

# **FineMat Applied Materials Co., Ltd.**

## **2024 Minutes of shareholders' regular meetings**

**Time:** 9:00 a.m., June 19, 2024 (Wednesday).

**Location:** No. 31, Gongye 2nd Road, Annan District, Tainan City (Southern Taiwan Innovation & Research Park Service Center, Ministry of Economic Affairs).

The total number of shares issued by the company is 66,389,753 shares. Excluding the repurchase of 602,000 treasury shares, the total number of actual outstanding shares of the company is 65,787,753 shares.

Total of 46,432,503 shares were represented by shareholders present (15,501,463 shares were present to exercise voting rights electronically), accounting for 70.57% of the company's actual total outstanding shares.

Directors present : Chao Chin-Hsiao(Chairman), Li Wei-Cheng(Director), Ni Hui-Min(Director), Li Chung-Jen(Director), Tseng Chung-Nan(Independent director), Chen Cheng-Li(Independent director), Chou Hui-Yu(Independent director), Anita Chu(Independent director).

Attendance : CPA Yeh Fan-Ting

Chairperson : Chairman Chao Chin-Hsiao

Minutes Taker : Huang Hsin-Mao

**The chair called the meeting to order.**

**Chair's Remarks: (Omitted)**

## I : Report items

- (I) 2023 Business Report.  
Description: For 2023 Business Report, please refer to Attachment 1.
- (II) 2023 Audit Committee's Audit Review Report.  
Description: For 2023 Audit Committee's Review Report, please refer to Attachment 2.
- (III) Proposal for the Distribution of 2023 Employee and Director Remuneration.  
Description:  
1. Pursuant to Article 16-1 of the Company's Articles of Incorporation, the Company shall allocate 8% - 15% of the current year's profit for employee remuneration, and no more than 5% for director remuneration. provided that the earnings must first be taken to offset against cumulative losses, if any.  
2. There was no profit in 2023, therefore no employee or director remuneration will be allocated.
- (IV) 2023 Cash Dividend Distribution from Earnings.  
Description:  
1. In accordance with Article 17-1 of the Company's Articles of Incorporation, the Board of Directors is authorized to distribute all or part of dividends and bonuses, capital surplus, legal reserve, and legal reserve in cash, and report to the shareholders' meeting.  
2. This motion was passed by the Board of Directors. In order to meet the operational and developmental needs of the company, as well as future fund utilization, and to reserve sufficient funds for operational expansion, the Company intends not to distribute earnings for the year 2023.
- (V) Motion for the report on the implementation of repurchase of treasury stock.  
Description:  
1. Handled in accordance with the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies".  
2. Execution status of the Company's repurchase of its shares is as follows:

Session of repurchase	First repurchase in 2021
Purpose of repurchase	Transfer shares to employees
Date of resolution of the Board of Directors	November 5, 2021
Repurchase period	November 8, 2021 to January 4, 2022
Range of repurchase price	NT\$27.34 to NT\$57.70 per share
Type and quantity of shares repurchased	602,000 shares of common stock
Amount of shares repurchased	NT\$24,221,164
The number of the shares repurchased as a percentage of the number scheduled to be repurchased	60.20%
Number of shares cancelled and transferred	0 share
Cumulative number of the Company's shares held	602,000 shares
Cumulative number of the Company's shares	0.91%

held as a percentage of the Company's total issued shares	
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## II : Ratifications

### Motion No. 1: Approval of the 2023 Business Report and Financial Statements. Please ratify. (Proposed by the Board of Directors)

Description:

1. The Company's 2023 business report and financial statements have been approved by the Board of Directors on March 14, 2024, and the financial statements have been audited by CPAs Yong-Chi Lin and Fang-Ting Yeh of PwC Taiwan.
2. For the 2023 business report, please refer to Attachment 1 .
3. For the Independent Auditors' Report and financial statements, please refer to Attachment 3.

(The vote will be taken after the chairman consults the shareholders present and no shareholders ask questions)

Resolution:

Voting results: Shares present at the time of voting: 46,432,503.

Approval votes	%	Disapproval votes	%	Invalid votes	%	Abstention votes/ no votes	%
46,209,017.(including 15,277,977 votes through e-voting)	<b>99.51</b>	91,335. (including 91,335 votes through e-voting)	<b>0.19</b>	<b>0</b>	<b>0</b>	132,151. (including 132,151. votes through e-voting)	<b>0.28</b>

RESOLVED, that the above proposal be and hereby was approved as proposed.

### Motion No. 2: Motion for the Distribution of Surplus for the 2023 Fiscal Year. Please ratify. (Proposed by the Board of Directors)

Description:

1. The Company's after-tax profit or loss for the 2023 fiscal year was a loss of NTD 85,570,016. For the needs of the Company's operation and development, and the future use of funds, in order to reserve sufficient funds for operational expansion, the Board of Directors resolved to approve that the Company not distribute earnings for the 2023 fiscal year.
2. The earnings distribution plan drawn up by the Company is as follows:

FineMat Applied Materials Co., Ltd.  
2023 Earnings Distribution Table

Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period	99,653,530
Net loss after tax for the current year	(85,570,016)
Less: Provision for Special Earnings	(7,194,566)

Reserve	
Earnings available for distribution for the year	6,888,948
Undistributed earnings at the end of the period	6,888,948

Chairman:

Manager:

Accounting Officer:

(The vote will be taken after the chairman consults the shareholders present and no shareholders ask questions)

Resolution:

Voting results: Shares present at the time of voting: 46,432,503.

Approval votes	%	Disapproval votes	%	Invalid votes	%	Abstention votes/ no votes	%
46,230,270.(including 15,299,230 votes through e-voting)	<b>99.56</b>	91,352. (including 91,352 votes through e-voting)	<b>0.19</b>	<b>0</b>	<b>0</b>	110,881. (including 110,881 votes through e-voting)	<b>0.23</b>

RESOLVED, that the above proposal be and hereby was approved as proposed.

### III : Election Matters

Cause of Motion: Re-election of the Company's Directors (Including Independent Directors), Proposed for Election. (Proposed by the Board of Directors)

Description:

1. The current term of directors (including independent directors) will expire on August 17, 2024. Therefore, it is proposed to elect new directors (including independent directors) at this year's shareholders' meeting. The former directors shall hold office until the re-election is completed at the current shareholders' meeting.
2. Eight directors shall be elected for this term (including three independent directors) with a term of three years. The term of office is from June 19, 2024, to June 18, 2027.
3. The Company adopts the candidate nomination system for the election of directors. There are a total of 8 candidates for directors (including independent directors). The list of candidates is as follows:

Title	Name	Academic Background	Main Work Experience	Current Position	Shares held
Director Candidate	Chao Chin-Hsiao	PhD in Materials, National Sun Yat-Sen University	President of Solar Applied Materials Technology Co., Ltd.	Finemat Applied Materials Co., Ltd., Wave Power Technology Inc., Sheng Tai Co., Ltd., Finemat (Shanghai) Applied Materials Co., Ltd., Etch Home Technology Co., Ltd., Etch Home Technology Co., Ltd. (Vietnam): Chairman	6,396,814 shares

				Galloptech International Company Limited., Sensepad Tech Co.,Ltd., Htc & Solartech Service (Samoa) Corporation: Director Qun Bo Investment Co., Ltd.: Supervisor	
	Yi Long Investment Co., Ltd. Representative: Dennis Liu				8,900,373 shares
		China University of Political Science and Law Master of Economic Law	Spokesperson and Director, ELAN Microelectronics Corp.	ELAN Microelectronics Corp.: Spokesperson and Director ESO TECHNOLOGY CO., LTD.: Supervisor Avisonic Technology Corp., Chimei Motor Electronics Co., Ltd., Taiwan Intelligent Connect Co.,Ltd., Macrobloc, Inc., and FineMat Applied Materials Co., Ltd.: Director	20,000 shares
	Ni Hui-Min	National Changhua Senior High School of Commerce	Vice President of Solar Applied Materials Technology Co., Ltd. Chairman, HTC & Solar Service Limited	Qun Po Investment Co., Ltd.; Transocean (Shanghai) Materials Technology Co., Ltd.; Transocean (Huangshi) Materials Technology Co., Ltd.; Deyang Technology Co., Ltd. : Chairman FineMat Applied Materials Co., Ltd., Htc & Solartech Service (Samoa) Corporation; Wave Power Technology Inc.: Director Cheng Tai Co., Ltd.: Supervisor	811,545 shares
	Sheng Tai Co., Ltd. Representative: Li Zhong-Jen				556,573 shares
		PhD, Materials Science, Massachusetts Institute of Technology	Chief of R&D Department Solar Applied Materials Technology Corp. Executive Vice President, FineMat Applied Materials Co., Ltd.	None	1,292,153 shares
	Li Wei-Cheng	PhD, Material Science, National Cheng Kung University	Planning Manager, ITRI; Director of Solar Applied Materials Technology Co., Ltd.	FineMat Applied Materials Co., Ltd.: Director and President	1,052,336 shares
Independent director candidate	Chen Cheng-Li	Aviation Engineering Department, Air Force Institute of Technology, 2-year program	General Manager of Tycoons Group Enterprise CO.,Ltd.	Huanghua Jujin Hardware Products Co., Ltd.: Chairman FineMat Applied Materials Co., Ltd.: Independent Director	0 share
	Chou Hui-Yu	Department of Accounting, National Cheng Kung University	Vice President, Radium Life Tech Co., Ltd. Vice President,	FineMat Applied Materials Co., Ltd., Onano Industrial Corp., King's Metal Fiber Technologies Co., Ltd.:	0 share

		Master of Laws, Soochow University	Action Electronics Co., Ltd.	Independent Director	
	Anita Chu	Master of Business Administration, National Chia Yi University	Audit Assistant Manager, Wencheng United Accounting Firm	Huikwang Corporation: Vice President Shanghai Huikwang Environmental Technology Co., Ltd.: Supervisor FineMat Applied Materials Co., Ltd.: Independent Director	0 share

Election Results : The elected list is as follows

	Name	Ballots Received
Directors	Chao Chin-Hsiao	<b>49,471,509</b>
	Yi Long Investment Co., Ltd. Representative: Dennis Liu	<b>48,552,198</b>
	Ni Hui-Min	<b>47,138,321</b>
	Sheng Tai Co., Ltd. Representative: Li Zhong-Jen	<b>45,622,338</b>
	Li Wei-Cheng	<b>45,507,128</b>
Independent Directors	Chen Cheng-Li	<b>44,253,666</b>
	Chou Hui-Yu	<b>44,171,846</b>
	Anita Chu	<b>44,149,373</b>

## IV : Matters for Discussion

Proposal 1: Removal of restrictions on competing business involvements for the newly elected directors and their representatives. Please resolve. (Proposed by the Board of Directors)

Description:

1. Pursuant to Article 209 of the Company Act, directors shall obtain the permission of the Shareholders' Meeting for any conduct that is within the scope of the company's business for themselves or others.
2. As the newly elected directors of the Company may have invested in or operated other companies with the same or similar business scope as the Company and served as directors, and considering the needs of business or investment, it is proposed that the Shareholders' Meeting of this term agree to lift the restrictions on non-competition for the new directors after the Company's re-election.
3. Approval is sought for lifting the non-competition restrictions on the Company's 7th board of directors after the re-election. Relevant information on new directors engaging in non-competitive behavior is as follows.

Title	Name	Current Position
Director Candidate	Chao Chin-Hsiao	Finemat Applied Materials Co., Ltd., Wave Power Technology Inc., Sheng Tai Co., Ltd., Finemat (Shanghai) Applied Materials Co., Ltd., Etch Home

		Technology Co., Ltd., Etch Home Technology Co., Ltd. (Vietnam): Chairman Gallopotech International Company Limited., Sensepad Tech Co.,Ltd., Htc & Solartech Service (Samoa) Corporation: Director Qun Bo Investment Co., Ltd.: Supervisor
	Yi Long Investment Co., Ltd. Representative: Dennis Liu	ELAN Microelectronics Corp.: Spokesperson and Director ESO TECHNOLOGY CO., LTD.: Supervisor Avisonic Technology Corp., Chimei Motor Electronics Co., Ltd., Taiwan Intelligent Connect Co.,Ltd., Macroblock, Inc., and FineMat Applied Materials Co., Ltd.: Director
	Ni Hui-Min	Qun Po Investment Co., Ltd.; Transocean (Shanghai) Materials Technology Co., Ltd.; Transocean (Huangshi) Materials Technology Co. , Ltd.; Deyang Technology Co., Ltd .: Chairman FineMat Applied Materials Co., Ltd., Htc & Solartech Service (Samoa) Corporation; Wave Power Technology Inc.: Director Cheng Tai Co., Ltd.: Supervisor
	Sheng Tai Co., Ltd. Representative: Li Zhong-Jen	None
	Li Wei-Cheng	FineMat Applied Materials Co., Ltd.: Director and President
Independent director candidate	Chen Cheng-Li	Huanghua Jujin Hardware Products Co., Ltd.: Chairman FineMat Applied Materials Co., Ltd.: Independent Director
	Chou Hui-Yu	FineMat Applied Materials Co., Ltd., Onano Industrial Corp., King's Metal Fiber Technologies Co., Ltd.: Independent Director
	Anita Chu	Huikwang Corporation: Vice President Shanghai Huikwang Environmental Technology Co., Ltd.: Supervisor FineMat Applied Materials Co., Ltd.: Independent Director

(The vote will be taken after the chairman consults the shareholders present and no shareholders ask questions)

Resolution:

Voting results: Shares present at the time of voting: 46,432,503.

Approval votes	%	Disapproval votes	%	Invalid votes	%	Abstention votes/ no votes	%
46,057,123.(including 15,126,083 votes through e-voting)	<b>99.19</b>	218,897. (including 218,897 votes through e-voting)	<b>0.47</b>	<b>0</b>	<b>0</b>	156,483. (including 156,483 votes through e-voting)	<b>0.33</b>

RESOLVED, that the above proposal be and hereby was approved as proposed.

**V : Provisional motions : None**

**VI : Adjournment of the meeting : 9:15 a.m., June 19, 2024.**

## FineMat Applied Materials Co., Ltd.

## 2023 Business Report

## I. Operational Policy:

The Company's core technology is precision metal etching. Through precision metal etching technology, the Company is deeply engaged in the development of precision metal masks for the OLED panel vapor deposition process. The Company has unique technical capabilities in the cumulative accuracy control of the pattern position of the metal grille and dimensional tolerance, and metal mask vaporization process and metal frame welding, which enables the Company to occupy the leading position in this field. In 2022, we entered the field of heat dissipation, marking the beginning of a new era for the Company's diversified operations.

For 2023, the Group's business policy focuses on three main pillars for operational development: precision metal masks based on etching technology, materials for thermal modules, and semiconductor and defense equipment. In 2024, FineMat will continue to use etching technology as the foundation to further deepen its business in the existing fields of precision metal masks and thermal module materials. FineMat will expand its precision metal etching technology, broadening the product scope horizontally and delving deeper into technical advancements vertically. The overall business guidelines for 2024 are as follows:

1. Transformation into a specialized metal etching foundry.
2. Expand the scope of etching business and explore new customer sources.
3. Upgrade technology and refine production.

## II. Implementation overview:

Although the penetration rate of OLED panels will increase in 2023, overall demand will also rise. However, due to the weak economy in China and the sluggish mobile phone market, product price declines led to an approximately 12% decrease in overall mask revenue, with a corresponding nearly 38% decline in the precision cleaning business. The Group's overall consolidated operating revenue has declined by approximately 10% compared to 2022.

## III. Implementation of operational plan:

Item	Unit: NT\$ Thousand		
	Actual amount in 2023	Actual amount in 2022	Increase (decrease) %
Operating revenue	1,121,229	1,250,628	-10%
Gross profit	207,186	321,181	-35%
Operating income	-89,716	21,732	-513%
Net income before tax	-11,088	47,370	-123%
Net income after tax	-28,814	22,709	-227%
Earnings per share (EPS)	-1.3	-0.55	-136%

## IV. Implementation of operating income and expense budget:

The Company did not disclose financial forecasts for 2023.

## V. Analysis of profitability:

Item		2023	2022
Financial structure	Ratio of Liabilities to Assets (%)	36.64	40.92
	Long-term capital to fixed assets (%)	184.37	157.37
Solvency	Current ratio (%)	162.40	139.70
	Quick ratio (%)	99.99	103.99
Return on total assets (%)		-0.26	1.25
Return on equity (%)		-1.50	1.28
Ratio to paid-in capital (%)	Operating income	-13.51	3.27
	Net income before tax	-1.67	7.14
Profit margin (%)		-2.57	1.82

VI. Research and development and prospect:

In addition to continuously improving our metal precision etching technology to better serve our customers, the Company will focus on the development of next-generation thermal components in 2024.

Looking to the future, innovation and R&D will be the cornerstone of the competitiveness of companies. We will continue to conduct R&D for innovative applications and refinement of production technology in the future in order to guide the Company through innovative R&D, and to create profits through advanced technology. In 2024, the Company will focus on the following production and sales policies.

1. Transform into a professional mask sheet etching manufacturer and collaborate with strategic partners to develop end customers in mainland China.
2. Begin mass production of new thermal components.
3. Expand the business of etching products and venture into the non-OLED Mask market.
4. Expand equipment and increase production capacity.

We hope that in 2024, with the concerted efforts of all employees, we can create better profits for all shareholders and a better living environment for all employees.

Chairman :

Company officer :

Chief Accounting Officer :

## FineMat Applied Materials Co., Ltd.

### Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 business report, consolidated and parent company-only financial statements, and earnings distribution proposal. The consolidated and parent company-only financial statements have been audited by Lin Tzu-Yu and Lin Yong-Zhi, CPAs of PwC Taiwan, who have issued an unqualified audit report. Said business report, consolidated and parent company only financial statements and earnings distribution proposal have been reviewed by the Audit Committee and found to have no inconsistencies. This report is issued in accordance with the Securities and Exchange Act and Company Act. Please review it accordingly.

FINEMAT APPLIED MATERIALS CO., LTD.

Convener of Audit Committee Meeting: Tseng Chung-Nan

March 14, 2024

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of FINEMAT APPLIED MATERIALS CO., LTD.

### **Opinion**

We have audited the accompanying parent company only balance sheets of FINEMAT APPLIED MATERIALS CO., LTD. (the "Company") as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

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

### **Basis for opinion**

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 parent company only financial statements are stated as follows:

## **Existence of sales revenue**

### Description

Refer to Note 4(24) for the accounting policy on revenue recognition and Note 6(16) for the details of operating revenue.

The Company sells electronic components, high precision metal masks and other metal products and so forth. Since the Company's customers are located in Taiwan, Asia and other areas, sales are easily affected by the terminal market demand. Also, the verification of the transaction existence takes a relatively longer time due to the massive transaction volume of sales revenue. Thus, we considered the existence of sales revenue as one of the key audit matters for this year's audit.

### How our audit addressed the matter

We performed the following audit procedures in response of the above key audit matter:

- A. We confirmed the process of revenue recognition, including reviewing customer basic information and credit limit table, revenue recognition basis, authorization procedures and collection processes to evaluate the management's effectiveness of internal controls over sales revenue recognition.
- B. We performed a series verification sample test for the sales revenue transactions of the year, including vouching customers' orders, shipping orders, export declaration documents, customer receipt records and sales invoices or subsequent receipts, to confirm whether the sales revenue transactions really occurred.
- C. We sampled and tested the accounting entries recognized for sales revenue, including verifying the nature of the entries and checking the supporting documents. For the same purpose, we also sampled and checked the reasonableness of the debit notes issued after the balance sheet date and examined the related supporting documents.

## **Responsibilities of management and those charged with governance for the parent company only financial statements**

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

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

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

## **Auditors' responsibilities for the audit of the parent company only financial statements**

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

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

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and

appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Yung-Chih

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

March 14, 2024

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FINEMAT APPLIED MATERIALS CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 204,725	11	\$ 132,101	6
1136	Financial assets at amortized cost - current	6(1) and 8	1,049	-	1,036	-
1150	Notes receivable, net	6(2)	85	-	2,541	-
1170	Accounts receivable, net	5(2), 6(2) and 12	95,865	5	121,921	6
1180	Accounts receivable - related parties, net	5(2) and 7	15,385	1	59,107	3
1200	Other receivables		2,162	-	3,210	-
1210	Other receivables - related parties	7	58,868	3	56,588	3
1220	Current income tax assets	6(23)	302	-	-	-
130X	Inventories	6(3)	64,811	3	97,900	5
1410	Prepayments		5,277	-	14,485	1
11XX	<b>Total current assets</b>		<u>448,529</u>	<u>23</u>	<u>488,889</u>	<u>24</u>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(4) and 7	864,399	44	873,398	42
1600	Property, plant and equipment	6(5), 7 and 8	617,814	31	650,932	32
1755	Right-of-use assets	6(6)	3,258	-	4,230	-
1760	Investment property, net	6(7) and 8	279	-	584	-
1780	Intangible assets	6(8)	635	-	1,277	-
1840	Deferred income tax assets	6(23)	37,122	2	33,248	2
1920	Guarantee deposits paid		5,691	-	4,883	-
1990	Other non-current assets		602	-	869	-
15XX	<b>Total non-current assets</b>		<u>1,529,800</u>	<u>77</u>	<u>1,569,421</u>	<u>76</u>
1XXX	<b>Total assets</b>		<u>\$ 1,978,329</u>	<u>100</u>	<u>\$ 2,058,310</u>	<u>100</u>

(Continued)

FINEMAT APPLIED MATERIALS CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
<b>Liabilities</b>						
<b>Current liabilities</b>						
2100	Short-term borrowings	6(9) and 8	\$ 410,000	21	\$ 377,000	18
2110	Short-term notes and bills payable	6(10)	50,000	2	-	-
2130	Current contract liabilities	6(16)	2,469	-	878	-
2170	Accounts payable		58,457	3	60,513	3
2180	Accounts payable - related parties	7	833	-	11,104	1
2200	Other payables		33,572	2	50,398	3
2230	Current income tax liabilities	6(23)	-	-	9	-
2280	Current lease liabilities		2,095	-	2,768	-
2320	Long-term liabilities, current portion	6(11) and 8	94,854	5	86,546	4
21XX	<b>Total current liabilities</b>		<u>652,280</u>	<u>33</u>	<u>589,216</u>	<u>29</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(11) and 8	79,613	4	168,444	8
2570	Deferred income tax liabilities	6(23)	20,725	1	14,831	1
2580	Non-current lease liabilities		1,183	-	1,494	-
2600	Other non-current liabilities		9,462	1	-	-
25XX	<b>Total non-current liabilities</b>		<u>110,983</u>	<u>6</u>	<u>184,769</u>	<u>9</u>
2XXX	<b>Total liabilities</b>		<u>763,263</u>	<u>39</u>	<u>773,985</u>	<u>38</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(13)	663,898	33	663,898	32
Capital reserves						
3200	Capital surplus	6(14)	526,972	27	503,465	25
Retained earnings						
3310	Legal reserve		41,495	2	41,495	2
3320	Special reserve		10,808	-	16,526	1
3350	Unappropriated retained earnings		14,083	1	93,936	4
3400	Other equity interest		( 18,003)	( 1)	( 10,808)	( 1)
3500	Treasury stocks	6(13)	( 24,187)	( 1)	( 24,187)	( 1)
3XXX	<b>Total equity</b>		<u>1,215,066</u>	<u>61</u>	<u>1,284,325</u>	<u>62</u>
Significant Contingent Liabilities and						
Unrecognized Contract Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,978,329</u>	<u>100</u>	<u>\$ 2,058,310</u>	<u>100</u>

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

**FINEMAT APPLIED MATERIALS CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)

		Year ended December 31					
		2023		2022			
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Sales revenue	\$ 398,921	100	\$ 525,671	100		
5000	Operating costs	( 409,589)	( 102)	( 463,997)	( 88)		
5900	Gross (loss) profit	( 10,668)	( 2)	61,674	12		
	Operating expenses						
6100	Selling expenses	( 20,007)	( 5)	( 34,455)	( 7)		
6200	General and administrative expenses	( 47,544)	( 12)	( 53,306)	( 10)		
6300	Research and development expenses	( 35,536)	( 9)	( 37,463)	( 7)		
6450	Expected credit impairment gain (loss)	632	-	( 783)	-		
6000	Total operating expenses	( 102,455)	( 26)	( 126,007)	( 24)		
6900	Operating loss	( 113,123)	( 28)	( 64,333)	( 12)		
	Non-operating income and expenses						
7100	Interest income	4,239	1	1,378	-		
7010	Other income	13,256	3	9,491	2		
7020	Other gains and losses	1,316	1	15,481	3		
7050	Finance costs	( 11,292)	( 3)	( 6,792)	( 1)		
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	25,142	6	11,145	2		
7000	Total non-operating income and expenses	32,661	8	30,703	6		
7900	<b>Loss before income tax</b>	( 80,462)	( 20)	( 33,630)	( 6)		
7950	Income tax expense	( 5,109)	( 1)	( 2,419)	( 1)		
8200	<b>Loss for the year</b>	( \$ 85,571)	( 21)	( \$ 36,049)	( 7)		
	<b>Other comprehensive (loss) income (Net)</b>						
	<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>						
8361	Financial statements translation differences of foreign operations	( \$ 8,994)	( 2)	\$ 7,146	1		
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	1,799	-	( 1,429)	-		
8300	<b>Other comprehensive (loss) income for the year</b>	( \$ 7,195)	( 2)	\$ 5,717	1		
8500	<b>Total comprehensive loss for the year</b>	( \$ 92,766)	( 23)	( \$ 30,332)	( 6)		
	Loss per share (in dollars)						
9750	Basic	( \$ 1.30)		( \$ 0.55)			
9850	Diluted	( \$ 1.30)		( \$ 0.55)			

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

FINEMAT APPLIED MATERIALS CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other Equity Interest		Total	
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		Treasury shares
<u>Year ended December 31, 2022</u>									
Balance at January 1, 2022		\$ 663,898	\$ 396,701	\$ 38,886	\$ 13,982	\$ 140,650	(\$ 16,525)	(\$ 24,187)	\$ 1,213,405
Loss for the year		-	-	-	-	(36,049)	-	-	(36,049)
Other comprehensive income for the year		-	-	-	-	-	5,717	-	5,717
Total comprehensive income (loss) for the year		-	-	-	-	(36,049)	5,717	-	(30,332)
Adjustment of retained earnings due to change in interests of investee companies	6(4)(14)	-	95,778	-	-	-	-	-	95,778
Adjustment of capital reserve due to change in interests of subsidiaries	6(4) and 7	-	-	-	-	(4,449)	-	-	(4,449)
Adjustment for change in capital reserve of investee companies	6(4)(14)	-	274	-	-	-	-	-	274
Adjustment of capital reserve and retained earnings due to change in interests of investee companies	6(4)(14)	-	(2,070)	-	-	(1,063)	-	-	(3,133)
Difference between acquisition or disposal price and carrying amounts of subsidiaries	6(14) and 7	-	12,782	-	-	-	-	-	12,782
Appropriations of 2021 earnings:									
Legal reserve	6(15)	-	-	2,609	-	(2,609)	-	-	-
Special reserve	6(15)	-	-	-	2,544	(2,544)	-	-	-
Balance at December 31, 2022		\$ 663,898	\$ 503,465	\$ 41,495	\$ 16,526	\$ 93,936	(\$ 10,808)	(\$ 24,187)	\$ 1,284,325
<u>Year ended December 31, 2023</u>									
Balance at January 1, 2023		\$ 663,898	\$ 503,465	\$ 41,495	\$ 16,526	\$ 93,936	(\$ 10,808)	(\$ 24,187)	\$ 1,284,325
Loss for the year		-	-	-	-	(85,571)	-	-	(85,571)
Other comprehensive loss for the year		-	-	-	-	-	(7,195)	-	(7,195)
Total comprehensive loss for the year		-	-	-	-	(85,571)	(7,195)	-	(92,766)
Adjustment for change in capital reserve of investee companies	6(4)(14)	-	325	-	-	-	-	-	325
Disposal of investments accounted for under equity method	6(4)(14)	-	(95,778)	-	-	-	-	-	(95,778)
Adjustment of capital reserve due to change in interest of subsidiaries	6(4)(14)	-	118,960	-	-	-	-	-	118,960
Appropriation of 2022 earnings:									
Special reserve	6(15)	-	-	-	(5,718)	5,718	-	-	-
Balance at December 31, 2023		\$ 663,898	\$ 526,972	\$ 41,495	\$ 10,808	\$ 14,083	(\$ 18,003)	(\$ 24,187)	\$ 1,215,066

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

FINEMAT APPLIED MATERIALS CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		(\$ 80,462 )	(\$ 33,630 )
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	12	( 632 )	783
Loss on inventory market price decline	6(3)	5,307	3,420
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	( 25,142 )	( 11,145 )
Depreciation	6(5)(6)(7)	58,983	54,667
Gain on disposal of property, plant and equipment	6(19)	-	( 606 )
Amortization	6(8)(21)	642	1,085
Interest income	6(17)	( 4,239 )	( 1,378 )
Interest expense	6(20)	11,292	6,792
Changes in assets and liabilities			
Changes in operating assets			
Notes receivable		2,456	463
Accounts receivable		26,688	3,505
Accounts receivable - related parties		43,722	( 39,441 )
Other receivables		1,048	473
Other receivables - related parties		16,463	( 16,730 )
Inventories		27,782	( 19,763 )
Prepayments		9,208	( 8,736 )
Changes in operating liabilities			
Current contract liabilities		1,591	814
Accounts payable		( 2,056 )	( 5,665 )
Accounts payable - related parties		( 10,271 )	5,528
Other payables		( 12,150 )	2,643
Other non-current liabilities		9,462	-
Cash inflow (outflow) generated from operations		79,692	( 56,921 )
Interest received		4,239	1,378
Dividends received	6(4)	48,654	32,717
Interest paid		( 11,247 )	( 6,527 )
Income tax paid		( 1,601 )	90
Net cash flows from (used in) operating activities		119,737	( 29,443 )

(Continued)

FINEMAT APPLIED MATERIALS CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortized cost - current		(\$ 13 )	(\$ 8 )
Increase in other receivables - related parties		( 18,743 )	( 39,858 )
Acquisition of investments accounted for under equity method - subsidiary	7	-	( 121,729 )
Proceeds from disposal of investments accounted for under equity method - subsidiaries	7	-	20,239
Cash paid for acquisition of property, plant and equipment	6(25)	( 27,475 )	( 50,144 )
Proceeds from disposal of property, plant and equipment		-	1,827
Acquisition of intangible assets	6(8)	-	( 83 )
Increase in guarantee deposits paid		( 808 )	-
Decrease in other non-current assets		267	460
Net cash flows used in investing activities		( 46,772 )	( 189,296 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	1,410,000	1,253,300
Decrease in short-term borrowings	6(26)	( 1,377,000 )	( 971,300 )
Increase in short-term notes and bills payable	6(26)	270,000	-
Decrease in short-term notes and bills payable	6(26)	( 220,000 )	-
Payments of lease liability	6(26)	( 2,818 )	( 2,738 )
Increase in long-term borrowings	6(26)	7,000	35,024
Decrease in long-term borrowings	6(26)	( 87,523 )	( 101,884 )
Net cash flows (used in) from financing activities		( 341 )	212,402
Net increase (decrease) in cash and cash equivalents		72,624	( 6,337 )
Cash and cash equivalents at beginning of year	6(1)	132,101	138,438
Cash and cash equivalents at end of year	6(1)	\$ 204,725	\$ 132,101

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of FINEMAT APPLIED MATERIALS CO., LTD.

### **Opinion**

We have audited the accompanying consolidated balance sheets of FINEMAT APPLIED MATERIALS CO., LTD. and its subsidiaries (collectively referred herein as the “Group”) as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

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

## **Key audit matters**

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

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

### **Existence of sales revenue**

#### Description

Refer to Note 4(28) for the accounting policy on revenue recognition and Note 6(21) for the details of operating revenue.

The Group sells electronic components, high precision metal masks, other metal products, microwave semiconductor devices, provide services for precision equipment clearing and recycling. Since the Group's customers are located in Taiwan, Asia and other areas, sales are easily affected by the terminal market demand. Also, the verification of the transaction existence takes a relatively longer time due to the massive transaction volume of sales revenue. Thus, we considered the existence of sales revenue as one of the key audit matters for this year's audit.

#### How our audit addressed the matter

We performed the following audit procedures in response of the above key audit matter:

- A. We confirmed the process of revenue recognition, including reviewing customer basic information and credit limit table, revenue recognition basis, authorization procedures and collection processes to evaluate the management's effectiveness of internal controls over sales revenue recognition.
- B. We performed a series verification sample test for the sales revenue transactions of the year, including vouching customers' orders, shipping orders, export declaration documents, customer receipt records and sales invoices or subsequent receipts, to confirm whether the sales revenue transactions really occurred.

C. We sampled and tested the accounting entries recognized for sales revenue, including verifying the nature of the entries and checking the supporting documents. For the same purpose, we also sampled and checked the reasonableness of the debit notes issued after the balance sheet date and examined the related supporting documents.

### **Valuation of inventories - Allowance for valuation loss on microwave semiconductor devices**

#### Description

Refer to Note 4(11) for the accounting policy on inventory valuation, Note 5(2) for the information on the uncertainty of accounting estimates and assumptions on inventory valuation, and Note 6(5) for details of allowance for inventory valuation losses.

Due to rapid technology innovations of microwave semiconductor devices, there is a higher risk of inventory devaluation or obsolescence. Inventories of microwave semiconductor devices are stated at the lower of cost and net realizable value. The net realizable value of inventories aged over a certain period and individually recognized as obsolete is estimated based on regular reviews by management of individual inventory conditions.

Due to rapid technology innovations in the relevant industry of products produced by microwave semiconductor devices and given that the determination of the net realizable value of individually identified obsolete inventories involves subjective judgement, we considered the valuation of inventories as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding on the provision policies of inventory valuation losses and assessed the reasonableness of policies and procedures which were adopted in the provision of allowance for inventory valuation losses based on the accounting principles and our understanding of the nature of the business and the industry on microwave semiconductor devices, including the sources of inventory information used to determine net realizable value and the reasonableness of judging obsolete inventories.

- B. Assessed the effectiveness of the management's inventory control, based on our understanding of the operations of the warehouse management, inspected the annual inventory taking plan and performed our observation.
- C. Verified whether the net realizable value of inventories and the dates used in the inventory aging reports that were applied to value inventories were appropriate, and selected samples from inventory items by each sequence number to recalculate its net realizable value to ascertain the reasonableness of allowance for inventory valuation loss.

### **Other matter - Parent company only financial statements**

We have audited and expressed an unqualified opinion on the parent company only financial statements of FINEMAT APPLIED MATERIALS CO., LTD. as at and for the years ended December 31, 2023 and 2022.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' responsibilities for the audit of the consolidated financial statements**

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

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

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

- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Yung-Chih

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

March 14, 2024

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 601,688	19	\$ 565,971	18
1136	Financial assets at amortized cost - current	6(2) and 8	326,749	10	10,836	-
1140	Current contract assets	6(21)	32,242	1	17,866	1
1150	Notes receivable, net	6(3) and 7	4,073	-	3,128	-
1170	Accounts receivable, net	5(2), 6(3), 7 and 12	271,863	9	396,077	13
1200	Other receivables		136,510	4	5,160	-
1210	Other receivables - related parties	7	267	-	59,033	2
1220	Current income tax assets	6(28)	319	-	122	-
130X	Inventories	5(2), 6(5) and 8	244,710	8	281,392	9
1410	Prepayments		29,147	1	43,235	1
11XX	<b>Total current assets</b>		<u>1,647,568</u>	<u>52</u>	<u>1,382,820</u>	<u>44</u>
<b>Non-current assets</b>						
1535	Financial assets at amortized cost - non-current	6(2) and 8	50,000	2	4,700	-
1550	Investments accounted for under equity method	6(7) and 7	11,074	-	149,782	5
1600	Property, plant and equipment	6(8), 7 and 8	1,166,213	37	1,350,136	43
1755	Right-of-use assets	6(9) and 8	63,711	2	64,493	2
1760	Investment property, net	6(8)(10) and 8	21,545	1	584	-
1780	Intangible assets	6(11)	57,557	2	65,964	2
1840	Deferred income tax assets	6(28)	63,660	2	45,100	2
1915	Prepayments for equipment	6(8)	13,559	-	21,660	1
1920	Guarantee deposits paid	8	24,314	1	24,251	1
1990	Other non-current assets	6(6)(12)	45,489	1	5,146	-
15XX	<b>Total non-current assets</b>		<u>1,517,122</u>	<u>48</u>	<u>1,731,816</u>	<u>56</u>
1XXX	<b>Total assets</b>		<u>\$ 3,164,690</u>	<u>100</u>	<u>\$ 3,114,636</u>	<u>100</u>

(Continued)

**FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
<b>Liabilities</b>						
<b>Current liabilities</b>						
2100	Short-term borrowings	6(13) and 8	\$ 514,095	16	\$ 510,617	16
2110	Short-term notes and bills payable	6(14)	50,000	2	-	-
2130	Current contract liabilities	6(21)	6,464	-	6,142	-
2150	Notes payable		-	-	34	-
2170	Accounts payable		143,441	5	117,477	4
2180	Accounts payable - related parties	7	3,750	-	54,034	2
2200	Other payables	6(15)	127,789	4	151,566	5
2220	Other payables - related parties	7	24	-	273	-
2230	Current income tax liabilities	6(28)	6,664	-	19,030	1
2250	Current provisions		917	-	859	-
2280	Current lease liabilities		3,536	-	3,162	-
2320	Long-term liabilities, current portion	6(16) and 8	157,817	5	126,658	4
21XX	<b>Total current liabilities</b>		<u>1,014,497</u>	<u>32</u>	<u>989,852</u>	<u>32</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(16) and 8	104,792	4	259,579	8
2570	Deferred income tax liabilities	6(28)	27,895	1	23,500	1
2580	Non-current lease liabilities		3,018	-	1,658	-
2600	Other non-current liabilities		9,462	-	-	-
25XX	<b>Total non-current liabilities</b>		<u>145,167</u>	<u>5</u>	<u>284,737</u>	<u>9</u>
2XXX	<b>Total liabilities</b>		<u>1,159,664</u>	<u>37</u>	<u>1,274,589</u>	<u>41</u>
<b>Equity attributable to owners of parent</b>						
Share capital						
3110	Common stock	6(18)	663,898	21	663,898	21
Capital reserves						
3200	Capital surplus	6(7)(19)(30)	526,972	16	503,465	16
Retained earnings						
3310	Legal reserve	6(20)(30)	41,495	1	41,495	1
3320	Special reserve		10,808	-	16,526	1
3350	Unappropriated retained earnings		14,083	1	93,936	3
3400	Other equity interest	6(7)	( 18,003)	-	( 10,808)	-
3500	Treasury stocks	6(18)	( 24,187)	( 1)	( 24,187)	( 1)
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,215,066</u>	<u>38</u>	<u>1,284,325</u>	<u>41</u>
36XX	Non-controlling interest	4(3), 6(7)(30) and 7	789,960	25	555,722	18
3XXX	<b>Total equity</b>		<u>2,005,026</u>	<u>63</u>	<u>1,840,047</u>	<u>59</u>
Significant Contingent Liabilities and Unrecognized Contract Commitments						
		9				
	<b>Total liabilities and equity</b>		<u>\$ 3,164,690</u>	<u>100</u>	<u>\$ 3,114,636</u>	<u>100</u>

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

**FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)

	Items	Notes	Year ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(10)(21) and 7	\$ 1,121,229	100	\$ 1,250,628	100
5000	Operating costs	6(5)(11)(17)(26)(27) and 7	( 914,043)	( 82)	( 929,447)	( 74)
5900	Gross profit		<u>207,186</u>	<u>18</u>	<u>321,181</u>	<u>26</u>
	Operating expenses	6(11)(17)(26)(27), 7 and 12				
6100	Selling expenses		( 35,769)	( 3)	( 55,341)	( 5)
6200	General and administrative expenses		( 174,923)	( 16)	( 163,749)	( 13)
6300	Research and development expenses		( 80,562)	( 7)	( 79,164)	( 6)
6450	Expected credit impairment loss		( 5,648)	-	( 1,195)	-
6000	Total operating expenses		( 296,902)	( 26)	( 299,449)	( 24)
6900	Operating (loss) profit		( 89,716)	( 8)	( 21,732)	( 2)
	Non-operating income and expenses					
7100	Interest income	6(22)	6,756	1	2,569	-
7010	Other income	6(23) and 7	40,147	3	47,436	4
7020	Other gains and losses	6(6)(7)(9)(10)(24), 7 and 12	65,542	6	6,900	-
7050	Finance costs	6(9)(25)	( 25,908)	( 2)	( 16,529)	( 1)
7060	Share of loss of associates and joint ventures accounted for under equity method	6(7)	( 7,909)	( 1)	( 14,738)	( 1)
7000	Total non-operating income and expenses		<u>78,628</u>	<u>7</u>	<u>25,638</u>	<u>2</u>
7900	<b>(Loss) profit before income tax</b>		( 11,088)	( 1)	47,370	4
7950	Income tax expense	6(28)	( 17,726)	( 1)	( 24,661)	( 2)
8200	<b>(Loss) profit for the year</b>		<u>( \$ 28,814)</u>	<u>( 2)</u>	<u>\$ 22,709</u>	<u>2</u>
	<b>Other comprehensive (loss) income (Net)</b>					
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		( \$ 37,363)	( 3)	\$ 35,224	2
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method - will be reclassified to profit or loss	6(7)	25,415	2	( 26,154)	( 2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(28)	<u>2,185</u>	-	( 1,578)	-
8300	<b>Other comprehensive (loss) income for the year</b>		( \$ 9,763)	( 1)	\$ 7,492	-
8500	<b>Total comprehensive (loss) income for the year</b>		<u>( \$ 38,577)</u>	<u>( 3)</u>	<u>\$ 30,201</u>	<u>2</u>
	(Loss) profit attributable to:					
8610	Owners of the parent		( \$ 85,571)	( 7)	( \$ 36,049)	( 3)
8620	Non-controlling interest		<u>56,757</u>	<u>5</u>	<u>58,758</u>	<u>5</u>
	(Loss) profit for the year		<u>( \$ 28,814)</u>	<u>( 2)</u>	<u>\$ 22,709</u>	<u>2</u>
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		( \$ 92,766)	( 8)	( \$ 30,332)	( 3)
8720	Non-controlling interest		<u>54,189</u>	<u>5</u>	<u>60,533</u>	<u>5</u>
	Total comprehensive (loss) income for the year		<u>( \$ 38,577)</u>	<u>( 3)</u>	<u>\$ 30,201</u>	<u>2</u>
	Loss per share (in dollars)	6(29)				
9750	Basic		( \$ 1.30)		( \$ 0.55)	
9850	Diluted		( \$ 1.30)		( \$ 0.55)	

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

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent											
	Notes	Retained Earnings				Unappropriated retained earnings		Other Equity Interest		Total		
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Treasury shares	Financial statements translation differences of foreign operations	Treasury shares	Total	Non-controlling interest	Total
Year ended December 31, 2022												
Balance at January 1, 2022	\$ 663,898	\$ 396,701	\$ 38,886	\$ 13,982	\$ 140,650	(\$ 24,187)	(\$ 16,525)	(\$ 24,187)	\$ 1,213,405	\$ 485,587	\$ 1,698,992	
(Loss) profit for the year	-	-	-	-	(36,049)	-	-	-	(36,049)	38,758	22,709	
Other comprehensive income for the year	-	-	-	-	-	-	-	-	5,717	1,775	7,492	
Total comprehensive income (loss) for the year	-	-	-	-	(36,049)	-	-	-	(30,332)	60,533	30,201	
Adjustment of capital reserve due to change in interest of investee companies	6(7)(9)	95,778	-	-	-	-	-	-	95,778	34,126	129,904	
Adjustment for change in capital reserve of investee companies	6(19)	274	-	-	-	-	-	-	274	390	664	
Adjustment of retained earnings due to change in interest of subsidiaries	6(30)	-	-	-	(4,449)	-	-	-	(4,449)	4,449	-	
Adjustment of capital reserve and retained earnings due to change in interests of investee companies	6(19)(30)	(2,070)	-	-	(1,063)	-	-	-	(3,133)	(317)	(3,450)	
Difference between acquisition or disposal price and carrying amounts of subsidiaries	6(19)(30)	12,782	-	-	-	-	-	-	12,782	(2,695)	10,087	
Appropriations of 2021 earnings		-	-	-	-	-	-	-	-	-	-	
Legal reserve		-	-	2,609	-	-	-	-	-	-	-	
Special reserve		-	-	(2,544)	-	-	-	-	-	-	-	
Decrease in non-controlling interest		-	-	-	-	-	-	-	-	(26,351)	(26,351)	
Balance at December 31, 2022	\$ 663,898	\$ 503,465	\$ 41,495	\$ 16,526	\$ 93,936	(\$ 24,187)	(\$ 10,808)	(\$ 24,187)	\$ 1,284,325	\$ 555,722	\$ 1,840,047	
Year ended December 31, 2023												
Balance at January 1, 2023	\$ 663,898	\$ 503,465	\$ 41,495	\$ 16,526	\$ 93,936	(\$ 24,187)	(\$ 10,808)	(\$ 24,187)	\$ 1,284,325	\$ 555,722	\$ 1,840,047	
(Loss) profit for the year	-	-	-	-	(85,571)	-	-	-	(85,571)	56,757	(28,814)	
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	(7,195)	(2,568)	(9,763)	
Total comprehensive income (loss) for the year	-	-	-	-	(85,571)	-	-	-	(92,766)	54,189	(38,577)	
Adjustment for change in capital reserve of investee companies	6(19)	325	-	-	-	-	-	-	325	465	790	
Adjustment of investments accounted for under equity method	6(7)(19)	(95,778)	-	-	-	-	-	-	(95,778)	(34,126)	(129,904)	
Adjustment of capital reserve due to change in interest of subsidiaries	6(19)(30)	118,960	-	-	-	-	-	-	118,960	276,717	395,677	
Appropriation of 2022 earnings		-	-	-	-	-	-	-	-	-	-	
Special reserve		-	-	(5,718)	-	-	-	-	-	-	-	
Decrease in non-controlling interest		-	-	-	-	-	-	-	-	(63,007)	(63,007)	
Balance at December 31, 2023	\$ 663,898	\$ 526,972	\$ 41,495	\$ 10,806	\$ 14,083	(\$ 24,187)	(\$ 18,003)	(\$ 24,187)	\$ 1,215,066	\$ 789,980	\$ 2,005,026	

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

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit before tax		(\$ 11,088 )	\$ 47,370
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12	5,648	1,195
Loss on inventory market price decline	6(5)	18,251	4,051
Gain on disposal of non-current assets held for sale	6(6)(24)	( 1,266 )	-
Share of loss of associates and joint ventures accounted for under equity method	6(7)	7,909	14,738
Gain on disposal of investments accounted for under equity method	6(7)(24)	( 81,111 )	-
Depreciation	6(8)(9)(10)	118,474	113,333
Loss (gain) on disposal of property, plant and equipment	6(24)	10,789	( 548 )
Gain from lease modification	6(9)(24)	( 38 )	-
Amortization	6(11)(26)	11,985	11,895
Interest income	6(22)	( 6,756 )	( 2,569 )
Interest expense	6(25)	25,908	16,529
Changes in assets and liabilities			
Changes in operating assets			
Current contract assets		( 14,376 )	552
Notes receivable		( 945 )	1,538
Accounts receivable		118,700	( 97,241 )
Other receivables		24,686	606
Other receivables - related parties		14,621	( 59,033 )
Inventories		19,364	( 118,701 )
Prepayments		14,088	( 13,098 )
Changes in operating liabilities			
Current contract liabilities		322	5,612
Notes payable		( 34 )	( 7,896 )
Accounts payable		25,964	20,766
Accounts payable - related parties		( 50,284 )	44,459
Other payables		( 10,495 )	24,808
Other payables - related parties		( 249 )	171
Current provisions		58	347
Other non-current liabilities		9,462	-
Cash inflow generated from operations		249,587	8,884
Dividends received	6(7)	2,350	-
Interest received		6,756	2,569
Income tax received		12	-
Interest paid		( 26,876 )	( 12,569 )
Income tax paid		( 42,281 )	( 36,987 )
Net cash flows from (used in) operating activities		189,548	( 38,103 )

(Continued)

FINEMAT APPLIED MATERIALS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in financial assets at amortized cost - current		(\$ 361,213 )	\$ 47,592
Cash received from disposal of non-current assets held for sale	6(31)	15,987	-
Cash received from disposal of investments accounted for under equity method	6(31)	63,570	-
Cash paid for acquisition of property, plant and equipment	6(31)	( 68,446 )	( 144,208 )
Proceeds from disposal of property, plant and equipment		5,479	15,163
Acquisition of intangible assets	6(11)	( 3,604 )	( 3,251 )
Increase in prepayments for equipment		( 11,050 )	( 18,747 )
(Increase) decrease in guarantee deposits paid		( 117 )	5,761
(Increase) decrease in other non-current assets		( 8,563 )	706
Net cash flows used in investing activities		( 367,957 )	( 96,984 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(32)	1,863,693	1,619,302
Decrease in short-term borrowings	6(32)	( 1,860,612 )	( 1,310,240 )
Increase in short-term notes and bills payable	6(32)	270,000	-
Decrease in short-term notes and bills payable	6(32)	( 220,000 )	-
Decrease in other payables	6(32)	( 14,867 )	-
Decrease in other payables - related parties	6(32)	-	( 14,484 )
Payments of lease liabilities	6(32)	( 4,576 )	( 3,647 )
Increase in long-term borrowings	6(32)	7,000	115,704
Decrease in long-term borrowings	6(32)	( 128,722 )	( 170,024 )
Increase (decrease) in non-controlling interests	6(30)	333,460	( 26,351 )
Net cash flows from financing activities		245,376	210,260
Effect of exchange rate changes on cash and cash equivalents		( 31,250 )	39,721
Net increase in cash and cash equivalents		35,717	114,894
Cash and cash equivalents at beginning of year	6(1)	565,971	451,077
Cash and cash equivalents at end of year	6(1)	<u>\$ 601,688</u>	<u>\$ 565,971</u>

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