company shall forfeit and cancel all unvested RS awards without the payment of any consideration pursuant to laws in the event that the employee has terminated his/her</p>	<p>Methods to handle the unvested RS awards or in the event of inheritance:</p> <p>A. Voluntary termination or discharge based on the causes not attributable to the Company: The Company shall forfeit and cancel all unvested RS awards without the payment of any consideration pursuant to laws in the event that the employee has terminated his/her</p>

Type of new restricted employee shares	2022 New Restricted Employee Shares plan	2023 New Restricted Employee Shares plan
	<p>employment with the Company. Such unvested RS awards will be deemed not meeting vesting schedule as of the effective date of such employment termination.</p> <p>B. Retirement: The Company shall forfeit and cancel all unvested RS awards without the payment of any consideration pursuant to laws as of the effective date of retirement. Such unvested RS awards will be deemed not meeting vesting schedule as of the effective date of retirement.</p> <p>C. Temporary Leave Without Pay: For the employee who has been approved by the Company to be on temporary leave without pay pursuant to the laws and regulations, or due to critical illness, family incidents or overseas study plan, etc., his/her rights to unvested RS awards will resume from the date of return to the positions. However, the vesting schedule will be suspended to calculate based on the period of approved temporary leave without pay.</p> <p>D. Death: The Company shall forfeit and cancel all unvested RS awards without the payment of any consideration pursuant to laws as of the date of the employee's death. Such unvested RS awards will be deemed not meeting vesting schedule as of the date of the employee's death.</p> <p>E. Disability or Death Caused by Work Injury: a. In the event that the employee is physically</p>	<p>employment with the Company. Such unvested RS awards will be deemed not meeting vesting schedule as of the effective date of such employment termination.</p> <p>B. Retirement: The Company shall forfeit and cancel all unvested RS awards without the payment of any consideration pursuant to laws as of the effective date of retirement. Such unvested RS awards will be deemed not meeting vesting schedule as of the effective date of retirement.</p> <p>C. Temporary Leave Without Pay: For the employee who has been approved by the Company to be on temporary leave without pay pursuant to the laws and regulations, or due to critical illness, family incidents or overseas study plan, etc., his/her rights to unvested RS awards will resume from the date of return to the positions. However, the vesting schedule will be suspended to calculate based on the period of approved temporary leave without pay.</p> <p>D. Death: The Company shall forfeit and cancel all unvested RS awards without the payment of any consideration pursuant to laws as of the date of the employee's death. Such unvested RS awards will be deemed not meeting vesting schedule as of the date of the employee's death.</p> <p>E. Disability or Death Caused by Work Injury: a. In the event that the employee is physically</p>

Type of new restricted employee shares	2022 New Restricted Employee Shares plan	2023 New Restricted Employee Shares plan
	<p>disabled and cannot continue his/her employment due to work injury, all of the RS awards will be deemed vested as of the effective date of such employment termination.</p> <p>b. In the event of the employee’s death due to work injury, all of the RS awards inherited by the heir(s) will be deemed vested as of the date of the employee’s death.</p> <p>F. Severance or termination of employment contract due to causes attributable to the Company: The Company shall forfeit and cancel all unvested RS awards without the payment of any consideration pursuant to laws in the event that the employee is laid off by the Company. Such unvested RS awards will be deemed not meeting vesting schedule as of the effective date of such laid-off or such employment termination.</p> <p>G. Transfer: To facilitate the Company’s business operation needs, an employee who is approved by the Chairman or his delegate to be transferred by the Company to a company which has the controlling or subordinate relationship with the Company (or within subsidiaries), the rights and obligations of all unvested RS awards shall not be affected. If an employee is transferred to the company which does not have the controlling or subordinate relationship with the Company,</p>	<p>disabled and cannot continue his/her employment due to work injury, all of the RS awards will be deemed vested as of the effective date of such employment termination.</p> <p>b. In the event of the employee’s death due to work injury, all of the RS awards inherited by the heir(s) will be deemed vested as of the date of the employee’s death.</p> <p>F. Severance or termination of employment contract due to causes attributable to the Company: The Company shall forfeit and cancel all unvested RS awards without the payment of any consideration pursuant to laws in the event that the employee is laid off by the Company. Such unvested RS awards will be deemed not meeting vesting schedule as of the effective date of such laid-off or such employment termination.</p> <p>G. Transfer: To facilitate the Company’s business operation needs, an employee who is approved by the Chairman or his delegate to be transferred by the Company to a company which has the controlling or subordinate relationship with the Company (or within subsidiaries), the rights and obligations of all unvested RS awards shall not be affected. If an employee is transferred to the company which does not have the controlling or subordinate relationship with the Company,</p>

Type of new restricted employee shares	2022 New Restricted Employee Shares plan	2023 New Restricted Employee Shares plan
	the unvested RS awards shall apply to F of Paragraph (4) of this Article. H. For the reasons not mentioned above, the Chairman is authorized to approve vested percentage and vesting schedule, and shall be further submit to the Board for ratification.	the unvested RS awards shall apply to F of Paragraph (4) of this Article. H. For the reasons not mentioned above, the Chairman is authorized to approve vested percentage and vesting schedule, and shall be further submit to the Board for ratification.
Number of new restricted employee shares that have been redeemed or bought back	12,500 shares	0
Number of released new restricted employee shares	237,500 shares	0
Number of unreleased new restricted shares	233,000 shares	551,690 shares
The ratio of restricted shares to the total number of issued shares (%)	0.21%	0.49%
Impact on shareholders' equity	It does not cause the original shareholders' equity to be diluted significantly.	It does not cause the original shareholders' equity to be diluted significantly.

Note 1: Previous issue dates and number of shares issued:

The 2022 New restricted employee shares: 483,000 shares were issued on February 20, 2023, of which, 4,000 shares were redeemed and canceled, and 8,500 shares were redeemed but not yet canceled.

The 2023 New restricted employee share plan: 551,690 shares were issued on February 20, 2024.

Note 2: It is calculated based on the total issuance of 111,834,924 shares.

Note 3: The issuance period has expired.

(II) The managerial officers who have obtained new restricted employee shares and the names and shareholding of the top-10 employees as of the annual report publication date:

April 8, 2024
Unit: Shares

	Job Title	Name	Number of new restricted employee shares obtained	The ratio of new restricted employee shares obtained to the total number of issued shares	Restricted rights lifted				Restricted rights			
					Number of unrestricted shares	Issue price	Issue amount	The ratio of unrestricted shares to the total number of issued shares	Number of restricted shares	Issue price	Issue amount	The ratio of restricted shares to the total number of issued shares
Managerial Officers	Chairman and Head of Strategic Development Office	Huang, Ta-Lun	1,542,630 (25,000 shares expired)	1.38%	1,328,000	-	-	1.19%	189,630	-	-	0.17%
	Chief Executive Officer & President	Ann, Bau Hsing										
	Senior VP of R&D Unit	Wang, Shing-Kuo										
	VP of Operating Unit	Chen, Minkar										
	Senior VP of Sales	Yu, Yeou-Chong										
	VP of Finance/Accounting Unit	Mark L. Raggio										
	Senior VP of R&D Unit	Wang, Samuel										
	Senior VP of Sales	Yau, Wing										
	Corporate Governance Officer	Lin, Shu-Wei										
Employee	CAD Senior Engineering Manager	Chen, Frank J	1,017,060 (31,000 shares were redeemed and cancelled)	0.91%	816,500	-	-	0.73%	169,560	-	-	0.15%
	Special assistant	Curtis, Jerry (Note 2)										
	VP of Quality Unit	Fraser, James										
	Accounting Manager	Gu, Wenjie (Note 2)										
	Senior VP of R&D Unit	Hou, Liping										
	Special Assistant to President	Li, Ya Ching (Note 2)										
	VP of Process Engineering	Luu, Lena T										
	Senior Director of Test Management Engineering	Wang, Shiguang										
	Director of R&D Unit and President of D-Tech Optoelectronics, Inc.	Wu, Xiucheng										
	VP of R&D Unit	Yang, Yuefei										

Note 1: It is calculated based on the total issuance of 111,834,924 shares.

Note 2: The said employee had resigned or retired as of the annual report publication date.

Note 3: Employee names are in alphabetical order by English surname.

VII. Issuance of new shares in connection with the merger and acquisition of shares of other companies:

- (I) The new shares issued for merging or acquiring shares of other companies in the most recent year and as of the annual report publication date: None
- (II) For the issuance of new shares due to the merger or acquisition of other company's shares in the most recent year and as of the annual report publication date, the implementation situation and the impact on shareholders' equity shall be disclosed: None

VIII. Disclosure on use of funds:

- (I) Issuance of common stock shares through private placement for cash capital increase in 2021

1. Project content

(1) It was resolved in the Company's special shareholders meeting on December 10, 2021 to have common stock shares issued through private placement for cash capital increase. The said issuance of common stock shares is to be arranged within the threshold of 20,000 thousand shares, which included the shares issued for the long-term fundraising proposal as resolved in the shareholders meeting on July 2, 2021. The Company's board of directors resolved the issue price per share on December 10, 2021 with the capital increase base date scheduled on December 24, 2021. The Company had paid-in capital collected in full on December 24, 2021, and had the stock shares issued through private placement completely on January 18, 2022.

(2) The contents of each change made, reasons for each change, benefits before and after each change, and the date on which each change was presented in the shareholders meeting: Not applicable

(3) Source of funds: A total of 20,000,000 common stock shares was issued through private placement this time at NT\$10 par for an issue price of NT\$40.79 per share with a total of NT\$815,800,000 raised.

Please refer to pages 162-163 of this annual report for the subscribers in details.

(4) Intended fund utilization: It is to replenish working capital, reinvest, etc.

(5) The date of uploading information to the information reporting website designated by the Securities and Futures Bureau: The relevant information on pricing and the collection of proceeds for stock shares issued through private placement was uploaded to the "Private Placement" section of the Market Observation Post System on December 10, 2021 and January 6, 2022, respectively.

2. Implementation:

(1) Project implementation:

March 31, 2024; Unit: NT\$ Thousands

Project items	Implementation			Progress ahead or behind schedule, root causes, and improvement plans
	Replenish working capital or reinvest	Amount expended	Estimated	
Actual			786,244	
Progress (%)		Estimated	100.00%	
		Actual	96.38%	

(2) Evaluation of implementation effects:

a. Reinvestment

Founded in October 2018, Unikorn Semiconductor Corporation engages in the professional foundry for Group III-V compound semiconductor components and the product array covers photoelectric and electric components. Unikorn Semiconductor has purchased equipment and started depreciation. Although the Company has gradually acquired equipment and started to allocate depreciation. Despite significant progress in capacity, process improvement, and customer development, and revenue growth, market factors have led to reduced demand for related consumer electronic products. Consequently, customers have decreased orders, the development progress of some products has been delayed, and expenses and cost expenditures remain high, the Company's operation is still at a loss in 2023. For this reason, the Company recognized an investment loss in the amount of approximately NTD362,689 thousand in 2023. Unikorn Semiconductor Corporation will continue to build up capacity, expand the customer source with actions, strive for mass production orders, constantly improve processing efficiency, and speed up the product verification process, in order to make profits in the near future.

b. Enhancement of working capital

Item		Year	2021Q3 (Before the capital increase)	2021 (After the capital increase)
Financial structure	Debt ratio (%)		12.25	8.22
	Long-term fund to property, plant and equipment ratio (%)		531.09	824.88
Solvency	Current ratio (%)		815.78	1,543.02
	Quick ratio (%)		633.37	1,342.15
	Times interest earned		(76.61)	(82.59)
Financial information	Losses per share(in dollars)		(2.45)	(4.2)

Note : The calculations are based on the financial figures from the reviewed or audited consolidated financial statements for the third quarter and the full year of 2021.

Due to the benefits from equity investments not yet being evident, the Company experienced an increase in investment losses recognized under the equity method in the fourth quarter of 2021, leading to an increase in loss per share. However, after conducting a cash capital increase in the fourth quarter of 2021, the Company's debt ratio decreased from 12.25% to 8.22%. Additionally, the current ratio increased from 815.78% to 1,543.02% , and the quick ratio increased from 633.37% to 1,342.15% . These improvements in solvency and financial structure are evident after the capital increase.

Five. Operation Overview

I. Business activities

(I) Business scope

1. The main business operation:

The Company is mainly engaged in the wafer foundry service of GaAs/InP/GaN advanced RF (5G and 6G) and optoelectronic component compound semiconductor, related intellectual property rights licensing, and the research, development, production, and sales of KGD-brand optoelectronic products.

2. Ratio of main products and operating income

Unit: NT\$ Thousands; %

Main products	2022		2023	
	Amount	Ratio (%)	Amount	Ratio (%)
RF device wafer foundry	619,756	46.47	570,325	42.23
Optoelectronic device wafer foundry	282,407	21.17	237,212	17.56
KGD-brand optoelectronic products	431,013	32.31	535,579	39.66
Technical service income (Note)	634	0.05	7,488	0.55
Total	1,333,810	100.00	1,350,604	100.00

Note: Technical service income includes licensing fees and technical service income.

3. The Company's current products and services:

The Company is engaged in the research, development, production, and sales of KGD-brand optoelectronic products, RF devices, power electronics devices, and optoelectronic devices wafer foundry in the United States. The Company offers a full range of services from product concept, technology research and development, and trial production to mass production in response to the specific needs of each customer. In addition to the in-house process technology, the Company also provides whole plant input services to Integrated Device Manufacturers (IDMs), including process technology transfer, verification, product trial production, and mass production services. The product application functions can be divided into RF, power electronics and optoelectronic devices wafer foundry, and KGD-brand optoelectronic devices (KGD) as follows:

(1) RF device wafer foundry

GaAs, InP, GaN, and silicon carbide are used as wafer materials, used for the research, development, production, test, manufacturing, and sale of RF devices wafer foundry, which are mainly used in the radio frequency circuits of wireless communication products, especially in the high-end radio frequency devices (such as Power amplifiers and filters) of wireless communication base stations, mobile phones, and satellite aerospace and national defense.

(2) Optoelectronic device wafer foundry

GaAs and InP are used as wafer materials, used for the research, development, production, test, manufacturing, and sale of optoelectronic device wafers, which are mainly used in optical communication, medicine, wearable devices, automotive radar, and industrial applications.

(3) KGD-brand optoelectronic devices

The KGD-brand optoelectronic devices include the research, development, production, test, manufacturing, and sales of GaAs, InGaAs, PIN PD, non-hermetic PIN PD, backside illuminated photodiode, Laser Diode, Vertical-Cavity Surface-Emitting Laser (VCSEL), InGaAs avalanche photodiode (APD), etc. The KGD-brand products that have been developed and mass-produced can be applied to 155 Mbps, 10 Gbps, 25 Gbps, 50 Gbps, 100 Gbps, 200 Gbps, 400 Gbps, 800 Gbps, and 1,600 Gbps optical communication field, automotive radar, and wearable devices.

4. Strategic cooperation and joint venture overview:

- (1) The Company has invested NT\$1.664 billion in Unikorn Semiconductor Corp. located in Hsinchu Science Park, Taiwan, representing 39.05% shareholding, as of March 31, 2024. Unikorn Semiconductor Corp. is a joint venture of the Company and EPISTAR Corporation and engages in the operation of 6-inch compound semiconductor wafer foundry. The Company continues to provide technical support to Unikorn Semiconductor Corp. for the production of Advanced LEDs, GaN, BAW, EEL, APD, RF Device, VCSEL, etc.
- (2) The Company had invested RMB 309 million in Changzhou ChemSemi Co., Ltd. (Changzhou ChemSemi) located in National Hi-Tech Industrial Development Zone at Wujin District, Changzhou City, Jiangsu Province of China as of March 31, 2024, and held 20.99% equity of Changzhou ChemSemi. Changzhou ChemSemi is a joint venture of the Company and other companies and engages in the operation of 6-inch compound semiconductor wafer foundry with a focus on the wafer foundry in consumer electronic products. The Company for the purpose of responding to changes in international trade has invested in Changzhou ChemSemi to satisfy customers' needs for local production in order to achieve the purpose of expanding the scale of operation, increasing profits, and enhancing the competitiveness of the Company.
- (3) The Company had invested US\$5,016,000 in Shanghai Zhouga Optoelectronics Co., Ltd. (Shanghai Zhouga) located in China (Shanghai) Pilot Free Trade Zone as of March 31, 2024, and held 48% equity of Shanghai Zhouga. Shanghai Zhouga is an invested company of the Company and other companies. The Company also sold the 100%-owned subsidiary, Changzhou Galasemi Co., Ltd., to Shanghai Zhouga in July 2021 in response to the Group's operational planning. Shanghai Zhouga is mainly engaged in the sales of discrete-semiconductor device, and the technical services and development in optoelectronic technology in order to expand the market in China for the sale of optoelectronic devices subsequently.

5. New products and services planned for development:

- (1) RF devices wafer foundry
 - The 0.15 μ m GaN/SiC HEMT technology applied to mmWave high power amplifiers.
 - The 802.11ax, WiFi 6, WiFi 6E, Wifi 7 and High Frequency High Power Efficiency GaAs HBT applied to mobile phone PA;
 - Low Noise GaAs E/D-mode pHEMT applied to mobile phone, WLAN, GPS, VSAT, and other receptors;

- Application in WiFi6, Wifi 7, 4G, 5G mobile phones and base station, and the high-performance acoustic wave resonator design and processing for satellite aerospace and national defense filters
 - Develop and apply (InP)HBT, UHF GaAs HBT, and GaN/Si HEMT technologies to 5G and future 6G mobile phones.
 - Apply GaN/Diamond to next-generation high power amplifiers.
 - Third-generation Gallium nitride (GaN) High electron mobility transistor (HEMT) processing.
 - Third-generation bulk acoustic wave processing.
- (2) Optoelectronic device wafer foundry
- Photonics Integrated Circuit (PIC) process. Apply the integration technology of semiconductor process to have several optical active components (such as, light-emitting lasers at the transmitting end, signal modulation and amplification, and photodiodes at the receiving end) and passive components (such as, waveguide and grating) fabricated on the same wafer. This process technology can break through the traditional TO-CAN or other combined components packaging methods to save costs, which plays an important role in the mass production of optical chips with low power consumption, small space, and ultra-high speed (above 400Gbps).
 - Vertical-Cavity Surface-Emitting Laser (VCSEL): VCSEL emits short wavelength (850nm) lasers that is contrary to long wavelength lasers; therefore, it is limited to the use within 500 meters. Due to the increasing number of data centers and the use of short-distance optical fiber lines in data centers, this laser is expected to be widely adopted in the near future. In addition to the aforementioned optical communication, VCSEL Array (wavelength 650-1000 nm) has a wide range of applications, such as hand-sign recognition sensing, infrared imaging, 3D scanning, biosensing, spectroscopy, interference measurement, etc. for consumer electronics (smartphone cameras, sensors, etc.), medical, automotives, industry, and national defense.
 - Optimize the custom-made VCSEL wafer process technology to improve the mass production yield rate for high-end cinema projectors.
 - Optimize custom-made Geiger-mode APD wafer process for 3-D LiDAR.
 - Optimize custom-made 100Gbps Integrated Coherent Receiver mass production wafer integration process.
 - Application in the 100GBaud PAM4 ((800Gb/s)) Photo Detector (PD) in data center.
- (3) KGD-brand optoelectronic devices
- The 1310-1550 nm Edge Emitting Lasers: This long-wavelength laser is used for optical fibers long-distance transmission, such as, the well-known Fiber to The Home (FTTH), EPON and GPON, and transmission between base stations. Due to the increasing number of base stations in the current 5G and future 6G eras, such long-wavelength lasers will become even more indispensable.
 - The 25G/100Gbps VCSEL: VCSEL emits short wavelength (850nm) lasers that is contrary to long wavelength lasers; therefore, it is limited to the use within 500 meters. Due to the increasing number of data centers and the use of short-distance optical fiber lines in data centers, this laser is expected to be widely adopted in the near future.
 - The 25Gbps avalanche photodiodes (APD) have better sensitivity than the traditional photodiodes. Therefore, APD is widely used in the largest amount of fiber-to-the-home (FTTH). Although 2.5Gbps and 10Gbps are the main items currently, the demand for 25Gbps APD can be expected due to the increasing data transmission volume.

- The 50Gbps / 100Gbps / 200Gbps / 400Gbps / 800Gbps / 1600Gbps Backside illuminated photodiode: Different from non-hermetic PIN PD, Backside illuminated photodiode can help improve the fiber illumination efficiency, increase the yield rate of customer module products, and help customers reduce the cost of producing the module.

(II) Industry overview

1. The current status and development of the industry

The Company’s main business operation is based on the Gallium Arsenide (GaAs), Indium Phosphide (InP), Gallium Nitride (GaN), and silicon carbide (SiC) of compound semiconductors to perform RF, power electronics, and optoelectronic device compound semiconductor wafer foundry, related intellectual property rights licensing, and the research, development, production, and sales of KGD-brand optoelectronic products.

The use of wafer materials in the semiconductor industry includes two categories: Element semiconductors and compound semiconductors. In terms of element semiconductors, Silicon (Si) and Germanium (Ge) are the most well-known materials used to form semiconductors. The compound semiconductors are mainly composed of Gallium (Ga), Indium (In), Aluminum (Al), and other group III elements, and Arsenic (As), Phosphorus (P), Nitrogen (N), and other group V elements, which is known as III-V group element compound semiconductor (hereinafter referred to as “III-V compound semiconductor”). It is further classified as binary, ternary, and quaternary compound semiconductors according to the number of elements. Especially, Gallium Arsenide (GaAs) technology is relatively mature with a wider range of applications; therefore, “GaAs” is often referred to as the general term for compound semiconductor in the semiconductor industry. In addition, the common compound semiconductors include IV-IV group compound semiconductors that are formed between group IV elements, and II-VI group compound semiconductors that are formed between Group II and Group VI elements. The common types of semiconductors are summarized in the table below.

Classification of Semiconductors

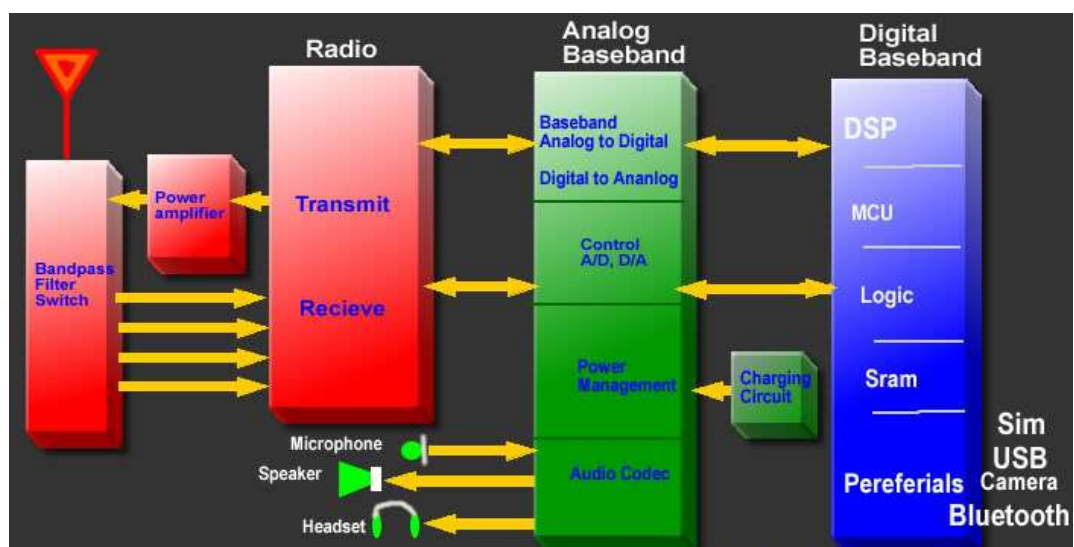
Name		Case	Application
Element semiconductor		Silicon & Germanium	Large-scale integrated circuit fabrication
III-V Group element compound semiconductor	Binary compound semiconductor	GaAs, InP, and GaN	High-speed communication devices and optoelectronic devices
	Ternary compound semiconductor	InGaAs, AlGaAs, InGaP, and InGaAsP	Materials for high-speed communication devices, infrared detectors, and solar cells
	Quaternary compound semiconductor	InGaAsP	Light sources and detectors, light-emitting diodes of optical communication
IV-IV Group element compound semiconductor	Binary compound semiconductor	Silicon Carbide and Silicon-germanium (SiGe)	High-voltage and high-speed electronic components

Name	Case	Application
II-VI Group element compound semiconductor	Zinc Sulfide, Cadmium Telluride, and Cadmium Sulfide	Intended use of infrared

Compound semiconductors have two main characteristics and advantages compared to element semiconductors:

First of all, the electron mobility and electron saturation speed of compound semiconductors are faster than that of element semiconductors. Furthermore, compound semiconductors have the advantages of anti-interference, low noise, good linearity, and high voltage resistance; therefore, they are good for high-frequency transmission in wireless communications, such as, mobile phone, base station, wireless LAN, and satellite wireless communication. Among them, taking the circuit design of mobile phone as an example (as shown in the figure below), it includes Radio Frequency, Analog Baseband, and Digital Baseband. In terms of operating frequency, it is sequentially reduced from the RF receive, through the analog baseband to the digital baseband in order to initiate the calculation processing, and then reversed after the unit processing to send the radio signals sequentially from the Transmit through the Power Amplifier (PA) and the Bandpass Filter Switch. The operating frequency of the radio frequency circuit is the highest, which usually exceeds the operating frequency of 1GHz. If a silicon semiconductor is operated under high-frequency, its performance will be attenuated; therefore, it is relatively suitable to produce high-frequency RF devices with compound semiconductors. The PA, LNA, and Switch are the most frequently used devices in RF circuits, which are mostly made of compound semiconductors; also, GaAs and InP are the most frequently used materials.

Mobile phone circuit block function diagram



Secondly, III-V group compound semiconductors have high-efficiency photoelectric conversion characteristics, and they can easily convert light energy into

electrical energy and vice versa, which is relatively rare in element semiconductors or IV-IV group compound semiconductors. Therefore, III-V group compound semiconductors can be used in fields that require high photoelectric conversion, such as, Light Emitting Diode (LED) and Laser Diode (LD), which convert electrical energy to light energy. On the contrary, when it is used in products, such as, Photo Detector (PD) or multi-interface solar cells of optical fiber equipment, light energy is converted to electrical energy.

At last, taking the properties of the most commonly used compound semiconductor material - gallium arsenide (GaAs) and element semiconductor material - silicon as an example, the characteristics of the two types of semiconductors are compared and summarized as shown in the table below.

Property Comparison of Compound Semiconductor Material - GaAs and Element Semiconductor Material - Silicon

	GaAs	GaN	Silicon
Maximum frequency range	2-300GHz, meet the long-distance communication needs	500MHz-100GHz	Below 30GHz
Maximum operating temperature	150 degrees Celsius	220	120 degrees Celsius
Electron mobility	High	Medium	Low
Voltage withstand capacity	Medium	High	Low
Radiation resistance	High	High	Low
With light energy conversion properties	Yes	Yes	No
Use at high frequencies	Low noise	Low noise	High noise, hard to overcome
Power consumption	Low	Low	High
Component size	Small	Small	Large
Component performance (linearity, efficiency, and power density)	High	High	Low
Component Integration	Low	Low	High

The Company has engaged in the production of high-end RF devices and optoelectronic devices semiconductors for years. Currently, many countries in the world have successively set the next-generation mobile communication standard as 4G LTE (Long Term Evolution), 4.5G, 5G, and 6G, which is expected to activate the wave of mobile phone replacement and base stations expansion, resulting in the increasing demand for RF devices to be used in wireless communication. In addition, due to the increasing use of fixed networks and the Fiber to The Home (FTTH) solution or the “Last Mile Solution,” the dependence of telecom operators on related optical communication equipment has become more important, under the circumstance, optoelectronic devices

have become the key products to optical communication equipment. Moreover, optoelectronic components have also started to be applied in new fields such as wearable devices, electric vehicles, automotive radar, and more. The Company's main business operations of RF and optoelectronic devices compound semiconductor wafer foundry and KGD-brand optoelectronic products are introduced as follows:

① RF Wafer Foundry

The compound semiconductors have been released for commercial use since the end of the Cold War between the United States and the Soviet Union in the 1990s, especially the prevailing of satellite systems, mobile communications, and wireless LAN. The compound semiconductors have gradually become well-known and widely used.

The booming development of satellite systems, mobile communications, and wireless LAN has caused the high demand for power amplifiers (PA), low noise amplifiers (LNA), and radio frequency switches (RF Switches) of RF devices in particular. In order to reduce the production cost and has the division of work implemented in the compound semiconductor industry same as the silicon semiconductor industry, the Integrated Device Manufacturers (IDMs) have some orders transferred to the professional GaAs fabs for mass production that allows the existing IDMs to focus on developing higher-level process or to invest resources in producing diversified products with high-margin and small quantity. Most importantly, due to the diversification of production sources, production technology is no longer monopolized by IDMs; therefore, more device designers (Fabless) are encouraged to invest in the design and development of compound semiconductor devices, resulting in a vigorous development of the compound semiconductor wafer foundry industry. The professional division of silicon semiconductors has again surfaced in the compound semiconductor industry with a good circle of compound semiconductor industry created. In the long run, in addition to qualifying rigorous and lengthy customer verification, the compound semiconductor wafer foundry industry is also committed to creating process technologies with cost advantages, which grants the compound semiconductor wafer foundry industry with room to grow in the recent years.

The compound semiconductor production technology has a diversified development under the professional division of work. Currently, the production technology most frequently adopted in the industry can be summarized according to the epitaxial growth method, component structure, and performance characteristics as follows:

Epitaxial growth method	Component structure	Performance characteristics
Molecular Beam Epitaxy (MBE)	MESFET-Metal-Semiconductor Field-Effect Transistor	Homogeneous structure, good linearity, good uniformity, mature, and mature and stable process
	pHEMT - Pseudomorphic High Electron Mobility Transistor	Heterostructure, high electron speed, high electronics gain, low noise, and high operating bandwidth
Metal-Organic Chemical Vapor Deposition (MOCVD)	Low-level pHEMT - Pseudomorphic High Electron Mobility Transistor HBT-Heterojunction Bipolar Transistor	Heterogeneous structure, good linearity, good power amplification, and high operating bandwidth

The Company is a compound semiconductor device wafer fabrication company with the production technology mainly distinguished by the characteristics of the device structure. The production technology is introduced in accordance with the structure of the radio frequency device as follows:

A. Metal-Semiconductor Field Effect Transistor (MESFET)

MESFET device is the compound semiconductor process technology applied the earliest. The epitaxial wafer used in the process is mainly based on the Molecular Beam Epitaxy (MBE), which is mature and unexpensive. Although, the cost is much lower than the compound semiconductor technology, it takes two voltage sources to operate MESFET with inferior power output and electronics gain; therefore, it is not as important as the other technologies developed subsequently.

B. Pseudomorphic High Electron Mobility Transistor (pHEMT)

The pHEMT process is mostly based on the MBE epitaxial wafers. The lower-level pHEMT process is based on the MOVCD epitaxial wafers that contains ultra-high frequency and low noise; therefore, it is widely used in high-power base stations and Low-Noise Amplifier (LNA), in particular, pHEMT device performs well under 1.5V state; therefore, it is more realistic to mobile products that requires long standby time. In addition, pHEMT is with the advantage of low noise; therefore, pHEMT has secured a certain market position in high-frequency microwave communication above 20GHz.

C. Heterojunction Bipolar Transistor (HBT)

The process of Heterojunction Bipolar Transistor (HBT) is with the “Metal-Organic Chemical Vapor Deposition” (MOCVD) adopted that is relatively different from the MESFET and pHEMT. The properties of MOCVD are high electronics gain, high power efficiency, high breakdown voltage, single power source design, high efficiency and low phase noise, etc.; therefore, it has become

the mainstream technology of power amplifier (PA) and voltage-controlled oscillator (VCO) for high frequency wireless communication in the market.

D. Gan HEMT

Epitaxial wafer processing mostly adopts MOCVD due to its properties of wide band and resistance to extra-high voltage, which eventually becomes the mainstream technology of high frequency and high-power amplifiers.

② Optoelectronic device industry

The transmission, display, lighting, and recording of the optoelectronic devices are designed by taking advantage of the semiconductors that are able to have light energy and electrical energy easily converted in between. Therefore, the optoelectronic device industry refers to all industries that manufacture devices with the use of optoelectronic technology or manufacture the equipment and system with the use of optical devices as key components.

The applications of optoelectronic devices for light energy and electrical energy conversion are frequently seen in the products containing Light Emitting Diode (LED), Laser Diode (LD), Photodiodes (PD), Liquid Crystal Display (LCD), Complementary Metal-Oxide-Semiconductor Sensor (CMOS Sensor), Digital Video Disk (DVD), and Solar Cell. Since LED and PD with relatively high requirements for the conversion of electrical energy and light energy. The high-efficiency photoelectric energy conversion properties of this compound semiconductor make it an ideal active component for the production of optical fibers communication products, such as, LED and PD. Therefore, the photoelectric devices produced by the Company, such as, PIN PD (P-layer, Intrinsic-layer, N-layer Photo Detector, & PIN PD), Vertical- Cavity Surface-Emitting Laser (VCSEL), and Edge Emitting Lasers, are compound semiconductor devices closely related to the optical communication industry.

Optical communication refers to a method of transmitting information through the medium of optical fiber, which is a wired communication having electrical signals, such as, sound, image, or data converted into optical signals at the transmitting end, and then transmit the information to the remote receiving end by the total reflection of laser in the optical fiber, and then pass the photodiodes to the receiving end, then the received optical signal is restored to an electrical signal through photodiodes again, decrypted through the calculation of the network processing unit in order to complete the communication purpose.

The high bandwidth, immunity from electromagnetic interference, confidentiality, light weight, small size, low dispersion, and low loss of optical communication are excellent characteristics beyond the reach of traditional copper wires and cables; therefore, it has gradually and completely replaced copper cables as a new generation communication transmission medium.

The construction of global communication networks has gradually prevailed.

The infrastructure of the communication network is roughly divided into 4 categories, including Backbone, Wide Area Network (WAN), Metropolitan Area Network (MAN), and Local Area Network (LAN). Currently, the Backbone, WAN, and MAN are constructed with optical fibers, and it is a different story for LAN, which is known as the “Last Mile” construction for LAN and will become an important force for the development of the optical fiber industry in the future. The solution for the “Last Mile” construction of optical fiber is the “Fiber To The x (FTTx)” technology, which can effectively solve the difficulty of optical fiber deployment in the last mile, that is, having the optical fiber network extended from the LAN telecom room to end user equipment. There are four types of communication network technologies, including Fiber To The Cabinet (FTTCab), Fiber To The Curb (FTTC), Fiber To The Building (FTTB), and Fiber To The Home (FTTH). Due to the evolution of technology and the active promotion of policies by governments of many countries, there remains room for the growth of constructing optical fiber network in the last mile of the optical fiber industry, which can help drive the continuous development of the optical communication industry obviously.

In addition to the growth of the optical communication industry driven by the last mile optical fiber network construction, there remain some development trends in the optical communication industry worthy of expectation and helping create sustainable growth momentum for the industry. Consumers’ increasing demand for multimedia, such as, Internet TV, high-resolution digital TV, online games, interactive video applications, and the maturity of cloud computing technology, will encourage telecom operators to add the bandwidth of Backbone, WAN, and MAN, which will help increase the demand for optical fiber network device and equipment continuously. Also, the governments of many countries have successively finalized the relevant wireless communication specifications; therefore, the bandwidth of wireless communication must be increased for bigger capacity inevitably, resulting in the need of having the communication bandwidth between base stations to base stations and base station to fixed network expanded as well. Under the circumstance, the demand for optical communication device is expected to grow. Furthermore, the Data Center adopts optical fiber technology to conduct data transmission, in order to replace the weight, density, and power consumption issues related to traditional copper wire solutions. Meanwhile, the transmission speed will be upgraded to 400 Gbps, 800 Gbps and 1,600 Gbps, and will impel the growth in photoelectric component market. Apart from the use of optical communication, photoelectric devices are also applied to some new fields such as wear device, electric vehicles and car radars.

Therefore, it is foreseeable that the compound semiconductor industry will move towards professional division of labor in the future regardless it is used in RF devices for wireless communication or optoelectronic devices for optical communication.

The threshold of entering this industry is raising up; also, due to the difficulty of expanding the wafer fabrication capacity of existing fabs, and the demand for wafers for RF devices and optoelectronic devices will go up significantly due to the professional division of work for the outsourced orders from fabless design companies; also, the demand of end users will also go up due to the technology upgrade in product application; therefore, it is a niche market for the Company to develop further.

2. The correlation of the up-, mid-, and down-stream of the industry

The compound semiconductor industry can be roughly classified into the categories of compound substrates, epitaxial wafers, IC design, wafer fabrication, package testing, module factories, and system factories. Currently, the Company's wireless radio frequency is mainly based on wafer foundry. In terms of optoelectronic products, in addition to professional wafer foundry, the Company also engages in the research, development, production, and sales of KGD-brand optoelectronic products.

(1) RF wafer foundry

Industry		Product items / Process Technology	Domestic manufacturers	Foreign manufacturers
Up-stream	Epitaxy	HBT/MOCVD pHEMT/MBE pHEMT/MOCVD	Visual Photonics Epitaxy Co., Ltd (VPEC)	IQE, etc.
	Design	IC design	Airoha Technology Corp. and Richwave Technology Corp.	M/A-COM, ADI, etc.
Mid-stream	Foundry	HBT (3 μ m, 2 μ m, 1 μ m) pHEMT (0.5 μ m, 0.25 μ m, 0.15 μ m) GaN HEMT (0.5 μ m, 0.25 μ m, 0.15 μ m)	Win Semiconductors Corp., Advanced Wireless Semiconductor Company, and Wavetek Microelectronics Corporation	Qorvo, GCS, and Wolfspeed
Down-stream	Package testing	Package testing	Tong Hsing Electronic Industries, Ltd. and Giga Solution Tech Co., Ltd.	Most of them are IDMs with package test performed internally
IDMs		RF IC (From design, production, to package testing are performed internally)	Transcom, Inc. and Hexawave, Inc.	Qorvo, Skyworks, etc.

(2) Optoelectronic device wafer foundry

Industry		Product items / Process Technology	Domestic manufacturers	Foreign manufacturers
Up-stream	Epitaxy	GaAs, InGaAs, MOVCD, and MBE	Visual Photonics Epitaxy Co., Ltd. (VPEC)	IQE and IET-KY
	Design	Device design	-	M/A-COM, etc.
Mid-stream	Foundry		Win Semiconductors Corp., etc.	GCS, etc.
Down-stream	Package testing	TO-CAN COB	ELITE Advanced Laser Corporation	YSOD, PCL-KY, etc.

(3) KGD-brand optoelectronic devices

Industry		Product items / Process Technology	Domestic manufacturers	Foreign manufacturers
Up-stream	Epitaxy	GaAs, InGaAs, MOVCD, and MBE	Visual Photonics Epitaxy Co., Ltd (VPEC)	IQE and IET-KY
Mid-stream	Devices	Device design and production	LuxNet Corp. and TRUELIGHT CORPORATION	GCS, M/A-COM, Lumentum, etc.
	Package testing	TO-CAN COB	ELITE ADVANCED LASER CORPORATION	YSOD, PCL-KY, etc.
Down-stream	Module	Tranceiver	Delta Electronics, Inc., Browave Corporation, etc.	XuChuang Opto-Electronic Co., Ltd. Hisense, etc.

3. Product development trends

(1) RF wafer foundry

A. Gallium Arsenide (GaAs) HBT Technology

The qualities of light, thin, small, low power consumption, and low price are the key to the commercial success of any consumer electronic product, and the main direction for the future RF module design. Traditionally, each circuit product in RF modules is developed successfully based on respective technology. For example, the power amplifier (PA) is designed with HBT. Due to the increasing demand for 4G and 5G mobile phones and wireless RF base stations and basic equipment, and the better linearity and high power needed for communication equipment, GaAs mobile phone power amplifiers have become the irreplaceable mainstream. Therefore, the technology development of GaAs HBT will move towards this direction in the future.

B. mmWave pHEMT and Wide Tuning-Range Phase Shifter

Wireless communication is gradually moving from Sub-6GHz 5G to mmWave pHEMT 5G (SATCOM). A Phased Array Antenna is used to effectively transceive signals with mmWave pHEMT. The RF devices of the Phased Array Antenna need high frequency power amplifiers, high frequency low noise amplifiers, and Wide Tuning-Range Phase Shifter. In addition to the GaN HEMT described below, the Company also has the technologies of 0.15 μ m pHEMT and Wide Tuning-Range varactor.

C. GaN HEMT technology

In terms of high-voltage and high-power amplifiers needed for wireless RF base stations and basic equipment, LDMOS (laterally-diffused metal-oxide semiconductor) devices made of silicon materials have always been accounted for as the majority because silicon material is much cheaper than GaAs. However, the linearity of LDMOS devices has reached a bottleneck at 3.8 GHz, which gives GaN HEMT a grand opportunity for development. Since GaN inherently possesses the characteristics of wide energy band and high voltage, high electron mobility, high electron saturation speed, high electron density, and high temperature tolerance, when GaN material is used under high voltage and high frequency, its high-speed electron mobility transistors can work at 28 volts, 48 volts, or even higher voltages; also, its power efficiency and linearity are superior to GaAs and LDMOS.

D. InP HBT Technology

GaAs HBT technology can be applied to LTE and 5G handheld device power amplifiers (sub-6GHz), but not to mmWave 5G power amplifiers that is mainly due to the fact that the cut-off frequency of InP HBT is much higher than that of GaAs HBT. Therefore, InP HBT technology is more suitable for mmWave 5G handheld device power amplifiers (except for the Company's newly developed GaAs Super HBT technology). The Company has a leading position in the application of InP HBT technology to high frequency power amplifiers. In addition, the Company has technologies to have InP HBT and optoelectronic devices integrated into Electronic-Photonic IC (EPIC).

E. BAW filter (bulk acoustic wave filter) process technology

The BAW resonator technology will surpass that of SAW resonator and will be used for 5G handheld devices (sub-6GHz) in the future.

Our company's newly developed second and third generation BAW technologies can be applied to filters with higher frequencies and wider bandwidths.

(2) Optoelectronic device wafer foundry

The traditional Optical Transceiver is manufactured by integrating the Receiver Optical Subassembly (ROSA), Transmitter Optical Subassembly (TOSA), and other electronic components into one module. The ROSA is composed of a PD chip, a capacitor, and a Transimpedance Amplifier (TIA). The TOSA is composed of a laser chip and a monitoring photodiode, which involves a manpower-extensive process.; therefore, the post-production cost of the wafer fabrication is high. If all the individual component can be integrated on one wafer or chip, the aforementioned assembly and labor costs can be eliminated. However, it is a relatively undeniable and difficult challenge to reduce the cost and improve the yield rate of wafer integration (PIC); therefore, it is one task to be attacked by the wafer fabrication industry.

(3) KGD-brand optoelectronic devices

Laser and PD are the two key parts to the optical communication device. Although the design of laser is crucial, the production laser epitaxy and the process of laser wafers are critical. Currently, most of the laser epitaxy is produced with 3-inch wafers, and the development of 4-6 inch wafers will be a big challenge to the epitaxy industry in the future. In terms of the laser wafer process, the challenge for wafer fabrication industry is how to develop a mass production process with an advantage in price.

4. Competition

(1) RF Wafer Foundry

The RF device wafer foundry has been developed for years. There were more than ten companies engaged in wafer foundry in Taiwan and abroad before the year of 2001. However, since WiFi was not initiated before the year of 2004 and the threshold for entering the mobile phone power amplifier (PA) wafer foundry was high, some companies could not continue to operate, causing the GaAs foundry market underwent a reorganization. The surviving companies after the reorganization began to enjoy the rapid growth of WiFi after the year of 2004 and the penetration into the mobile phone power amplifiers (PA) foundry, low noise amplifiers (LNA), and RF Switch business. Currently, there are four companies in the market for the wafer foundry business, and their basic information and technical level are listed in the table below:

Fabs Advantage Analysis Table

Data		Company	GCS, USA	WIN	Wavetek	AWSC
Basic information	Incorporation date		1997	1999	2010	1998
	Stock capital		NT\$1.1 billion	NT\$4.2 billion	NT\$1.9 billion	NT\$1.9 billion
	Company location		California USA	HWA YA Technology Park (Linko)	Hsinchu Science Park	Southern Taiwan Science Park
	Wafer size		4-inch and 6-inch	6-inch	6-inch	6-inch
Technology	InGaP HBT Mobile phone power amplifiers		V	V	Licensed from GCS, USA	Proprietary and licensed from GCS, USA
	InGaP HBT Base station power amplifiers		V	V	X	X
	VCO InGaP HBT Voltage controlled oscillator		V	X	X	X
	0.5 μm pHEMT Switch RF switch		V	V	Licensed from GCS, USA	Proprietary and licensed from GCS, USA
	0.15/0.25/0.5 μm pHEMT PA/LNA base station and RF infrastructure equipment, RF switch, and phase shifter		V	V	V	V
	0.25/0.5 μm HFET Base station and RF infrastructure equipment High Linearity Power Amplifiers		V	V	X	X
	0.15/0.25/0.5 μm GaN HEMT		V	V	X	X

Company		GCS, USA	WIN	Wavetek	AWSC
Data					
	High voltage, high power amplifiers, 4G and 5G base stations, satellite communications, defense industry				
	InP HBT Optical communication 40/100/400 Gbps Transimpedance amplifier (TIA), Laser Modulation, and Driver Amplifier	V	X	X	X
	BAW filter	V	X	X	X

Source of information: The Company has compiled information from various company websites, financial reports and presentations, etc.

The Company's technology is proprietary and advanced with a focus on the niche market of RF wireless communication base stations and basic equipment devices. Compared to the business operations of Win Semiconductors Corp. and Advanced Wireless Semiconductor Company that are mainly aiming at the mass production of the standardized mobile phone power amplifiers (PA), WLAN PA, and RF Switch, the Company's production capacity is relatively smaller than Taiwanese peers. The Company has adjusted the product strategy and reserved production capacity for power amplifiers, voltage-controlled oscillators, and other devices necessary for base stations and RF infrastructure equipment that have higher unit prices with higher device characteristics required. On the other hand, the Company has the technologies that are used in manufacturing power amplifiers (PA) and radio frequency switches (Switch) for mobile phones licensed to other manufacturers in the industry for the purpose of having such standardized products with lower unit prices manufactured by the licensees with royalties collected. In addition, the Company currently carries out relevant strategic cooperation plans that allows the strategic partners to provide wafer foundry services in order to combine the Company's technical resources for the sake of expanding production capacity of the fabs and customer sources. In terms of voltage-controlled oscillators, the Company's HBT technology contains the lowest phase noise in the world with a very high market share cornered.

(2) Optoelectronic device wafer foundry

There are various types of optoelectronic devices with different designs offered by each manufacturer. In addition, a different design entails a different manufacturing process; therefore, a standard process like the one for GaAs RF device wafer foundry is none existence for optoelectronic device wafer foundry. Therefore, many companies believe that it is important for them to have a fab of their own. However, a self-owned fab is costly. A long-term loss is inevitable without the support of profits generated from the product lines. Therefore, it is necessary to seek other sources of profit, such as, wafer foundry or transforming the fab into a fabless design house. Currently, the silicon and GaAs wafer foundry industry has already taken shape, but the

optoelectronic device wafer foundry industry has just begun. The vigorous development of the optical communication industry and the massive consumer application have caused the demand for optoelectronic devices to go up and the fabless design houses to emerge. Therefore, the optoelectronic device wafer foundry will follow the footsteps of the silicon and GaAs wafer foundry industry by then. However, optoelectronic device fabs must produce more price-competitive products than IDMs, otherwise the foundry business model will not work.

The optoelectronic device semiconductor factories in the world almost all manufacture optoelectronic devices only; however, the market size of optoelectronic devices is not as large as GaAs RF devices; therefore, it is difficult to reach the economies of scale, resulting in a high manufacturing cost. The Company has a relatively high production capacity of RF and optoelectronic devices, which gives the Company a competitive advantage over other pure optoelectronic device manufacturers.

(3) KGD-brand optoelectronic devices

The optoelectronic device semiconductor factories in the world almost all manufacture optoelectronic devices only; however, the market size of optoelectronic devices is not as large as GaAs RF devices; therefore, it is difficult to reach the economies of scale, resulting in a high manufacturing cost. The Company has a relatively high production capacity for RF and optoelectronic devices, which gives the Company a competitive advantage over other pure optoelectronic device manufacturers. In addition, the Company can produce RF and comprehensive value-added optoelectronic devices simultaneously with high yield rate and stable quality maintained, which is another competitive advantage of the Company.

(III) Technology and R&D Overview

1. Research and development expenses invested in the most recent year and as of the annual report publication date

Unit: NT\$ Thousands

Item \ Year	2023 (Note 1)	2024Q1 (Note 2)
R&D expense	246,043	54,788
Operating income	1,350,604	346,986
Ratio of R&D expense to operating income	18.22%	15.79%

Note 1: The consolidated financial statements audited and certified by the independent auditors.

Note 2: It is the uncertified financial data of the Company.

2. Products successfully developed in the most recent year and as of the annual report publication date

Year	Product/Technology Name
2022	0.1um low-noise pHEMT
2022	Wideband varicap diode applied in 5G mmWave and satellite communication phase array.
2022	Application in the 56G Baud PAM4 (400Gb/s) of the Data Center.
2022	Application in wideband Sub-6 GHz, 5G, WiFi 6, 6E, 7, and Gen-2 Baw of filters.
2022	Application in Gen-2 GaN Hemet of mmWave and high-power amplifier.
2022	Application in GaN/Si HEMT of high-power MMIC.
2022	Application in ultra-high power GaN/SiC HEMT.
2022	Application in Wide Tuning Range Varactor in mmWave phased array.
2023	The 0.1μm GaN/SiC HEMT used in millimeter-wave base stations and satellite communications
2023	The high-linear GaN HEMT process used in 5G base stations

(V) Long-term and short-term business development plans

1. Short-term plans

A. Marketing strategy

- a. Maintain product yield rate and quality stability for major international Integrated Device Manufacturers (IDM), and seek further improvements.
- b. Actively and progressively develop new product lines with existing customers, and cooperate with customers to develop next-generation materials and valued-added new process technologies in order to meet the new communication standards of the industry, and to further grasp market trends and key process technology development.
- c. Continue to enhance information flow and technology exchange with customers.
- d. Expand the licensing of existing intellectual property rights, extend product life, and strive for higher gross profit.

B. Production strategy

- a. The ISO9001 and AS9100 verification is completed; the TQM (Total Quality Management) standard is implemented, and a complete hardware quality management system is established.
- b. Enhance the management and training of production technicians to improve

production efficiency, product yield rate, and quality stability.

- c. Improve the technology and yield rate of the process through R&D and innovation in order to increase productivity efficiency and reduce manufacturing costs.
- d. Apply process standardization and simplification to improve production yield rate, efficiency, and cost.

C. Technology development

- a. Actively improve the yield rate and stable quality of the existing mass production process, and meet customers' product specifications and testing requirements.
- b. Enhance technical exchanges with upstream manufacturers to stabilize technology development and production process quality. The basic characteristics of compound semiconductor devices are mostly determined during epitaxial growth; therefore, the success of key process technology relies on whether the up-stream epitaxial manufacturers can realize the Company's epitaxial (Epi) structure design, and cooperate with the Company in quality, supply capacity, cost, delivery, etc. Therefore, it is necessary to continuously enhance technical exchanges with upstream manufacturers and establish a strategic cooperative relationship.
- c. Enhance the recruitment of talents to improve the quality and quantity of technology development.
- d. Actively seek strategies to reduce the costs of the existing mass production process.
- e. Base on the existing process technologies of Heterojunction Bipolar Transistor (HBT) and pseudomorphic High Electron Mobility Transistor (pHEMT) to develop new processes continuously in response to customer needs. In particular, pHEMT will be developed towards 0.15um or smaller gate length to facilitate the development of higher frequency products. Heterojunction Bipolar Transistor (HBT) will be used on the existing power amplifiers and VCO; also, the GaAs Super HBT will be used on mmWave devices. In addition, the Company's InP HBT process can reach the world's fastest commercial cut-off frequency, 330GHz.
- f. For higher-speed optical fibers (25G, 100G, 400G, 800G, & 1600G), based on InP materials to develop the process needed for optical fiber devices (PD, lasers, and TIA amplifiers) and optical integrated circuits for the needs of customers.
- g. Refine the existing GaN technology and cost continuously, and move towards 0.1um or smaller process to expand the product application range.
- h. Actively develop transistor component design and process to be used for 5G mobile phones and base stations.
- i. Develop mesa-type APD application to be used for 10Gbps and higher-speed transmission products.
- j. Develop Backside illuminated InGaAs PIN PD with microlens for 25Gbps/ 100Gbps/ 200Gbps/ 400Gbps/ 800Gbps/ 1600Gbps and higher-speed transmission products.
- k. Develop custom-made GaAs laser wafer process and high-power laser for the use of infrared commercial quick-cooking oven.

- l. Develop custom-made 25Gbps PD/TIA wafer process: PIN PD/HBT integrated process.
 - m. Develop custom-made Electro-absorption Modulated Laser (EML) wafer process.
 - n. Start the foundry production of 0.4um and 0.25um GaN/SiC and GaN/Si.
 - o. Complete 0.25um GaN/Si process verification and customer product trial production.
 - p. Assist customers to complete product verification with 0.15um GaN/SiC process.
 - q. Assist customers in completing InP HBT product verification.
 - r. Develop high-performance GaAs Schottky varactor diodes for Tuning-Range Phase Shifter and other applications.
 - s. Develop 0.1/0.15um GaN HEMT process for mmW 5G base stations and mobile phone power amplifiers.
 - t. Developing the third generation GaN HEMT process for use in communications and satellite aerospace applications operating at frequencies higher than 30 GHz, as well as in PA for defense.
 - u. Assist customers in completing the validation of second-generation BAW filter products.
 - v. Develop third-generation BAW filter process technology, applicable up to 20 GHz.
- D. Overall business management
- a. Actively enhance the integrity of the Company's overall operating organization and human resources to meet the needs of the Company's growth.
 - b. Enhance employee education and training and welfare policies to improve employee loyalty.
 - c. Substantiate internal control management system and company discipline, and ensure stable product quality and operation efficiency.
 - d. Actively reduce costs and improve production capacity utilization.
 - e. Actively support strategic joint ventures and accelerate the mass production schedule.
2. Long term plan
- A. Marketing strategy
- a. Actively enhance R&D and launch KGD-brand optical communication devices (such as APDs, Edge Emitting Lasers, and VCSEL).
 - b. Establish strategic alliances with customers and upstream and down-stream manufacturers to facilitate vertical integration of related industries in order to corner a higher market share.
 - c. Actively strive for foundry businesses from international IDM.
 - d. Actively seek objects for strategic cooperation or merger in order to enhance the Company's competitiveness and profitability.
 - e. Develop new business models, such as advanced process/product design turnkey services.
 - f. Continue to actively enhance the strategic partnership with existing fabs partners in order to provide a platform for mass production of popular items in the future.

B. Production policy

- a. Introduce advanced ERP system to increase operation efficiency.
- b. Improve the automation of the production line and reduce unproductive on-site operations to avoid human error, improve production efficiency, and reduce production costs.
- c. Expand the plant and manufacturing equipment in response to customer needs and business growth.

C. Technology development

- a. Actively develop advanced process technology that meets market demand to enhance the Company's competitiveness.
- b. Actively cooperate with major customers in strategic technology development.
- c. Actively develop new KGD-brand photoelectric devices (KGD).
- d. Expand the BAW filter founder business.
- e. Complete GaAs Super HBT and 0.15um GaN HEMT (applied to 5G devices) customer product verification.
- f. Complete Gen-3 InP HBT and PD-HBT Electronic Photonic IC (EPIC) process verification (applied to optical communication networks greater than 100G).
- g. Completed Gen-3 GaN/SiC HEMT and GaN/Si MMIC processes.
- h. Develop Gen-3 BAW process technology and demonstrate its application to 20 GHz filters.
- i. Transfer technologies to relevant fabs to increase production yield rate.

D. Overall business management

- a. Refine the overall human resources policy, train and cultivate talents to meet the company's needs for business growth. The Company, in addition to establishing a good communication channel with employees, provides the employees with an environment to learn and grow in order to enhance their loyalty and cohesion, and to share long-term operational success with colleagues in order to motivate employees and reduce the risk of personnel turnover, added with the employee stock option programs and employee bonuses to attract and retain the necessary professional talents.
- b. Construct an intranet system within the company to enhance operational automation and enterprise efficiency; also, to improve customer service quality.

II. Market, production, and sales overview

1. Market analysis

(1) The Group's main products (services) market

Unit: NT\$ Thousands

Region	2022		2023	
	Sales amount	Sales ratio	Sales amount	Sales ratio
USA	561,755	42.12%	545,071	40.36%
China	499,788	37.47%	554,022	41.02%
Taiwan	20,789	1.56%	34,791	2.58%
Others	251,478	18.85%	216,720	16.04%
Total	1,333,810	100.00%	1,350,604	100.00%

(2) Market share

Names of major competitors and their business or competing items:

The Company is a professional compound semiconductor wafer fab. Currently, Win Semiconductors Corp. and Advanced Wireless Semiconductor Company, both are TPEX listed companies, provide wafer foundry services. The main market for the products of Win Semiconductors Corp. and Advanced Wireless Semiconductor Company is the mass-produced standardized products, such as, mobile phone power amplifier (PA), WLAN power amplifier (PA), and RF Switch. The Company focuses on power amplifiers for base stations and RF infrastructure equipment that are with advanced component characteristics, voltage-controlled oscillators and other components, power electronics devices, and the optoelectronic device and PD chips required by the optical communication industry. In addition, the Company has the technologies that are used to manufacture mobile phone power amplifiers (PA) and RF Switch licensed to other manufacturers in this industry for them to manufacture such standardized products with royalties collected from them accordingly.

(3) The future market supply and demand and the growth potentials

Compound semiconductor devices are key components of the wireless communication industry and the optical communication industry. Benefiting from the continuous popularity of smart phones and tablet computers, the gradual maturity and application of 5G and future 6G mobile communication specifications, the growth of wireless communication products, such as, wireless LAN, Bluetooth application, base station expansion, satellite communication, Internet of Things, and Internet of Vehicles, and the long-term stable growth of fixed network communication due to the upgrade of optical communication technology and the promotion of government policies, the market size of the compound semiconductor industry is expected to grow continuously.

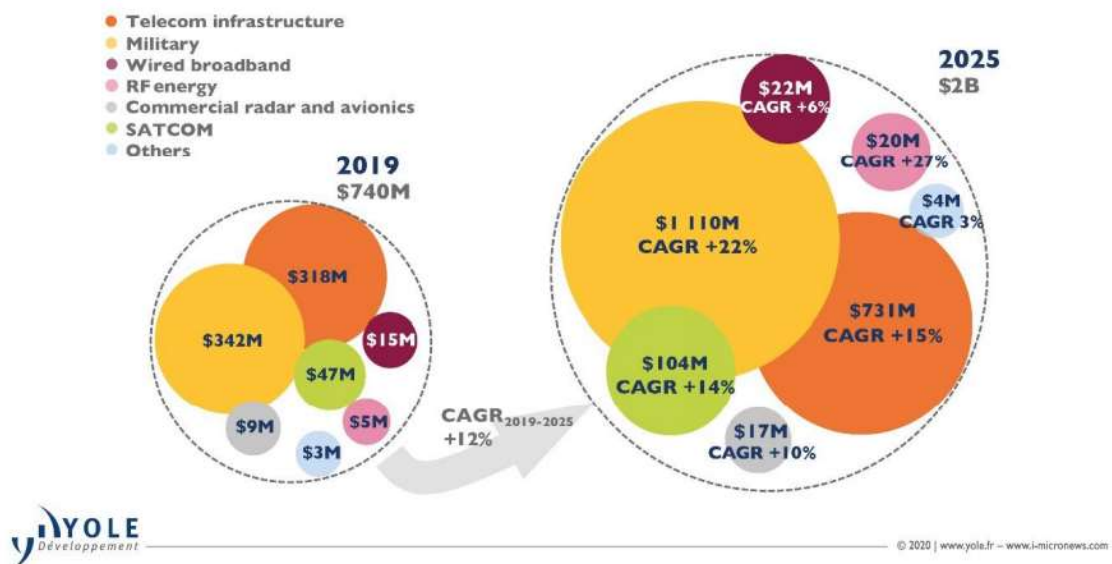
In terms of RF device foundry, the Company is engaged in the wafer foundry of RF devices that are used for base stations and basic equipment. When the global 5G mobile communication specifications and commercialization have been finalized and operated, telecom operators in the world have been investing more capitals in base stations and

equipment since 2018. It is estimated that there will be 319 million 5G users in 2022, and will eventually reach the record high of 1.217 billion users worldwide in 2025. The 5G communications will grow significantly in next 4~5 years. In addition, according to the IEK Consulting report of the Industrial Technology Research Institute, the overall global 5G market size is expected to grow from US\$4.283 billion in 2019 to US\$230.264 billion in 2023, representing a compound annual growth rate of 171%. The Company has the opportunity to grow in the field of 5G and future 6G mobile communications. Therefore, there is room for the Company to grow in the RF devices foundry for the use of base stations and basic equipment.

In addition, in terms of RF device foundry, in addition to power amplifiers, filters are used for noise filtering, signal interference suppression, frequency selection, and ensuring that signals do not interfere with each other in transmission at different frequencies. The market size mainly relies on high-frequency communication that is with increasing demand for BAW. GaN RF devices have begun to be used after GaAs. As shown in the chart below, according to Yole’s forecast. GaN RF devices will grow from US\$740 million in 2019 to \$2 billion in 2025.

2019-2025 packaged GaN RF device market forecast - Split by application

(Source: GaN RF Market: Applications, Players, Technology, and Substrates 2020 report, Yole Développement, 2020)



Data sources: Yole (2020)

Win Semiconductors Corp. and Advanced Wireless Semiconductor Company, both TWSE/TPEX listed companies, provide wafer foundry services. However, the main market for the products of Win Semiconductors Corp. and Advanced Wireless Semiconductor Company is the mass-produced standardized products, such as mobile phone power amplifier (PA), WLAN power amplifier (PA), and RF Switch. The Company focuses on power amplifiers for base stations and RF infrastructure equipment that have advanced

component characteristics, voltage-controlled oscillators and other components, power electronics devices, and the optoelectronic device and PD chips required by the optical communication industry. For example, the 4G multi-mode and multi-frequency mobile phones need 5~7 PA chips. According to the estimation of Strategy Analytics, 5G mobile phones will need as many as 16 PA chips and 40 BAW filters. Due to the upgrade of 5G specifications, if smartphones continue to grow at the current penetration rate, the infrastructure of mobile communications will be expanded continuously. Moreover, since IDM will no longer expand production capacity, the RF device wafer foundry business is expected to grow without a doubt.

In terms of optical communication industry, it includes solutions that integrate optical fiber, xDSL, LTE, Carrier WiFi, and other fixed network, and mobile broadband technologies to achieve high-quality entertainment experience and Internet of Things applications. The optoelectronic device wafer foundry industry has just begun to take a baby step in business development due to the complexity of optoelectronic device design and technical difficulty. Most of the optoelectronic device wafer market is dominated by IDM. Many countries in the world have begun to promote high-quality home audio and video services to welcome the arrival of the Metaverse. The focus is on whether the 4K/8K/AR/VR industry can enter consumers' living rooms continuously, which is currently blocked by the challenge of how to improve the bandwidth of the home; therefore, the 4K/8K/AR/VR industry had made it necessary to have the home network bandwidth upgraded, and the broadband upgrade will be the driving force for the continuous growth of the optical communication industry in the future. According to the changes in the global communication equipment and service market scale, the demand for network data traffic is expected to grow significantly, cloud computing is expected to emerge, the development of the Internet of Things and the Internet of Vehicles is expected to accelerate, which grant the optical communication industry an opportunity to grow in the future. In addition, rapid development is also taking place in electric vehicles, automotive radar, and wearable devices, which will simultaneously drive the high demand for optoelectronic components.

(4) Competition advantage

A. Broad and deep technical foundation and advanced high-performance technology

The Company has accumulated years of experience since its incorporation with a wide range of devices and process technologies built up, countless advanced and high-performance devices and process technologies developed for mass production thereafter, and global valuable customers solicited as a result; furthermore, the Company has secured a dominant position in global market for some products, such as Monolithic Voltage Control Oscillator. The Company has utilized these extensive devices and process technologies to rapidly develop the group's process and device technology, and develop custom-made advanced devices and process technology for customers.

The Company's process technology is sufficient to provide photoelectric device PD chips, covering from low data transmission speed (155Mbps) to high data transmission

speed (200 Gbps/400Gbps/800Gbps/1600Gbps). In addition to low dark current, it can also achieve high responsivity. Furthermore, the Company provides not only a single PD chip but also an array (Array1x4, 1x8, 1x12) PD chip. The Company also develops and mass-produces Active Optical Cables (AOC) for consumer electronics and data centers including Google and Microsoft, the PD, Edge Emitting Lasers, and VCSEL chips of optical fiber technology to meet the needs of all customers, which gives the Company a competitive advantage over other pure optoelectronic device manufacturers.

In addition, the Company has reached and developed BAW filter process technology for years with patents obtained; also, the Company has provided customers with BAW filter foundry services.

B. Experienced team

The Company's President and CEO, Chief Technology Officer, Senior VP of Sales and Marketing, and VP of Operations have years of experience in management and a thorough understanding of the overall market dynamics. In addition, the technical team has the ability to develop new technologies in-house and capable of grasping the key technologies of products that enable the Company to maintain competitiveness in the fields of GaAs, optoelectronic devices, and process technologies. In addition, the Company has employees who have accumulated years of technology and experience in related fields to help build up the Company's profound devices and process technology strength and innovation capabilities, which is evidenced by the advanced and high-performance devices and process technologies owned by the Company.

C. Strong application and technology and service quality

The Company has an experienced technical service team to provide customers with technical and product application services. The technical service team can help shorten the time of having customers' products ready for mass production effectively, help customers solve problems, and establish long-term cooperative relations with customers with better service quality provided. In addition, the Company has employees who have accumulated years of technology and experience in related fields to help build up the Company's profound component and process technology strength and innovation capabilities, which is evidenced by the advanced and high-performance devices and process technologies owned by the Company.

D. Flexible and elastic production capacity planning

The Company is mainly engaged in the production of 4-inch wafers and is currently focusing on niche products, including RF, optoelectronics, and other products with special applications. Compared with standardized products, such as mobile phone power amplifiers (PA), the wafer size of such products is relatively small, and 4-inch wafers are the sweet spot of the capacity of scale because small and medium production lots are not suitable for mass production in a 6-inch fab. A 4-inch wafer is very competitive in optoelectronic devices and other special applications because the aforementioned products do not require a large quantity of wafers; therefore, the 4-inch production for

only optoelectronic devices is not practical in the sense of economies of scale. Therefore, many optoelectronics manufacturers are still operating 2-inch or 3-inch wafer production, in other words, the possibility of operating a 4-inch wafer production is low. However, due to the combined fabrication of RF devices, optoelectronic devices, and other wafers with special applications, the Company's production can achieve economies of scale for the amortization of fixed costs; therefore, the Company is more cost-competitive than optoelectronic peers.

E. High yield rate and stable quality

The manufacturing process of RF devices is more complex than that of optoelectronic devices. In terms of the number of masks, RF devices contain 16-layer masks, while optoelectronic devices contain at least 6-layer masks or more than 20 masks. The Company based on years of experience in RF device wafer foundry is able to make optoelectronic wafer production more efficient. In addition, the Company owns a complete set of equipment capable of producing RF devices and optoelectronic devices at the same time. The optoelectronic devices and other high value-added products are produced in the factory suitable for mass production with a high yield rate and stable quality secured that helps enhance the Company's competitive advantages.

(5) Advantages and disadvantages of the development prospect, and countermeasures

A. Advantages

a. A growing industry

Compound semiconductor devices, such as, GaAx, are key components in the wireless and optical communication industries. Due to the rapid development of the communication industry and the trend of light, thin, short, small, and low power consumption, communication devices have become an irreplaceable key part of mobile phones and WLAN in recent years. The market is expected to grow continuously in the future along with the high demand in 5G/6G market. At the same time, the prevailing of ultra-high frequency communication, such as optical communication and satellite communication, electronic vehicles, automotive radar, and wearable devices, has a strong demand for ultra-high frequency devices, and such process technology often requires a special production process owned by the Company, which is to the advantage of the Company, one of the advantages.

b. Serve world-class customers

The Company has managed to accumulate R&D capability through a strong R&D team; therefore, the Company is capable of having the proprietary technologies or customer's technologies innovated continuously in the shortest time possible in order to help make customers' products with better characteristics or lower cost, to firmly retain customers' purchase orders, and to aim at the customer's next-generation products. The Company has a long-term strategic partnership developed with key customers to collaborate on pioneering products and process technologies.

In terms of RF device wafer foundry, the Company has managed to serve the

world-class customers, renowned customers, with the Company's excellent R&D strength and process technology. These customer groups continue to penetrate the field of RF base stations and equipment outside the United States, especially in China and India. The enhancement of infrastructure and the business opportunities resulted from the adoption of new communication technologies are all to the advantage of the Company for future development.

In terms of optoelectronic wafer foundry, the Company has been in contact with several potential customers that could become the world-class customers of the Company in the future. The expected growth of optical communication industry in the future, and the advantage of excellent manufacturing technology, research and development capabilities, economies of scale, and competitive cost are to the advantage of the Company in soliciting Fabless Design House as customers, which is expected to have a positive effect on the Company's operating income and profit.

In terms of KGD-brand optoelectronic devices, the Company's products are mass-produced for the use of domestic and foreign first-tier customers; therefore, the Company has become a strategic supplier of chips to them.

c. Introduction of new process technology

The Company basing on the excellent R&D and process capabilities is able to develop new process technologies in response to market needs with the market opportunities grasped for good fortune. In addition to the high-frequency process technology, the Company is about to launch a series of advanced GaAs, GaN, InP, and BAW filter process technologies for the good of the existing customers, and to attract more new customers in order to diversify the distribution of the Company's customer base.

d. Integrity of process technology and market competitiveness

In the field of RF devices, for pHEMT and GaN, the Company, in addition to the existing 0.5 μ m and 0.25 μ m technologies, further develops a higher frequency 0.1 μ m technology. Therefore, the Company has a complete series of process technologies for the choice of customers and for enhancing the Company's competitiveness in the market.

In terms of KGD-brand optoelectronic devices, in addition to the existing 155 Mbps, 2.5 Gbps, 10 Gbps, 25 Gbps, 40 Gbps, 100 Gbps, 200 Gbps, 400 Gbps, 800 Gbps PD product lines and 2.5Gbps Edge-emitting lasers, the Company is developing PD with higher transmission speed (1600Gbps), and other key components, such as 25 Gbps APD, 25 Gbps VCSEL, and 10 Gbps/25 Gbps Edge-emitting laser in order to provide Complete Optical Chipset.

B. Disadvantages and countermeasures

a. Product prices dropped

In general, semiconductor devices begin to face price-cut pressure after reaching a certain level of demand, so are RF devices.

Countermeasures:

- (a) Enhance process standardization and simplification continuously.
- (b) Enhance production automation to improve production yield rate and efficiency, and to reduce costs.
- (c) Improve the process technology and yield rate through R&D and innovation to increase production efficiency and to reduce production cost.
- (d) If the production cost structure cannot meet the price expectation of customers, evaluate the possibility of having the process technology and customers' products transferred to other manufacturers in this industry or partner manufacturers in order to cultivate outsourcing capacity and increase royalty income.

b. High labor cost

The Company's main operation is located in California, USA. It is necessary to innovate constantly and introduce new process technologies in order to maintain competitiveness. A recruitment of senior engineers is a must; therefore, personnel costs is higher than the operations in Asian countries.

Countermeasures:

- (a) The Company will continue to introduce new value-added process technologies and develop related supporting services to increase economic output and profit of each piece of wafer in order to respond to this challenge.
- (b) The Company has the product structure gradually adjusted with a focus on manufacturing customized products with higher margin, including high-end base station power amplifiers (PA) and Photodiodes (PD), and focusing on niche markets.

c. Production capacity limit

Currently, the Company is mainly focusing on the production of 4-inch wafers with limited production capacity. Therefore, customer products currently under development may face capacity shortages when they are ready for mass production in the future.

Countermeasures:

- (a) Technology transfer and order transfer to other GaAs fabs

If the production cost structure cannot meet the price expectation of customers, evaluate the possibility of having the process technology and customers' products transferred to other manufacturers in this industry or partner manufacturers in order to cultivate outsourcing capacity and increase royalty income.

- (b) Convert 4-inch wafers to 6-inch wafers

The Company under the precondition of protecting the interests of shareholders and the development of the Group with the relevant factors evaluated, intends to acquire 6-inch production capacity by buying a factory or

cooperating with other factories to produce 6-inch RF or optoelectronic products in the future; also, reserve part of the 4-inch production capacity for the production of optoelectronics and other products with special applications.

2. Intended use and production processes of the main products

(1) Intended use of the main products:

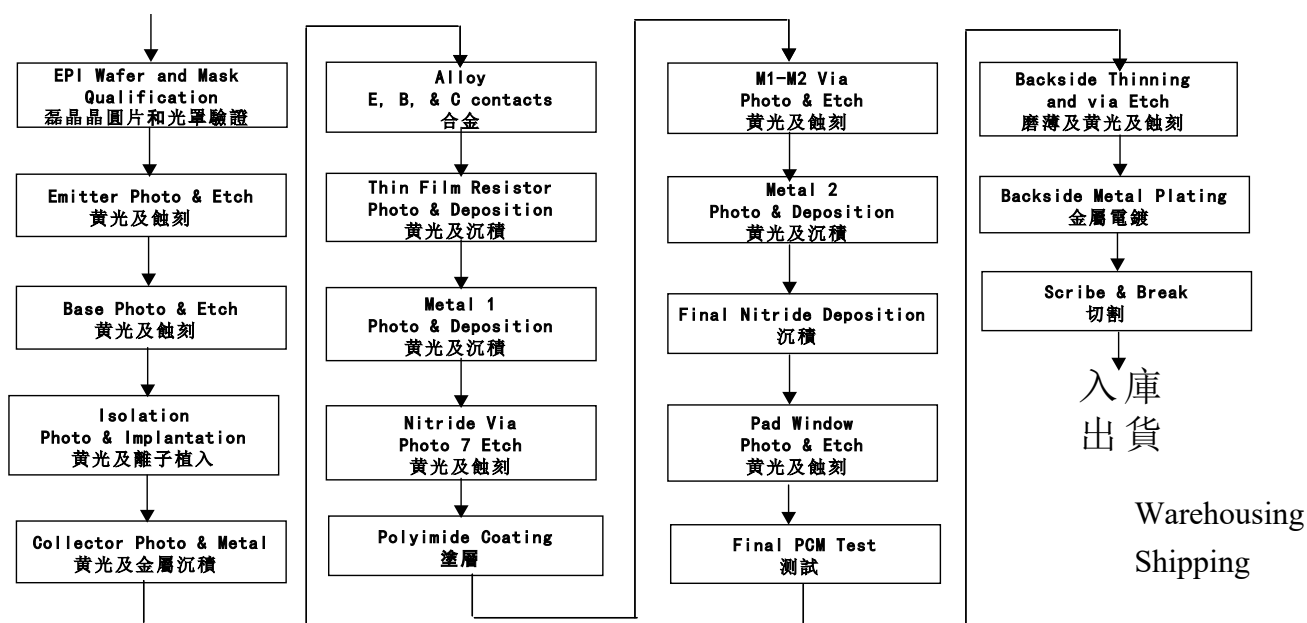
Technical name	Process name	Intended Use
GaAs HBT	Power HBT	Power Amplifiers required for Handset/WLAN/WiMAX Mobile Power Amplifier, and Infrastructure Power Amplifier
	HBV and HBT	RF Infrastructure High Power Amplifier
	VCO and HBT	Low Phase Noise VCOs for RF Infrastructure
GaAs pHEMT	0.5 μm Switch pHEMT	Switches required for Handset/WLAN/WiMAX RF Switches
	0.5 μm Power pHEMT	Power Amplifiers, Low Noise Amplifiers, and Mixer and Switch up to 20 GHz required for RF infrastructure and satellite and national defense communications
	0.25 μm Power pHEMT	Power Amplifier, Low Noise Amplifier, and Mixer and Switch up to 40 GHz required for RF infrastructure and satellite and national defense communications
	0.15 μm Power pHEMT	Power Amplifier, Low Noise Amplifier, and Mixer and Switch up to 60 GHz required for RF infrastructure and satellite and national defense communications
	0.5/0.25 μm HFET	High Linearity Power Amplifiers required for RF Infrastructure
	0.5 μm E/D-mod pHEMT	For Integrated Multifunction ICs
	0.25 μm Super Low Noise E/D-mode pHEMT	Super Low Noise Amplifier required for 802.11ac, GPS, and satellite TV VSAT receivers
RF Passive	High-Q RLC on GaAs with large via	For RF filter and matching/bias network
InP DHBT	Power InP HBT 100 ft ~ 100 GHz, $BV_{ceo} > 11V$	5G mmWave power amplifier for high linearity and high performance
	DHBT3 300 ft ~ 300 GHz cutoff frequency	For 40 Gb/s-100 Gb/s Trans-Impedance Amplifier (TIA), Laser Modulator Driver Amplifier, and High-Speed Mixed-Signal Ics in optical communication
Gallium Nitride High Electron Mobility Transistor	0.15/0.25/0.5 μm HEMT	GaN/SiC HEMTs are used in high-efficiency power amplifiers for RF infrastructure, radar, satellite communications, and military systems. GaN/Si HEMTs are used in high power amplifiers for mobile phones.
	0.5/0.25 μm GaN/SiC HEMTs	High Power and High Voltage Power Amplifier for RF infrastructure and satellites up to 20/60 Ghz
Bulk Acoustic Wave (BAW) Resonator	Semiconductor Monolithic Acoustic Resonator Technology (SMART)	High-efficiency RF filters for 4G and 5G mobile phones
Short wavelength PIN PD	GaAs PIN PD	850nm nanophotodiodes and photodiode arrays that can be used for optical communications up to 10Gb/s to 100Gb/s.
Long wavelength PIN PD	InGaAs PIN PD	1310 and 1550 nanophotodiodes and photodiode arrays required for optical fiber communications up to 10Gb/s to 400Gb/s
Photodiode (PD)	InGaAs Zn-diffused PIN PD	Front or edge Laser Monitor PD (MPD)

Technical name	Process name	Intended Use
Long wavelength avalanche photodiode (APD)	InGaAs Avalanche Photodiodes	1310nm/1550nm long wavelength avalanche photodiode (APD) that can be used for 1-25 Gb/s optical communication
Vertical Cavity Surface Emitting Laser (VCSEL)	4" GaAs VCSEL	859nm Vertical Cavity Surface Emitting Laser (VCSEL) that can be used for 1-25 Gb/s optical communication
Vertical Cavity Surface Emitting Laser (VCSEL)	4" & 6" GaAs VCSEL	3D sensing, camera and sensor, LiDAR, atomic clock, etc. Used in consumer electronics, medical, automotive, industrial, and defense industries
External Cavity VCSEL	4-inch backside-emitting laser	Projectors for high-end movie theaters
InP Edge-emitting Laser	InP Ridge Waveguide edge-emitting laser	1310nm wavelength laser that can be used for PON optical communication 1-10 Gb/s
InP Photonic Integrated Circuit PIC	4" Indium Phosphide Photoelectric Component Integration Process	100-400 Gb/s integrated coherent receiver and DM, EAM lasers
InP/SOI Photonic Integrated Circuit, PIC	6" InP/SOI Heterogeneous Photoelectric Component Integration Process	100-400 Gb/s PIC with photodiode, SOA, laser, and EAM
Near Infrared Photodiode Focal Plane Array	Indium Gallium Arsenide (InGaAs) PIN photodiode trenched 2D array	For 3D LiDAR self-driving car and infrared 1280x1024 high-resolution image array
Geiger Mode APD	InGaAs Geiger mode trenched APD linear and 2D array	For 3D LiDAR self-driving car
GaAs QWIP Longwave Infrared Focal Plane Array	GaAs/AlGaAs Quantum Well Infrared Photodiode Focal Plane Array	For 8-12um wavelength infrared imaging applications
GaAs Laser	High Power GaAs Laser	Commercial cooking appliances

(2) Production process:

A typical GaAs wafer foundry flowchart (HBT process) is shown below.

Epitaxial wafers and masks



3. Availability of main raw materials

Epitaxy Wafer is the main raw material used by the Company. Since the basic characteristics of gallium arsenide (GaAs) and indium phosphide (InP) are mostly determined during the epitaxial growth, epitaxy is the most important material of GaAs and InP. Therefore, the supplier of epitaxy with reliable quality is ideal for long-term cooperation. The Company since the incorporation has striven to main a good cooperative relationship with epitaxy suppliers. The procurement and supply of raw materials is smooth without any incident of supply shortage. The Company has established long-term strategic alliances with major suppliers to enhance the close cooperation in order to further secure the delivery time, quality stability, and cost of the supply source.

4. List of major suppliers and customers

- (1) Names of suppliers who accounted for more than 10% of the total annual purchases in any of the last two years, the purchase amounts and ratios, and the reasons for any increase or decrease occurred:

Unit: NT\$ Thousands

Item	2022				2023			
	Name	Amount	Ratio to net purchase amount (%)	Relation with the issuer	Name	Amount	Ratio to net purchase amount (%)	Relation with the issuer
1	Company V	102,423	28.10	None	Company V	96,615	25.92	None
2	Company A	87,465	24.00	None	Company N	89,702	24.07	None
3	Company D	41,792	11.47	None	Company A	59,919	16.08	None
4	Company N	39,221	10.76	None	Company D	49,639	13.32	None
5	Others	93,586	25.67	—	Others	76,823	20.61	—
	Net purchase amount	364,487	100.00	—	Net purchase amount	372,698	100.00	—

Reason for increase or decrease:

1. Due to increased production demand, the company increased purchases from Company N.
2. Due to decreased production demand, the purchase amount from Company A has decreased compared to last year.
3. Due to the rise in raw material prices and the fluctuating exchange rate, the purchasing amount from Company D increased compared to the previous year.

- (2) Names of customers who accounted for more than 10% of the total annual sales in any of the last two years, the sales amounts and ratios, and the reasons for any increase or decrease occurred:

Unit: NT\$ Thousands; %

Item	2022				2023			
	Name	Amount	Ratio to net sales amount (%)	Relation with the issuer	Name	Amount	Ratio to net sales amount (%)	Relation with the issuer
1	Company E	349,511	26.21	None	Company E	482,150	35.7	None
2	Company M	191,523	14.36	None	Company M	221,079	16.37	None
3	Others	682,485	59.43	—	Others	647,375	47.93	—
	Net sales amount	1,333,810	100.00	—	Net sales amount	1,350,604	100.00	—

Reason for increase or decrease:

1. Due to the increased demand from Company E for our optical

communication products, sales have increased, resulting in higher revenue.

2. Due to the increased demand from Company M for related RF products, production has increased, leading to higher contract manufacturing revenue from them.

5. The production volume and amount of the last two years

Unit: Pieces; NT\$ Thousands

Main Products	2022			2023		
	Production capacity	Production volume	Production amount	Production capacity	Production volume	Production amount
(RF Infrastructure)	18,000	5,439	1,076,323	18,000	4,718	1,112,503
Optoelectronics						
Technical service income	(Note)	—	—	(Note)	—	—
Total	18,000	5,439	1,076,323	18,000	4,718	1,112,503

Note: The production capacity is converted to the production capacity of 4” HBT equivalent process. Actual production capacity may vary depending on product mix.

6. The sales volume and amount of the last two years

Unit: Pieces; NT\$ Thousands

Main Products	2021				2022			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
RF Infrastructure	—	—	5,303	1,333,176	—	—	4,622	1,343,116
Optoelectronics	—	—			—	—		
Technical service income	—	—	—	634	—	—	—	7,488
Total	—	—	5,303	1,333,810	—	—	4,622	1,350,604

Note: Export refers to the sales outside the Cayman Islands.

III. Number of employees, average years of service, average age, and distribution of academic qualifications in the last two years and as of the annual report publication date

Year		2022	2023	As of April 8, 2024
Number of employees	Indirect employee	66	66	60
	Direct employee	122	116	112
	Total	188	182	172
Average age		49.32	49.74	50.12
Average seniority		9.51	10.30	10.65
Education distribution ratio (%)	Ph.D.	10.11	13.19	13.37
	Master	11.70	11.54	11.05
	Bachelor	20.75	32.97	34.30
	High school and below	57.45	42.30	41.28

IV. Information on environmental protection expenditure

Losses arising from environmental pollution in the most recent year and as of the annual report publication date (including compensations and the violation of environmental protection laws and regulations as a result of an environmental audit, the date of the punishment, the Disciplinary Act No., the provisions of the laws and regulations violated, the content of violation against laws and regulations, and the content of punishment); disclose the estimated amount that may occur at present and in the future, and countermeasures; the fact that it cannot be reasonably estimated, if that is the case, should be explained in details: None

V. Labor relations

1. (I) The Company's employee welfare measures, advanced study, training, retirement systems, and their implementation; also, the labor-management agreements, and other protection measures for employees' rights and interests:

- (1) Employee welfare measures

The Company's subsidiary in the United States has employee welfare measures handled in accordance with the US Social Security Program Rules and the US Labor Law; also, provided employees with Health Insurance, Workers' Compensation Insurance, and Retirement Plan-401K to protect employees' well-being.

The employees of the subsidiaries in Taiwan are entitled to labor insurance, national health insurance, and group insurance for the protection of their well-being.

- (2) Employee advanced study and training

The Company implements various training courses according to the needs of the work, including internal and external training. New recruits are required to receive general safety and health education and professional departmental job

training after their reporting to duty. In addition, the Company will assign employees to participate in training arranged by external organizations as needed in order to provide employees with complete training and advanced study channels.

(3) Employee retirement system and its implementation

The Company's subsidiary in the United States currently pays the Social Security Tax and Medicare's Hospital Tax in accordance with the Social Security Program Rules and Medicare requirements, which is jointly paid by the employers and employees. Retired employees are entitled to social security benefits, such as, disability benefits, and federal hospital/medical insurance. The employees of the subsidiaries in Taiwan are entitled to the benefits in accordance with the Labor Pension Act and related regulations.

(4) Labor-management agreement and various employee rights and interests protection measures

The Company and the subsidiaries value the importance of the rights and interests of employees; therefore, the measures related to labor-management relations have been fully communicated between labor and management; moreover, employees can express their opinions openly through the convenient labor-management communication channels.

(5) Losses arising from labor-management disputes in the most recent year and as of the annual report publication date (including compensations and the violation of the Labor Standards Act as a result of labor inspections, the date of the punishment, the Disciplinary Act No., the provisions of the laws and regulations violated, the content of violation against laws and regulations, and the content of punishment); disclose the estimated amount that may occur at present and in the future and countermeasures; the fact that it cannot be reasonably estimated, if that is the case, should be explained in details: None

VI. Information security management

1. (I) Describe information security risk management framework, information security policy, specific management plans, resources invested in information security management, etc.:

(1) Information security risk management framework:

The Company's Information Technology Department is responsible for performing information security-related operations to implement relevant information security management procedures and provide an information environment for operations.

(2) Information security policy:

The Company will formulate information security policies and related information security management measures in accordance with relevant regulations, and will regularly review and update the content and propagandize them as a basis for implementing information security operations.

- A. Establish an information security organization and specify its rights and responsibilities to promote and maintain related management, execution, and inspection tasks.
- B. Formulate information security management related methods and procedures to protect the confidentiality, integrity and availability of personnel, data, systems, equipment and networks.
- C. Convene information security management meetings on a regular basis to review the latest status in internal and external risks, technology and business needs, and take corresponding measures.
- D. Regularly conduct various information security testing and audits to assess the risks of the information environment and make improvements.
- E. Deploy information security protection systems and monitoring equipment to continuously improve the security of the overall information environment and reduce the security incidence.
- F. The use of the system and data must be authorized, and the granting of access rights should be based on the minimum scope required by the business.
- G. Establish appropriate system architecture and backup mechanisms and conduct contingency exercises to strengthen the resilience of information services.
- H. Establish response and notification procedures for information security incidents to enhance employee's ability to respond and coordinate in the face of emergencies.
- I. Conduct information security education and training for employees, and continue to enhance employees' awareness.
- J. In accordance with the regulations of information security and personal information protection, handle and protect the security of data and systems carefully.

(3) Specific information security management plans and resources invested

in information security management:

- A. Computer equipment and servers are equipped with endpoint protection software and updated in a timely manner.
 - B. Set up a network firewall
 - C. Remote connection control
 - D. Occasionally propagandize relevant information security concepts and watch out for phishing emails.
 - E. Emails are equipped with relevant screening mechanism.
2. Describe the losses arising from material information security incidents in the most recent year and as of the annual report publication date, the potential effects, and countermeasures; also, the fact that it cannot be reasonably estimated, if that is the case, should be explained in details: None

VII. Important contracts

Nature of contract	Counterparty	Contract duration	Main contents	Restrictive clause
Technology transfer	Company F	11/22/2010 royalty paid in full	- HBT and pHEMT technology transfer	The transferred company cannot use this technology to produce RF infrastructure products - NDA
Financing contract	CTBC Bank Corp. (USA)	8/6/2015 8/6/2031 (Note)	- Long-term loan contract	Set up a pledge with land and factory buildings
Technology transfer	Company S	According to the contract	Specific technology transfer	According to the contract
Strategic Cooperation Agreement	EPISTAR Corporation	According to the contract	Relevant content according to the contract	According to the contract
Technology transfer	Shanghai Galasemi Co., Ltd.	According to the contract	Specific technology transfer	According to the contract

Note : The original contract period was from August 6, 2015 to August 6, 2022. Global Communication Semiconductors, LLC, a subsidiary of the Company, signed an amendment to this long-term loan contract with the bank on July 12, 2021 to adjust

the loan amount and loan interest rate; also, the loan maturity date was extended to August 6, 2031.

Six. Financial overview

I. Condensed Balance Sheet and Comprehensive Income Statement for the Last Five Years

(I) Condensed Balance Sheet-Consolidated

Unit: NT\$ Thousands

Fiscal year		Financial Information for Most Recent 5 Fiscal years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		2,593,168	1,913,321	2,390,262	1,094,020	1,037,457
Investments accounted for using equity method		-	1,013,963	1,690,553	2,446,614	1,625,600
Property, plant and equipment		775,808	695,634	575,485	695,667	730,219
Intangible assets		197,032	144,655	94,366	56,678	4,056
Other assets (Note 2)		336,991	130,502	151,328	223,935	193,006
Total assets		3,902,999	3,898,075	4,901,994	4,516,914	3,590,338
Current liabilities	Before distribution	239,494	199,821	154,908	405,580	515,935
	After distribution	285,117	199,821	154,908	405,580	515,935 (Note 3)
Noncurrent liabilities		136,397	171,158	247,846	410,612	89,793
Total liabilities	Before distribution	375,891	370,979	402,754	816,192	605,728
	After distribution	421,514	370,979	402,754	816,192	605,728 (Note 3)
Equity attributable to owners of the parent		3,521,317	3,527,096	4,499,240	3,700,722	2,984,610
Share capital		908,335	914,058	1,106,761	1,108,251	1,112,832
Capital surplus		1,447,954	1,703,520	2,937,329	2,825,143	2,673,180
Retained earnings	Before distribution	1,311,782	1,151,818	722,148	(222,913)	(785,415)
	After distribution	1,266,159	1,151,818	722,148	(222,913)	(785,415) (Note 3)
Other equity interest		(55,884)	(151,430)	(254,043)	(9,759)	(15,987)
Treasury stocks		(90,870)	(90,870)	(12,955)	-	-
Non-controlling interest		5,791	-	-	-	-
Total	Before	3,527,108	3,527,096	4,499,240	3,700,722	2,984,610

equity	distribution					
	After distribution	3,481,485	3,527,096	4,499,240	3,700,722	2,984,610 (Note 3)

Note 1: The financial information has been audited and attested by CPA.

Note 2: Other assets are non-current assets net of Investments accounted for using equity method, property, plant and equipment, and intangible assets.

Note 3: The board of directors of GCS Holdings, Inc. had resolved on February 20, 2024 that no dividend distribution will be made out of 2023 retained earnings.

(II) Condensed Comprehensive Income Statement

Unit: NT\$ Thousands, except for earnings per share in NTD

Item	Fiscal Year	Financial Information for Most Recent 5 Fiscal Years (Note)				
		2019	2020	2021	2022	2023
Operating revenue		1,786,334	1,481,859	1,235,881	1,333,810	1,350,604
Gross profit		809,931	613,734	345,057	314,929	237,259
Operating profit (loss)		301,750	187,530	(30,814)	(137,333)	(227,027)
Non-operating income and (expenses)		19,871	(289,532)	(356,396)	(814,368)	(579,298)
(Loss) profit before income tax		321,621	(102,002)	(387,210)	(951,701)	(806,325)
(Loss) profit from continuing operations for the year		262,996	(113,916)	(378,497)	(939,717)	(792,236)
Loss from the discontinued unit		-	-	-	-	-
Net (loss) income for the year		262,996	(113,916)	(378,497)	(939,717)	(792,236)
Other comprehensive (loss) income for the year (after tax)		(85,434)	(98,971)	(109,228)	246,836	(9,421)
Total comprehensive (loss) income for the year		177,562	(212,887)	(487,725)	(692,881)	(801,657)
(Loss) profit attributable to owners of the parent		267,578	(113,994)	(378,497)	(939,717)	(792,236)
(Loss) profit attributable to non-controlling interest		(4,582)	78	-	-	-
Total comprehensive (loss) income attributable to owners of the parent		182,530	(212,966)	(487,725)	(692,881)	(801,657)
Total comprehensive (loss) income attributable to non-controlling interest		(4,968)	79	-	-	-
(Losses) earnings per share (in dollars)		3.00	(1.28)	(4.20)	(8.53)	(7.18)

Note : The financial information has been audited and attested by CPA.

(III) The name and audit opinion of the CPA for the past five fiscal years

1. The name and audit opinion of the CPA for the past five years

Year	CPA	CPA Firm	Audit Opinion
2019	Mr. Li, Tien-Yi and Mr. Hsieh, Chih-Cheng	PwC Taiwan	Unqualified opinion
2020	Ms. Cheng, Ya-Huei and Ms. Lin, Yu-Kuan	PwC Taiwan	Unqualified opinion
2021	Ms. Cheng, Ya-Huei and Ms. Lin, Yu-Kuan	PwC Taiwan	Unqualified opinion
2022	Ms. Bai, Shu-Chian and Ms. Cheng, Ya-Huei	PwC Taiwan	Unqualified opinion
2023	Ms. Bai, Shu-Chian and Ms. Cheng, Ya-Huei	PwC Taiwan	Unqualified opinion

2. If there is any change of CPA made in the last five years, the reasons for the change explained by the Company, the former and the successor CPA shall be illustrated:

Mr. Chang Chih-An and Mr. Li, Tien-Yi were the CPAs assigned to serve the Company originally. Then, Mr. Chang Chih-An was replaced by Mr. Hsieh, Chih-Cheng in 2017 due to the internal organizational adjustment of PwC. Later on, Mr. Li, Tien-Yi and Mr. Hsieh, Chih-Cheng were replaced by Ms. Cheng, Ya-Huei and Ms. Lin, Yu-Kuan to serve as the CPAs of the Company in 2020 due to the internal organizational adjustment of PwC Taiwan. In 2022, due to further internal organizational adjustments of PwC, the CPAs were changed from Ms. Cheng, Ya-Huei and Ms. Lin, Yu-Kuan to Ms. Bai, Shu-Chian and Ms. Cheng, Ya-Huei.

II. Financial analysis for the most recent five years

Item		Fiscal Year		Financial information for the most recent five years (Note 1)				
		2019	2020	2021	2022	2023		
Financial structure (%)	Debt ratio (%)	9.63	9.52	8.22	18.07	16.87		
	Long-term fund to property, plant and equipment ratio (%)	472.21	531.64	824.88	590.99	421.02		
Solvency (%)	Current ratio (%)	1,082.76	957.51	1,543.02	269.74	201.08		
	Quick ratio (%)	931.53	759.89	1,342.15	178.09	144.81		
	Interest coverage ratio	64.39	(29.72)	(82.59)	(77.72)	(44.90)		
Operating performance	Accounts receivable turnover (times)	6.66	5.68	6.88	6.81	5.44		
	Average collection days	55	64	53	54	67		
	Inventory turnover (times)	2.43	2.08	2.22	2.54	2.61		
	Accounts payable turnover (times)	55.32	45.54	74.44	214.68	46.95		

	Average days in sales	150	175	164	144	140
	Property, plant and equipment turnover (times)	2.38	2.01	1.94	2.09	1.89
	Total assets turnover (times)	0.48	0.37	0.28	0.28	0.33
Profitability	Return on assets (%)	7.31	(2.85)	(8.50)	(19.7)	(19.11)
	Return on equity (%)	8.04	(3.23)	(9.43)	(22.92)	(23.70)
	Ratio of income before tax to paid-in capital (%)	35.40	(11.15)	(34.98)	(85.87)	(72.45)
	Net Profit margin (%)	14.72	(7.68)	(30.62)	(70.45)	(58.65)
	(Losses) Earnings per share (NTD) (Note 2)	3.00	(1.28)	(4.20)	(8.53)	(7.18)
Cash flows	Cash flow ratio (%)	142.50	187.34	139.28	(16.57)	(12.96)
	Cash flow adequacy ratio (%)	157.29	189.53	195.80	136.26	86.42
	Cash flow re-investment ratio (%)	5.10	6.86	3.64	(1.22)	(1.44)
Leverage	Operation leverage	1.45	1.66	(2.85)	0.04	0.37
	Financial leverage	1.01	1.01	0.86	0.92	0.92

Please explain the causes of changes in the financial ratios in the most recent two fiscal years (with a change of more than 20%):

1. Ratio of long-term capital to property, plant, and equipment: Due to a net loss this year, shareholders' equity decreased. Additionally, the amount of equipment increased, leading to a decline in the ratio of long-term capital to property, plant, and equipment.
2. Current ratio: The reclassification of long-term loans to current liabilities due within one year increased current liabilities, resulting in a decline in the current ratio this year.
3. Interest coverage ratio: The decrease in net loss before income tax and interest expenses this year led to a higher interest coverage ratio.
4. Accounts receivable turnover: The increase in the average amount of accounts receivable this year caused a decline in the accounts receivable turnover ratio.
5. Accounts payable turnover: The increase in average Accounts payable caused by increasing purchases in 2023Q4 resulted in a decline in the accounts payable turnover rate.
6. Cash flow ratio: The increase in current liabilities this year caused the cash flow ratio to decline.
7. Cash flow adequacy ratio: The net cash outflow from operating activities this year led to a decrease in the cash flow adequacy ratio compared to the previous year.
8. Operating leverage: The change is due to increase in operating losses this year.

Note 1: The financial information has been audited and attested by CPAs.

Note 2: It is the diluted earnings per share after retrospective adjustment in accordance with the ratio of capital increase from earnings.

Note 3: The calculation formula of financial analysis is as follows:

1. Financial structure
 - (1) Debt ratio = Total liabilities/total assets
 - (2) Long-term fund to property, plant and equipment ratio = (Total equity + noncurrent liabilities) / net property, plant and equipment
2. Solvency
 - (1) Current ratio = Current assets/current liabilities
 - (2) Quick ratio = (Current assets - inventory - prepaid expenses) / current liabilities
 - (3) Interest coverage ratio = Earnings before tax and interest expenses / current interest expenses
3. Operating performance
 - (1) Accounts receivable (including accounts receivable and notes receivable arising from business operations) turnover (times) = Net sales / average receivables balance (including accounts receivable and notes receivable arising from business activities)
 - (2) Average collection days = 365/accounts receivable turnover (times)
 - (3) Inventory turnover (times) = Cost of goods sold / average inventory
 - (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average payables balance (including accounts payable and notes payable arising from business activities)
 - (5) Average days in sales = 365/inventory turnover
 - (6) Property, plant and equipment turnover (times) = Net sales/average net property, plant and equipment
 - (7) Total assets turnover (times) = Net sales / average total assets
4. Profitability
 - (1) Ratio of return on assets = [Net income (loss) + interest expenses × (1 - effective tax rate)] / average total assets
 - (2) Ratio of return on equity = Net income (loss) after tax / average total equity
 - (3) Ratio of income before tax to paid-in capital = Income before Tax / Paid-in Capital
 - (4) Net profit margin = Net income (loss) after tax / net sales
 - (5) (Losses) Earnings per share = (Income or loss attributable to owners of parent – preferred stock dividends) / weighted average number of shares outstanding
5. Cash flows
 - (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
 - (2) Cash flow adequacy ratio = Five-year sum of net cash flow from operating activities / five-year sum of (capital expenditures + increase in inventory + cash dividends)
 - (3) Cash flow re-investment ratio = (Cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital)
6. Leverage
 - (1) Operation leverage = (Net operating revenue - variable operating costs and expenses) / operating income.
 - (2) Financial leverage = Operating income / (operating income - interest expenses)

III. The audit committee's report for the most recent year's financial Statement



英屬蓋曼群島商環宇通訊半導體控股股份有限公司
GCS Holdings, Inc. (The "Company")

審計委員會查核報告書 Audit Committee's Report

本公司董事會造具本公司中華民國 112 年營業報告書、合併財務報表及虧損撥補議案等，其中合併財務報表業經資誠聯合會計師事務所白淑蒨會計師、鄭雅慧會計師查核完竣，並出具查核報告。上述營業報告書、合併財務報表及虧損撥補議案經本審計委員會查核，認為尚無不合，爰依證券交易法第十四條之四及公司法第二百一十九條之規定報告如上，敬請 鑒核。

The Board of Directors has prepared the Company's 2023 Business Report, Consolidated Financial Statements and proposal for deficit compensation. Ms. Bai Shu-Chian and Ms. Cheng Ya-Huei, the certified public accountants of PricewaterhouseCoopers, Taiwan, were retained by the Company to audit and have issued an audit report relating to the Consolidated Financial Statements. The Business Report, the Consolidated Financial Statements and proposal for deficit compensation have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to Article 14-4 of the ROC Securities and Exchange Act and Article 219 of the ROC Company Act, we hereby submit this Report.

英屬蓋曼群島商環宇通訊半導體控股股份有限公司
GCS Holdings, Inc.

審計委員會召集人：曾宗琳 
Convener of the Audit Committee: Tsung-Lin Tseng

日期：西元 2024 年 2 月 20 日
Date: February 20, 2024

- IV. Financial statement audited and attested by CPAs: Please refer to pages 179-257 of this annual report.
- V. The impact of financial difficulties, if any, on the Company's financial status: The Company and the affiliated companies had not experienced financial difficulties in the most recent year and as of the annual report publication date.

Seven. Review and analysis of the financial status and financial performance and risks

I. Financial analysis

Unit: NT\$ Thousands

Item	Fiscal Year	2022/12/31	2023/12/31	Difference	
				Increased (Decreased) amount	%
Current assets		1,094,020	1,037,457	(56,563)	(5.17%)
Non-current financial assets at a fair value through other comprehensive income		1,397	1,397	-	0%
Investments accounted for using the equity method		2,446,614	1,625,600	(821,014)	(33.56%)
Property, plant and equipment		695,667	730,219	34,552	4.97%
Right-of-use assets		24,448	15,280	(9,168)	(37.5%)
Intangible assets		56,678	4,056	(52,622)	(92.84%)
Other assets		198,090	176,329	(21,761)	(10.99%)
Total assets		4,516,914	3,590,338	(926,576)	(20.51%)
Current liabilities		405,580	515,935	110,355	27.21%
Other liabilities		410,612	89,793	(320,819)	(78.13%)
Total liabilities		816,192	605,728	(210,464)	(25.79%)
Share capital		1,108,251	1,112,832	4,581	0.41%
Capital surplus		2,825,143	2,673,180	(151,963)	(5.38%)
Retained earnings		(222,913)	(785,415)	(562,502)	252.34%
Other equity interest		(9,759)	(15,987)	(6,228)	63.82%
Total equity		3,700,722	2,984,610	(716,112)	(19.35%)

Item	Fiscal Year	2022/12/31	2023/12/31	Difference	
				Increased (Decreased) amount	%
(I) Explanation of major changes (the ratio of change between two periods is more than 20%, and the amount of change exceeds NT\$10,000,000):					
<ol style="list-style-type: none"> 1. Investments accounted for using the equity method: This was mainly due to the sale of part of our investment in Changzhou Chemsemi Co., Ltd. and the recognition of related investment losses this year. 2. Intangible assets: The loss from goodwill impairment recognized. 3. Current liabilities: This was mainly due to the reclassification of long-term loans to current liabilities due within one year. 4. Other liabilities: This was mainly due to the reclassification of long-term loans to current liabilities due within one year.. 5. Retained earnings: It is due to the increase in net loss this year. 6. Other equity interest: It is mainly due to changes in the conversion of the financial statements of foreign operating institutions. 					
(II) The changes occurred do not have a material impact on the financial position.					

II. Financial performance

(I) Comparative analysis of financial performance

Unit: NT\$ Thousands

Item	Fiscal Year	2022	2023	Increased (Decreased) amount	Change ratio (%)
Operating revenue		1,333,810	1,350,604	16,794	1.26%
Cost of operating revenue		1,018,881	1,113,345	94,464	9.27%
Gross profit		314,929	237,259	(77,670)	(24.66%)
Operating expenses		452,262	464,286	12,024	2.66%
Operating loss		(137,333)	(227,027)	(89,694)	65.31%
Non-operating expenses		(814,368)	(579,298)	235,070	(28.87%)
Loss before income tax		(951,701)	(806,325)	145,376	(15.28%)
Income tax benefit		11,984	14,089	2,105	17.57%
Net loss		(939,717)	(792,236)	147,481	(15.69%)
Explanation of major changes (the ratio of change between two periods is more than 20%, and the amount of change exceeds NT\$10,000,000):					
<ol style="list-style-type: none"> 1. Gross profit: Mainly due to the increase in inventory write-downs and obsolescence losses, as well as higher production costs, resulting in a decrease in gross profit. 					

Item	Fiscal Year	2022	2023	Increased (Decreased) amount	Change ratio (%)
	2.	Operating loss: Mainly due to the decrease in gross profit this year, led to an increase in operating loss.			
	3.	Non-operating expenses: Mainly due to the profit from the sale of part of the investment in Changzhou Chemsemi Co., Ltd. this year.			

III. Cash Flow

(I) Analysis of cash flow changes during the most recent fiscal year

Unit: NT\$ Thousands

Item	Year	2022	2023	Increased (Decreased) amount	Change ratio (%)
Operating activities		(67,234)	(66,899)	335	(0.5%)
Investing activities		(1,580,501)	21,625	1,602,126	(101.37%)
Financing activities		143,643	(52,785)	(196,428)	(136.75%)
Analysis of the change in the increase (decrease) ratio:					
1. Operating activities: The difference is not significant.					
2. Investing activities: This year's cash inflow from investing activities increased mainly due to the sale of part of the investment in Changzhou Chemsemi Co., Ltd.					
3. Financing activities: The net cash outflow from financing activities this year increased compared to the previous year, mainly because of repayment of long-term loan in this year.					

(II) Liquidity analysis and corrective measures to be taken in response to illiquidity for the coming year:

1. Corrective measures to be taken in response to illiquidity: Not applicable.
2. Liquidity analysis for the coming year (2024)

Unit: NT\$ Thousands

Cash balance - beginning	Expected cash flow from operating activities	Expected cash flow from investing and financing activities	Estimated cash balance (shortage) amount	Plan for estimated cash shortage	
				Investing activities	Financing activities

345,234	199,646	(164,636)	380,244	-	-
<p>1. Analysis of changes in cash flow for the coming year:</p> <p>Operating activities: The expected growth in company operations results in net cash inflows from operating activities.</p> <p>Investing and financing activities: In response to the Company's business operation, the Company will evaluate the relevant financing plans to support the net cash outflows related to reinvestment expenditures, the purchase of machinery equipment, and the repayment of loans.</p> <p>2. Corrective measures for insufficient cash and liquidity analysis: None</p>					

IV. The effect of major capital expenditures upon financial operations during the most recent years :

The Company will continue to expand production capacity in response to the needs of business growth. The Company's main capital expenditure is for the purchase of machinery equipment. The relevant capital needs, if any, will be supported with self-owned capital or fundraising.

V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits or losses generated thereby, the plan improving reinvestment profitability, and investment plans for the coming year:

(I) Reinvestment policy:

The Company re-invests companies in the same industry for the purpose of expanding the operation scale.

(II) The main reasons for reinvestment profits or losses and improvement plan for the most recent year :

1. Our company's investee, Unikorn Semiconductor Corporation, has made significant progress in capacity enhancement, process improvement, and customer development, resulting in gradually increasing revenue. However, due to market factors, demand for related consumer electronic products has slowed down, leading to a reduction in customer orders and delays in the development of some products. As a result, research and development expenses and costs remain high, and the order volume has not yet reached an economic scale, resulting in continued losses. Therefore, our company has recognized related investment losses. In the future, Unikorn Semiconductor Corporation will actively expand its customer base, enhance process technology, accelerate product validation, and effectively control expenditures to reduce losses

and achieve profitability.

2. The reinvested company of GCS Holding, Inc. - Changzhou Chemsemi Co., Ltd. completed plant expansion in 2023. To expand the capacity and meet the demand for new plants, the Company continues to purchase machinery equipment and hire a labor force, which results in a substantial increase in relevant production costs, expenses, and expenditures. In spite of the growth in Changzhou Chemsemi's operating revenue, the orders have not reached the economic scale and hence incurring losses. For this reason, Changzhou Chemsemi recognizes the relevant investment loss. In the future, Changzhou Chemsemi will initiate to expand the sources of clients to effectively control expenditures, enhance availability, and thereby meet the expected investment effectiveness.
3. The reinvested company of GCS Holding, Inc. - Shanghai Galasemi was established in December 2020 and started taking orders for sales. Due to the growth in revenue and gross profits, Shanghai Galasemi has generated profits from its current operation. In the future, Shanghai Galasemi will continue to expand its sources of customers, improve revenue and effectively control expenditures to increase its profits.

(III) Investment plans for the coming year:

The Company will participate in the capital increase of the invested company to expand the scale of operation and will continue to evaluate the investment potential and plans that are in line with the Company's strategic development. The investment plans will be implemented in compliance with relevant laws and regulations and operating procedures.

VI. Risk management and evaluation

- (I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Changes in interest rate

The interest income in the Company's 2023 and 2022 consolidated financial reports was NT\$3,180 thousand and NT\$3,592 thousand, respectively, which is 0.24% and 0.27% of the net operating revenue each year which was relatively low. In addition, the interest expense in the Company's 2023 and 2022 consolidated financial reports was NT\$17,568 thousands and NT\$12,090 thousands, respectively, which is 1.30 % and 0.91% of the net

operating income each year which was relatively low. Therefore, changes in interest rates would not have a significant impact on the Company's operations. The Company will observe any change in interest rate constantly to reduce the impact on profit and loss.

2. Changes in exchange rate

The Company's main purchases and sales are denominated in US dollars. Therefore, the accounts receivable and payable for the purchase and sales transactions can offset each other, resulting in a natural hedging effect. The Company's exchange losses in 2023 and 2022 were NT\$3,483 thousand and NT\$29,124 thousand, respectively, which had no significant impact on the Company's profit and loss.

The Company's functional currency is USD. There is no significant exchange rate fluctuation risk as of now. The fundraising and dividend distribution to investors needs to be exchanged into US dollars in Taiwan; therefore, there is the risk of exchange rate fluctuation between the US dollar and the Taiwan dollar to be considered. In order to reduce the impact of exchange rate changes on the Company's profit and loss, the Company will collect exchange rate data at any time through the online exchange rate real-time system and close contact with financial institutions in order to study and anticipate exchange rate changes as a reference for foreign exchange transactions. Strategically, the Company will try to balance foreign currency assets and liabilities as much as possible to achieve the effect of natural hedging and reduce the impact of exchange rate fluctuations. The Company will adopt derivative financial products with a hedging effect as the operating strategy depending on the changes in the foreign exchange market and the demand for foreign exchange funds in order to avoid relevant exchange rate risks in the future.

3. Inflation

The Company's profit and loss in the past have not been significantly affected by inflation. If the purchase cost increases due to inflation, the Company will adjust the sales price in a timely manner to reduce the impact of inflation on the Company's operations. In addition, the Company will review and collect relevant information for the reference of management in decision-making by regularly or occasionally referring to the economic data and reports of the government and research institutions.

(II) The company's policy regarding high-risk investments, highly leveraged

investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future for the most recent year and as of the annual report publication date:

The Company focuses on business operations with a prudent and conservative financial policy adopted; also, the Company does not engage in high-risk and high-leverage investments. In addition, the Company has formulated the “Procedures for Lending Funds to Other Parties,” “Procedures for Endorsement & Guarantee,” “Procedures for Acquisition or Disposal of Assets,” and “Procedure for Derivatives Transaction,” which have been approved by the shareholders meeting in order to have business operations implemented in accordance with the relevant regulations. The Company and the subsidiaries have lending funds to others, endorsements and guarantees, and derivative transactions conducted in accordance with the procedures formulated by the Company, and have them announced and reported regularly in accordance with the regulations.

1. Lending funds to others: The Company and the Company’s subsidiaries have lending funds limited to its 100% owned subsidiaries as of the annual report publication date.
 2. Endorsements and guarantees: The Company and The Company’s endorsements and guarantees are limited to the Company’s subsidiaries and the Company as of the annual report publication date.
 3. Derivatives transactions: There is no relevant transaction as of the annual report publication date.
- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work

The marketing and R&D units observe the market development trends closely with new technologies and process R&D carried out continuously to maintain the advantages of advanced technology. Please refer to the new products and services to be developed in the future and the technology development detailed in “Five. Operation Overview.” The Company’s R&D expenses in 2023 and 2022 were NT\$246,043 thousand and NT\$175,008 thousand, respectively, accounted for 18.1% and 13.1% of the net operating revenue of each year, respectively. The R&D expenses that are going to be invested in approximately accounted for 11%-15% of the net operating revenue in 2024.

The Company will continue to invest in R&D according to the product development plans in the future in order to maintain a competitive advantage in the market. However, product development and related R&D plans will be limited without the continuing investment resources contributed in the future, as a result, the Company will not be able to meet market trends or customer needs with the risk of losing customer orders that are detrimental to the Company's operations.

- (IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response

The Company is registered in the Cayman Islands and mainly operates in the United States. The Company registers in the Cayman Islands but does not carry out any substantial economic activities locally. Providing financial services is the main economic activity of the Cayman Islands. The United States is the main economic system of the world with a relatively stable economic development and political environment provided. The Company has the business operations carried out in accordance with local policies, laws, and regulations; furthermore, the Company constantly observes the development trend of important domestic and foreign policies and the changes in laws; also, consults attorneys, CPAs, and other professionals for any changes occurred as stated in the preceding paragraph with countermeasures evaluated and formed accordingly. The Company had not experienced any material events that had affected the Company's financial operations due to the important policy and law changes that occurred in the aforesaid regions in the most recent year and as of the annual report publication date. In addition, the Company will constantly observe changes in important domestic and foreign policies and laws in order to take appropriate countermeasures in a timely manner.

- (V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response

The Company constantly observes market trends and evaluates the changes in supply and demand of the industry in order to understand the impact of technological and industrial changes on the Company in a timely manner. The Company's advanced technology is a competitive advantage; also, the Company strives to develop new technologies in order to stay ahead. The Company had not experienced any material impact on the

Company's finance and operations due to technological or industrial changes in the most recent year and as of the annual report publication date.

Information security is facing more challenges nowadays due to the continuous advancement of network and communication technology, the introduction of new technologies, and the threat of hacker attacks and malware. In addition to the current information security protection mechanism, the company regularly holds information security management meetings, conducts various information security inspections and audits, and enhances awareness among employees regarding the importance of information security. The Company will continue to enhance network security and system access protection measures in the future in order to minimize information security risks and threats.

- (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response

The Company has adhered to the operating principles of integrity and professionalism since its incorporation, enhanced the Company's internal management and quality management capabilities, and introduced external directors to help the Company move towards international, large-scale, and institutionalized corporate governance. There had been no material change in the company's corporate image in the most recent year and as of the annual report publication date.

- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken

The Company had no plan to carry out mergers and acquisitions in the most recent year and as of the annual report publication date. However, the merger and acquisition plan in the future, if any, will be handled in compliance with the governing laws and regulations and the relevant management procedures formulated by the Company with the overall efficiency of the merger and acquisition plan carefully evaluated for the sake of protecting the interests of the Company and shareholders.

- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken

The Company has no definite plan to expand the factories in the near future. The Company will expand the operation scale by investing in other companies related to the industry in the short run. The Company will carefully evaluate any investment expansion plans with limited investment risk expected.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken

1. Purchasing concentration

Raw material purchases mainly for gallium arsenide (GaAs), indium phosphide (InP), epitaxy wafers, precious metals and chemicals, etc. The major suppliers accounted for 25.92 % and 28.10% of the Company's purchase of raw materials in 2023 and 2022, respectively.

The GaAs and InP wafer foundry of the Company is mainly implemented with the technology developed by the Company; therefore, the Company has the autonomy of selecting suppliers. The Company will validate at least 2 suppliers for each technology or process, especially, in the case of mass production.

Regarding a small volume and multiple types of technology or process, for example, InP Epitaxy Wafer is used in optoelectronic products, since the basic characteristics of compounds are mostly determined during epitaxial growth, the stable quality of epitaxy is critical to the yield rate. It takes time to secure product quality and yield rate; therefore, the supplier's process capability, quality reliability, production capacity, cost, and lead time for delivery are the main concerns of the Company. The Company for the consideration of stable quality, economical purchasing volume, and customer request will maintain a stable and long-term strategic cooperative relation with professional suppliers.

The Company will continue to seek other sources of supply in order to avoid the possible purchasing concentration risk and to secure a stable source of GaAs, InP epitaxy wafers, and precious metals, especially Epitaxy Wafer and precious metals with particularly stringent quality and performance requirements.

2. Sales concentration

The Company's foundry customers are mostly world-class IDM or fabless design companies, while the customers for KGD-brand optoelectronic devices are mostly large-scale downstream packaging factories or module manufacturers. The largest customer accounted for 35.70 % and 26.21 % of the Company's sales in 2023 and 2022, respectively. The Company will continue to develop new wafer foundry technologies, such as GaN technology and high-end InP technology, and expand production capacity by cooperating with

strategic partners or invested companies to facilitate receiving customer orders; also, the Company will actively accelerate developing new KGD-brand optoelectronic devices progressively. The Company aims to increase the number of customers with the new technologies and products developed, thereby the objective of customer dispersion can be achieved.

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

(XI) Effect upon and risk to the company associated with any change in governance personnel or top management, and mitigation measures being or to be taken

The Company had no any change in the management rights in the most recent year and as of the annual report publication date. The Company has enhanced corporate governance measures, introduced independent directors, and established an Audit Committee to enhance the protection of overall shareholders' rights and interests. The current strong professional managerial officers have contributed to the Company's operating performance significantly, and the continuing support of the shareholders can be expected in the future. Therefore, the changes in the management rights, if any, should not have a significant negative impact on the Company's management and operating advantages.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, the amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None

(XIII) Other important risks and mitigation measures being or to be taken

1. Important operational risks and countermeasures

The Company is facing many risks and dangers in the course of business operation, including failure, damage, or malfunction of machinery equipment, delay in delivery of equipment, limited production capacity, labor strikes, fires, natural disasters, such as, earthquakes or typhoons, environmental disasters or occupational disasters, etc. The business operation could be interrupted due to the occurrence of any specific incident.

Currently, the Company has followed the general practice of the industries in the United States to acquire property insurance, which includes plant, machinery equipment, etc. However, it does not cover any business interruption in the US factory or compensation for damage to environmental protection since it is not expressly required by the law of the United States or such insurance cannot be obtained in the United States. Therefore, the Company may suffer losses or be liable for the subsequent occurrence of such risks since such specific insurance is not available in the United States. In addition, the coverage of the insurance acquired by the Company may be insufficient to provide adequate protection against possible losses, which may adversely affect the business, financial condition, and operation results.

2. Intellectual property rights

There had been no accusation of intellectual property rights infringement against the Company raised by any third party to the best knowledge of the Company in the most recent year and as of the annual report publication date. However, accusations of intellectual property rights infringement are not uncommon in the technology industry. The Company may be accused of intellectual property rights infringement by others in the future with or without sufficient evidence supported. An accusation could have affected the Company's reputation, finance, business, revenue, etc., as well as a high litigation fee that is detrimental to the business operations.

3. The impact and risks of the resignation of the management team or R&D personnel on the Company

The Company's subsidiary in the main operating country is engaged in the research, development, production, and sales of wafer foundry and optoelectronic products. Talent is one of the Company's most important assets. It is challenging and time-consuming to

cultivate R&D talents; therefore, the resignation of the management team or the key R&D personnel may adversely affect the Company's operations.

Therefore, in addition to establishing a good communication channel with employees, it is necessary to provide an environment for employees to learn and grow in order to enhance employees' loyalty and cohesion, and reduce the risk of personnel turnover; furthermore, implement relevant employee incentive programs to attract and retain the needed professionals, and establish the correlation between the participation of senior management and the business performance of the company.

4. Risk of senior manager turnover

The Company's business performance relies on the business strategy of the senior management and the accumulated customer relationships for a successful business expansion. Therefore, the Company's business operation could be affected adversely by the senior management turnover without adequate substitutes recruited in time for the job. Under the circumstances, the Company is committed to improving the internal working environment and well-being and establishing the correlation between the participation of senior management and the business performance of the company to reduce the risk of senior management turnover.

5. The Company is a holding company and is dependent on the performance of its subsidiaries and their ability to distribute dividends and is subject to restrictions on their distribution of dividends and transfers of funds

The Company is a holding company established in the Cayman Islands without any commercial operation or source of revenue; therefore, mainly relies on the source of income from the subsidiaries. The Company's subsidiaries in the United States are an important source of operating profit for the Group. Therefore, the Company's distribution of cash dividends will be affected by the distribution of cash dividends or the reserve of earnings of the subsidiaries.

In addition, the Company's subsidiaries are separate and independent juristic persons. When a subsidiary is facing bankruptcy, insolvency, reorganization, liquidation, or assets realization, the assets acquired by the Company or the priority of distribution will be inferior to that of the subsidiary's creditors, including the subsidiary's

transaction counterparty and the holder of the bonds issued by the subsidiary.

The Company's distribution of dividends or other benefits will be handled in accordance with relevant regulations. Investors are advised to have a solid understanding of the tax impact on their investment in a holding company and to consult with experts.

6. Protection of shareholders' equity

The Company Act of the Cayman Islands and the Republic of China is different in many ways. The Company has the articles of incorporation amended in accordance with the "Checklist for the Protection of Shareholders' Equity at Where the Foreign Issuers Registered" stipulated by Taipei Exchange. However, there remains many differences in the regulations governing business operation; therefore, investors cannot have the legal rights and interests of investment in Taiwan applied to the investment implemented in the Cayman Islands. Investors are advised to have a solid understanding and to consult with experts whether their shareholders' equity is protected by the law of the Cayman Islands.

7. Risks related to the statements in this annual report

① Facts and statistics

Certain information and statistics in this annual report are derived from different statistical publications, and such information may be inaccurate, incomplete, or outdated. The Company does not make any statement on the correctness or accuracy of such publications, and investors should not excessively rely on their investment decisions on such information.

② Forward-looking statements and risks and uncertainties contained in this annual report

The forward-looking statements and information related to the Company and the affiliated companies in this annual report are based on the beliefs, assumptions, and information currently available to the Company's management. The wordings of "expect," "believe," "could," "anticipate," "in the future," "intend," "maybe," "must," "plan," "estimate," "seek," "should," "will," "may," "hope" and similar expressions in the annual report

applied to the Company or the Company's management are intended as forward-looking statements. Such statements reflect the current viewpoints of the Company's management on future events, operations, current funds, and sources of funds; also, some of the viewpoints may not be realized or may be changed. These statements may be affected by certain risks, uncertainties, and assumptions, including other risk factors described in this annual report. Investors should think thoroughly since any forward-looking statement involves known and unknown risks and uncertainties. These risks and uncertainties faced by the Company may affect the accuracy of forward-looking statements, including but not limited to the following:

Two. Description of operation overview in this annual report

It refers to the price, quantity, operations, profit trends, overall market trends, risk management, and exchange rates stated in this annual report.

The Company will not update forward-looking statements in this annual report or revise this annual report for any event or information that occurred thereafter. The forward-looking statements and circumstances in this annual report may or may not occur in the way that the Company anticipates due to the aforesaid risks, other risks, uncertainties, and assumptions. Therefore, investors should not rely on any forward-looking statement. Please refer to pages 119-122 of this annual report regarding the advantages, disadvantages, and countermeasures of the Company's development prospects for other material risks and countermeasures related to the Company's operations. However, despite these countermeasures, the implementation could be interrupted due to force majeure events, resulting in adverse effect on the Company's business, operating results, and financial conditions.

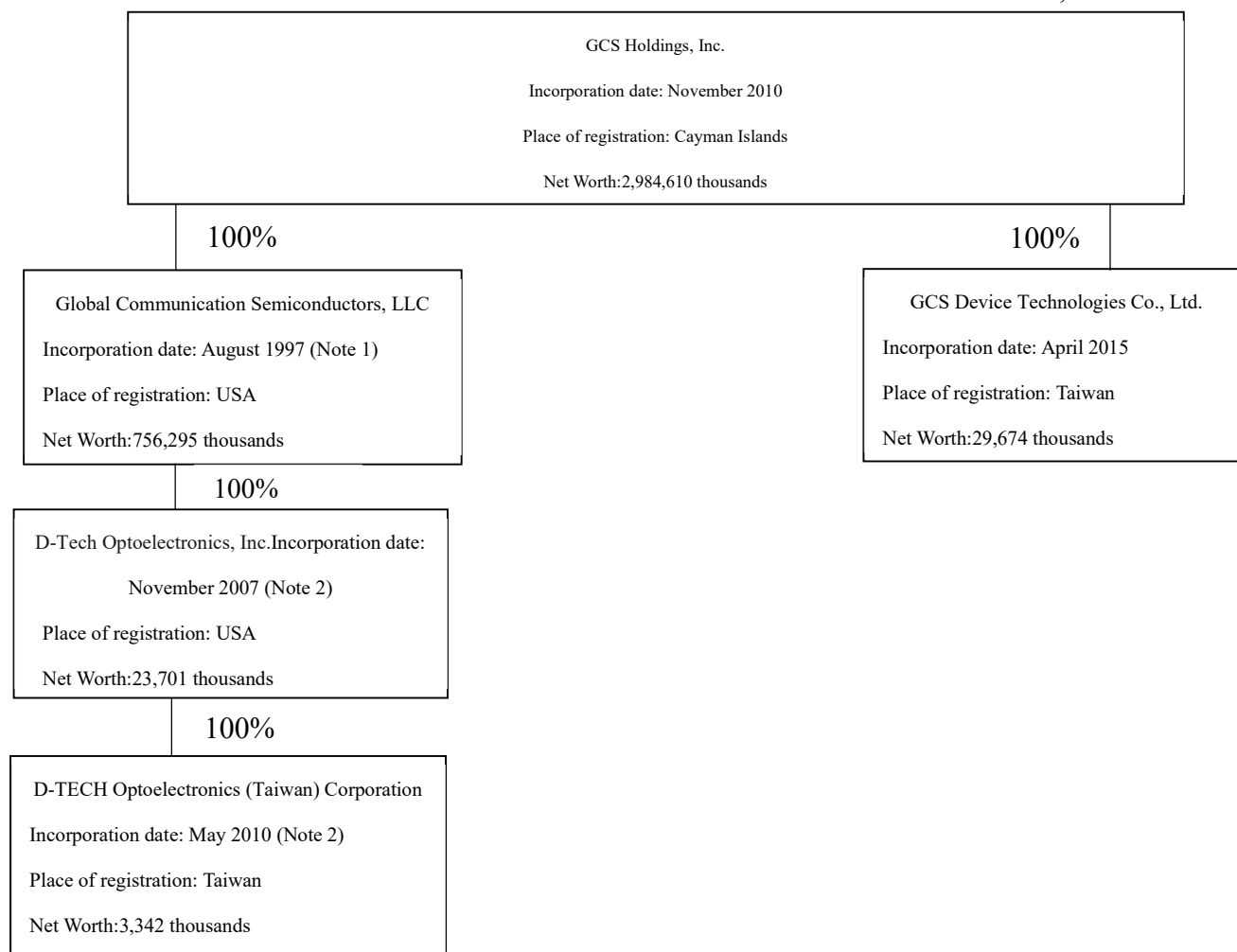
VII. Other important matters: None

Eight. Special disclosures

I. Information on affiliates

(I) Affiliated enterprise' organization chart

December 31, 2023



Data source: The 2023 consolidated financial report audited and attested by CPAs and the Company.

Note 1: Global Communication Semiconductors, Inc. was renamed as “Global Communication Semiconductors, LLC” in January 2011.

Note 2: Global Communication Semiconductors, LLC, a subsidiary, had acquired 100% equity of D-Tech Optoelectronics, Inc. in cash in July 2017, and indirectly acquired 100% equity of its subsidiary, D-Tech Optoelectronics (Taiwan) Corporation. The company resolved to dissolve and liquidate our subsidiary, D-TECH Optoelectronics (Taiwan) Corporation, by a board decision on November 1, 2022. We received approval for the dissolution registration from the local authorities on December 22, 2023. As of the date of the annual report's publication, the liquidation process has not yet been completed.

(II) Affiliated enterprises' information

December 31, 2023

Unit: Thousands

Reinvested business	Establishment Date	Address	Paid-up Capital	Main business activities
GCS USA	1997/8	23155 Kashiwa Court, Torrance, California 90505, USA	USD 23,989	1. Manufacturing of compound semiconductor wafers and foundry-related services as well as granting royalty rights for intellectual property 2. Manufacturing and selling of advanced optoelectronics technology products
GCS Device Technologies Co., Ltd.	2015/4/23	7th Floor, No. 738, Zhongzheng Road, Zhonghe District, New Taipei City	NT\$ 12,000	Product design and research development services
D-Tech Optoelectronics, Inc.	2007/11/7	18062 Rowland St., City of Industry, CA 91748 USA	USD 3,277	Developing, manufacturing, and selling photodiodes and avalanche photodiodes for telecommunication systems and data communication networks
D-TECH Optoelectronics (Taiwan) Corporation	2010/5/14	7th Floor, No. 738, Zhongzheng Road, Zhonghe District, New Taipei City	NT\$ 18,000	Manufacturing, retailing and wholesaling of telecommunications devices, and manufacturing and wholesaling of

				electronic components
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Note 1: GCS USA is a limited liability company, not a company limited by shares; therefore, no stock share is issued.

Note 2: GCS Device Technologies Co., Ltd. is a limited liability company, not a company limited by shares; therefore, no stock share is issued.

(III) Information on the same shareholders of the companies with a “controlling and subordinate relation”: None

(IV) The overall business activities of the affiliated enterprises: The main business activities of the Company’s affiliated enterprises include compound semiconductor wafer foundry service, the research, development, production, and sales of KGD-brand optoelectronic products, product design, and related services.

(V) Information on the directors, supervisors, and Presidents of the affiliated enterprises

December 31, 2023

Company name	Job title	Name or representative	Shareholding (invested amount)	Shareholding ratio
GCS USA (Note 1)	CEO & President	Ann, Bau Hsing	The Company's invested amount NT\$403,975 thousand	100%
GCS Device Technologies Co., Ltd. (Note 2)	Corporate director representative	Huang, Ta-Lun	The Company's invested amount NT\$12,000 thousand	100%
	President	Yu, You-Chong		
D-Tech Optoelectronics, Inc.	Director	Ann, Bau Hsing	GCS USA shareholding 360,000 shares	100%
	President	Wu, Xiu-Cheng		
D-TECH Optoelectronics (Taiwan) Corporation (Note 3)	Corporate supervisor representative	Ou, Su-Tsun	D-Tech Optoelectronics, Inc. shareholding 1,800,000 shares	100%

Note 1: GCS USA is a limited liability company, not a company limited by shares; therefore, no stock share is issued and no director or supervisor is appointed.

Note 2: GCS Device Technologies Co., Ltd. is a limited liability company, not a company limited by shares; therefore, no stock share is issued.

Note 3: The company resolved to dissolve and liquidate our subsidiary, D-TECH Optoelectronics (Taiwan) Corporation by board decision on November 1, 2022. We received approval for the dissolution registration from the local authorities on December 22, 2023. As of the date of the annual report's publication, the liquidation process has not yet been completed.

(VI) Operational overview of each affiliated enterprise

Unit: NT\$ Thousands except paid-up capital; December 31, 2023

Company name	Paid-up Capital (Thousands)	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Profit (loss)	Earnings (losses) per share (NT\$)
GCS USA	USD 23,989	1,437,329	681,034	756,295	1,337,481	(122,313)	(229,513)	Note 1
GCS Device Technologies Co., Ltd.	NT\$ 12,000	50,642	20,968	29,674	7,381	(442)	(183)	Note 2
GCOM Semiconductor Co., Ltd.	-	-	-	-	-	(55)	53	Note 3
D-Tech Optoelectronics, Inc.	USD 3,277	63,547	39,846	23,701	24,976	(55,617)	(57,624)	(160.07)
D-TECH Optoelectronics (Taiwan) Corporation	NT\$ 18,000	3,540	198	3,342	-	(1,781)	(325)	(0.18)

Note 1: GCS USA is a limited liability company, not a company limited by shares; therefore, the earnings per share is not applicable.

Note 2: GCS Device Technologies Co., Ltd. is a limited liability company, not a company limited by shares; therefore, the earnings per share is not applicable.

Note 3: Our company, on November 1, 2022, resolved to dissolve and liquidate its subsidiary, GCOM Semiconductor Co., Ltd., following a decision by the board of directors. On May 31, 2023, our company obtained a liquidation completion certificate for GCOM Semiconductor Co., Ltd. from the court, and on June 15, 2023, we received the remaining investment funds from the liquidation. The period for reporting the profit and loss amounts is from January 1, 2023, to June 15, 2023.

(VII) Consolidated financial statements of affiliated enterprises: Please refer to pages 179-257 of this annual report for the financial report in detail.

(VIII) Affiliations report: The Company is not a subordinate company as defined in the “affiliated enterprises” chapter of the Company Act; therefore, it is not applicable.

II. The private placement of securities during the most recent fiscal year and the current fiscal year up to the date of annual report publication date :

(I)The issuance of ordinary shares through private placement for cash capital increase was resolved in the extraordinary shareholders meeting on December 10, 2021 as follows:

Item	<p>First private placement in 2021</p> <p>Issue Date: January 18, 2022</p>
Types of Securities through private placement	<p>Ordinary shares</p>
Shareholders' resolution date and amount	<ol style="list-style-type: none"> 1. Resolution date of the shareholders' meeting: December 10, 2021. 2. The estimated issued shares and the issued shares for the long-term fundraising proposal approved by the shareholders' meeting of the Company on July 2, 2021 would be up to 20,000,000 ordinary shares.
References and rationality of price	<ol style="list-style-type: none"> 1. This private placement reference price was NTD 50.98 which is chosen from the higher price calculated based on below two calculation standards decided by the Company's special shareholders meeting on December 10, 2021. <ul style="list-style-type: none"> (A) The simple average closing price of the common shares for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction was NT\$50.70, NT\$50.39, and NT\$50.34 respectively. Then choose the average closing price for 5 business days before the price determination date NT\$50.34 as the benchmark. (B) The simple average closing price of the common shares or the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction NT\$50.98 as the benchmark. 2. The private placement price should not be lower than 80% of the reference price. Therefore, the subscription price per share through private placement was NT\$40.79, which was 80.01% of the reference price that met the resolution of the special shareholders meeting regarding no lower than 80% reference price. 3. The aforementioned private placement price was determined in accordance with the relevant regulations of the competent authority. In addition, a three-year transfer restriction on securities through private placement was imposed

Item	First private placement in 2021 Issue Date: January 18, 2022				
	according to the Securities and Exchange Act. Therefore, the private placement price was considered to be reasonable.				
Selection manner of specific persons	It is limited to a specific person who complies with Article 43-6 of the Securities and Exchange Act, other relevant laws and regulations, and the relevant regulations of the competent authority.				
Reasons for private placement	The Company plans to issue ordinary shares through private placement for cash capital increase in order to ensure the timeliness and feasibility of fundraising and to effectively reduce the cost of capital. In addition, the board of directors is authorized to handle private placements according to market conditions and the Company's actual needs in order to improve the Company's flexibility and efficiency of fundraising. The three-year transfer restriction on securities through private placement will further ensure the long-term cooperative relationship between the Company and strategic investors.				
Payment completion date	The date was December 24, 2021, with a total amount of NT\$815,800,000 collected.				
Applicant Information	Private placement applicant	Eligibility conditions	Subscription quantity	Relationship with the Company	Participating company's operation
	Wei, Shih-Yu	Complying with the provisions of Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	1,000,000 shares	Insider of the Company	None
	Chen ,Yu-Zhen	Complying with the provisions of Article 43-6, Paragraph 1, Subparagraph 2 of	1,000,000 shares	Top-10 shareholders of the Company	None

Item	First private placement in 2021 Issue Date: January 18, 2022				
		the Securities and Exchange Act			
	Shaw, Shung-Ho	Complying with the provisions of Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	750,000 shares	None	None
	Calystar Investment Corp.	Complying with the provisions of Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	6,500,000 shares	Related party of the Company	None
	Joray Co., Ltd.	Complying with the provisions of Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	4,750,000 shares	None	None
	Ronly Venture Corporation	Complying with the provisions of Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	3,500,000 shares	None	None
	Chuan Wei Investment Co., Ltd	Complying with the provisions of Article 43-6, Paragraph 1, Subparagraph 2 of	2,500,000 shares	None	None

Item	First private placement in 2021 Issue Date: January 18, 2022			
		the Securities and Exchange Act		
Actual subscription price	NT\$40.79 per share			
Difference between actual subscription price and reference price	The actual subscription price is NT\$40.79, and the reference price is NT\$50.98, which is in line with the resolution of the special shareholders meeting regarding no lower than 80% reference price.			
The impact of private placement on shareholders' equity	Issuance of 20,000,000 shares is accounted for approximately 18.07% of the Company's issued shares.			
The use of the funds and the progress of plan implementation	<p>As of the annual report publication date, the disbursed amount of private equity funds is NT\$786,243,599. The breakdown is as follows:</p> <ol style="list-style-type: none"> 1. NT\$700,000,000 is allocated for reinvestment purposes, specifically participating in the cash capital increase of Unicorn Semiconductor Corporation. 2. NT\$ 86,230,289 is allocated for enhancing working capital. 3. NT\$ 13,310 is allocated for related bank charges. <p>The rest of the fund was deposited in the bank.</p>			
Private placement effect	The fund is used in one or more projects of replenishing working capital, investment, etc. The expected benefits are expanding operating scale, enhancing financial structure, and reinforcing market competitiveness.			

III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and as of the annual report publication date: None

IV. Other supplementary information

Explanation of the major differences between the articles of association and the protection of shareholders' equity in the Republic of China (ROC) :

Important matters concerning the protection of shareholders' equity	Reasons for Differences
<ol style="list-style-type: none"> 1. The annual general meeting shall be convened at least once a year and it is to be convened within six months after the end of each fiscal year. The general meeting is convened by the board of directors. 2. The general meeting shall be convened within the territory of the ROC. The general meeting that is to be convened outside the territory of the ROC should be submitted to the TPEX for approval within two days after the resolution of the board of directors or after the shareholder receiving the convening permission from the competent authority. 3. Shareholders who hold more than 1% of the total number of issued shares may submit a proposal for discussion in writing or electronic form to the annual general meeting. The board of directors shall include the submitted proposals except for the following: The proposal submitted by a shareholder who has less than 1% of the total number of issued shares, the proposal is not a resolution to be deliberated by shareholders in the general meeting, the proposal is proposed exceeding the announced acceptance period, the proposal contains more than 300 words, or more than one proposal is proposed. Shareholders' proposals that are for urging the company to promote public interests or fulfill social responsibilities may be included for shareholders' deliberation by the board of directors. 4. A shareholder who holds more than 3% of the total number of issued shares for more than one year continuously may request the board of directors to convene an extraordinary general meeting by stating the proposed matters and reasons in writing. If the board of directors does 	<p>Regarding the extraordinary general meeting convened outside the ROC by shareholders, since shareholders may convene and preside over an extraordinary general meeting without the permission of the competent authorities of the Cayman Islands, article 19.7 of the issuer's articles of association only provides that the approval of TPEX in advance is necessary. TPEX's approval within two days after the shareholder receiving the convening permission from the competent authority required by "important matters concerning the protection of shareholders' equity" is not a requirement.</p>

Important matters concerning the protection of shareholders' equity	Reasons for Differences
<p>not deliver a notice to convene within 15 days after receiving the request, the shareholders may report to the competent authority to have the general meeting convened.</p> <p>5. Shareholders who hold more than 50% of the total number of issued shares for more than three consecutive months may convene an extraordinary general meeting. The calculation of the shareholding period and number of shares held by shareholders is based on the shares held at the time of book-entry closing date.</p> <p>6. The following matters and contents are required to be specified in the "reasons for convening the general meeting" of the meeting notice, which shall not be raised by an extemporary motion. The following material contents may be published on the website designated by the competent securities authority or the company; also, the said website should be stated in the meeting notice:</p> <ol style="list-style-type: none"> (1) Election or discharge of directors and supervisors; (2) Alteration of the articles of association; (3) Reduction of capital; (4) Applying for the approval of ceasing its status as a public company; (5) Company dissolution, merger, share swap, and spin-off; (6) Entering into, amending, or terminating any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others; (7) Transferring the whole or any essential part of the business or assets; (8) Acquiring another's whole business or assets, which having great impacts on the business operation of the company; (9) Issuance of equity-linked securities through private placement; 	

Important matters concerning the protection of shareholders' equity	Reasons for Differences
<p>(10)Permission for director's engaging in any business within the scope of the company's business;</p> <p>(11)Distribution of dividends and bonuses in whole or in part with new shares issued;</p> <p>(12)Distribute legal reserve capital and additional paid-in capital earned by issuing new shares at a premium or by endowments received to the original shareholders with new shares or in cash.</p>	
<p>The company shall prepare the general meeting Handbook, and release the same 21 days before the annual general meeting or 15 days before the extraordinary general meeting along with other meeting related materials.</p>	<p>Regarding the release of the general meeting Handbook and other meeting-related materials, according to article 20.4 of the issuer's articles of association, the board of directors shall prepare the general meeting Handbook and supplementary materials in accordance with the regulations of public companies, and mail the same to shareholders or make available to all shareholders by other means; also, should have it uploaded to the Market Observation Post System in accordance with the regulations of public companies. The aforementioned "regulations of public company" includes the "Regulations Governing Content and Compliance Requirements for Handbook for General Meeting of Public Companies," which also provides in article 6-2 that "(the company shall) have meeting information released 21 days before the annual general meeting or 15 days before the extraordinary general meeting." Therefore, although the details of the timeline for sending meeting notices is not specified in the issuer's articles of association in accordance with the "important matters concerning the protection of shareholders' equity," the release of the Handbooks and other meeting-related materials should be handled in accordance with the regulations of public company (including the "Regulations Governing Content and Compliance Requirements for Handbook for General Meeting of Public Companies,") as stated in the preceding paragraph. Therefore, article 20.4 of the issuer's articles of association is in compliance with the "important matters</p>

Important matters concerning the protection of shareholders' equity	Reasons for Differences
	concerning the protection of shareholders' equity.”
<ol style="list-style-type: none"> 1. When the company holds a general meeting, it shall adopt a method of exercise of voting rights by electronic means. 2. When voting rights are exercised by way of a written ballot or by electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by way of a written ballot or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extemporary motions and amendments to original proposals of that meeting. 3. A shareholder intending to exercise voting rights by way of a written ballot or by electronic means shall deliver a written declaration of intent to the company two days before the date of the general meeting. When duplicate declarations of intent are delivered, the one served first shall prevail, except when a declaration is made to cancel the earlier declaration of intent. 4. After a shareholder has exercised voting rights by way of a written ballot or by electronic means, in the event the shareholder intends to attend the general meeting in person, a written declaration of intent to revoke the voting rights already exercised under the preceding paragraph shall be made known to the company, by the same means by which the voting rights were exercised two days before the date of the general meeting. If the notice of revocation is submitted after that time, the voting rights already exercised by way of a written ballot or by electronic means shall prevail. 5. A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the company, shall not vote nor exercise the voting right on behalf of another shareholder. The number of 	<p>For shareholders' exercising their voting rights by way of a written ballot or by electronic means, according to the explanations of the attorney in the Cayman Islands, regarding the provision “A shareholder exercising voting rights by way of a written ballot or by electronic means will be deemed to have attended the meeting in person,” is not stipulated in the law of the Cayman Islands. Thus, the foregoing methods will not be deemed as attending the meeting in person. Instead, it is suggested to have the chairman of the general meeting appointed as his proxy to vote and proxies obtained by the chairman of the general meeting is exempted from the limit of proxy power of 3% of the total outstanding voting shares. Article 25.4 of the issuer's articles of association provides that “A Member who exercises his voting power at a general meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his shares at the general meeting only in the manner directed by his written instrument or electric document,” rather than “shareholders exercising voting rights by way of a written ballot or by electronic means will be deemed to have attended the meeting in person” as stipulated in the “important matters concerning the protection of shareholders' equity.” It is also stipulated in article 26.2 of the issuer's articles of association that the proxies obtained by the chairman of the general meeting is exempted from the limit of proxy power of 3% of the total outstanding voting shares.</p>

Important matters concerning the protection of shareholders' equity	Reasons for Differences
<p>shares for which voting rights may not be exercised under the preceding paragraph shall not be counted in determining the number of votes of the shareholders present at the meeting.</p> <p>6. Except in the circumstances otherwise provided for in the articles of association, a shareholder shall have one voting power in respect of each share in his/her/its possession.</p> <p>7. The shares shall have no voting power under any of the following circumstances. The number of shares for which voting rights may not be exercised shall not be calculated as issued and outstanding shares:</p> <p>(1) The share(s) of a company that are held by the issuing company itself in accordance with the laws;</p> <p>(2) The shares of a holding company that are held by its subordinate company, where the total number of voting shares or total shares equity held by the holding company in such a subordinate company represents more than one half of the total number of voting shares or the total shares equity of such a subordinate company.</p> <p>(3) The shares of a holding company and its subordinate company(ies) that are held by another company, where the total number of the shares or total shares equity of that company held by the holding company and its subordinate company(ies) directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.</p>	
<p>A company shall not do any of the following acts without a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. If the total number of shares represented by the shareholders present at shareholders meeting is not sufficient to meet the criteria specified above, the resolution to be made thereto may be adopted by two-thirds or</p>	<p>1. Regarding the resolutions passed in the general meeting, in addition to the ordinary resolutions and supermajority resolutions under the laws of Taiwan, "Special Resolution" set forth under article 1.1 of the issuer's articles of association is provided in Cayman Islands Company Act. It refers to a resolution passed by the votes cast by a majority of at least two-thirds of the</p>

Important matters concerning the protection of shareholders' equity	Reasons for Differences
<p>more of the attending shareholders who represent a majority of the total number of its outstanding shares:</p> <ol style="list-style-type: none"> 1. Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others; transfer the whole or any essential part of its business or assets; or acquire another's whole business or assets, which has great effect on the business operation of the company. 2. Alteration of the articles of association; 3. For any modification or alteration in the articles of association prejudicial to the privileges of preferred shareholders, a resolution is to be resolved in the general meeting convened for preferred shareholders. 4. Distribution of dividends and bonuses in whole or in part with new shares issued; 5. Resolution of dissolution, merger, or spin-off; 6. Issuance of employee restricted shares; 7. Share swap. 	<p>voting rights represented by the shareholders present at the meeting, which includes the shareholders voting in person, by proxy, or by the representatives authorized by the corporate shareholders or legal person shareholders; provided that, such resolution will not violate applicable laws.</p> <ol style="list-style-type: none"> 2. According to the Company Act of the Cayman Islands, the following matters shall be resolved in accordance with the Special Resolutions of the Cayman Islands: <ol style="list-style-type: none"> (1) Amendments to the articles of association: <p>According to the laws of the Cayman Islands, the amendment to the articles of association should be made in accordance with the Special Resolutions stipulated in the Company Act of the Cayman Islands. Therefore, the resolution thresholds for making amendments to organizational documents and articles of association stipulated in article 12.2 of issuer's articles of association is not based on the "supermajority resolution" set forth in the "important matters concerning the protection of shareholders' equity" stipulated in the laws of Taiwan. In addition, according to article 13 of the issuer's articles of association, if any amendment to the articles of association impairs the rights of preferred shareholders, in addition to the resolution passed by a Special Resolutions stipulated in the Company Act of the Cayman Islands in the general meeting, it must be approved by the preferred shareholders with the Special Resolutions stipulated in the Company Act of the Cayman Islands in the preferred shareholders general meeting.</p> (2) Dissolution: <p>According to the laws of the Cayman Islands, if the company decides to be liquidated and dissolved voluntarily because the company is unable to pay its debts as they fall due, the dissolution</p>

Important matters concerning the protection of shareholders' equity	Reasons for Differences
	<p>must be resolved in the general meeting. Notwithstanding the foregoing, if it is a voluntary dissolution for a reason otherwise stated above, the dissolution shall be resolved in accordance with the Special Resolutions of the Company Act of the Cayman Islands. Therefore, the resolution threshold for voluntary dissolution due to a reason other than insolvency as stated in article 12.4 of the issuer's articles of association has not been changed to the "Supermajority Resolutions" under the law of Taiwan in accordance with the requirement of the "important matters concerning the protection of shareholders' equity."</p> <p>(3) Merger:</p> <p>The Company Act of the Cayman Islands has mandatory requirements for voting on a "merger as defined by the laws of the Cayman Islands," which is stipulated in article 12.3(b) of the issuer's articles of association that a "merger" (subject to the requirement of complying with article 12.2 (e) of the articles of association) shall be resolved in accordance with the "Supermajority Resolutions" under the law of Taiwan.</p> <p>The difference between the aforementioned matters and the "Checklist for the Protection of Shareholders' Equity at Where the Foreign Issuers Registered" is that the important matters in the "important matters concerning the protection of shareholders' equity" that are to be resolved in accordance with the "Supermajority Resolutions" are to be resolved separately in accordance with the "Supermajority Resolutions" and "Special Resolutions" of the Cayman Islands as stated in the issuer's articles of association, as the case maybe. Since such difference results from the law of the Cayman Islands and the "Supermajority Resolutions" matters as set forth in the "important matters concerning the protection of shareholders' equity" has been illustrated in the Supermajority Resolutions of the issuer's articles of association and the Special Resolutions of the Cayman Islands; therefore, the issuer's articles of association</p>

Important matters concerning the protection of shareholders' equity	Reasons for Differences
	should have limited impact on shareholders' equity.
<ol style="list-style-type: none"> 1. The term of office of a director shall not exceed three years; but he/she may be eligible for re-election. 2. In the process of electing directors and supervisors at a general meeting, the number of votes exercisable in respect of one share shall be the same as the number of directors and supervisors to be elected, and the total number of votes per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates. The ballots received by a candidate represent a prevailing number of votes and shall be deemed a director-elect. 3. A director may be discharged at any time by a resolution adopted at a general meeting. 	<p>There is no corresponding concept of "supervisor" according to the laws of the Cayman Islands. The Company has an Audit Committee; therefore, there is no relevant provision related to supervisors in the issuer's articles of association.</p>
<ol style="list-style-type: none"> 1. Supervisors of a company shall be elected by the general meeting, among them at least one supervisor shall have a domicile within the territory of the ROC. 2. The term of office of a supervisor shall not exceed three years; but he/she may be eligible for re-election. 3. In case all supervisors of a company are discharged, the board of directors shall, within 60 days, convene an extraordinary general meeting to elect new supervisors. 4. Supervisors shall supervise the execution of business operations of the company, and may at any time investigate the business and financial conditions of the company, inspect, transcribe or make copies of the accounting books and documents, and request the board of directors or managerial officers to make reports thereon. 5. Supervisors shall audit the various statements and records prepared by the board of directors for submission to the general meeting, and shall make a report of their findings and opinions at the shareholders meeting. 	<p>There is no corresponding concept of "supervisor" according to the laws of the Cayman Islands. The Company has an Audit Committee; therefore, there is no relevant provision related to supervisors in the issuer's articles of association.</p>

Important matters concerning the protection of shareholders' equity	Reasons for Differences
<ol style="list-style-type: none"> 6. To facilitate the performance of duties, Supervisors may appoint a certified public accountant and attorney to conduct the auditing on their behalf. 7. Supervisors of a company may attend the meeting of the board of directors to express their opinions. In case the Board of Directors or any director violates the laws, regulations, articles of association, or the resolutions of the shareholders meeting when carrying out their duties, the supervisors shall forthwith advise, by notice, to the Board of directors or the violating director, as the case may be, to cease such act. 8. The supervisor may each exercise the supervision power individually. 9. A supervisor shall not be concurrently a director, a managerial officer, or other staff/employee of the company. 	
<ol style="list-style-type: none"> 1. Shareholder(s) who has/have been continuously holding 1% or more of the total number of the outstanding shares of the company more than six consecutive months may request in writing the supervisors of the company to initiate, for the company, an action against a director of the company in the Taiwan Taipei District Court, the court of competent jurisdiction. 2. In case the supervisors fail to initiate an action within 30 days after having received the request, the shareholders may initiate the action for the company in the Taiwan Taipei District Court, the court of competent jurisdiction. 3. Apart from the situation where the board of directors is reluctant or unable to convene a general meeting, supervisors may, for the benefit of the company, convene a general meeting when necessary. 	<p>There is no corresponding concept of "supervisor" according to the laws of the Cayman Islands. Therefore, article 5.2 of issuer's articles of association stipulated that, to the extent permitted under the laws of the Cayman Islands, shareholders who continuously holding more than 1% of the total issued shares of the company for more than six consecutive months may directly file a lawsuit against the directors for the company, that is different from the requirement of the "important matters for the protection of the shareholders' equity," which requires the shareholder to request the supervisors in writing to file a lawsuit against the directors for the company and then if the supervisors fail to initiate an action within 30 days after having received such request, the shareholders may initiate the action for the company.</p> <p>In addition, the attorneys in the Cayman Islands remind the following matters in response to the aforementioned provisions in accordance with the laws of the Cayman Islands:</p> <p>According to the Company Act of the Cayman Islands, there is no specific norm allowing minority shareholders to bring derivative proceedings against directors in the courts of the Cayman Islands.</p>

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	<p>In addition, the “articles of association” is not a contract between shareholders and directors, but an agreement between shareholders and the company. Therefore, even the articles of association allows minority shareholders to bring derivative lawsuits against directors, the attorneys in the Cayman Islands believe that such provision is not binding the directors. However, under common law, all shareholders (including minority shareholders) have the right to bring derivative actions (including actions against directors) regardless of their shareholding ratio and holding period. Once a lawsuit is filed by a shareholder, the Cayman Islands court is to decide whether the shareholder can proceed with the lawsuit or not at its own discretion. In other words, even though it is so stated in the articles of association that minority shareholders (or shareholders with the required shareholding ratio and holding period) may bring proceedings against the directors on behalf of the company, it is the decision of the Cayman Islands court whether the proceedings can proceed or not. According to the relevant judgment made by the Grand Court of the Cayman Islands, the continuance of the lawsuit depends on whether the Cayman Islands court believes and accepts that the claim of the plaintiff on behalf of the company is substantive, the alleged wrongful doing is indeed committed by persons who have controlling power over the company and who are able to prevent the company from suing against him/her. The Cayman Islands court will have decisions made on a case-by-case basis (although the court may refer to the provisions of the company’s articles of association, but it is not decisive).</p> <p>According to the law of the Cayman Islands, the board of directors shall decide on behalf of the company taking as a whole (not as an individual director). Therefore, the board of directors shall resolve to authorize a director to bring lawsuits against other directors on behalf of the company.</p> <p>The Company Act of the Cayman Islands does not expressly permit shareholders to request the directors to convene a board</p>

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	<p>meeting in order to resolve specific matters. However, the Company Act of the Cayman Islands does not prohibit companies from making provisions in their articles of association related to the rules of procedures for the board of directors (including the requirements of convening board meetings).</p>
<ol style="list-style-type: none"> 1. The director of a company shall exercise duties of loyalty and due care of a good administrator when conducting the business operation of the company; and if he/she has violated any provision of the applicable laws and/or regulations and thus caused damage to the company, he/she shall be liable for the damage to the company. If a director profits from an act carried out on his/her own behalf or for another, the general meeting may, by a resolution, consider the earnings in such an act as earnings of the company. 2. The director who has violated any provision of the applicable laws and regulations when conducting business operation and thus caused damage to others, he/she and the company shall be liable, jointly and severally, for the damage to others. 3. The managerial officers and supervisors of the company shall bear the same responsibilities for damages as the directors of the company within the scope of performing their duties. 	<p>Article 47.2 of the articles of association stipulated that "Without prejudice and subject to the general directors' duties that a Director owe to the Company and its shareholders under common law principals and the laws of the Cayman Islands, a Director shall perform his fiduciary duties of loyalty and due care of a good administrator in the course of conducting the Company's business, and shall indemnify the Company, to the maximum extent legally permissible, from any loss incurred or suffered by the Company arising from breach of his fiduciary duties. If a Director has made any profit for the benefit of himself or any third party as a result of any breach of his fiduciary duties, the Company shall, if so resolved by the Members by way of an Ordinary Resolution, take all such actions and steps as may be appropriate and to the maximum extent legally permissible to seek to recover such profit from such relevant Director. If a Director has, in the course of conducting the Company's business, violated any laws or regulations that causes the Company to become liable for any compensation or damages to any person, such Director shall become jointly and severally liable for such compensation or damages with the Company and if any reason such Director is not made jointly and severally liable with the Company, such Director shall indemnify the Company for any loss incurred or suffered by the Company caused by a breach of duties by such Director. The Officers, in the course of performing their duties to the Company, shall assume such duties and obligations to indemnify the Company in the same manner as if they are Directors."</p> <p>However, the attorneys in the Cayman Islands remind the following matters in response to the aforementioned provisions in accordance with the laws of the Cayman Islands:</p>

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	<p>The attorneys in the Cayman Islands believe that there is uncertainty on the provision of treating directors' benefit as an income of the company; therefore, its enforcement remains a question. For example, whether a director's breach of fiduciary duty should be determined by the court and how to define the benefit. The attorneys of the Cayman Islands also believe that this provision does not limit the liability of directors, in other words, directors still have various statutory responsibilities, common law responsibilities, and fiduciary duties under the Cayman Islands law. A director's duties owed to the company can approximately be clarified as common law responsibilities (that is, duties of exercising professional competence, awareness, due diligence) and fiduciary duties. However, directors also have statutory obligations according to applicable laws and are responsible for third parties (such as, creditors) under certain circumstances. If the company is insolvent or in danger of being insolvent, directors should take into account the interests of creditors when performing their duties.</p> <p>The "articles of association" is an agreement between the shareholders and the company; therefore, the directors are not the parties to the articles of association. The rights to claim for compensation for damages against directors due to their breaching due diligence should be set forth in the service contract.</p> <p>Under the law of the Cayman Islands, generally speaking, managerial officers or supervisors do not have the same responsibilities to a company or shareholders as directors. However, if managerial officers or supervisors are authorized to act on behalf of senior executives, they will have the same obligations as directors of the company. In general, the companies in the Cayman Islands will set forth the responsibilities and obligations of the managerial officers or supervisors to the company and shareholders in their service contracts in order to avoid doubts and disputes.</p> <p>Also, since the "articles of association" is an agreement between the shareholders and the company, the managerial officers or</p>

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	<p>supervisors are not parties to the articles of association; therefore, the rights to claim for compensation for damages against managerial officers or supervisors due to their breach of due diligence should be set forth in the service contract.</p> <p>With regard to the laws of the Cayman Islands, since the "articles of association" is an agreement between the shareholders and the company, the directors (as directors of the issuing company) are not parties to the articles of association; therefore, the attorneys of the Cayman Islands believe that this provision is not binding the directors. If the issuing company wishes to make the relevant clauses contractually effective against the directors, the attorneys of the Cayman Islands believe that the relevant rights should be set forth in the contract with each director independently, for example, signing a service contract.</p>

V. Occurrences of the matters listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act that significantly affect shareholders' equity or security price, in the most recent year or as of the annual report publication date:

The shareholders meeting of GCS had resolved on May 20, 2022 to raise fund with ordinary shares issued for not more than 20,000 thousand shares in accordance with the relevant law and regulations, which included the following alternatives to be implemented independently or in combination: Issuing ordinary shares through private placement in a lump sum or installments for cash capital increase, or, issuing new shares to participate in the issuance of Global Depositary Receipts (GDR), or issuing domestic or overseas convertible corporate bonds. When domestic or overseas convertible corporate bonds are issued through private placement, the number of ordinary shares to be converted from the convertible corporate bonds shall be calculated at the conversion price under the precondition of total issued shares not exceeding 20,000 thousand shares. The purpose of the current fundraising project is for the replenishment of working capital, reinvestment, sinking funds, and others in order to expand the scale of operations and to enhance the Company's competitiveness and financial structure. The aforementioned case has not been processed after the resolution of the shareholders' meeting in 2022. Given that the one-year processing period will soon expire and implementation of the private

placement is no longer feasible and practical under the current market conditions, the board of directors of GCS Holdings, Inc. resolved on February 20, 2023 to terminate the proposed private placement.