



Vanguard International Semiconductor Corporation

(incorporated as a company limited by shares in Taiwan, the Republic of China)

US\$350,000,000 Currency-Linked Zero Coupon Convertible Bonds due 2031

Vanguard International Semiconductor Corporation (the “Company”, or “Issuer”, and together with its subsidiaries, the “Group”, or, to the extent applicable, “we”, “us”, “our”) is offering US\$350,000,000 aggregate principal amount of currency-linked US dollar denominated zero coupon convertible bonds due 2031 (the “Bonds”), through Goldman Sachs International and UBS AG Hong Kong Branch (the “Initial Purchasers”).

The Bonds will be direct, unconditional, unsecured and unsubordinated obligations of the Company, and will rank *pari passu* without any preference or priority among themselves and with all other direct, unconditional, unsecured and unsubordinated obligations of the Company, except as otherwise provided herein. Unless the Bonds have been previously redeemed, repurchased and cancelled or converted, the Company will redeem the Bonds at the Settlement Equivalent (as defined herein) of 100.00% of the outstanding principal amount thereof at maturity. The Bonds will not bear any interest.

The Bonds will be convertible into common shares of the Company, par value NT\$10.00 per share (the “Common Shares” or “Shares”), during the period from and including May 5, 2026 to and including January 5, 2031 (subject to certain restrictions) at a conversion price which will initially be NT\$189.00 per Share (subject to adjustment as set forth in “Description of the Bonds — Conversion — Adjustments to the Conversion Price”) determined on the basis of a fixed exchange rate of NT\$31.3250 = US\$1.00 applicable on conversion of the Bonds. The Common Shares are currently listed under the trading code “5347” on the Taipei Exchange (the “TPEX”) in the Republic of China (the “ROC”) and application will be made to list the Common Shares issued on conversion of the Bonds on the TPEX. The closing sale price per Share on the TPEX on January 28, 2026 was NT\$163.00 (equivalent to US\$5.20 at the exchange rate of NT\$31.3250 to US\$1.00 based on the Taipei Forex Inc. Taiwan Dollar 11:00 Fixing rate on January 28, 2026). See “Risk Factors — Risks Relating to Ownership of the Bonds and the Common Shares.”

At any time after February 4, 2029, by giving the requisite notice, the Company may redeem the Bonds, in whole or in part, at the Settlement Equivalent (as defined herein) of the Early Redemption Amount (as defined herein), if the closing price of the Common Shares for a period of 20 consecutive Trading Days (as defined herein), the last of which occurs not more than five days prior to the date on which notice of such redemption was given, is at least 130% of the quotient of the prevailing Conversion Price (as defined herein) multiplied by the Early Redemption Amount and divided by US\$200,000. In addition, the Company may, at our option and by giving the requisite notice, redeem the Bonds then outstanding, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount if (i) more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted or (ii) the Company becomes obligated to pay Additional Amounts (as defined herein) as a result of certain changes in the tax laws of the ROC occurring on or after the Closing Date, which is expected to be on February 4, 2026.

You may require the Company to repurchase the Bonds, in whole or in part (being US\$200,000 in principal amount or any integral multiple of US\$100,000 in excess thereof), at the Settlement Equivalent of 100.00% of the principal amount in US dollars with respect to your Bonds, in whole or in part, on February 4, 2029. You may also require the Company to repurchase the Bonds, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount, if the Common Shares cease to be listed or admitted to trading on the TPEX or there is a Change of Control (as defined herein).

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering circular. Approval in-principle for the listing of the Bonds and admission of the Bonds to the Official List of the SGX-ST are not to be taken as an indication of the merits of this offering (the “Offering”), the Company, the Group, its subsidiaries, or any of their associated companies or the Bonds. Prior to this Offering, there has been no market anywhere for the Bonds, or any market outside Taiwan for the Common Shares.

Investing in and holding the Bonds involve a high degree of risk. See “Risk Factors” beginning on page 20 for a discussion of certain factors to be considered in connection with an investment in, and the holding of, the Bonds.

The Bonds and the Common Shares to be issued upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws. The Bonds are being offered and sold only outside the United States in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act (“Regulation S”). The Bonds are sold subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration thereunder or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. The Bonds are not being directly or indirectly offered in the ROC. See “Transfer Restrictions” and “Plan of Distribution.”

The Bonds will be represented by beneficial interests in one or more global bonds registered in the name of Citivic Nominees Limited as nominee for the common depository for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”). Except as described herein, beneficial interests in the global bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The Initial Purchasers expect to deliver the Bonds to purchasers accounts on or about February 4, 2026.

Bonds Issue Price: 100%

Sole Global Coordinator

Goldman Sachs

Joint Bookrunners

Goldman Sachs

UBS

Offering circular dated January 28, 2026

You should rely only on the information contained in this offering circular. Neither the Company nor the Initial Purchasers, the Trustee, the Agents, nor any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them has authorized anyone to provide you with different information. Neither the Company, the Initial Purchasers, the Trustee, the Agents, nor any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them is making an offer of these securities in any state or jurisdiction where the offer is not permitted. This offering circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. You should not assume that the information contained in this offering circular is accurate as of any date other than the date of this offering circular. The Company's business, financial condition, results of operations and prospects may have changed since that date.

Except as described below, the Company accepts responsibility for the information contained in this offering circular. The Company, having made all reasonable enquiries, confirm that this offering circular contains all information with respect to the Company, its consolidated subsidiaries, the Bonds and the Common Shares to be delivered upon conversion of the Bonds that is material in the context of the issue and offering of the Bonds, that the information contained in this offering circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this offering circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Bonds, make this offering circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respects and that all reasonable enquiries have been made by the Company to verify the accuracy of such information and that this offering circular does not contain an untrue statement of a material fact or omit to state a material fact required to be stated or necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading. The information contained in the sections entitled "Appendix A — The Securities Markets of the ROC" and "Appendix B — Foreign Investment and Exchange Controls in the ROC" has been extracted from publicly available resources. However, such information has not been verified by the Company, the Initial Purchasers, the Trustee's, the Agents' or any of the Company's or the Initial Purchasers' respective affiliates or advisors in connection with this offering.

The distribution of this offering circular and the offering and sale of the Bonds, in certain jurisdictions may be restricted by law. Persons into whose possession this offering circular comes are required by the Company and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offering and sale of the Bonds, and distribution of this offering circular, see "Plan of Distribution" and "Transfer Restrictions." This offering circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Initial Purchasers, the Trustee, the Agents, nor any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them to subscribe for or purchase any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. This offering circular may be used only for the purposes for which it has been published.

In making an investment decision regarding the Bonds, you must rely on your own examination of our Company and the terms of the Bonds and this offering, including the merits and risks involved. The contents of this offering circular are not to be considered as legal, business, financial or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects with respect to the purchase of the Bonds. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Initial Purchasers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, as to the accuracy or completeness of the information contained in this offering circular or any other information supplied in connection with our Company, the issue and offering of the Bonds or the Shares. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents or any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them accept any responsibility for the contents of this offering circular or for any other statement, made or purported to be made by the Initial Purchasers, the Trustee or the Agents or on their behalf in connection with our Company, the issue and offering of the Bonds or the Shares. The Initial Purchasers, the Trustee or the Agents accordingly disclaim any and all liabilities whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this offering circular or any such statement.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this Offering of the Bonds, including the Initial Purchasers, are “capital market intermediaries” (“CMI”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “Code”). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“OCs”) for this Offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an association (“Association”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with the Initial Purchasers, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Initial Purchasers or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. If a prospective investor is otherwise affiliated with the Initial Purchasers, such that its order may be considered to be a “proprietary order” (pursuant to the Code), such prospective investor should indicate to the Initial Purchasers when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this Offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private bank(s) which acts as a CMI in connection with this Offering (“Private Banks”)) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Initial Purchasers and/or any other third parties as may be required by the Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this Offering. Failure to provide such information may result in that order being rejected.

PRIIPS REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET: Solely for the purposes of each manufacturer’s product approval process, the target market assessment in

respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “EUWA”) (“UK MiFIR”); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

UK PRIIPS REGULATION / PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is not a professional client as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In addition, prospective investors should be aware that this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at: (i) in the UK, persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”), and/or high net-worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; and (ii) persons who are outside the UK (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to, and will be engaged in only with, relevant persons.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this offering circular. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “seek” and similar words identify forward-looking statements. In addition, all statements other than statements of historical fact included in this offering circular are forward-looking statements. Our forward-looking statements contain information regarding:

- our future revenue and profitability;
- our business strategies;
- expected growth in consumer demand;
- the expected industry trends;
- our capital expenditure plans; and

other matters discussed in this offering circular regarding matters that are not historical facts, are only forecasts based on information currently available to us. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- the intensely competitive industries in which we operate;
- industry risks;
- general economic, political and social conditions and developments in the ROC, Singapore, the PRC, the United States and other jurisdictions in which we operate our business;
- market acceptance of our services;
- risks associated with our entry into new markets or businesses;
- changes in market prices for our products;
- our rate of growth and ability to meet the demands in relation to our growth;
- changes in the availability and prices of raw materials and machinery and equipment we need to manufacture our products;
- our ability to meet financial and other covenants provided under our loan agreements;
- our continued ability to secure funding to meet our liquidity needs and investment objectives;
- legal proceedings, if any; and
- other risks identified in the “Risk Factors” section of this offering circular.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will be proven correct. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in “Risk Factors” and elsewhere in this offering circular, the forward-looking events in this offering circular are not guarantees of future performance and might not occur and our actual results could differ materially from those anticipated in those forward-looking statements.

INDUSTRY AND MARKET DATA

This offering circular contains statistical data, estimates, and forecasts regarding our industry that are based on various sources, including independent industry publications and other publicly available information, as well as other information based on our internal sources. Some data and other information contained in this offering circular are also based on management's estimates and calculations, which are derived from our review and interpretation of internal and independent sources. Data regarding the industries in which we compete and our market position and market share within these industries are inherently imprecise and are subject to significant business, economic, and competitive uncertainties beyond our control, but we believe they generally indicate size, position, and market share within this industry. With respect to any information included herein sourced from a third party, this information has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. While we believe such information is reliable, neither we, the Initial Purchasers, the Trustee, the Agents, nor any of its or their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them has independently verified any such information and accept no responsibility for the accuracy thereof. While we believe our internal company research and estimates are reliable, such research and estimates have not been verified by any independent source. In addition, assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "Risk Factors." These and other factors could cause our future performance to differ materially from our assumptions and estimates, and you are cautioned not to give undue weight to these estimates. As a result, you should be aware that market, ranking, and other similar industry data included in this offering circular, and estimates and beliefs based on that data, may not be reliable. Neither we, the Initial Purchasers, the Trustee, the Agents, nor any of their respective affiliates, directors, officers, employees, representatives, agents or advisers nor any person who controls any of them guarantee the accuracy or completeness of any such information contained in this Offering Circular. The content of these sources, except to the extent specifically set forth in this offering circular, does not constitute a portion of this offering circular and is not incorporated herein.

Certain information in the text of this offering circular is contained in independent industry publications and publicly-available reports. Please refer to the footnotes contained in the Business section for the sources of these independent industry publications and publicly-available reports.

ENFORCEABILITY OF FOREIGN JUDGMENTS

We are a company limited by shares and incorporated under the ROC Company Act. Most of our directors and executive officers and certain other parties named in this offering circular are residents of the ROC and a significant portion of our assets and the assets of such persons are located in the ROC. As a result, it may be difficult for investors to effect service of process upon us or such persons inside the ROC, or to enforce judgments obtained outside the ROC against us or such persons in the ROC, including those predicated upon the civil liability provisions of the federal securities laws of the United States. We have been advised by Dacheng Taiwan, our legal advisor in the ROC, that any final and non-appealable judgment obtained against us or such persons in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to our Bonds or Common Shares to be issued upon conversion of the Bonds will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied that:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- neither the judgment nor the court proceedings resulting in the judgment are contrary to the public order or good morals of the ROC;
- the judgment is a final judgment for which the period for appeal has expired or from which no appeal can be taken;
- if the judgment was rendered by default by the court rendering the judgment, (i) process was duly served on us or such persons within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction or (ii) process was served on us or such persons with judicial assistance of the ROC; and
- judgments of the courts of the ROC are recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) (the “CBC”), for the remittance out of the ROC of any amounts exceeding US\$100,000 or its equivalent recovered in respect of such judgment denominated in a currency other than NT dollars. See “Appendix B – Foreign Investment and Exchange Controls in the ROC.”

CERTAIN CONVENTIONS AND OTHER DATA

Except where the context otherwise requires, all references in this offering circular to “Vanguard,” “we,” “us,” “our company” or the “Company” are to Vanguard International Semiconductor Corporation itself, or, as the context required, to Vanguard International Semiconductor Corporation and its subsidiaries. All references to “Group” are to Vanguard International Semiconductor Corporation and its subsidiaries. All references to “Taiwan” or the “ROC” are to Taiwan and other areas under the effective control of the Republic of China. All references to the “ROC Government” are references to the government of the Republic of China. All references to “China” or the “PRC” are to the People’s Republic of China and excludes, for the avoidance of doubt, Taiwan, Hong Kong and Macau unless otherwise specified. All references to “the United States,” the “U.S.” or the “US” are to the United States of America. All references to “Taiwan IFRS” are to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (collectively, “Taiwan IFRS”). All references to “IFRS” are to International Financial Reporting Standards as issued by International Accounting Standard Board. All references to “United States dollars,” “US dollars” and “US\$” are to United States dollars, and references to “New Taiwan dollars,” “NT dollars” and “NT\$” are to New Taiwan dollars, and references to “Renminbi” and “RMB” to Renminbi.

As the Shares are listed on the TPEx, our financial statements are required to be presented in New Taiwan dollars, the lawful currency of the ROC. Except as otherwise specified, all translations from NT dollars to US dollars are made using the exchange rate of NT\$30.46 to US\$1.00 on September 30, 2025, as set forth in the statistical release published by the Federal Reserve Board of Governors of the United States (the “Federal Reserve Board”). No representation is made that the NT\$ or US\$ amounts referred to in this offering circular could have been or could be converted into US\$ or NT\$, as the case may be, at any particular rate, the above rates or at all.

Unless expressly stated otherwise, all financial information, description and other information regarding our financial condition and results of operations as of and for the years ended December 31, 2022, 2023 and 2024 and as of and for the nine months ended September 30, 2024 and 2025 included in this offering circular are presented on a consolidated basis.

In this offering circular, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, the total of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

We have compiled all industry and market information and statistics contained in this offering circular from various published and private sources, which may be inconsistent with other information compiled elsewhere. Neither we, nor the Initial Purchasers, have independently verified the accuracy of any of such information.

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SUMMARY

The following is only a summary and it may not contain all the information you should consider before deciding to invest in the Bonds. You should read this entire offering circular carefully, including the “Risk Factors” section and the financial statements and related notes.

Overview

We are a globally leading “Power Centric” specialty foundry focusing on power essential applications including computing (including high-performance computing (“HPC”)), automotive, industrial, communication, consumer electronics, IoT, and humanoid markets. With more than three decades of operational excellence, we provide differentiated fabrication services on the 8-inch platform, and with expansion plan focusing on 12-inch platform, supported by long-term trustworthy partnerships with customers, robust quality systems, and a track record of efficiency and reliability. Our business model emphasizes stable, recurring foundry revenue supported by a diversified, global customer base and a disciplined approach to capital deployment.

Our product offerings serve a wide spectrum of applications, including power management ICs (“PMICs”) and discrete, GaN, and SiC power device solutions used in AI and enterprise datacenters, automotives, and industrial systems; display driver ICs (“DDICs”) solutions used in televisions, notebooks, mobile devices and automotives; embedded flash (“eFlash”) solutions used in motor controller, IoT and connectivity; and optical, magnetic, and thermal sensors used in personal health monitors, wearables, as well as automotive and industrial devices. We hold established positions in many of these segments due to our strong device engineering capability and competitive technology. Our logic platform nodes include 0.5 μm , 0.35 μm , 0.25 μm , 0.18 / 0.15 μm , and 0.11 μm . These feature-rich and cost-efficient processes are optimized for analog, mixed-signal, and power applications that require reliability, longevity, and stringent quality.

Established in 1994, we originated as a memory manufacturer and subsequently transformed into a pure-play foundry in early 2000s. Over the decades, we have continuously expanded our capabilities through technology development, capacity investments, and strategic cooperation with global leading semiconductor companies. Today, our specialty-process expertise is recognized by major global integrated circuit (“IC”) design houses and integrated device manufacturers (“IDMs”), many of whom rely on our long-lifecycle support and stable supply capability. We now operate a scalable and diversified manufacturing network comprising four foundries in Taiwan and one foundry in Singapore, with a combined monthly capacity of about 292,000 wafers by the end of 2024. Our Taiwan operations include Fab 1, 2, and 5 located in Hsinchu Science Park and Fab 3 located in Taoyuan. These facilities, together with the Singapore fab, collectively provide a stable, high-yield, and cost-efficient production base.

We are also further expanding our global footprint through a planned new 12-inch specialty fab in Singapore, being developed under VisionPower Semiconductor Manufacturing Company (“VSMC”), a joint venture with NXP Semiconductors N.V. (“NXP Semiconductors”). This collaboration combines our proven manufacturing excellence in specialty processes with NXP Semiconductors’ long-standing strengths in automotive, industrial, HPC, and secure-connectivity semiconductors. The facility will support platforms including 0.13 μm / 90nm / 40nm Bipolar-CMOS-DMOS (“BCD”), 40nm Ultra-Low Power (“ULP”), and 40nm eFlash, targeting mixed-signal, PMICs, analog, and MCU applications. The technology alignment, facility design, construction, manufacturing ramp-up, and quality-system management are supported by Taiwan Semiconductor Manufacturing Co., Ltd. (“TSMC”)’s technology and manufacturing expertise. Beyond capacity expansion, this project represents a full-scale upgrade in automation, yield management, and cost structure.

Our net revenue was NT\$51,694 million in 2022, NT\$38,273 million in 2023, and NT\$44,055 million in 2024. Our net revenue was NT\$32,502 million and NT\$35,998 million for the nine months ended September 30, 2024 and 2025, respectively. Our net income was NT\$15,280 million in 2022, NT\$7,370 million in 2023, and NT\$7,047 million in 2024. Our net profit was NT\$5,203 million and NT\$6,104 million for the nine months ended September 30, 2024 and 2025, respectively.

Our Strengths

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- we are a trusted, independent and reliable foundry partner of global blue-chip customers;
- diversified end market customer base, benefiting from fast growing AI infrastructure demand;
- comprehensive and broad technology portfolio meeting the specialty needs of our customers;
- long track record of partnership with industry leader TSMC;
- commitment to engineer a greener semiconductor future; and
- experienced and stable management team with long track record of operational excellence.

Our Strategies

We intend to pursue the following growth strategies to solidify our market leadership and achieve sustainable growth:

- continue to strengthen relationship with customers through fostering tight collaboration;
- strengthen global manufacturing capacity to meet the needs of our customers;
- further penetrate into and establish robust market shares in fast growing verticals;
- continue to invest in R&D to provide our customers with the most innovative solutions; and
- committed to sustainable operation and corporate social responsibility.

Recent Developments

Pursuant to the rules and regulations of the TPEX, the Company reports its consolidated operating revenue each month on the Market Observation Post System (“MOPS”).

- The Company announced that its consolidated operating revenue for October 2025 amounted to NT\$3,909 million, representing a 3.1% increase from NT\$3,793 million for October 2024.
- The Company announced that its consolidated operating revenue for November 2025 amounted to NT\$3,755 million, representing a 8.6% increase from NT\$3,457 million for November 2024.
- The Company announced that its consolidated operating revenue for December 2025 amounted to NT\$4,930 million, representing a 14.6% increase from NT\$4,303 million for December 2024.

These monthly results have not been audited or reviewed by our auditor, Deloitte & Touche, may not be indicative of the Company’s operating revenue for the full year 2025, and are subject to adjustments based upon, among other things, the completion of applicable reporting processes. Actual results could differ materially from the unaudited financial data above.

THE OFFERING

The following is only a summary and is qualified in its entirety by reference to the “Description of the Bonds.”

Issuer	Vanguard International Semiconductor Corporation
The Offering	US\$350,000,000 aggregate principal amount of currency-linked US dollar denominated zero coupon convertible bonds due 2031, being offered outside the United States in reliance on Regulation S under the U.S. Securities Act.
Interest	The Bonds will not bear any interest.
Closing Date	February 4, 2026
Maturity Date and Final Redemption	Unless previously redeemed, repurchased and canceled or converted, the Bonds will mature, and the Company will redeem the Bonds, on February 4, 2031 at the Settlement Equivalent (as defined herein) of 100.00% of the outstanding principal amount thereof.
Issue Price	100.00%
Ranking	The Bonds will be the Company’s direct, unconditional, unsecured and unsubordinated obligations (but subject to a negative pledge, as described in “Negative Pledge” below), and will rank <i>pari passu</i> without any preference or priority among themselves and with all of its other direct, unconditional, unsecured and unsubordinated obligations.
Conversion	<p>Subject to certain conditions, each holder of the Bonds (a “Holder”) will have the right during the Conversion Period (as defined herein) to convert its Bonds (or any portion thereof being US\$200,000 in principal amount or integral multiples of US\$100,000 in excess) into Common Shares, provided, however, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period.</p> <p>See “Description of the Bonds — Conversion” and “Risk Factors — Risks Relating to Ownership of the Bonds and the Common Shares — There are limitations on the Bondholders’ ability to exercise conversion rights.”</p> <p>Subject to changes to ROC laws and regulations, the Company shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) deliver Common Shares in book-entry form to the converting Holders for the purpose of trading the Common Shares on the TPEX.</p>
Conversion Price	The conversion price will initially be NT\$189.00 per share determined on the basis of a fixed exchange rate applicable on conversion of Bonds of NT\$31.3250 = US\$1.00. The conversion price will be subject to adjustments for, among other things, subdivision or consolidation of shares, right issues, distributions,

stock dividends, and other dilutive events. See “Description of the Bonds.”

Settlement Equivalent For the relevant Rate Calculation Date (as defined herein) in respect of any US Dollar-denominated amount payable in respect of the Bonds, means such US Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate of NT\$31.3250 = US\$1.00, and then converted back to US Dollar amount using the applicable Prevailing Rate (as defined herein) on such date.

Early Redemption Amount..... The Early Redemption Amount for each US\$200,000 principal amount of the Bonds is determined so that it represents for the Holder a yield of 0.00% per annum, calculated on a semi-annual basis.

Redemption at the Option of the Issuer At any time after February 4, 2029, the Bonds may be redeemed at the option of the Company, in whole or in part, on not less than 30 nor more than 60 days’ notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, at the Settlement Equivalent of the Early Redemption Amount, provided that: (1) the Closing Price of the Common Shares for a period of 20 consecutive Trading Days, the last of which occurs not more than five days prior to the date on which notice of such redemption was given, is at least 130% of the quotient of the prevailing Conversion Price multiplied by the Early Redemption Amount and divided by US\$200,000; and (2) the applicable Redemption Date does not fall within a Closed Period.

Notwithstanding the foregoing, the Company may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days’ notice, at the Settlement Equivalent of the Early Redemption Amount if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted; provided that the applicable Redemption Date does not fall within a Closed Period.

Additional Amounts Payment of principal of and other amounts on the Bonds will be made without withholding for or on account of taxes of the ROC or such other jurisdiction in which the Company is then organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or authority or agency thereof), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company will, subject to certain exceptions, pay such Additional Amounts (as defined herein) on the Bonds as will result in receipt by the Holder of each Bond of such amounts as would have been received by such Holder had no such withholding or deduction been required. See “Description of the Bonds — Additional Amounts.”

Tax Redemption If, as a result of certain changes relating to the tax laws in the ROC or such other jurisdiction in which the Company is then organized or resident for tax purposes (or any political subdivision or authority or agency thereof), the Company becomes obligated to pay Additional Amounts, the Bonds may be redeemed at the option of the Company, in whole but not in part, at the Settlement Equivalent of the Early

Redemption Amount; provided that such right cannot be exercised earlier than 45 days prior to the first date on which the Company would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds were a payment then due. Notwithstanding the foregoing, if the outstanding principal amount of the Bonds at the time when such redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, Holders may elect not to have their Bonds redeemed but with no entitlement to any Additional Amounts or reimbursement of additional tax. See “Description of the Bonds — Redemption for Taxation Reasons.”

Repurchase at the Option of the Holder.....

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each Holder shall have the right, at such Holder’s option, to require the Company to repurchase, in whole or in part (being US\$200,000 in principal amount or any integral multiple of US\$100,000 in excess thereof), such Holder’s Bonds, on February 4, 2029 at the Settlement Equivalent of 100.00% of the principal amount in US dollars with respect to such Holder’s Bonds to be repurchased.

Repurchase in the Event of Change of Control.....

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each Holder shall have the right, at such Holder’s option, to require the Company to repurchase, in whole but not in part (being US\$200,000 in principal amount or integral multiples of US\$100,000 in excess), such Holder’s Bonds at the Settlement Equivalent of the Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See “Description of the Bonds — Repurchase in the Event of Change of Control.”

Repurchase in the Event of Delisting.....

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, in the event that the Common Shares cease to be listed or admitted to trading on TPEx, each Holder shall have the right, at such Holder’s option, to require the Company to repurchase, in whole but not in part (being US\$200,000 in principal amount or any integral multiple of US\$100,000 in excess thereof), such Holder’s Bonds on the 20th Business Day after the Issuer provides a notice to the Holders, the Trustee and the Paying Agent regarding such delisting at the Settlement Equivalent of the Early Redemption Amount with respect to such Holder’s Bonds to be repurchased. See “Description of the Bonds — Repurchase in the Event of Delisting.”

Negative Pledge.....

Subject to certain exceptions, the Company shall not, and shall ensure that none of its Principal Subsidiaries (as defined herein) will, create or permit to subsist any Lien (as defined herein) on any of its or, as the case may be, such Principal Subsidiary’s, property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined herein) (i) payment of any sum owing in respect of any such International Investment Securities, (ii) any payment under any guarantee of any such International Investment Securities or (iii) any payment under any indemnity or other like obligation relating to any such International Investment Securities, unless contemporaneously therewith effective provision is made to secure the Bonds (a) equally and ratably with such International Investment Securities with a

similar Lien on the same property, assets or revenues securing such International Investment Securities for so long as such International Investment Securities are secured by such Lien or (b) with such other security, guarantee, indemnity or other arrangement as shall be approved by registered Holders holding not less than 50% of the principal amount of the outstanding Bonds. See “Description of the Bonds — Certain Covenants — Negative Pledge.”

Form and Denomination

The Bonds will be issuable only in book-entry form and only in denominations of US\$200,000 in principal amount and any integral multiples of US\$100,000 in excess thereof. Bonds will be represented by the Global Bond. On the closing date of the Offering, the Company will deliver the Global Bond to the common depository for Euroclear and Clearstream.

If (i) at any time, the Common Depository advises the Company in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an event of default has occurred and is continuing with respect to the Bonds and the Issuer has received a written request from a Holder, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond.

The Bonds will not be issuable in a bearer form.

Use of Proceeds

The gross proceeds to be received by the Company from this Offering will be US\$350,000,000. The Company intends to use the net proceeds of the Offering for the procurement of raw materials, purchase of machineries and other facility equipment, repayment of bank loans, and funding for overseas subsidiaries’ operating activities in foreign currencies. See “Use of Proceeds”.

Listing

Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering circular. Approval-in-principle for the listing of the Bonds and admission of the Bonds to the Official List of the SGX-ST are not to be taken as an indication of the merits of the Offering, the Company, the Group, its subsidiaries or any of their associated companies or the Bonds. Prior to the Offering, there has been no market anywhere for the Bonds, or any market outside the ROC for the Common Shares.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Bond is exchanged for individual definitive Bonds, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Bond is exchanged for individual definitive

	<p>Bonds, announcement of such exchange will be made by the Company or on its behalf through the SGX-ST. Such announcement will include all material information with respect to the delivery of the individual definitive Bonds, including details of the paying agent in Singapore. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of US\$200,000.</p>
Lock-Ups	<p>The Company has agreed that subject to certain exceptions, for a period beginning from the date of the purchase agreement, dated January 28, 2026, entered into between the Company and the Initial Purchasers and ending 90 days following the Closing Date, the Company will not, without the Initial Purchasers’ prior written consent, offer, pledge, sell, contract to sell or otherwise transfer or dispose of any Bonds or Common Shares or any securities convertible into or exercisable or exchangeable for Bonds or Common Shares. See “Plan of Distribution.”</p>
Trading Market for the Common Shares	<p>The only trading market for the Common Shares is the TPEX. The Common Shares have been listed on the TPEX under the trading code “5347”.</p>
Governing law	<p>The Indenture and the Bonds will be governed by, and construed in accordance with, the laws of the State of New York.</p>
Trustee and Registrar	<p>Citicorp International Limited</p>
Paying Agent, Conversion Agent and Transfer Agent	<p>Citibank, N.A., London Branch</p>
Transfer restrictions.....	<p>None of the Bonds or the Common Shares issuable upon conversion of the Bonds has been registered under the Securities Act, and those securities are subject to restrictions on transfer. See “Transfer Restrictions”.</p>
Delivery of the Bonds	<p>Delivery of the Bonds, against payment in same-day funds, will be on the Closing Date.</p>
Legal Entity Identifier.....	<p>2549001S5Q158BIJJO13</p>

SUMMARY FINANCIAL DATA

The following summary financial information has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2022 and 2023 and as of and for the years ended December 31, 2023 and 2024, each of which have been prepared in accordance with the Taiwan IFRS, and our unaudited consolidated financial statements as of and for the nine months ended September 30, 2024 and 2025, which have been prepared in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the FSC. You should read the following selected financial information together with our financial statements included elsewhere in this offering circular. Neither these data nor the format in which they are presented should be viewed as comparable to information prepared in accordance with IFRS or generally accepted accounting principles elsewhere. See “Summary of Certain Material Differences between Taiwan IFRS and IFRS.”

Consolidated financial information

Consolidated Statements of Comprehensive Income Data

	For the year ended December 31,				For the nine months ended September 30,		
	2022	2023	2024		2024	2025	
	NT\$	NT\$	NT\$	US\$ ⁽¹⁾	NT\$	NT\$	US\$ ⁽¹⁾
	(audited)				(unaudited)		
	(in thousands, except for earnings per share information)						
Net Revenue.....	51,694,310	38,272,570	44,054,762	1,446,315	32,502,088	35,997,518	1,181,797
Cost of Revenue	27,770,570	27,826,556	32,121,848	1,054,558	23,882,949	25,808,204	847,282
Gross Profit	23,923,740	10,446,014	11,932,914	391,757	8,619,139	10,189,314	334,515
Operating Expenses							
Marketing expenses	582,693	382,140	448,957	14,739	324,231	393,965	12,934
General and administrative expenses.....	2,792,449	2,138,995	2,291,399	75,226	1,610,865	2,221,059	72,917
Research and development expenses	2,741,631	2,150,693	2,081,171	68,325	1,497,857	1,607,588	52,777
Total operating expenses	6,116,773	4,671,828	4,821,527	158,290	3,432,953	4,222,612	138,628
Operating Income.....	17,806,967	5,774,186	7,111,387	233,467	5,186,186	5,966,702	195,887
Non-Operating Income And Expenses							
Interest income	679,774	1,683,371	2,013,377	66,099	1,460,837	1,424,507	46,767
Dividend income.....	32,385	28,873	34,785	1,142	34,785	40,702	1,336
Other gains and losses....	192,060	27,001	19,620	644	12,170	(12,417)	(408)
Gain on lease modification	-	-	-	-	-	71	2
Gain on disposal of property, plant and equipment	616	23,456	867	29	-	-	-
Gains on disposal of investments	62,343	1,490,064	-	-	-	-	-
Net foreign exchange (loss) gain.....	141,225	18,275	(28,794)	(945)	(34,971)	(159,650)	(5,241)
Gain on financial assets and liabilities at fair value through profit or loss.....	109,634	32,429	13,166	432	47,606	260,352	8,547
Interest expense	(180,101)	(238,174)	(348,113)	(11,429)	(259,903)	(253,512)	(8,323)
Share of profit or loss of associates and joint ventures accounted for using equity method...	6,269	(5,708)	(63,990)	(2,101)	(27,396)	(111,101)	(3,647)
Total non-operating income and expenses	1,044,205	3,059,587	1,640,918	53,871	1,233,128	1,188,952	39,033
Income Before Income Tax	18,851,172	8,833,773	8,752,305	287,338	6,419,314	7,155,654	234,920

Income Tax Expense	(3,570,784)	(1,463,699)	(1,705,097)	(55,978)	(1,215,891)	(1,051,594)	(34,524)
Net Income	<u>15,280,388</u>	<u>7,370,074</u>	<u>7,047,208</u>	<u>231,360</u>	<u>5,203,423</u>	<u>6,104,060</u>	<u>200,396</u>
Other comprehensive income (loss).....	2,451,035	386,839	837,007	27,479	433,533	(1,821,311)	(59,794)
Total Comprehensive Income	<u>17,731,423</u>	<u>7,756,913</u>	<u>7,884,215</u>	<u>258,839</u>	<u>5,636,956</u>	<u>4,282,749</u>	<u>140,602</u>
Net Income Attributable To:							
Owners of parent	<u>15,280,388</u>	<u>7,370,074</u>	<u>7,046,424</u>	<u>231,334</u>	<u>5,199,772</u>	<u>6,159,998</u>	<u>202,232</u>
Non-controlling interests	<u>-</u>	<u>-</u>	<u>784</u>	<u>26</u>	<u>3,651</u>	<u>(55,938)</u>	<u>(1,836)</u>
Total Comprehensive Income Attributable To:							
Owners of parent	<u>17,731,423</u>	<u>7,756,913</u>	<u>7,809,292</u>	<u>256,379</u>	<u>5,678,493</u>	<u>4,630,140</u>	<u>152,007</u>
Non-controlling interests	<u>-</u>	<u>-</u>	<u>74,923</u>	<u>2,460</u>	<u>(41,537)</u>	<u>(347,391)</u>	<u>(11,405)</u>
Earnings Per Share							
Basic earnings per share	<u>9.32</u>	<u>4.50</u>	<u>4.21</u>	<u>0.14</u>	<u>3.17</u>	<u>3.35</u>	<u>0.11</u>
Diluted earnings per share.....	<u>9.07</u>	<u>4.43</u>	<u>4.16</u>	<u>0.14</u>	<u>3.14</u>	<u>3.30</u>	<u>0.11</u>

Consolidated Balance Sheet Data

	As of December 31,				As of September 30,		
	2022	2023	2024		2024	2025	
	NTS	NTS	NTS	US\$(¹)	NTS	NTS	US\$(¹)
	(audited)				(unaudited)		
	(in thousands)						
Total current assets.....	46,255,487	50,078,655	86,211,179	2,830,308	58,836,327	73,035,159	2,397,740
Total non-current assets.....	54,684,432	52,371,388	62,494,523	2,051,691	53,378,686	97,272,046	3,193,435
Total assets.....	<u>100,939,919</u>	<u>102,450,043</u>	<u>148,705,702</u>	<u>4,881,999</u>	<u>112,215,013</u>	<u>170,307,205</u>	<u>5,591,175</u>
Total current liabilities	21,093,478	20,107,223	21,375,242	701,748	20,147,155	33,905,436	1,113,113
Total non-current liabilities ..	34,495,937	36,629,780	58,663,435	1,925,917	43,616,130	64,893,421	2,130,447
Total equity	45,350,504	45,713,040	68,667,025	2,254,334	48,451,728	71,508,348	2,347,615
Total liabilities and equity	<u>100,939,919</u>	<u>102,450,043</u>	<u>148,705,702</u>	<u>4,881,999</u>	<u>112,215,013</u>	<u>170,307,205</u>	<u>5,591,175</u>

Consolidated Statements of Cash Flow Data

	For the year ended December 31,				For the nine months ended September 30,		
	2022	2023	2024		2024	2025	
	NTS	NTS	NTS	US\$(¹)	NTS	NTS	US\$(¹)
	(audited)				(unaudited)		
	(in thousands)						
Net cash generated from operating activities.....	33,926,596	8,631,509	24,731,061	811,919	11,810,341	17,747,551	582,651
Net cash used in investing activities.....	(24,203,573)	(8,359,842)	(11,698,518)	(384,062)	(5,568,720)	(32,964,070)	(1,082,208)
Net cash generated from (used in) financing activities.....	4,172,793	(1,358,684)	17,529,718	575,500	1,023,551	3,105,495	101,953
Effects of exchange rate changes on cash and cash equivalents.....	574,900	72,176	290,509	9,537	110,636	(191,198)	(6,277)
Net increase (decrease) in cash and cash equivalents	<u>14,470,716</u>	<u>(1,014,841)</u>	<u>30,852,770</u>	<u>1,012,894</u>	<u>7,375,808</u>	<u>(12,302,222)</u>	<u>(403,881)</u>

Other Financial Data

	For the year ended December 31,			For the nine months ended September 30,	
	2022	2023	2024	2024	2025
		(audited)		(unaudited)	
Gross margin ⁽²⁾	46.3%	27.3%	27.1%	26.5%	28.3%
Operating margin ⁽³⁾	34.4%	15.1%	16.1%	16.0%	16.6%
Net margin ⁽⁴⁾	29.6%	19.3%	16.0%	16.0%	17.0%

(1) Translation of amounts from NT dollars into US dollars has been made at the rate prevailing on September 30, 2025 of NT\$30.46 = US\$1.00. The exchange rate is not derived from the audited or unaudited financial statements.

(2) Gross margin is calculated by dividing gross profit by net revenue, multiplied by 100%.

(3) Operating margin is calculated by dividing operating income by net revenue, multiplied by 100%.

(4) Net margin is calculated by dividing net income by net revenue, multiplied by 100%.

RISK FACTORS

Investing in the Bonds involves risks, and you should carefully consider the risks described below before making an investment decision. In addition, you should also carefully consider all of the information contained in this offering circular, including our financial statements and related notes. You should note that we are governed in the ROC by a legal and regulatory environment that in some material respects may be different from that prevailing in other countries.

Risks Relating to Our Business and Industry

Geopolitical tensions and volatile global economic conditions may put downward pressure on demand for our products and services, as well as our business, financial condition, and results of operations.

The global economy has experienced significant volatility in recent years, including due to the global financial crisis and economic slowdown, rising interest rates, inflationary pressures, supply chain disruptions, trade tensions between the United States and other countries, the Russia-Ukraine and Israel-Hamas conflicts, and volatility in the global stock markets, which have led to less favorable financial and economic conditions.

In recent years, trade and geopolitical tensions have intensified. There has been sustained friction between the United States and other countries regarding trade, technology, and industrial policies, including tariffs, export controls, and incentives to onshore or nearshore production and supply chains. On April 2, 2025, U.S. President Donald Trump issued an executive order imposing a baseline reciprocal tariff of 10% on imports into the United States from a broad range of foreign jurisdictions, including Singapore and Taiwan, in which we have manufacturing operations. The United States has since revised and expanded tariffs on multiple occasions, including the imposition of reciprocal tariffs on numerous trading partners effective August 7, 2025. These measures include, among others, a 20% tariff on goods imported from Taiwan. On January 15, 2026, the U.S. Department of Commerce announced the signing of a new trade agreement establishing a strategic economic partnership between the United States and Taiwan. Among other matters, the announcement indicated that the U.S. reciprocal tariff rate applied to Taiwanese goods will not exceed 15%. On November 1, 2025, the White House announced that the United States and the PRC had reached an arrangement under which certain retaliatory measures would be suspended or removed, with certain U.S. tariff-related measures to remain suspended until November 10, 2026. Given ongoing discussions between the United States and its trading partners, there remains significant uncertainty about whether the United States may further change the scope and level of tariffs it imposes on its trading partners in the near future. Additional tariffs targeting specific sectors and products are also under consideration. These trade actions have triggered retaliatory measures and heightened global uncertainty surrounding trade policy, supply chain stability, and cross-border investment. We cannot assure you that any trade-relevant regulations, rules, or measures will not have an adverse impact on our business, financial condition and results of operations. To the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, results of operations and financial condition could be materially and adversely impacted in the future. Also, any increase in the use of export control restrictions and sanctions to target certain countries and entities, any expansion of the extraterritorial jurisdiction of such measures, or complete or partial ban on semiconductor products sales to certain entities could impact not only our ability to continue supplying products to those customers, but also our customers' demand for our products, and could even lead to changes in semiconductor supply chains.

The uncertain nature, magnitude, and duration of hostilities stemming from the conflicts between Russia and Ukraine, the conflicts involving Hamas and Israel, and further escalation of tensions between Israel and various countries in the Middle East and North Africa, including the potential effects of sanctions limitations, retaliatory cyber-attacks on the world economy and markets, and potential shipping delays, have contributed to increased market volatility and uncertainty, which could have an adverse impact on macroeconomic factors that affect our business and could amplify the existing supply chain challenges faced by the Company. As a result of Russia's invasion of Ukraine, the United States, the United Kingdom and the European Union governments, among others, have developed coordinated economic and financial sanctions packages. As the invasion of Ukraine continues, there can be no certainty regarding whether such governments or other governments will impose additional sanctions, or other economic or military measures against Russia. Although we have not been materially adversely affected by the Russia-Ukraine conflicts, the impact of the invasion of Ukraine, including economic sanctions or additional war or military conflict, as well as potential

responses to them by Russia, is still uncertain and they could adversely affect our business, supply chain, suppliers, customers and potential demand for our products as the current geopolitical conflicts continue, new geopolitical conflicts occur, and consequential sanctions and countermeasures develop. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, the availability and cost of raw materials, supplies, freight and labor, currency exchange rates and financial markets, all of which could impact our business, financial condition and results of operations.

Any further escalation of trade barriers, tariffs, export restrictions, or sanctions could disrupt global supply chains and adversely affect our ability to source materials, manufacture, or distribute our products efficiently. Such measures could also reduce customer demand, increase costs, and lead to delays or cancellations of orders. Given our international operations and exposure across Asia, Europe, and the Americas, any deterioration in global trade relations or political stability could materially and adversely affect our business, financial condition, and results of operations.

Our business may be affected by global economic conditions. There are ongoing concerns relating to the political gridlock in the United States over government spending and debt levels and the consequences for economic growth and investor confidence in the United States. Central banks of some countries, including the Federal Reserve Board, have maintained interest rates at elevated levels into 2025 to combat inflation, even as some central banks also begin to ease interest rate policy in 2025. Prolonged tight monetary conditions may slow global economic activity, dampen consumer demand, and limit access to financing. There can be no assurance that monetary and fiscal policy measures adopted by central banks or national governments will have the intended effect or that a global economic downturn will not occur or market volatilities will not persist.

In addition, while financial systems have stabilized following the 2023 banking stresses involving institutions such as Silicon Valley Bank, Credit Suisse, and First Republic Bank, the global credit environment remains cautious. This could adversely affect growth rates globally and could materially and adversely affect our business, financial condition, and results of operations. The volatile global market conditions may adversely affect the demand for our products. The potential decrease and slowdown in demand for such products may inflict significant downward pressure on prices, and we could have reduced revenues, lower profit margins and/or loss of market share, any of which would have a material adverse effect on our business, reputation, financial condition and results of operations.

We operate in a competitive semiconductor industry. Our business may suffer if we cannot compete successfully in the semiconductor industry.

The worldwide semiconductor industry is competitive and rapidly evolving. We compete internationally and domestically with other foundry service providers, as well as a number of integrated device manufacturers. Key competitive factors in the semiconductor wafer market include product availability and quality, consistency, price, technical innovation and customer service.

We compete by developing process technologies using mature nodes and manufacturing products with more functions. We also compete by developing new derivative technologies. If we do not anticipate these changes in technologies and rapidly develop new and innovative technologies, or our competitors unforeseeably gain sudden access to additional technologies, we may not be able to fully provide foundry services on competitive terms. For example, the global surge in the development of AI has had a significant impact on customer demand for advanced semiconductor chips and the market dynamics in our industry; thus, our ability to continuously develop relevant technologies, products and services to meet these customer needs and changes in the AI industry will be critical for us to effectively compete in this space. We also believe that the effective use of AI in our internal operations is important to our long-term success. As the AI technologies are rapidly evolving, if we are unable to deploy new AI technologies in our internal operations as effectively as our competitors, it may hurt our competitive position. Also, the uncertainty and instability inherent in semiconductor process technologies impose challenges for achieving expected product quality and product yield. If we fail to maintain quality, it may result in loss of revenue and additional cost, as well as loss of business or customer trust.

Some of our competitors may have substantially greater production capacity, financial, research and development and marketing resources, greater brand recognition, more established customer base or stronger

bargaining power for raw materials than we have. Additionally, emerging new market players may further intensify the competition. Any significant increase in competition regionally or globally may erode our profit margins, weaken our earnings and cause us to lose market share.

In addition, from time to time, governments around the world may provide incentives or make other investments that could benefit and give competitive advantages to our competitors that may be unavailable to us. For example, the governments of the United States, China, Europe, South Korea and Japan provide various incentive programs to promote developments of their domestic semiconductor industries, such as the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (the “U.S. CHIPS Act”), which provides financial incentives to incentivize the development of U.S. semiconductor industry.

Increased competition could result in significant price competition, reduced revenues, lower profit margins, loss of market share or imbalance of supply and demand, any of which could have a material adverse effect on our business, results of operations and financial condition. There can be no assurance that we will be able to compete successfully against either current competitors or new competitors in the future.

We expect the proliferation of AI to have a significant impact on our industry and the markets in which we compete, and the development and use of AI presents competitive, reputational, and liability risks.

We believe the proliferation of AI, especially as it relates to the end-market applications of our services, will have a significant impact on customer preferences and market dynamics in our industry, and our ability to effectively compete in this evolving landscape will be important to our financial performance. We also believe that the effective use of AI-enabled tools in our operations may contribute to productivity improvements, development efficiency and management control. We have incorporated certain AI and data-analytics capabilities into our operations to enhance operational efficiency. However, as with many innovations, AI presents risks, challenges, and unintended consequences that could affect the rate and success of its adoption, and there is no guarantee that our use of AI or incorporation of AI-enabled tools into our operations will benefit our business or result in products or services that are preferred by our customers. In addition, AI technologies continue to evolve rapidly, and related innovations may significantly affect the competitive landscape as well as future industry development trends. We have invested, and expect to continue to invest, resources to develop and support such capabilities. If these capabilities fail to operate as anticipated or comparably to those of our competitors, we may not realize the expected benefits from such investments. Separately, certain of our customers’ products using our services may be used in AI-related applications, including as companion or supporting chips within broader AI chipsets or system solutions. As a result, demand for some of our products may be influenced by trends, cycles and competitive dynamics in the AI industry. Any slowdown, volatility or shift in AI-related end-market demand, or changes in customer preferences or technology standards, could adversely affect demand for our services and, in turn, our financial performance.

In addition, AI-enabled tools and models may be subject to limitations arising from data quality, model design, or underlying assumptions, which could result in inaccurate, incomplete, or unintended outputs. These deficiencies and other failures could subject us to competitive harm, regulatory scrutiny, or legal liability, including under evolving laws and regulations governing the use of artificial intelligence, data protection, privacy, intellectual property, and related matters in jurisdictions such as the United States and the European Union. Additionally, compliance with the evolving legal and regulatory landscape may entail increased costs or limit our ability to deploy certain technologies in our operations. If we are unable to effectively manage these risks, our business, financial condition, results of operations, or reputation could be adversely affected.

There are uncertainties under the U.S. Outbound Investment Rule that might subject U.S. investors of the Bonds to notification requirements.

On October 28, 2024, the U.S. Department of the Treasury (the “Treasury”) issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the “Outbound Investment Rule”). The Outbound Investment Rule, effective on January 2, 2025, is aimed at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China and introduces new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based entities. It targets investments involving entities associated with countries of concern, currently China (including Hong Kong and Macau) and imposes investment prohibition or notification requirements on a

wide range of investments in entities engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum computing, and (iii) artificial intelligence systems. Under the Outbound Investment Rule, entities with meaningful ties with a country of concern and engaged in activities relating to the three sectors are defined as covered foreign persons, and with limited exceptions, equity investments (including investment in convertible bonds) by a U.S. person in a covered foreign person (a “covered transaction”) are subject to prohibition or notification requirements. Violation of such requirements could be subject to (i) a civil penalty up to the greater of (a) twice the value of the transaction that is the basis for the violation and (b) approximately US\$368,000 (adjusted annually for inflation); and (ii) in the case of willful violations, a criminal penalty of up to 20 years’ imprisonment and a fine of up to US\$1 million. Additionally, the Treasury would also have authority to order the nullification or force the divestment of any prohibited investment.

We do not meet the definition of covered foreign person and we do not believe that an investment by a U.S. person, as defined under the Outbound Investment Rule, in the Bonds constitutes a covered transaction under the Outbound Investment Rule.

On December 23, 2025, the Treasury issued new guidance regarding compliance with the Outbound Investment Rule in the form of frequently asked questions (the “Treasury FAQ”), including the scope of “excepted transactions” such as a publicly traded securities exception. A U.S. person’s acquisition of a publicly traded security and/or a contingent equity interest that is convertible into, or provides the right to acquire, only a publicly traded security would be an excepted transaction, so long as such investment does not afford the U.S. person rights beyond standard minority shareholder protections. An investment by a U.S. person in the Bonds is expected to qualify as an excepted transaction under the publicly traded securities exception, to the extent that the Bonds are convertible solely into publicly traded equity securities and do not confer rights beyond standard minority shareholder protections. However, the Treasury FAQ provides that any conversion of a contingent equity interest must be analyzed separately. Accordingly, while the initial acquisition of the Bonds is expected to constitute an excepted transaction, investors must make their own determination as to their own obligations under the Outbound Investment Rule at the time of any conversion of the Bonds into Shares.

There remain uncertainties under the Outbound Investment Rule and we cannot assure you that the Treasury will not change their view and treat the investment in the Bonds by a U.S. person as a covered transaction and thus subject to further requirements under the Outbound Investment Rule.

Additionally, the uncertainty in the interpretation of the Outbound Investment Rule may reduce U.S. investors’ interest in our equity securities. In such a case, the trading price of the Shares may be adversely affected, and the value of the Bonds may decline significantly. It could also be detrimental to our capital raising capacity and our business, financial condition and prospects. If we were to be deemed a covered foreign person due to changes in our business operations or amendments to relevant laws and regulations at the time a U.S. person holding our Bonds elects to convert their Bonds, and we elect to satisfy our conversion obligation by delivering Shares, the U.S. person could be subject to the prohibition or notification requirements under the Outbound Investment Rule. Therefore, in such an event, holders of the Bonds may not be able to convert their Bonds into Shares, or may be required to make a notification to the Treasury upon such conversion of the Bonds in the future. In addition, if we were deemed to be a covered foreign person in the future, U.S. persons’ acquisition of the Bonds could be subject to the prohibition or notification requirements under the Outbound Investment Rule, which could in turn affect the transferability of the Bonds. Investors should exercise caution on the potential investment restrictions and compliance obligations that may result from such changes in our business or relevant laws and regulations in the future.

In February 2025, U.S. President Donald Trump released the America First Investment Policy Memorandum, outlining several initiatives to incentivize investment from U.S. allies and partners while restricting investments involving “foreign adversaries” including China. Among other things, the policy aims to expand the industry sectors covered by the Outbound Investment Rule and supplement outbound restrictions through the imposition of sanctions. The proposed restrictions may further increase uncertainties for cross-border collaboration, investment, and funding opportunities of companies with operations in China.

On December 18, 2025, the U.S. Comprehensive Outbound Investment National Security Act of 2025 (the “COINS Act”) became law. Among other things, the COINS Act directs the Secretary of the Treasury to issue regulations restricting the U.S. outbound investments in countries of concern involving certain technologies.

The COINS Act is subject to a rulemaking process, which is required to be completed by March 2027, and there is substantial uncertainty regarding how the new law will be implemented. The Treasury FAQ provides that in the meantime, parties should continue to act in full compliance with the Outbound Investment Rule.

Any of the foregoing development remains uncertain and could have a material adverse effect on the Group's business, financial condition and results of operations.

We may undertake mergers, acquisitions or investments to expand our business, which may pose risks to our businesses and dilute the ownership of existing shareholders, and may not be able to realize the anticipated benefits of these mergers, acquisitions or investments.

To achieve stable growth, meet customers' mid-to-long-term capacity needs, and further diversify our manufacturing capabilities, we established VSMC in Singapore in 2024, a joint venture with NXP Semiconductors, which is set to build a 12-inch (300mm) fab, with groundbreaking completed in the second half of 2024 and mass production slated for 2027.

Mergers, acquisitions or investments that we have entered into, and may enter into in the future, entail a number of risks that could materially and adversely affect our businesses, operating and financial results, including, among others:

- problems integrating the acquired operations, technologies or products into our existing business and products;
- diversion of management's time and attention from our other segments;
- conflicts with joint venture partners;
- adverse effects on our existing business relationships with customers;
- need for financial resources above our planned investment levels;
- failures in realizing anticipated synergies;
- difficulties in retaining business relationships with suppliers and customers of the acquired company;
- risks associated with entering markets in which we lack experience;
- potential loss of key employees of the acquired company; and
- potential write-offs of acquired assets.

Our failure to address these risks successfully may have a material adverse effect on our financial condition and results of operations. Any such acquisition or investment will likely require a significant amount of capital investment, which would decrease the amount of cash available for working capital or capital expenditures.

Our joint venture in Singapore involves significant risks and uncertainties and we may not realize the anticipated benefits of this investment.

To support our long-term growth strategy, address customers' anticipated capacity needs, and diversify our manufacturing footprint, we established VSMC in Singapore in 2024 as a joint venture with NXP Semiconductors. VSMC is expected to construct our first 12-inch (300mm) fabrication facility, with mass production slated for 2027. The development and operation of this facility involve substantial capital expenditures, extended construction and ramp-up timelines, and execution risks.

During the initial ramp-up phase, VSMC is expected to operate at relatively low utilization rates and may incur operating losses or be margin-dilutive to us, as fixed costs are incurred before production volumes reach economically efficient levels. In addition, operating costs in Singapore, including labor, utilities, construction, and regulatory compliance costs, are generally higher than those in Taiwan, which may adversely affect the cost structure, profitability, and competitiveness of VSMC, particularly during the early stages of operation.

As this represents our first 12-inch fabrication facility, we may face additional challenges related to technology transfer, process integration, workforce development, supply chain coordination, and yield learning curves. Any delays in construction, equipment installation, qualification, or volume ramp, or any difficulties in achieving targeted yields, quality standards, or customer certifications, could increase costs and delay or reduce expected returns.

If market conditions change or customers delay or reduce their commitments, VSMC may experience prolonged periods of underutilization, which could adversely affect its financial performance and our investment returns. As a joint venture, VSMC is also subject to risks inherent in shared ownership and governance arrangements, including potential differences in strategic priorities or decision-making between the joint venture partners.

If we are unable to effectively manage these risks, our investment in VSMC may not achieve its intended objectives, and our business, financial condition, results of operations, or cash flows could be adversely affected.

Our manufacturing processes for semiconductor products are highly complex and potentially vulnerable to impurities, disruptions or inefficient implementation of production changes that can significantly increase our costs and delay product shipments to our customers.

Our manufacturing processes for semiconductor products are highly complex, require costly equipment, and are continuously being modified or maintained in an effort to improve yields and product performance. Impurities or other difficulties in the manufacturing processes can lower yields, interrupt production, result in losses of products in process and harm our reputation. Additionally, as system complexity and production changes have increased, manufacturing tolerances have been reduced and requirements for precision have become even more demanding. We may experience bottlenecks and production difficulties that have caused delivery delays and quality control problems. We cannot ensure that we will not experience bottlenecks or production or transition difficulties in the future. Such incidents, if they occur, could have a material adverse effect on our business, financial condition, and results of operations.

Decreases in demand and average selling prices for products that contain semiconductors may adversely affect demand for our products and may result in a decrease in our revenue and earnings.

A substantial majority of our revenue is derived from customers who use our products in end markets of AI and HPC, consumer electronics and IoT, and automotive electronics. Any deterioration in or a slowdown in the growth of such end markets resulting in a substantial decrease in the demand for overall global semiconductor foundry services, including our solutions and services, could adversely affect our revenue. In addition, semiconductor manufacturing facilities require substantial investment to construct and are largely fixed cost assets once they are in operation. Because we own most of our manufacturing capacities, a significant portion of our operating costs is fixed and does not decrease when customer demand or our capacity-utilization rates decline. As a result, reductions in customer demand, among other factors, may materially reduce our margins. Conversely, when product demand increases and factory utilization rises, fixed costs are spread over a higher revenue, which can improve our margins. Additionally, the historical trend of declining average selling prices (“ASP”) of end-use applications places downward pressure on the prices of the components that go into such applications. Decreases in the ASP of end-use applications may increase pricing pressure on components produced by us, which, in turn, may negatively impact our revenue, margin and earnings.

We operate principally in the cyclical semiconductor and electronics industries, which have experienced significant and sometimes prolonged periods of downturns and overcapacity.

The semiconductor and electronics industries that we operate are cyclical. The market demand for the downstream devices and applications may fluctuate and significantly affect our semiconductor foundry business. Variations in customer order levels may result in volatility in our revenue and earnings. From time to time, the semiconductor and electronics industries have experienced significant and occasionally prolonged periods of downturns and overcapacity.

The cyclical nature of the semiconductor foundry industry is attributable to the inherent mismatch between volatile end-market demand and the long lead times required to plan, construct, equip, and ramp semiconductor fabrication facilities. Capacity expansion decisions are typically made well in advance of actual customer demand, and unexpected changes in market conditions may result in periods of excess capacity or capacity shortages, which can amplify industry cycles and contribute to pricing pressure and utilization volatility.

In addition, the semiconductor industry is often influenced by the general economic environment, the success (or not) of major product cycles and inventory build rates. These factors have historically triggered downturns, some of which have lasted for a sustained period of time which has impacted demand for our products. For example, despite robust demand for automotive and industrial electronics, the global semiconductor market experienced a slowdown in 2023 due to weakened demand for consumer products, which in turn led to excess channel inventory and a decline in demand for certain of our products. If the semiconductor industry experiences downturns in the future, we may face pressure to reduce prices and we may need to further rationalize capacity and reduce fixed costs. If we are unable to reduce our costs and expenses sufficiently to offset reductions in price and sales, our operating results and financial condition will be significantly affected. Economic uncertainty also makes it difficult for us to make accurate forecasts of revenue, gross profit from operations and expenses.

Because we are, and will continue to be, dependent on the demand of semiconductor and electronics companies for our business, periods of downturns and overcapacity in the general electronics and semiconductor industries could lead to reduced demand for overall semiconductor foundry services, including our services. If we are not able to take appropriate actions, such as reducing our costs to sufficiently offset declines in demand, our revenue, margins and earnings will likely suffer during periods of downturns and overcapacity.

If we are not able to optimize our manufacturing capacity, our semiconductor business, financial condition, and results of operations could be materially and adversely affected.

The cyclical nature of the semiconductor industry makes it difficult for us to predict future developments in the markets we serve. As such, it is also difficult for us to estimate and schedule future requirements for our manufacturing capacity. We may experience a shortage of capacity and an increase in lead times for delivery of our semiconductor products to our customers, or an inability to deliver the required number of products during periods of high demand for our semiconductor products. In the past, we have been able to increase our manufacturing capacity through acquisitions, expansion, and technology upgrades. Our Group currently operates 5 manufacturing facilities in the world. When our manufacturing facilities are operating at high capacity, our ability to respond to increasing demands from existing and potential new customers may be limited. Under certain circumstances, we may be forced to prioritize the orders from certain customers and delay the delivery, fail to take orders from certain customers or fail to deliver goods to certain other customers. We may also experience disruptions, problems or inefficiencies in our manufacturing processes due to overutilization, potentially resulting in the loss of sales and damage to our relationships with customers.

Furthermore, capacity expansion plans will require us to increase capital expenditure, properly select, install and integrate our new production facilities with our existing operations, and hire, train and manage additional production personnel to successfully increase our production capacity in a timely manner. Delays for any reason in our plans would limit our ability to increase our sales volume. Based on market demand, we have continued to add capacity to meet market needs for our products and services, including in Taiwan and Singapore. However, increases in our manufacturing capacity based on anticipated growth in demand for our products may exceed the actual demand requirements, leading to overcapacity and excessive fixed costs. For example, we would need to build new facilities, purchase additional equipment and hire and train personnel to operate the new equipment. If our net revenue does not grow accordingly, our financial performance may be adversely affected by these increased costs. Failure to effectively manage our manufacturing capacity and future capacity imbalances could have a material adverse effect on our semiconductor business, financial condition, or results of operations.

Our operating results may fluctuate from period to period or be subject to seasonality.

Our net revenues may be affected by seasonal variations in market conditions that contribute to the fluctuations of sales of our services and products. Certain of our consumer electronics products are subject to seasonality. The seasonal sales trends for these products closely mirror sales trends for consumer electronics market. In the past, we have experienced seasonal fluctuation in the demand for our services and products, primarily as a result of consumer electronics market seasonality driven by events such as Black Friday, Cyber Monday, Back-to-School. While seasonal variations have not significantly impacted our operations in recent years, we cannot guarantee that we will not be susceptible to the effects of seasonal sales trends in the future. Any change in the general seasonal variations, which we cannot anticipate, may result in materially adverse effects on our operating revenues, operations and businesses.

We may not be able to maintain profitability over the life cycles of our existing and new products.

Our industry is characterized by rapidly changing technology, evolving industry standards and the frequent introduction of new products and enhancements. For example, the price of our products for a single model or series may decline over the product life cycles, reflecting product obsolescence, decreased costs of input components, decreased demand and increased competition as more manufacturers are able to produce similar products.

To maintain profitability, we are under the pressure to improve our production efficiency and introduce new generations of products ahead of our competitors. Our ability to improve production efficiency depends on factors both within and outside our control and may be constrained by the distinct characteristics and production requirements of individual products. Our strategy of introducing new products requires us to obtain and incorporate new hardware, software, communications and peripheral technologies into our product range, some of which may be primarily developed by others. These newer products generally carry higher profit margins but require large expenditures for research and development or the acquisition of new technologies. Our product strategy focuses on designing and producing products that comply with evolving industry performance standards, meet customer quality expectations and are available at prices appealing to our customers.

There can be no assurance that our strategy will be successfully implemented or that it will be effective in maintaining our profitability. The success of any new product is dependent on factors including fulfillment of customer's specifications, acceptable production yields and market acceptance. Since the product design process is sometimes carried out well in advance of production and sales, we must seek to anticipate factors including the expected demand for the product as well as advances in technology. In light of the foregoing, we cannot be sure that new products will fulfill customer's needs and gain market acceptance or will not be adversely affected by new technological changes or new products. Any delay in developing new products with anticipated technological advances, in commencing commercial production of new products or in replacing existing products with new products may have an adverse effect on our business, financial condition and results of operations.

Our operating results may be adversely affected if we cannot effectively and efficiently introduce new solutions and services or adopt new technologies to timely meet rapidly evolving customer needs.

The markets for our products are characterized by rapidly changing technology, evolving industry standards, new product introductions, changing preferences and requirements of customers and evolving methods of operations. Our success depends, in part, on our ability to introduce new solutions and services and keep pace with technological developments. Changes in industry trends and needs could adversely affect the development of, and demand for, our products, rendering our products currently under development obsolete and unmarketable. It is hard to predict emerging technological trends accurately. If the market of our products does not grow as we expect, or if we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, changing market demands and changing customer needs, our products and technologies may become less competitive and our financial performance may be impacted.

In addition, there are other risks associated with the introduction of new products and the adoption of new technologies, including delays in development or manufacturing, variations in costs, delays in customer purchases in anticipation of new introductions, difficulty in predicting customer demand for the new products

and effectively managing inventory levels in line with anticipated demand, risks associated with customer qualification and evaluation of new products, and the risk that new products may have quality or other defects or may not be supported adequately by application software. Our revenues and margins may also suffer due to the timing of product or service introductions by our suppliers and competitors. Furthermore, sales of new products incorporating upgrade technologies may replace sales, or result in discounting, of some of our current products, offsetting the benefit of even the successful introduction of new products and adoption of technologies. Moreover, it may be difficult to ensure performance of new customer contracts in accordance with our revenues, margins and cost estimates, and to achieve operational efficiencies embedded in our estimates. Given the competitive nature of the industry, if any of these risks materialize, future demand for our products and our results of operations may suffer.

We are dependent on key customers for our revenues, and our results of operations may be adversely affected by a reduction of business from our key customers. Similarly, the potential consolidation of our customers may further increase our revenue concentration.

Our key customers accounted for a substantial portion of our operating revenues. In 2022, 2023, 2024 and the nine months ended September 30, 2025, sales to our top two customers accounting for 19.4%, 23.5%, 23.3% and 25.4% of our operating revenues, respectively.

There can be no assurance that we will be able to continue to retain these key customers or maintain the current levels of business with them. Maintaining close relationships with our key customers is essential to our strategy and to the ongoing growth of our business. There is no guarantee that we will retain the business of our existing key customers or the desired level of business with them. The loss of any key customer's business would seriously affect our revenues, and we may have difficulty securing comparable levels of business from other customers to offset any loss of revenue from the loss of any of our key customers. In addition, we may not be able to easily re-allocate our considerable customer-specific resources and assets in a timely manner.

Also, since the global semiconductor industry has become increasingly competitive, our customers may engage in industry consolidations in order to remain competitive. If our key customers consolidate, this will further decrease the overall number of our customer pool. In addition, change of regulatory restrictions, such as export controls directed at our key customers, could impact our ability to supply products to those customers or reduce those customers' demand for our products and services and thus impact their business operations.

Although we are in the process of diversifying our customer base, our operating results for the foreseeable future will continue to depend on sales to a limited number of customers and their reliance on our products and solutions. It is also possible that our major customers may develop their own products that may compete with our products and services, or adopt a competitor's products and services that they currently purchase from us. If that happens, our sales would be adversely impacted and our business, financial condition, and results of operations would be materially and adversely affected.

We face risks associated with the diversification of our customer base and expansion into additional end-markets, and if we are unable to effectively manage these risks, they could materially and adversely impact our competitive position and results of operations.

As part of our growth strategy, we plan to diversify our customer base and expand into additional end-markets. To implement this strategy, we must continue to:

- develop new customers;
- co-develop new solutions tailored into diverse end applications with our customers;
- maintain and/or expand adequate production capacities and manufacturing facilities to meet customer demand;
- maintain our production yield rate as we continue to offer new solutions;
- maintain a sufficient supply of raw materials and components to support our growth;

- strengthen our research and development efforts;
- control expenses associated with the production of samples for new solutions; and
- retain and attract qualified employees.

There can be no assurance that we can succeed in meeting all these targets, if at all. If we fail to achieve any or all of these targets, our business and future prospects may be materially and adversely impacted, and our revenues and profitability may decrease. In addition, there can be no assurance that new solutions and services will gain widespread commercial acceptance and generate sufficient demand. If the new solutions and services cannot gain widespread commercial acceptance and generate sufficient demand, our growth strategy may not be successful, and our business, financial condition, and results of operations would be adversely affected.

If our customers place lower than expected orders, our business may be adversely affected.

As is customary in our industry, we do not obtain firm and long-term volume purchase commitments from our customers. Although we have entered into sales agreements with our key customers which normally include general terms of sale, specification requirements and pricing policy, the precise terms for each shipment, such as pricing, product specifications and quantities, are normally confirmed at the time each order is placed. Although the customers might be contractually obliged to purchase products on specific terms from us for particular orders, we may be unable to or, for other business reasons, choose not to enforce our contractual rights if the customers terminate their orders. Cancellations, reductions or instructions to delay production by a significant customer could materially and adversely affect our results of operations by reducing our sales volume, as well as by possibly causing a delay in the customers' repayment of our expenditures for inventory and resulting in lower utilization of our production facilities, all of which may decrease our profitability. Furthermore, any real or perceived technical problems, defects or redesigns of our customers' products may have an immediate negative impact on the shipment of such products, which in turn may result in a decrease in our overall monthly shipment. Consequently, our monthly results of operations may be adversely affected and subject to fluctuations.

In addition, we make major decisions, including expanding production capacity and determining the levels of business that we will seek and accept, production schedules, component procurement commitments, number of personnel and other resource requirements, based on estimations of customer requirements. The short-term nature of our customers' commitments and the rapid changes in demand for their products affect our ability to accurately estimate future customer requirements. This makes it difficult to schedule production and limits our ability to maximize the utilization of our production capacity.

We place significant emphasis on research and development, and to the extent our research and development efforts are unsuccessful, our competitive position would be negatively impacted and our business, financial condition and results of operations would be adversely affected.

To compete successfully, we must maintain successful research and development efforts, develop new products and solutions, and improve our existing ones. We place significant emphasis on research and development. We offer our customers a complementary and comprehensive technology portfolio, including PMS (Power & Analog Specialty), eNVM (eFlash/RRAM), GaN, and SiC, enabling end-to-end solutions from control to power, across low- to high-voltage, spanning consumer to automotive/industrial. This system-level approach shortens design-to-production cycles and delivers measurable gains in efficiency and reliability for our customers. Our R&D teams also focus on enhancing mature-node stability and developing specialized modules that meet long-lifecycle and high-reliability requirements, particularly for automotive and industrial markets where robust process control and qualification discipline are essential. However, we cannot guarantee that all of these R&D efforts and developments will deliver the benefits we anticipate. We have to make research and development investments based on our views of the most promising approaches to address future customer needs in rapidly evolving markets, and we cannot be certain that we will target our research and development investments appropriately, or correctly anticipate the manner in which these markets will evolve. Our research and development expenses were NT\$2,742 million, NT\$2,151 million, NT\$2,081 million (US\$68 million), and NT\$1,608 million (US\$53 million) for 2022, 2023 and 2024, and the nine months ended September 30, 2025,

respectively, which accounted for 44.8%, 46.0%, 43.2% and 38.1% of our total operating expenses for the respective periods.

We make significant investments in research and development, although we do not expect all such investments to result in successful outcomes. Some of our efforts to develop new products and solutions may fail, and the innovations we invest in and develop may not be well received by our customers, who may adopt competing solutions or technologies. Our investments at times may not contribute to our future operating results for several years, if at all, and such contributions at times may not meet our expectations or even cover the costs of such investments, which would adversely affect our business, financial condition and results of operations.

The loss of any third-party suppliers, service providers or other business partners, or any significant interruption in their operations may negatively impact our business.

Our business rely on third-party suppliers, service providers and other business partners. In 2022, 2023, 2024, and for the nine months ended September 30, 2025, our purchases from our top two suppliers accounted for 21.0%, 17.9%, 14.0% and 15.3% of total purchases from all suppliers, respectively., respectively. Any interruptions in our third-party suppliers' operations, any failure to accommodate our fast-growing business scale, any termination or suspension of supply arrangements, any change in cooperation terms, the deterioration of cooperative relationships, or any disputes with our third-party suppliers, may adversely affect our results of operations. For example, the production and integration of our products involve multiple third-party suppliers, ranging from providers of certain components to the shipment of our products. A significant interruption in the operations of our suppliers could cause a significant interruption impacting our operations and/or customers' operation, whether as a result of a natural disaster, labor difficulties, fire or other causes. In addition, our current agreements with our suppliers generally do not prohibit them from working with our competitors. We cannot assure you that we would be able to find sufficient replacement suppliers on commercially reasonable terms or a timely basis. If we could not solve the impact of the interruptions of operations of our third-party suppliers or service providers, our business, financial condition and results of operations may be adversely affected.

If we do not successfully manage the expansion of our international manufacturing capacity and business operations, our business could be harmed.

Our production facilities are currently located in Taiwan and Singapore. In order to successfully construct new production facilities and increase our operations, we must efficiently manage our operations in other regions from our headquarters in the ROC and develop a strong local management team. If we are unable to successfully ramp up our manufacturing capacity and increased logistics and warehousing for existing and future expansion, such as our new production facility in Singapore, we may incur unanticipated costs, difficulties in making timely delivery of products or suffer other business disruptions which could adversely impact our results of operations. In addition, we expect to face particular challenges in global expansion and operations, including but not limited to:

- higher costs associated with construction of new fabs, establishing supply chains for various materials in different overseas locations, the impact on our ability to sustain our current level of productivity and manufacturing efficiency provided by our ecosystem of interconnected semiconductor fabs, employees and suppliers in the ROC, and recruiting and retaining talent in various overseas locations;
- labor shortages, interruptions in the supply chains for various materials, and construction issues, which could substantially delay the completion of our expansion projects, and could further result in substantial additional costs or failure to meet our capacity expansion plans;
- disruptions to our operations caused by natural or man-made disasters, including earthquakes, flooding, typhoons, droughts, tsunamis, sandstorms, wildfires, volcanic eruptions, fire, gas/chemical leakage or spill, pandemic, cyberattacks, supply chain disruption, geopolitical tensions, labor issues, sabotage, failure of critical facilities and equipment and disruptions in utilities, such as water, electricity and natural gas, etc.;
- scarcity of industrial-use land, which could limit our future expansion of operations;

- compliance with applicable foreign laws and regulations, and the risk of penalties if our practices are deemed not to be in compliance;
- challenges in managing information technology infrastructure in multiple locations and across different systems and risks of our information technology infrastructure succumbing to cyberattacks worldwide;
- adverse changes relating to government grants or other government incentives, including non-receipt, delay and potential claw backs of government subsidies;
- challenges in creating an inclusive workplace in new sites to embrace the cultural differences and managing the operation over large geographic distances and in context of different employment practices and labor laws and regulations;
- limited or insufficient intellectual property protection or difficulties enforcing our rights to intellectual property; and
- exposure to different tax jurisdictions and potential adverse tax consequences.

If we are unable to overcome the above challenges, our business, financial condition and results of operations could be adversely affected.

Shortages in, or rises in the prices of, raw materials or components for products we manufacture may adversely affect our business.

Our production depends on obtaining adequate supplies of raw materials on a timely basis. We generally maintain inventories of most raw materials for a couple of months to 6 months from suppliers that satisfy our quality standards and meet our volume requirements. In general, we need to purchase raw materials from these suppliers approved or designated by our customers. Given the wide variety of products and services that we offer, the large number of our suppliers that are dispersed across the world and the long lead times that may be required to manufacture, assemble and deliver certain raw materials, problems could arise in planning production and managing inventory levels, including the possibility of defective parts, an increase in costs of raw materials, reduced control over delivery schedules, and shortages of raw materials.

Key raw materials for our business operation include wafer, chemicals, photoresist, and gas. There is a risk that we may be unable to acquire necessary raw materials or components for our business timely. At various times, supplies of some of the raw materials and electronic components that we use have been scarce or been subject to increased prices, as a result of strong demand for those raw materials or problems experienced by suppliers. We may face similar situations in the future. We have established strategies to mitigate the shortage risk, including a diversified supply chain, adequate inventory, and long-term partnerships with key suppliers. However, there can be no assurance that our strategies will be successfully implemented or they will be effective. In addition, as we expand our operation, the capacity of our suppliers may not be equipped to cope with our increasing orders. Our revenue and earnings could decline if we are unable to obtain adequate supplies of the raw materials and components in a timely manner or if there are significant increases in the costs of raw materials and components. Also, we are also required, in certain circumstances, to source certain raw materials or components from suppliers who have been qualified by our customers. Should any shortage of supply occur in the future, we may not be able to obtain an adequate alternative supply of raw materials and components to meet the requirements and production demand.

We may face risks related to levels of inventory or significant accounts receivables.

Although we operate under a make-to-order production model, under which production is generally commenced only upon receipt of customer orders, we may experience inventory shortage or excess inventory. In addition, our customers or third parties may extend payment terms or delay payments resulting in an increase in our accounts receivable. Significant accounts receivable may expose us to heightened credit risk, potential bad debt expenses, and increased working capital requirements. They may also adversely affect our cash flow, increase our administrative burden related to collections and credit management, and negatively impact certain

financial ratios, including days sales outstanding and liquidity metrics. Any of the above may materially and adversely affect our business, financial condition, and results of operations.

We are subject to financial and reputational risks due to product quality and liability issues.

The contracts we enter into with our key customers typically include warranties that the products we deliver will be free from defects within certain period and perform in accordance with agreed specifications. To the extent that products shipped by us to our customers do not, or are not deemed to, satisfy such warranties, we may be required to repair or replace them or provide a credit for the purchasing price in accordance with applicable warranty terms. In certain circumstances, customers may also seek damages or other forms of compensation for such defects, to the extent permitted by applicable laws.

If we are held liable for product liability claims, there can be no assurance that we will be able to recover any losses incurred as a result of product liability in the future from any third party, or that defects in the products sold by us would not adversely affect our standing and reputation in the marketplace, result in monetary losses and have a material adverse effect on our business, financial condition and results of operations.

Our operations and those of our customers and suppliers are vulnerable to natural disasters and other events beyond our control, the occurrence of which may have an adverse effect on the supply chain of our customers and suppliers and on our facilities, personnel and results of operations.

Our operations and those of our customers and suppliers are vulnerable to natural disasters, including earthquakes, tsunamis, typhoons, droughts, fires, floods, power losses as well as terrorism, civil unrest, war, and infectious diseases and pandemics, including but not limited to the Coronavirus Disease 2019 (COVID-19) pandemic, H1N1 flu and avian flu, and other similar events beyond our control.

In particular, our headquarter, R&D facilities as well as many of our suppliers are located in Taiwan, which is vulnerable to earthquakes because it lies near the junction of two tectonic plates. As a result, a major earthquake in Taiwan could result in damage to operations and facilities of us and our suppliers. Furthermore, an earthquake could cause power outages, which may disrupt our operations. On January 21 and January 30, 2025, a 6.4 magnitude earthquake and a 5.6 magnitude earthquake struck southern Taiwan respectively. While we did not suffer material damage to our production facilities in Taiwan or material damage to our machinery as a result of this earthquake and there was no material impact on our production or operations, we cannot assure you that we or our suppliers will not be affected by any earthquake in the future.

We cannot guarantee that such future events beyond our control will not cause material damage to our, our customers' or suppliers' facilities or property, including work in progress, or cause significant business interruptions. Although we maintain property damage insurance, there is no guarantee that we will be able to collect from our insurance carriers, should we choose to claim under our insurance policies, or that such coverage will be sufficient.

If we are unable to manage our growth effectively, our business could be adversely affected.

We have experienced, and are expected to continue to experience, growth in the scope and complexity of our operations and in the number of our employees. In particular, we plan to continue to expand our production capacity for various types of new products at our production facilities. The growth of our business has placed and will continue to place a strain on our management, personnel, systems and resources. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressures. Moreover, if our allocation of resources does not correspond with future demand for particular products, we could miss market opportunities, and our business, financial condition and results of operations could be materially and adversely affected. There can be no assurance that we will be able to manage our growth effectively in the future.

If we fail to expand our production capacity and output, we may be unable to maintain our competitive position.

Our future success depends on our ability to increase our production capacity and output to meet the

expected growth in demands for our products. If we are unable to do so, we may be unable to meet customer needs and market demand decrease our costs, apply capital efficiently, maintain our competitive position and improve our profitability. Our ability to increase our production capacity and output is subject to significant risks and uncertainties, including:

- the need to raise additional funds to purchase additional production equipment or to build additional factories, which we may be unable to obtain on commercially viable terms, if at all;
- failure or inability to acquire necessary land use rights at suitable locations; failure to recruit quality workforce at a reasonable cost;
- cost overruns and delays as a result of a number of factors, many of which are beyond our control, such as problems with site construction or equipment delivery;
- delays or denial of required approvals by relevant government authorities;
- failure to obtain production inputs in sufficient quantities or at acceptable cost; and
- failure to execute our expansion plans effectively, including insufficient managerial capacity or failure to obtain adequate resources, such as land or buildings that are suitable for our manufacturing facilities.

As we expand our production capacity, our choice of locations for new factories or decision to expand existing factories may become less advantageous to our business than we expect, economically or otherwise, due to changes in the market conditions, local government policies or other factors that may be beyond our control. We may need to halt the construction or to delay the commencement of production and may be unable to recover any costs that we may have already spent. At times, we may also need to relocate one or more of our factories to other locations, which will increase our operational costs and cause interruption to our production.

We may have capital requirements in connection with our business strategy and there is no assurance that we will be able to obtain the financing necessary to fund substantial capital expenditures.

Our business may require us to make substantial capital expenditures in the future, leading to a higher level of fixed costs. In particular, we are expanding our production capacity in certain of our existing production facilities to cater to an expected increase in demand for our products. We might also expand the production capacity of our existing production facilities in certain locations and/or build new facilities in response to the risks relating to international trade under the geopolitical tensions, such as the increase of tariffs. These capital expenditures will be spent in advance of any additional sales to be generated by new or upgraded production facilities as a result of these expenditures. Given the fixed cost nature of our business, we may in the future incur operating losses if our operating revenues do not adequately recover our capital expenditures.

In the event of adverse market conditions in the future or changes in our growth plan, manufacturing process, product technologies, prices of machinery and equipment or interest rates, our actual expenditures may exceed our planned expenditures and we may not have sufficient sources of liquidity to implement our current operational plan and would need to secure additional financing from external sources. There can be no assurance that external sources of liquidity will be available to fund our ongoing operations or our product development. The failure to obtain financing would hinder our ability to make continued investments in product development, which could materially and adversely affect our business, financial condition and results of operations.

Our success depends on our ability to maintain and attract key and qualified personnel.

Our success depends in part on our ability to attract and retain highly qualified management, engineers and technical personnel. The process of hiring employees with the combination of skills and characteristics required to implement our strategy can be extremely competitive and time-consuming. There can be no assurance that we will be able to retain the members of our management team or other key personnel or replace such personnel in the event of their departure. The loss of the services of key personnel, or the inability to attract additional qualified personnel, could have a material adverse effect on our business, financial condition and

results of operations.

To execute our growth plan, we must attract additional highly qualified personnel, including additional engineers and executive staff. Competition for qualified personnel is intense. We have experienced and may continue to experience difficulty in hiring and retaining highly skilled employees with appropriate qualifications. If we are unable to attract and integrate additional key and qualified employees in a manner that enables us to scale our business and operations effectively, or if we do not maintain competitive compensation policies to retain our employees, our ability to operate effectively and efficiently could be limited.

We may not be able to obtain or renew all licenses, approvals, permits or certifications necessary or important for our current and future operations.

Our current and future operations require a number of licenses, approvals, and permits. We cannot assure you that we will always be able to obtain licenses, approvals or permits or make filings and registrations necessary for our operations, or that we will be able to successfully renew our existing licenses, approvals or permits. In addition, if the relevant authorities enact new regulations, we may not be able to successfully meet the requirements under such regulations. If we fail to obtain or renew the necessary regulatory licenses, approvals or permits, or make the necessary filings and registrations, we may have to cease the relevant operations, be subject to fines, or face other penalties, which could have a material adverse effect on our business, financial condition and results of operations. Even if we already obtained the licenses, approvals, and permits, there could be parties or interest groups with different views who may take actions against the renewal of such licenses, approvals, and permits, which may adversely affect our business, financial condition and results of operations.

If we violate environmental regulations, we may be subject to negative publicity and potentially monetary damages and fines, our operations may be delayed or interrupted and our business could suffer.

We are subject to environmental regulations relating to our manufacturing processes, including the use, storage, discharge and disposal of chemical by-products of, and water used in, our production processes. A failure, or a claim that we have failed, to comply with these environmental regulations could result in the assessment of damages or imposition of significant fines, delays in production and capacity expansion and negative publicity, all of which could harm our business. New regulations could also require us to acquire costly equipment or to incur other significant expenses. In addition, any failure to control the use of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities that may have a material adverse effect on our business, financial condition and results of operations.

We have adopted various environmental, social, governance (“ESG”) measures in response to the increase in ESG rules and regulations applicable to our business, and we expect this trend to continue. Given the pace of evolution of rules and regulations in these areas, we may not be able to timely comply with such rules and regulations fully or at all. We are also exposed to the risk that future ESG rules and regulations may adversely affect our ability to run our business, face increased compliance costs or take other steps which may have a material adverse effect on our business, financial condition and results of operations.

The loss, shutdown or suspension of operations at any of our production facilities may have an adverse effect on our business, financial condition and results of operations.

Our production facilities are subject to operational risks, such as industrial accidents, discharges or releases of hazardous substances, exposure to particulates, the breakdown or failure of equipment, shortage of power supplies, fires, performance below expected levels of output or efficiency, equipment obsolescence, labor disputes, among others. These operational risks may cause shortage or suspension of operations, and some of them may cause personal injury or loss of human life, and could result in the imposition of civil and criminal penalties. The occurrence of any of these events could have a material adverse effect on the productivity and profitability of a particular production facility and on our business, financial condition and results of operations. Although we have taken precautions to minimize the risk of any significant operational problems at our production facilities, there can be no assurance that our business, financial condition and results of operations may not be adversely affected by disruptions caused by operational hazards at our production facilities. Moreover, our production processes are complex, require advanced and costly equipment and are continuously

being maintained and updated. From time to time, we need to carry out planned shutdowns of our various plants for routine maintenance, statutory inspections and testing, and may need to shut down various plants for capacity expansions and equipment upgrades. As a result of manufacturing process updates and difficulties in the manufacturing process, we may experience production difficulties such as delivery delays and quality control problems.

We rely on technology provided by third parties, and if we are unable to use such technology, our business may suffer.

From time to time, we have obtained licenses for patent, copyright and other intellectual property rights in respect of technologies used in the production of our products. We can offer no assurance, however, that in the future we will be able to obtain licenses to the intellectual property of third parties on commercially reasonable terms, or at all. In addition, we could be at a disadvantage if our competitors obtain licenses for protected technologies on more favorable terms. If we or our suppliers are unable to obtain licenses for protected technology used in our products, we could be prohibited from producing, selling or marketing those products or may have to produce, sell or market products without desirable features. We could also incur substantial costs to redesign our products or to defend any legal action taken against us. If our products should be found to infringe protected technology, we could be enjoined from further infringement and be required to pay damages to the infringed party. Any of these factors could have a material adverse effect on our results of operations or financial condition.

Our business depends on intellectual property, and intellectual property litigation and disputes may adversely affect our business.

Our success depends in part on our ability to protect our intellectual property rights and to operate without infringing on the intellectual property rights of others. If we fail to protect our intellectual property rights adequately, we may lose an important advantage in the markets in which we compete. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our products are available. We currently rely on a combination of patents and contractual provisions to establish and protect our intellectual property rights in our products. See “Business — Intellectual Property and Licenses.” However, other parties may hold or receive patents that could hinder or prevent the sale of our products or require us to obtain licenses on such technology, which may not be available on acceptable terms or at all.

Rapid technological changes in our industry require that we quickly implement new processes and components, and there is often a degree of uncertainty as to who may rightfully claim ownership rights to such processes and components. As is the case with many companies in our industry, we might also, from time to time, receive communications from third parties asserting intellectual property rights against our products. If so, after we review and evaluate such third parties assertion of such rights, we might either deny any such assertion, or enter into discussions with such third parties. If necessary and appropriate, we might negotiate the terms of possible licenses in respect of such rights or seek non-infringing alternatives, as well as seek indemnification from our suppliers if possible. There is a risk that we might incur potential costs in either defending or settling such property disputes. In addition, our customers typically require that we indemnify them against claims of intellectual property infringement in accordance with the related agreements. If any claims are brought against our customers for such infringement, whether or not these have merit, we could be required to defend such claims together with our customers or to indemnify our customers.

Intellectual property litigation is expensive and time-consuming. Any intellectual property claim or litigation, even if resolved in our favor, could divert management’s attention from our business and lead to negative publicity. Parties making infringement claims may be able to obtain an injunction or other relief, to prevent us from delivering our products or using technology involving the allegedly infringing intellectual property. A successful infringement claim against us, whether with or without merit, could, among other things, require us to pay substantial damages, develop non-infringing technology, or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and cease making, licensing or using products that have infringed a third party’s intellectual property rights. Protracted litigation could also result in existing or potential customers deferring or limiting their purchase or use of our products until the resolution of

such litigation. Therefore, any intellectual property claim or litigation could have a material adverse effect on our business, financial condition or results of operations.

We may be subject to litigation proceedings that could harm our business.

We may be subject to legal claims or regulatory matters involving shareholder, employment, customer, supplier, competition, and other issues on a global basis. While we are not currently involved in any material litigation or other proceedings, the outcome of which we believe might individually or collectively have any material adverse effect on our financial condition or results of operations, and no material litigation or claim of material importance is known to be pending or threatened against us, there is no assurance that we will not be involved in material litigations or other legal proceedings, including but not limited to antitrust proceedings, in the future. Litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or, in cases for which injunctive relief is sought, an injunction prohibiting us from licensing or selling one or more products. If we were to receive an unfavorable ruling on a matter, our business and results of operations could be materially harmed.

System security violations, data protection breaches, cyberattacks and other related cybersecurity issues could disrupt our internal operations or compromise the security of our products, and any such disruption could reduce our expected revenues, increase our expenses, damage our reputation and adversely affect our business.

Malicious computer programmers and hackers may be able to penetrate our network and misappropriate or compromise our confidential information or that of third parties, create system disruptions, loss of important corporate data, or cause shutdowns of our production lines. Computer programmers and hackers may also be able to develop and deploy viruses, worms and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. For example, as AI continues to evolve, hackers could also use AI to develop malicious codes and sophisticated phishing attempts. In addition, our use of AI technologies may create additional cybersecurity risks, including risks of security breaches and incidents. Further, machine learning and AI technologies may be used in connection with certain cybersecurity attacks, resulting in heightened risks of security breaches and incidents. While we employ a number of protective measures, including firewalls, anti-virus and endpoint detection and response technologies, these measures may fail to prevent or detect attacks on our systems. While there have not been any unauthorized intrusions into our network which caused material effects on our business in the past, there can be no assurance that future intrusions will not occur and that, if such intrusions occur, our business, operations, or products may be adversely affected.

In addition, our hardware and software or third-party components and software that we utilize in our products may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation or security of the products. The costs to us to eliminate or mitigate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant and, if our efforts to address these problems are not successful, could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions. Any claim that our products or systems are subject to a cybersecurity risk, whether valid or not, could damage our reputation and adversely impact our revenues and results of operations.

We manage and store various proprietary information and sensitive or confidential data relating to our business as well as information from our suppliers and customers. Breaches of our or any of our third-party suppliers’ security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers or suppliers, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us or our customers or suppliers to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business.

To the extent we experience cybersecurity incidents in the future, our relationships with our customers and suppliers may be materially impacted, our reputation may be harmed and we could incur substantial costs in responding to and remediating the incidents and in resolving any investigations or disputes that may arise with

respect to them, any of which would cause our business, operations, or products to be adversely affected. In addition, the cost and operational consequences of implementing and adding further data protection measures could be significant, which could adversely affect our business, financial condition and results of operation.

Foreign exchange fluctuations may adversely affect our earnings, profitability and total comprehensive income.

As the Shares are listed on the TPEX, our financial statements are required to be presented in NT dollars, the lawful currency of the ROC. The vast majority of our net sales, raw material and component costs are currently denominated in US dollars and the remainder is denominated principally in NT dollars. We record an import or export transaction on the date it occurs at the effective exchange rate for such date as set by us. At the end of each month, we revalue the balances of foreign currency assets and liabilities at the month-end spot rate of exchange and credit or charge to current income the resulting foreign exchange gains or losses, as the case may be. Therefore, fluctuations in exchange rates, particularly between the US dollar and the NT dollar, affect our gross and operating profit margins and could result in foreign exchange and operating losses. In addition, some of our expenses are denominated in Euros, Japanese yens, Renminbi, and Singapore dollar.

Accordingly, our operations are mainly exposed to fluctuations between US dollar and NT dollar and, to a lesser extent, exchange rates among other currencies. Recently we have witnessed volatility in the exchange rate between the US dollar and the NT dollar. For example, in May 2025, the NTD appreciated by nearly 7% against the USD, marking the largest single-month appreciation of NTD against USD in over 36 years. We cannot assure that we will not be adversely affected by the fluctuations in exchange rates in the future. Furthermore, there can also be no assurance that shortages in the availability of foreign currency will not restrict our ability to obtain sufficient foreign currency to satisfy our foreign currency needs.

The impact of future exchange rate fluctuations among these currencies on our results of operations and financial condition cannot be accurately predicted, and there can be no assurance that our attempt to mitigate the adverse effects of exchange rate fluctuations will be successful or that such exchange rate fluctuations will not in the future have a material adverse effect on our business, financial condition and results of operations.

We are subject to U.S. and certain foreign export and import controls, sanctions, embargoes, anti-corruption laws, and anti-money laundering laws and regulations. In the event of noncompliance, we can face serious consequences, which can harm our business, results of operations and reputation.

We are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls, the Foreign Corrupt Practices Act, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, and other state and national anti-bribery and anti-money laundering laws in the countries in which we conduct activities. Such laws and regulations may change from time to time, causing additional costs and efforts for us to comply with the evolving legal regime. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors, and other collaborators from authorizing, promising, offering, or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors, and other collaborators, even if we do not explicitly authorize or have actual knowledge of such activities. While we have implemented policies, internal controls and other measures reasonably designed to promote compliance with applicable sanction, trade control, anti-corruption and anti-money laundering laws and regulations, and certain safeguards designed to ensure compliance of relevant laws and regulations, our employees or agents may in the future engage in improper conduct for which we could be held responsible. If we, or our employees or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, litigations, bans on transacting government business and other consequences that may have a material adverse effect on our business, financial condition and results of operations. In addition, our reputation, our sales activities or our stock price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of these laws and regulations.

We engage in a variety of transactions with our affiliates.

We engage in a variety of transactions with our affiliates on an ongoing basis. See Note 7 of each of our consolidated financial statements in 2022, 2023, 2024 and for the nine months ended September 30, 2024 and 2025. Our policy is that transactions with related parties will generally be conducted on terms at least as favorable to us as we could obtain in a comparable arm's length transaction with a person who is not a related party. We will continue to enter into additional transactions with our related parties in the future. Although we believe that these transactions with related parties are in our best interests, there can be no assurance that the terms of those transactions are as favorable as those that could have been obtained in non-related party transactions.

We are subject to risks of increased income taxes and any amendments to existing tax regulations or the implementation of any new tax laws in the ROC or other jurisdictions in which we operate our business.

While we are subject to tax laws and regulations in various jurisdictions in which we operate or conduct business, our principal operations are in the ROC and we are exposed primarily to taxes levied by the ROC government. We base our tax position on the anticipated nature and conduct of our business and on our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by taxing authorities and to possible changes in the law, including but not limited to the change of law by certain jurisdictions related to the Base Erosion and Profit Shifting Project (BEPS) Pillar Two initiative. These changes may increase tax uncertainty and have an adverse effect on our operating results. Some review by taxing authorities and changes of law may even have retroactive effect. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes.

Any impairment charges may have a material adverse effect on our net income.

Under IFRSs, we are required to evaluate our tangible assets, right-of-use assets and intangible assets for impairment whenever triggering events or changes in circumstances indicate that the asset may be impaired. If certain criteria are met, we are required to record an impairment charge. We are not able to estimate the extent or timing of any impairment charge for future years. Any impairment charge required may have a material adverse effect on our net income.

The determination of an impairment charge at any given time is mainly based on the projected results of operations over several years subsequent to that time. Consequently, an impairment charge is more likely to occur during a period when our operating results are otherwise already depressed.

Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business and results of operations.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud and corruption, our reputation and results of operations could be harmed.

We are required to comply with various laws and regulations on internal controls in jurisdictions that we operate, but internal controls may not prevent or detect misstatements because of their inherent limitations, including the possibility of human error, the circumvention or overriding of controls, fraud or corruption.

Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, our business and operating results could be harmed, we could fail to meet our reporting obligations, and there could be a material adverse effect on the market price of our business and results of operations.

Our insurance coverage may not adequately protect us against certain operating and other hazards which may have an adverse effect on our business.

We believe that the coverage from our insurance policies for our production facilities and goods is in line with industry norms and adequate for our present operations. However, there can be no assurance that any claim under the insurance policies maintained will be timely honored in full or at all. In addition, the process of insurance claims might take a long time and the amount of compensation that we will receive via the insurance claim and/or the lawsuit remains uncertain. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected. There can also be no assurance that insurance will continue to be available to provide reasonable, or any, coverage on reasonable commercial terms.

Our multinational operations subject us to various business, economic, political, regulatory and legal risks.

We have business operations in Taiwan, Singapore, the United States, the PRC and Japan. As a result of our international operations, we are affected by, among others:

- economic and political conditions in foreign countries, including the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment. See “– Geopolitical tensions and volatile global economic conditions may put downward pressure on demand for our products and services, as well as our business, financial condition, liquidity and results of operations.” for more details;
- the lack of development of local infrastructure;
- labor unrest and difficulties in staffing, coordinating communications among and managing international operations;
- fluctuations in currency exchange rates;
- difficulties in obtaining export licenses; and
- misappropriation of intellectual property.

If we cannot successfully manage the risks and challenges generally associated with multinational operations, we may have difficulty successfully completing orders, which might lead to customer dissatisfaction and loss of future orders.

Individual countries in which we conduct business also have particular risks. For example, U.S. trade policies to increase tariffs could affect our operations in various jurisdictions. Furthermore, in the PRC, governmental authorities exercise significant influence over many aspects of the economy and their actions could have a significant effect on how we operate business there.

Risks Relating to the ROC

We are subject to risks associated with the political status and international relations of the ROC.

A significant portion of our assets and operations are located in the ROC, and the Shares are listed on the TPEX. Accordingly, our business, financial condition and results of operations and the market price of the Shares may be affected by changes in the ROC governmental policies, law, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC which are outside our control. In addition, Taiwan has a unique international political status. The ROC asserts that the ROC and the PRC are equal political entities while the PRC claims that it is the sole government in China and that Taiwan is part of China. Although significant economic and cultural relations have been established in the past decades between the ROC and the PRC, the PRC has refused to renounce the possibility that it may use force to gain control over Taiwan if the ROC declared independence or if a foreign power interfered in the ROC's domestic affairs. Relations between the PRC and the ROC have at times been strained. Strained relations could result in future military actions or economic sanctions or other disruptive activities undertaken by either government. Any tension in the cross-strait relationship has from time to time adversely affected the market price of securities listed on the TPEX, and could have a material adverse effect on our results of operations and financial condition, as well as the market price and liquidity of our securities. Further, if relations between the ROC and the PRC worsen, it could also have a material adverse effect on the ROC's economy and the availability of the PRC as an export market for our products. There can be no assurance that the present relations will not worsen, which could have a significant adverse impact on our business, financial condition and results of operations.

We are exposed to the risks of increasing electricity costs and the inability to secure a steady supply of such resource.

A stable electricity is significant to our business. Historically, electricity prices have been influenced by the forces of supply and demand dynamics, market conditions, overall economic growth as well as a variety of other factors beyond our control. Government actions may also affect the price of electricity. We cannot predict future price trends for electricity or the degree of any price volatility. In addition, any electricity shortage, brownout or blackout for a significant period of time may disrupt our manufacturing, and as a result, could have a material adverse impact on our business, financial condition and results of operations. For example, in March 2022, Taiwan suffered a massive electrical power outage, which left thousands of homes, offices and factories without power. Such shortages or interruptions in electricity supply could further be exacerbated considering that the ROC government made the ROC a nuclear-free region in 2025. Any shortage or interruption in the supply of electricity could disrupt our operations and increase our operation costs and could have a material adverse effect on our business, financial condition and results of operations.

The imposition of foreign exchange restrictions may have an adverse effect on foreign investors' abilities to acquire ROC securities, including the Shares, or to repatriate the interest, dividends or sale proceeds from those securities.

The ROC government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the ROC government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in the ROC. These restrictions may require foreign investors to obtain the ROC government's approval before acquiring ROC securities, repatriating the interest or dividends from those securities or repatriating the proceeds from the sale of those securities. There can be no assurance that these restrictions, if imposed, will not adversely affect, among other things, the secondary market price of the Bonds.

The value of the Shares may be adversely affected by the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European and other countries. The TPEX has experienced substantial fluctuations in the prices and volumes of sales of listed securities and there are currently limits on the range of daily price movements on the TPEX. In 2023, the TPEX Index reached a low of 182.53 and peaked at 234.83. In 2024, the TPEX Index reached a low of 228.16 and peaked at 181.34. The daily closing prices of the Shares which are listed on the TPEX, ranged from NT\$71.50 per share to NT\$148.00 per share in 2024. On September 30, 2025, the TPEX Index closed at 261.52. The TPEX has experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems and restrictions on price movements could adversely affect the market price and liquidity of the securities listed on the TPEX, including the Shares. See "Appendix A: The Securities Market of the ROC."

In response to volatility in the securities market in the ROC, and in line with similar activities by other countries in Asia, the ROC government formed the National Stabilization Fund in 2000, which has purchased, and may from time to time purchase, shares listed on the TPEX to support these securities markets in the ROC. In addition, other funds associated with the ROC government have in the past purchased, and may from time to time purchase, shares listed on the TPEX or other securities markets in the ROC. In the future, market activity by government entities, or the perception that such activity is taking place, may take place or has ceased, may cause fluctuations in the market prices and liquidity of the Shares.

Financial reporting requirements and accounting standards in the ROC differ from those in certain other countries, which may be material to investors' assessment of our business, financial condition and results of operations.

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries, including the United States. In addition, the Company's consolidated financial statements are prepared in accordance with Taiwan IFRS and the Regulations Governing the Preparation of Financial Reports by Securities Issuers as endorsed by the FSC, and are not intended to present the financial condition, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions, including the United States, other than those in the ROC. Taiwan IFRS differs from IFRS in certain significant respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed by the FSC. In making their investment decision, potential investors should consult their own professional advisors for an understanding of such differences and how they might affect the financial information contained herein.

Potential investors should not place undue reliance on the financial information that is not audited.

The Company publishes annual, semi-annual and/or quarterly consolidated financial information in the ROC to satisfy its continuing disclosure obligations relating to its shares listed on TPEX according to applicable ROC regulations and rules of the TPEX. Certain consolidated financial information may not be audited by the Company's independent auditors and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Such unaudited consolidated financial information is not necessarily indicative of the results that may be expected for the full financial year or any period thereafter. Consequently, potential investors should not take such financial information as an indication of our expected financial condition or results of operations for the relevant full financial year. Potential investors should exercise caution when using such data to evaluate our financial condition and results of operations.

Failure to obtain, maintain or renew approvals in connection with inbound or outbound investments from the ROC Department of Investment Review ("DIR") may materially and adversely affect our financial condition and results of operations.

The DIR, an agency under the administration of the ROC Ministry of Economic Affairs ("MOEA"), has supervisory and regulatory authority for matters relating to, among other things, inbound investments in ROC companies by non-ROC persons and overseas ROC nationals, and outbound investments by ROC companies or individuals. Under current ROC law, ROC individuals and companies are required to obtain prior approval from the DIR before making certain investments or make a report to the DIR within the period of time prescribed by relevant laws and regulations after investment in any other jurisdictions outside the ROC under certain circumstances. There is no assurance that we will be able to continue to satisfy the requirements for, or otherwise obtain, permits or approvals for future and current projects. Failure to obtain, maintain or renew such permits and approvals may impede or hinder our operations, and adversely affect our business prospects, financial condition and results of operations.

You may not be able to enforce a judgment of a foreign court in the ROC.

We are a company limited by shares and incorporated under the ROC Company Act. Most of our directors and executive officers named in this offering circular are residents of the ROC and a portion of our assets and the assets of such persons are located in the ROC. As a result, it may be difficult for investors to enforce judgments obtained outside the

ROC against us or such persons in the ROC, including those predicated upon the civil liability provisions of the federal securities laws of the United States. It is also not entirely certain that an action for civil liability predicated solely on the United States federal securities laws could be brought directly in the ROC courts.

Risks Relating to Ownership of the Bonds and the Common Shares

There are limitations on the Bondholders' ability to exercise conversion rights.

The Bondholders will not be able to exercise conversion rights during any Closed Period, as defined in "Description of the Bonds." In addition, under the current ROC laws, regulations and policies, a PRC person is not permitted to convert the Bonds or to register as the Company's shareholder unless (i) it is a qualified domestic institutional investor approved by the competent authority of the securities, insurance or banking industries in the Mainland area and registered with Taiwan Stock Exchange or Taiwan Futures Exchange ("QDII"), who will hold less than 10% of the Issuer's issued shares after conversion of the Bonds, or (ii) it otherwise obtains the approval of the Department of Investment Review of the Ministry of Economic Affairs if all the business items are within the positive list promulgated by the ROC government from time to time and it will hold 10% or more (or other threshold required by the regulators) of the Issuer's issued shares after conversion of the Bonds. There are also limits on the amount remitted to the ROC for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC may cause a Bondholder who is a PRC person to be unable to convert the Bonds and hold the Common Shares. Under current ROC laws, "PRC person" refers to (A) an individual holding a passport issued by the PRC or PRC residence registration (including an individual who used to hold PRC passport or PRC residence registration but has given up his or her PRC citizenship and converted to the citizenship of another jurisdiction for less than four years or has not stayed outside the PRC for a period of over four years, but not including a resident in a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), (B) any agency or instrumentality of the PRC or any corporation, partnership or other entity of any area under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong or Macau, if so excluded by applicable laws of the ROC), or (C) any corporation, partnership or other entity organized under the laws of any other jurisdiction outside of the PRC that either (x) is directly or indirectly controlled by, or (y) directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person referred to in (A) to (B).

Common Shares or any securities that are substantially similar to the Common Shares, including any securities that may be convertible into, or exchangeable for, the Common Shares that are eligible for future sale by the Company or the Company's current shareholders, may adversely affect the value of your investment.

The market prices of the Bonds and the Common Shares could decline as a result of sales of a large number of the Common Shares or any securities of the Company that are substantially similar to the Common Shares including, but not limited to any securities that may be convertible into, or exchangeable for, the Common Shares after this Offering or the perception that such sales could occur. In connection with the Offering, the Company agreed to certain lock-ups, subject to certain exceptions, for a period beginning from the date of the purchase agreement, dated January 28, 2026, entered into between the Company and the Initial Purchasers and ending 90 days following the Closing Date, not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any Bonds or Common Shares or any securities convertible into or exercisable or exchangeable for Bonds or Common Shares without the prior written consent of the Initial Purchasers. Nevertheless, the Initial Purchasers may lift or waive all or some of these restrictions at their sole discretion, and when the applicable restrictive period expires, the Company will be able to sell or otherwise dispose of the Common Shares, subject to legal restrictions. In addition, we cannot assure you that any of the Company's shareholders will not sell, or otherwise dispose of, the Common Shares. If the Company's shareholders sell a large number of the Common Shares after this Offering, the market price of the Bonds and the Common Shares could be depressed and the value of your investment could substantially decrease. The market prices of the Common Shares and the Bonds could also decline if substantial amounts of the Common Shares or securities convertible or exchangeable into the Common Shares are sold after the closing of this Offering, or if there is a perception that these sales could occur.

A liquid market for the Bonds may not develop, and the market for the Common Shares may not be liquid.

Prior to this Offering, there has been no market for the Bonds. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. An active trading market for the Bonds might not develop.

The Bonds have not been registered under the securities laws of the United States or elsewhere and cannot be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where such registration may be required. The Bonds may not be publicly offered or sold, directly or indirectly, in the ROC. Furthermore, there has been no trading market for the Common Shares outside the ROC, and the only trading market for the Common Shares is the TPEX.

Holders of the Bonds will bear the risk of fluctuations in the price of the Common Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Common Shares. It is impossible to predict how the price of the Common Shares will change. Trading prices of the Common Shares will be influenced by, among other things, our results of operations and political, economic, financial and other factors that affect capital markets generally. Any decline in the price of the Common Shares would adversely affect the market price of the Bonds.

Fluctuations in the exchange rate between the NT dollar and the US dollar may have a material adverse effect on the value of the Bonds in US dollar terms.

Although the principal amount of the Bonds is denominated in US dollars, the Common Shares are listed on the TPEX, which quotes and trades the Common Shares in NT dollars. As a result, fluctuations in the exchange rate between the NT dollar and the US dollar will affect, among other things, the market price of the Bonds and the US dollar equivalent of the Common Shares received upon conversion of the Bonds.

Furthermore, the Bonds are currency-linked debt instruments. Bondholders are required to pay the subscription money for the Bonds in US dollars, while all amounts due from the Company under the Bonds, will be settled in US dollars, translated to NT dollars at the Fixed Exchange Rate and then translated back to US dollars at the Prevailing Rate. Accordingly, the US dollar return on the Bonds, or yield to maturity, will depend on the principal amount converted into US dollars at the prevailing exchange rate at the time of payment. Any volatility of the exchange rate between NT dollar and the US dollar during the term of the Bonds will affect the return on the Bonds, or yield to maturity, in US dollars. In particular, any devaluation of the NT dollar against the US dollar during the term of the Bonds will decrease the US dollar return on the Bonds and will result in the yield to maturity of the Bonds in US dollars being less than the stated yield to maturity of the Bonds. In the event of a material devaluation of the NT dollar against the US dollar, Bondholders may not receive the full US dollar subscription amount upon redemption of the Bonds.

Holders of the Bonds will have no rights as shareholders until they receive the Common Shares upon conversion of the Bonds.

Unless and until the holders of the Bonds receive the Common Shares upon conversion of the Bonds, the holders of the Bonds will have no rights as shareholders, including any voting rights or rights to receive any dividends or other distributions with respect to the Common Shares. Subject to the Indenture and other applicable ROC laws, holders of the Bonds who receive the Common Shares upon the exercise of their conversion rights will be entitled to exercise the rights of shareholders only as to actions for which the applicable record date occurs after the Conversion Date.

Holders of the Bonds are subject to government-imposed requirements of appointing a tax guarantor and local agent in the ROC.

Under current ROC laws, if a non-ROC person is an overseas Chinese or foreign national or entity having not been registered with the TWSE, when exercising the conversion right, such non-ROC person will be required to first register with the TWSE and then appoint a local agent to, among other things, open a securities trading account with a local securities brokerage firm to hold or trade the common shares, open an NT dollar bank account, remit funds, pay ROC tax, exercise shareholders' rights, and perform such other matters as may be designated by the converting holder. In addition, under the current ROC laws, a non-ROC person is required to appoint a local bank approved by the FSC to act as custodian

for handling confirmation and settlement of trades, safekeeping of securities and cash proceeds, and reporting and declaration of information. Under existing ROC laws and regulations, without satisfying these requirements, a non-ROC person will not be able to hold or to sell or otherwise transfer the Company's Common Shares on the TPEX or otherwise.

In addition, when a non-ROC person converts the Bonds or registers as the Company's shareholder, such non-ROC person will be required, under the current ROC laws and regulations, to appoint an agent, or a tax guarantor, in the ROC for filing tax returns and making tax payments. A tax guarantor must meet certain qualifications set by the Ministry of Finance of the ROC and, upon appointment, becomes a guarantor of your ROC tax obligations. We cannot assure that such non-ROC person will be able to appoint and obtain approval for a tax guarantor in a timely manner, if at all.

Holders of the Bonds may be subject to the income tax imposed by the ROC when they sell the Common Shares delivered upon conversion of the Bonds.

As used in this section, a "Non-ROC Resident Individual" is a foreign national individual who owns the Bonds or the Common Shares and is not physically present in the ROC for 183 days or more during any calendar year, and a "Non-ROC Resident Entity" is a corporation or a non-corporate body that owns the Bonds or the Common Shares and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC. "Non-ROC Resident Individuals" and "Non-ROC Resident Entities" are jointly referred to as "Non-ROC Holders."

Capital gains realized from the sale or disposal of the Company's Common Shares are currently exempt from ROC income tax under Article 4-1 of the ROC Income Tax Act. There is no assurance that capital gains realized from the sale or disposal of the Company's Common Shares may be able to be exempted from ROC income tax in the future.

A holder of the Bonds or its designee requesting the conversion of the Bonds may be required to provide certain information to the Company or the Conversion Agent, and failure to provide such information may result in a delay of the conversion.

A holder of the Bonds or its designee requesting the conversion of the Bonds may be required to provide certain information to the Company or the Conversion Agent, including the name and nationality of the person to be registered as the shareholder, the number of Common Shares the person is acquiring and has acquired in the past as a result of the conversion of the Bonds it holds, the Conversion Date, or such other information as may be reasonably required, before such conversion is effected. Under applicable ROC laws, the Company is required to report to the FSC if the person to be registered as a shareholder (i) is a "related party" of the Company as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuer or (ii) will own, immediately following such conversion, more than 5% of the total number of the Common Shares (including the Common Shares issued upon conversion of the Bonds). Failure to provide such information may cause the delay or rejection of such conversion of the Bonds.

The Company's public shareholders may have more difficulty in protecting their interests than they would as a shareholder of a corporation of other jurisdictions.

The Company's corporate affairs are mainly governed by its Articles of Incorporation and ROC Company Act. The rights of its shareholders to bring shareholders' suits against its management, controlling shareholders or board of directors under ROC laws are much more limited than those of the shareholders of corporations of some other jurisdictions. Therefore, the Company's public shareholders may have greater difficulty in protecting their interests in connection with actions taken by its management, members of board of directors or controlling shareholders than they would as shareholders of corporations of other jurisdictions.

A Bondholder's right to receive payments on the Bonds is structurally subordinated.

The Bonds will be effectively subordinated to any of the Company's secured obligations with respect to assets that secure such obligations. The terms of the Bonds do not prevent the Company from incurring additional debt in the future, and the Company is generally permitted to secure this indebtedness, although the Company's existing financial covenants may restrict the Company's future borrowings. If the Company incurs further indebtedness, its ability to make

payments on the Bonds and, if required, to redeem the Bonds may be adversely affected.

The Company may not have the ability to redeem the Bonds in cash if investors exercise the early redemption right upon the occurrence of a change of control, delisting or upon their option in certain circumstances.

The Company may be required by Bondholders to redeem for cash all or some of their Bonds upon a transaction or event constituting a change of control, delisting or upon their option in certain circumstances as described under “Description of the Bonds.” The Company may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, the Company’s ability to redeem the Bonds in cash may be limited by law, by the terms of other agreements relating to the Company’s senior debt, and by indebtedness and agreements that the Company may enter into in the future which may replace, supplement or amend its existing or future indebtedness. If the exercise of the redemption right upon the occurrence of a change of control or delisting occurs at a time when the Company is prohibited from redeeming the Bonds, the Company could seek the consent of lenders to redeem the Bonds or could attempt to refinance the borrowings that contain this prohibition. If the Company is not able to obtain consent or refinance these borrowings, the Company could remain prohibited from redeeming the Bonds. The Company’s failure to redeem Bonds would constitute an event of default, which might constitute a default under the terms of the Company’s other indebtedness at that time.

The Company may call the Bonds prior to maturity if the Company has or will become obligated to pay additional amounts as a result of certain changes in applicable tax law.

The Company may call the Bonds prior to maturity if the Company has or will become obligated to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations. In such an event, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed but, in that case, subject as provided in “Description of the Bonds— Redemption of the Bonds — Redemption for Taxation Reasons,” no additional amounts will be payable on the electing Bondholder’s Bonds after the relevant tax redemption date and payment of all amounts shall be made subject to the deduction of withholding of any taxation required to be withheld or deducted. See “Description of the Bonds — Redemption of the Bonds — Redemption for Taxation Reasons.”

Bondholders have limited anti-dilution protection.

The conversion price of the Bonds will be adjusted in the event that there is a free distribution, bonus issue, division, consolidation and reclassification, declaration of dividends, rights issue, warrants issue, capital distribution or other adjustment, but only in the circumstances and only to the extent provided in “Description of Bonds — Conversion — Adjustments to the Conversion Price.” There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of Common Shares. Events in respect of which no adjustment is made may adversely affect the value of Common Shares and, therefore, adversely affect the value of the Bonds.

Future issues, offers or sales of Common Shares may hurt the value of the Bonds.

The market price of the Bonds and Common Shares could decline as a result of future issues, offers or sales of a large number of Common Shares, or securities convertible into or exercisable for Common Shares, or any securities or financial instruments whose economic value is determined, directly or indirectly, by reference to the market price of Common Shares, or the perception that such issues, offers or sales could occur. If a large number of Common Shares is sold, the market price for the Bonds or Common Shares could be depressed.

The Trustee may request that the Bondholders provide indemnity, security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request the Bondholders to provide indemnity, security, and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of Bondholders. The Trustee shall not be obligated to take any such steps and/or actions and/or institute such proceedings if not indemnified, secured, and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity, security, and/or

prefunding can be a lengthy process and may impact when such steps and/or actions can be taken and/or such proceedings can be instituted. The Trustee may not be able to take such steps and/or actions and/or institute proceedings, notwithstanding the provision of indemnity, security or prefunding to it, in breach of the terms of the indenture governing the Bonds and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

USE OF PROCEEDS

The gross proceeds to be received by the Company from the Offering is estimated to be US\$350 million. The Company plans to use the net proceeds of the Offering for the procurement of raw materials, purchase of machineries and other facility equipment, repayment of bank loans, and funding for overseas subsidiaries' operating activities in foreign currencies.

DIVIDENDS AND DIVIDEND POLICY

Pursuant to the ROC Company Act and our Articles of Incorporation, as amended at the shareholders' meeting held on May 27, 2025, payment of any dividend by us is subject to approval by our shareholders and in the case of stock dividends, approval by the FSC. There is no fixed date for distributing the Company's dividends. Under the ROC law, a shareholder's claim to receive the distributed dividend, whether in the form of cash or stock, is subject to the statute of limitations of five years. Upon expiration of the statute of limitations for the dividend claim, we will not be obliged to distribute dividends to shareholders otherwise entitled thereto. No assurance can be given that we will pay any dividends to our shareholders in the future.

If the Company has profit as a result of the yearly accounting closing, such profit, which represents the profit before tax, excluding the amounts of employees' and directors' compensation, will be distributed in accordance with the following, once the Company's accumulated losses have been covered.

- (i) No less than ten percent (10%) of profit from the current year as employees' compensation (of which no less than thirty-five percent (35%) of the aforementioned allocated amount shall be reserved as compensation for non-executive employees). The Company may distribute in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive compensation shall be determined by the board of directors; and
- (ii) No more than one percent (1%) of profit from the current year as the compensation in cash to the directors of the Company (the "Directors").

If the Company has net profit as a result of the yearly accounting closing, the Company shall first offset its losses in previous years and set aside a legal capital reserve of ten percent (10%) of the net profit, until the accumulated legal capital reserve has equaled the total paid-in capital of the Company; it should then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the government authorities; finally, the Company may, taking into account the financial, business, and operational conditions of the Company, determine to distribute all the undistributed earnings as dividends to shareholders. Cash dividends paid to shareholders shall not be less than sixty percent (60%) of the total dividends to shareholders. The distribution of dividends proposed by the board of directors shall be subject to the shareholders' approval in the shareholders' meeting.

Dividend Policy

Pursuant to our Articles of Incorporation, as amended at the shareholders' meeting held on May 27, 2025, and certain ROC regulatory requirements, we are generally not permitted to distribute dividends or make other distributions to shareholders for any year in which we have no current or retained earnings. Before we can distribute a dividend or make any distribution to shareholders from profits, we must pay all outstanding taxes and duties, offset our losses incurred in previous years, and set aside 10% of our annual net profit as legal capital reserve, unless the accumulated legal capital reserve has equaled the total capital of the Company. In addition, we must set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Afterwards, the board of directors may propose the distribution for approval at the shareholders' general meeting, provided that dividends paid by cash shall be no less than 60% of the total dividends.

In the event we suffers no losses in certain year but possesses no distributable earnings, or the earnings of a certain year is significantly less than the earnings distributed by us during the previous year, or in consideration of our financial, business, or operational factors, we may allocate all or a portion of our reserve for distribution in accordance with relevant laws or regulations, or upon the provisions of competent authorities. Where legal reserve is distributed by issuing new shares or cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

Our dividend distribution policy is made in accordance with our Articles of Incorporation, taking into account various factors, including, among others, our capital, financial structure, earnings, future development and the market environment. Subject to our Articles of Incorporation, our dividend policy may be adjusted from time to time in accordance with economic and market conditions and, in particular, our future development and profitability.

Recent Historical Dividends

On February 24, 2025, our board of directors resolved to propose the distribution of a cash dividend of NT\$4.5 per Share in the total amount of NT\$8,400 million in respect of the 2024 financial year. Our shareholders approved dividend distribution plans at the shareholder's general meeting held on May 27, 2025. We paid this dividend on July 30, 2025.

On February 1, 2024, our board of directors resolved to propose the distribution of a cash dividend of NT\$4.5 per Share in the total amount of NT\$7,375 million in respect of the 2023 financial year. Our shareholders approved dividend distribution plans at the shareholder's general meeting held on June 14, 2024. We paid this dividend on July 31, 2024.

On February 20, 2023, our board of directors resolved to propose the distribution of a cash dividend of NT\$4.5 per Share in the total amount of NT\$7,375 million in respect of the 2022 financial year. Our shareholders approved dividend distribution plans at the shareholder's general meeting held on June 13, 2023. We paid this dividend on July 27, 2023.

On February 10, 2022, our board of directors resolved to propose the distribution of a cash dividend of NT\$4.5 per Share in the total amount of NT\$7,375 million in respect of the 2021 financial year. Our shareholders approved dividend distribution plans at the shareholder's general meeting held on June 14, 2022. We paid this dividend on July 28, 2022.

Our historical dividends payment history is not, and should not be taken as, an indication of our potential future practice with respect to dividend payments.

CAPITALIZATION

The following table sets forth under Taiwan IFRS (i) our unaudited condensed consolidated capitalization as of September 30, 2025 on an actual basis, and (ii) our unaudited condensed consolidated capitalization as of September 30, 2025, as adjusted for the issuance of the Bonds. The following table should be read in conjunction with our financial statements and the notes thereto included elsewhere herein. The amounts in US dollars are provided solely for the convenience of the reader.

The as adjusted basis gives effect to the issuance of the Bonds before deducting underwriting discount and concession and other offering expenses.

As of September 30, 2025

	Actual		As Adjusted for the Bond Offering	
	NT\$	US\$ ⁽¹⁾	NT\$	US\$ ⁽¹⁾
	(in thousands)			
Short-term borrowings	4,702,889	154,396	4,702,889	154,396
Bonds payable	20,987,612	689,022	31,951,362	1,048,961
Long-term bank loans	1,000,000	32,830	1,000,000	32,830
Equity				
Share capital.....	18,670,782	612,961	18,670,782	612,961
Capital surplus	19,003,295	623,877	19,003,295	623,877
Retained earnings.....	25,369,637	832,884	25,369,637	832,884
Other equity	(2,163,188)	(71,017)	(2,163,188)	(71,017)
Non-controlling interests	10,627,822	348,911	10,627,822	348,911
Total equity	<u>71,508,348</u>	<u>2,347,616</u>	<u>71,508,348</u>	<u>2,347,616</u>
Total capitalization ⁽²⁾	<u>98,198,849</u>	<u>3,223,864</u>	<u>109,162,599</u>	<u>3,583,803</u>

Notes:

- (1) The principal amount of the Bonds is denominated in US dollars. Solely for the convenience of the reader, unless otherwise noted, all translations from US dollars to NT dollars were made at the noon buying rate in The City of New York for cable transfers in NT dollars per US dollar set forth in the statistical release of the U.S. Federal Reserve Board of the United States, as of September 30, 2025, which was NT\$30.46 = US\$1.00 as of that date.
- (2) Total capitalization comprises short-term borrowings, bonds payable, long-term bank loans, and total equity.

SELECTED FINANCIAL DATA

The following summary financial information has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2022 and 2023 and as of and for the years ended December 31, 2023 and 2024, each of which have been prepared in accordance with the Taiwan IFRS, and our unaudited consolidated financial statements as of and for the nine months ended September 30, 2024 and 2025, which have been prepared in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the FSC. You should read the following selected financial information together with our financial statements included elsewhere in this offering circular. Neither these data nor the format in which they are presented should be viewed as comparable to information prepared in accordance with IFRS or generally accepted accounting principles elsewhere. See “Summary of Certain Material Differences between Taiwan IFRS and IFRS.”

Consolidated financial information

Consolidated Statements of Comprehensive Income Data

	For the year ended December 31,				For the nine months ended September 30,		
	2022	2023	2024		2024	2025	
	NT\$	NT\$	NT\$	US\$ ⁽¹⁾	NT\$	NT\$	US\$ ⁽¹⁾
	(audited)				(unaudited)		
	(in thousands, except for earnings per share information)						
Net Revenue	51,694,310	38,272,570	44,054,762	1,446,315	32,502,088	35,997,518	1,181,797
Cost of Revenue	27,770,570	27,826,556	32,121,848	1,054,558	23,882,949	25,808,204	847,282
Gross Profit	23,923,740	10,446,014	11,932,914	391,757	8,619,139	10,189,314	334,515
Operating Expenses							
Marketing expenses	582,693	382,140	448,957	14,739	324,231	393,965	12,934
General and administrative expenses	2,792,449	2,138,995	2,291,399	75,226	1,610,865	2,221,059	72,917
Research and development expenses	2,741,631	2,150,693	2,081,171	68,325	1,497,857	1,607,588	52,777
Total operating expenses	6,116,773	4,671,828	4,821,527	158,290	3,432,953	4,222,612	138,628
Operating Income	17,806,967	5,774,186	7,111,387	233,467	5,186,186	5,966,702	195,887
Non-Operating Income							
And Expenses							
Interest income	679,774	1,683,371	2,013,377	66,099	1,460,837	1,424,507	46,767
Dividend income	32,385	28,873	34,785	1,142	34,785	40,702	1,336
Other gains and losses	192,060	27,001	19,620	644	12,170	(12,417)	(408)
Gain on lease modification	-	-	-	-	-	71	2
Gain on disposal of property, plant and equipment	616	23,456	867	29	-	-	-
Gains on disposal of investments	62,343	1,490,064	-	-	-	-	-
Net foreign exchange (loss) gain	141,225	18,275	(28,794)	(945)	(34,971)	(159,650)	(5,241)
Gain on financial assets and liabilities at fair value through profit or loss	109,634	32,429	13,166	432	47,606	260,352	8,547
Interest expense	(180,101)	(238,174)	(348,113)	(11,429)	(259,903)	(253,512)	(8,323)
Share of profit or loss of associates and joint ventures accounted for using equity method	6,269	(5,708)	(63,990)	(2,101)	(27,396)	(111,101)	(3,647)
Total non-operating income and expenses	1,044,205	3,059,587	1,640,918	53,871	1,233,128	1,188,952	39,033
Income Before Income Tax	18,851,172	8,833,773	8,752,305	287,338	6,419,314	7,155,654	234,920
Income Tax Expense	(3,570,784)	(1,463,699)	(1,705,097)	(55,978)	(1,215,891)	(1,051,594)	(34,524)

Net Income	15,280,388	7,370,074	7,047,208	231,360	5,203,423	6,104,060	200,396
Other comprehensive income (loss).....	2,451,035	386,839	837,007	27,479	433,533	(1,821,311)	(59,794)
Total Comprehensive Income	17,731,423	7,756,913	7,884,215	258,839	5,636,956	4,282,749	140,602
Net Income Attributable To:							
Owners of parent	15,280,388	7,370,074	7,046,424	231,334	5,199,772	6,159,998	202,232
Non-controlling interests	-	-	784	26	3,651	(55,938)	(1,836)
Total Comprehensive Income Attributable To:							
Owners of parent	17,731,423	7,756,913	7,809,292	256,379	5,678,493	4,630,140	152,007
Non-controlling interests	-	-	74,923	2,460	(41,537)	(347,391)	(11,405)
Earnings Per Share							
Basic earnings per share	9.32	4.50	4.21	0.14	3.17	3.35	0.11
Diluted earnings per share.....	9.07	4.43	4.16	0.14	3.14	3.30	0.11

Consolidated Balance Sheet Data

	As of December 31,				As of September 30,		
	2022	2023	2024		2024	2025	
	NT\$	NT\$	NT\$	US\$ ⁽¹⁾	NT\$	NT\$	US\$ ⁽¹⁾
	(audited)				(unaudited)		
	(in thousands)						
Total current assets.....	46,255,487	50,078,655	86,211,179	2,830,308	58,836,327	73,035,159	2,397,740
Total non-current assets.....	54,684,432	52,371,388	62,494,523	2,051,691	53,378,686	97,272,046	3,193,435
Total assets.....	100,939,919	102,450,043	148,705,702	4,881,999	112,215,013	170,307,205	5,591,175
Total current liabilities	21,093,478	20,107,223	21,375,242	701,748	20,147,155	33,905,436	1,113,113
Total non-current liabilities ..	34,495,937	36,629,780	58,663,435	1,925,917	43,616,130	64,893,421	2,130,447
Total equity	45,350,504	45,713,040	68,667,025	2,254,334	48,451,728	71,508,348	2,347,615
Total liabilities and equity	100,939,919	102,450,043	148,705,702	4,881,999	112,215,013	170,307,205	5,591,175

Consolidated Statements of Cash Flow Data

	For the year ended December 31,				For the nine months ended September 30,		
	2022	2023	2024		2024	2025	
	NT\$	NT\$	NT\$	US\$ ⁽¹⁾	NT\$	NT\$	US\$ ⁽¹⁾
	(audited)				(unaudited)		
	(in thousands)						
Net cash generated from operating activities.....	33,926,596	8,631,509	24,731,061	811,919	11,810,341	17,747,551	582,651
Net cash used in investing activities.....	(24,203,573)	(8,359,842)	(11,698,518)	(384,062)	(5,568,720)	(32,964,070)	(1,082,208)
Net cash generated from (used in) financing activities.....	4,172,793	(1,358,684)	17,529,718	575,500	1,023,551	3,105,495	101,953
Effects of exchange rate changes on cash and cash equivalents.....	574,900	72,176	290,509	9,537	110,636	(191,198)	(6,277)
Net increase (decrease) in cash and cash equivalents	14,470,716	(1,014,841)	30,852,770	1,012,894	7,375,808	(12,302,222)	(403,881)

Other Financial Data

	For the year ended December 31,			For the nine months ended September 30,	
	2022	2023	2024	2024	2025
	(audited)			(unaudited)	
Gross margin ⁽²⁾	46.3%	27.3%	27.1%	26.5%	28.3%
Operating margin ⁽³⁾	34.4%	15.1%	16.1%	16.0%	16.6%
Net margin ⁽⁴⁾	29.6%	19.3%	16.0%	16.0%	17.0%

(1) Translation of amounts from NT dollars into US dollars has been made at the rate prevailing on September 30, 2025 of NT\$30.46 = US\$1.00. The exchange rate is not derived from the audited or unaudited financial statements.

(2) Gross margin is calculated by dividing gross profit by net revenue, multiplied by 100%.

(3) Operating margin is calculated by dividing operating income by net revenue, multiplied by 100%.

(4) Net margin is calculated by dividing net income by net revenue, multiplied by 100%.

BUSINESS

Overview

We are a globally leading “Power Centric” specialty foundry focusing on power essential applications including computing (including HPC), automotive, industrial, communication, consumer electronics, IoT, and humanoid markets. With more than three decades of operational excellence, we provide differentiated fabrication services on the 8-inch platform, and with expansion plan focusing on 12-inch platform, supported by long-term trustworthy partnerships with customers, robust quality systems, and a track record of efficiency and reliability. Our business model emphasizes stable, recurring foundry revenue supported by a diversified, global customer base and a disciplined approach to capital deployment.

Our product offerings serve a wide spectrum of applications, including PMICs as well as discrete, GaN and SiC power device solutions used in AI and enterprise datacenters, automotives, and industrial systems; DDICs solutions used in televisions, notebooks, mobile devices and automotives; eFlash solutions used in motor controller, IoT and connectivity; and optical, magnetic and thermal sensors used in personal health monitors, wearables, as well as automotive and industrial devices. We hold established positions in many of these segments due to our strong device engineering capability and competitive technology. Our logic platform nodes include 0.5 μm , 0.35 μm , 0.25 μm , 0.18 / 0.15 μm , and 0.11 μm . These feature-rich and cost-effective processes are optimized for analog, mixed-signal, and power applications that require reliability, longevity, and stringent quality.

Established in 1994, we originated as a memory manufacturer and subsequently transformed into a pure-play foundry in early 2000s. Over the decades, we have continuously expanded our capabilities through technology development, capacity investments, and strategic cooperation with global leading semiconductor companies. Today, our specialty-process expertise is recognized by major global IC design houses and IDMs, many of whom rely on our long-lifecycle support and stable supply capability. We now operate a scalable and diversified manufacturing network comprising four foundries in Taiwan and one foundry in Singapore, with a combined monthly capacity of about 292,000 wafers by the end of 2024. Our Taiwan operations include Fab 1, 2, and 5 located in Hsinchu Science Park and Fab 3 located in Taoyuan. These facilities, together with the Singapore fab, collectively provide a stable, high-yield, and cost-efficient production base.

We are also further expanding our global footprint through a planned new 12-inch specialty fab in Singapore, being developed under VSMC, a joint venture with NXP Semiconductors. This collaboration combines our proven manufacturing excellence in specialty processes with NXP Semiconductors’s long-standing strengths in automotive, industrial, HPC, and secure-connectivity semiconductors. The facility will support platforms including 0.13 μm / 90nm / 40nm BCD, 40nm ULP, and 40nm eFlash, targeting mixed-signal, PMICs, analog, and MCU applications. The technology alignment, facility design, construction, manufacturing ramp-up, and quality-system management are supported by TSMC’s technology and manufacturing expertise. Beyond capacity expansion, this project represents a full-scale upgrade in automation, yield management, and cost structure.

Secular trends such as growing AI computing demand, electric vehicle adoption, and industrial automation will continue to drive global demand for power semiconductors and discrete solutions. As a result, underlying demand for our specialty manufacturing platforms will grow in lockstep, and in turn continue to drive sustainable growth for our business. Growing training and inference AI computing demand, as well as emerging AI applications are pushing datacenter rack power density from 50–100kW to 600kW and beyond – this is not merely “more power”, but instead represents a complete shift toward high-voltage DC (“HVDC”) and high-efficiency conversion. Rise in power density and efficiency requirement threshold will accelerate the adoption of GaN and Silicon Carbide (“SiC”) wide-bandgap devices and BCD / Silicon-on-Insulator (“SOI”) / Ultra High-Voltage (“UHV”) platforms; this is largely due to the technology’s ability to deliver low loss and high reliability under high-voltage, high-frequency, and continuous-load conditions. In the automotive sector, Electric Vehicle (“EV”) penetration (including battery electric vehicle and plug-in hybrid electric vehicle) continues to grow globally. As electrical engineering architecture evolves, demand for high-voltage power, isolation, mixed-signal control, and embedded non-volatile memory (“eNVM”) solutions will remain robust. Our technology know-how and track record of operating excellence position us to capture new opportunities emerging from these favorable secular trends.

We offer our customers a complementary and comprehensive technology portfolio, including PMS (Power & Analog Specialty) + eNVM (eFlash/RRAM) + GaN + SiC, enabling end-to-end solutions from

control to power, across low- to high-voltage, spanning consumer to automotive/industrial. This system-level approach shortens design-to-production cycles and delivers measurable gains in efficiency and reliability for our customers. Our on-going R&D innovations driving cost optimization and performance improvement include the following:

- eNVM: Volume production of 0.18/0.15/0.11 μm eFlash with 30V/40V/60V/80V high-voltage options; roadmap includes 40nm eFlash and 40nm RRAM for higher density and lower power MCU integration.
- Deep Trench Isolation (“DTI”) special module: Shrinks die size by >20%, improves latch-up immunity and cuts cost by ~10% versus SOI—ideal for automotive-grade stability and cost efficiency.
- Deep Trench Capacitor (“DTC”) special module: Delivers 25 fF/ μm^2 capacitance (vs. 20–22 for peers), with <1% variation across -55°C to 150°C (MLCC >15%) and <15% under 0–6V bias (MLCC >30–60%)—ensuring power stability in extreme conditions.
- Integrated BCD VDMOS: we offers best-in-class $R_{on,sp}$ (<15 m Ω ·mm²) for automotive high-side switch and eFuse, performance in par with leading IDM IFX and first-cut sample verified by China EV customer.
- GaN-on-QST: Demonstrates 96.31% efficiency in 150W PFC tests (market-available products ~96.46%), with thermal-matched substrates reducing warpage and breakage; backed by 187 patents, scaling from <200V to 1200V.
- SiC: Working with Episil Technologies Inc., a TPEX-listed professional foundry focusing on Linear Bipolar IC and compound GaN and SiC (“Episil”), to scale established 6-inch processes into 8-inch manufacturing, targeting traction inverters, DC-DC converters, and rectification/isolation for high-voltage, high-current applications; co-developed with global partners to optimize performance, reliability, and cost, leveraging 8-inch manufacturability for faster automotive adoption.

Our net revenue was NT\$51,694 million in 2022, NT\$38,273 million in 2023, and NT\$44,055 million in 2024. Our net revenue was NT\$32,502 million and NT\$35,998 million for the nine months ended September 30, 2024 and 2025, respectively. Our net income was NT\$15,280 million in 2022, NT\$7,370 million in 2023, and NT\$7,047 million in 2024. Our net profit was NT\$5,203 million and NT\$6,104 million for the nine months ended September 30, 2024 and 2025, respectively.

Our Strengths

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

We are a Trusted, Independent and Reliable Foundry Partner of Global Blue-Chip Customers

As an independent, pure-play specialty foundry, we exclusively provide wafer fabrication services to our customers and do not engage in competing downstream product businesses. This business model ensures full alignment with our customers’ interests and enables us to build stable, long-term partnerships based on mutual trust. Our independence is particularly valued by global IDMs and fabless IC design houses seeking a neutral manufacturing partner capable of supporting their proprietary technologies, differentiated product roadmaps, and long product lifecycles without competitive conflict.

Over more than three decades of operations, we have established a strong track record of reliable execution across a broad range of specialty process technologies. We consistently deliver high-quality products with competitive yields, stable cycle times, and disciplined schedule control, even under complex manufacturing conditions and stringent reliability requirements. Our customers rely on our manufacturing discipline, robust quality management systems, and long-lifecycle support capabilities, particularly in applications such as automotive, industrial, and infrastructure, where product qualification cycles are lengthy and supply continuity is critical.

In addition, our Taiwan- and Singapore-based manufacturing footprint and neutral geopolitical positioning have become increasingly attractive to global customers, particularly those in Western markets, amid ongoing trade, regulatory, and geopolitical frictions. As customers continue to prioritize supply chain

resilience, diversification, and long-term manufacturing stability, we believe our role as a trusted, independent specialty foundry partner positions us favorably to deepen existing customer relationships and attract new global blue-chip customers seeking a reliable and aligned manufacturing partner.

Diversified End Market Customer Base, Benefiting from Fast Growing AI Infrastructure Demand

We serve a diversified customer base across multiple end markets, including computing (including HPC), automotive, industrial, communication, consumer electronics, IoT, and humanoid, supported by our PMIC, Discrete, Compound, eFlash, HVDDIC, MEMS/Sensor technology platforms. Our specialty processes are designed to address analog, mixed-signal, and power-centric applications that require high reliability, long product lifecycles, and cost efficiency. This enables us to participate across a broad range of end applications rather than relying on a single market or customer segment, while leveraging mature and specialty nodes that are well suited for power and analog integration.

The rapid expansion of AI server deployments is driving a structural increase in system-level power requirements, accelerating demand for PMICs, Smart Power Stage (SPS) solutions, and discrete power devices. As AI workloads push data center rack power density significantly higher, the number, complexity, and performance requirements of power management components per system continue to rise. In HPC server power architectures, applications such as SPS increasingly rely on specialty technologies – including BCD, SGT MOS, and compound semiconductors such as GaN and SiC – manufactured primarily on 200 mm platforms, complemented by selected 55/40 nm technologies for digital Pulse-Width Modulation (“PWM”) control. We believe these trends structurally favor specialty foundries with strong capabilities in power, analog, and high-voltage processes, as these applications typically depend on mature node. rather than leading-edge logic geometries.

In addition, our planned 12-inch specialty fab in Singapore under VSMC, a joint venture with NXP Semiconductors, is expected to further enhance our exposure to automotive, industrial, and AI infrastructure end markets while strengthening utilization and margin profile through scaled deployment of mature and specialty nodes. The addition of this facility improves geographic diversification and supply-chain resilience, enabling multi-site delivery and supporting long-term customer commitments, particularly for automotive and industrial programs with extended qualification cycles. As AI-driven power innovation continues to extend demand for high-voltage power management and isolation devices, alongside accelerating vehicle electrification and industrial upgrades that drive higher analog and power content per system, we see a structural increase in demand for 12-inch mature-node capacity. In this context, the expansion of 12-inch specialty manufacturing is no longer optional but represents a clear and durable growth pathway, positioning us to deliver stable, predictable growth across industry cycles

Comprehensive and Broad Technology Portfolio Meeting the Specialty Needs of Our Customers

We offer a comprehensive portfolio of specialty process technologies designed to address a wide range of customer requirements across power, analog, mixed-signal, and specialty applications. Our technology platforms include high-voltage and UHV processes, BCD, SOI, discrete power devices, GaN, SiC, logic, mixed-signal, precision analog, embedded memory, and Micro-Electro-Mechanical Systems (“MEMS”) . This breadth enables us to support customers with diverse design requirements across different voltage ranges, performance specifications, and reliability standards.

Our specialty processes are optimized to deliver a balanced combination of performance, reliability, and cost efficiency, which is particularly critical for applications in automotive, industrial, infrastructure, and consumer electronics markets. These feature-rich platforms allow customers to integrate power management, control, sensing, and memory functions within a single manufacturing ecosystem, reducing design complexity and accelerating time-to-market. Many of our technologies are deployed on mature nodes that emphasize stability, longevity, and manufacturability, making them well suited for products with long lifecycles and stringent qualification requirements.

By embedding a zero-defect mindset across our production operations and supply chain, and by partnering closely with customers on design enablement and IP development, we drive collaborative innovation while maintaining high standards of quality, efficiency, and delivery reliability. These capabilities align closely with the growing demand for mature-node solutions in AI power, automotive electronics, and industrial control applications. In market environments characterized by misaligned cycles and inventory volatility, we believe

execution excellence across quality, cost efficiency, and supply-chain resilience increasingly defines competitive differentiation.

By offering a complementary and comprehensive technology portfolio, we are able to support global customers across a wide range of end-market use cases and product generations. This capability allows us to deepen customer engagement over time as their product requirements evolve, while also enabling us to attract new customers seeking a specialty foundry partner with comprehensive process coverage, proven manufacturing expertise, and a strong track record of reliable execution.

Long Track Record of Partnership with Industry Leader TSMC

We benefit from a long-standing strategic relationship with TSMC, our largest shareholder. TSMC has supported our development as a leading specialty foundry. Through at arm's length collaboration, we have access to technology licensing, equipment transfers, and manufacturing know-how that enhance our ability to deploy mature-node specialty processes efficiently and reliably. This relationship has enabled us to strengthen our operational capabilities while maintaining our independent positioning as a pure-play specialty foundry.

The support from TSMC has allowed us to accelerate the development and scaling of differentiated specialty technologies, particularly in areas where manufacturing discipline, yield optimization, and process integration are critical. Leveraging shared experience and industry leading practices, we are able to achieve stable production ramp-ups, competitive cost structures, and consistent product quality across our manufacturing footprint. This collaboration also enhances our ability to respond to evolving customer requirements and industry standards.

We believe that our long track record of partnership with TSMC reinforces customer confidence in our technical capabilities and operational robustness. By combining our specialty process focus with manufacturing insights derived from one of the world's leading semiconductor foundries, we are well positioned to continue delivering reliable and high-quality manufacturing solutions to global customers.

Commitment to Engineer a Greener Semiconductor Future

We are committed to advancing sustainable manufacturing practices and continuously improving the environmental performance of our operations. We actively refine green manufacturing technologies and implement measures aimed at energy conservation, water efficiency, carbon reduction, and waste minimization across our fabs. Sustainability considerations are embedded into our operational decision-making, process optimization efforts, and facility upgrades to ensure responsible and efficient use of resources.

As part of our long-term environmental objectives, we have established clear targets to transition toward 100% renewable energy usage by 2040 and to achieve net-zero greenhouse gas emissions by 2050. These commitments reflect our proactive approach to addressing climate-related risks and align with the sustainability expectations of our customers, many of whom operate in regulated and environmentally sensitive end markets such as automotive and industrial applications.

We believe that our focus on sustainable manufacturing not only supports environmental stewardship but also enhances our long-term competitiveness. By improving resource efficiency and reducing environmental impact, we aim to strengthen operational resilience, support customer sustainability goals, and contribute to the development of a more sustainable semiconductor ecosystem.

Experienced and Stable Management Team with Long Track Record of Operational Excellence

Our management team is composed of seasoned industry professionals with extensive experience in semiconductor manufacturing and operations. Most of our core management members have been with the company for many years and have demonstrated a consistent track record of operational excellence, disciplined execution, and prudent decision-making across multiple industry cycles. This stability supports continuity in strategic direction and operational management.

Many members of our management team previously held key positions at leading semiconductor companies, such as TSMC, bringing deep technical expertise and industry knowledge to our organization. Their collective experience spans technology development, manufacturing operations, quality management, and

customer engagement, enabling us to effectively manage complex specialty manufacturing processes and meet the demanding requirements of global customers.

We believe our experienced and stable management team is a key contributor to our long-term success. By maintaining strong operational discipline, fostering a culture of continuous improvement, and aligning closely with customer needs, our leadership team supports the sustainable growth and resilience of our business.

Our Strategies

We intend to pursue the following growth strategies to solidify our market leadership and achieve sustainable growth:

Continue to Strengthen Relationship with Customers through Fostering Tight Collaboration

We intend to further enhance our engagement with customers at the design and development stages in order to achieve closer technical alignment and strengthen long-term strategic relationships. By participating earlier in customers' product development cycles, we are able to better understand their technical requirements, performance targets, and qualification timelines, which in turn allows us to provide more tailored process solutions and manufacturing support. We believe such early and deep engagement supports higher design success rates, shorter time-to-production, and greater customer loyalty over the product lifecycle.

We also plan to foster deeper relationship with our customers through selectively entering long-term agreements (LTAs). These agreements are intended to reinforce strategic partnerships while enhancing visibility into customers' future demand and enabling more effective capacity planning and resource allocation. By aligning production planning more closely with customer roadmaps, we aim to improve operational efficiency, reduce supply uncertainty, and support stable and predictable delivery over extended time horizons.

Our joint venture with NXP Semiconductors in Singapore under VSMC exemplifies this collaborative approach. NXP Semiconductors' involvement as both a strategic partner and a key customer is expected to underpin a stable demand base for VSMC's specialty 12-inch capacity, particularly in automotive and industrial applications. We believe this model of deep customer collaboration provides a foundation for sustainable growth and reinforces our position as a trusted specialty foundry partner.

Strengthen Global Manufacturing Capacity to Meet the Needs of Our Customers

We intend to continue strengthening our manufacturing capacity footprint in both Taiwan and Singapore in a prudent matter to support growing customer demand across a range of specialty applications. Our capacity expansion strategy is designed to balance geographic diversification, operational efficiency, and long-term demand visibility, enabling us to support customers with stable and resilient manufacturing solutions across different regions, whilst maintaining a strong financial profile.

By maintaining and expanding a multi-site manufacturing network, we aim to enhance supply chain resilience and mitigate potential disruptions arising from geopolitical, regulatory, or operational risks. Our manufacturing expansion is focused on specialty technologies that require high reliability, long product lifecycles, and consistent quality, rather than on leading-edge logic nodes, allowing us to deploy capital in a disciplined and targeted manner.

We believe these efforts position us to continue serving as a reliable, trusted, and independent foundry partner to the global semiconductor industry. As customers increasingly prioritize supply continuity, manufacturing stability, and long-term alignment, we expect our global manufacturing strategy to support deeper customer relationships and sustained growth.

Further Penetrate into and Establish Robust Market Shares in Fast Growing Verticals

We view the growing demand for PMICs in AI servers as a compelling growth opportunity and intend to further expand our exposure to this segment. The rapid deployment of AI infrastructure is driving higher system-level power requirements, resulting in increased PMIC and discrete content per server. Our specialty process technologies are well suited to support these applications, which typically emphasize power efficiency, reliability, and scalability.

In addition to AI infrastructure, we also intend to further penetrate other fast-growing end markets, including electric vehicles. Electrification trends continue to drive demand for PMICs across a wide range of automotive applications, such as traction inverters, on-board chargers, battery management systems, and auxiliary power modules. These applications require high-voltage, high-reliability, and automotive-qualified semiconductor solutions, areas where we have established manufacturing capabilities.

By expanding our presence in these fast-growing verticals, we aim to diversify our revenue base while increasing our exposure to structurally attractive end markets to drive top line growth. We believe this strategy enhances the resilience of our business across industry cycles and supports long-term growth.

Continue to Invest in R&D to Provide Our Customers with the Most Innovative Solutions

We intend to continue investing in research and development to expand our specialty technology portfolio and address emerging customer needs. We have invested in Episil and have agreed to co-develop SiC technologies, enabling us to participate in next-generation power semiconductor opportunities and remain aligned with evolving industry trends in high-voltage and high-power applications.

In parallel, we are actively expanding our GaN and SiC technology offerings. With products already in mass production, we expect these technologies to play an increasingly important role in our portfolio as adoption of wide-bandgap semiconductors accelerates across AI infrastructure, automotive, and industrial applications. These technologies offer advantages in power efficiency, thermal performance, and system integration, which are increasingly valued by customers.

We believe that continued investment in R&D strengthens our ability to provide differentiated solutions, support customer innovation, and enhance our long-term competitiveness. As our GaN and SiC platforms scale, we also expect them to contribute positively to our margin profile over time.

Committed to Sustainable Operation and Corporate Social Responsibility

We are committed to integrating sustainability considerations into our business operations and decision-making processes. In 2024, we released our Sustainable Raw Materials Policy, which commits us to minimizing the environmental impact of raw materials, increasing the use of recycled materials, and optimizing material utilization and efficiency throughout our manufacturing processes. This policy reflects our broader efforts to promote responsible sourcing and sustainable production practices.

In addition, we continue to explore innovative approaches to environmental stewardship through collaborative research initiatives. In 2024, we launched the research project “Enhancing Soil Carbon Sinks through Resource Recycling” in collaboration with National Taiwan University. In the first quarter of 2025, this project was successfully implemented in the Qianjia Air Quality Purification Zone in Hsinchu, where on-site carbon sequestration experiments were conducted.

We believe that our commitment to sustainable operations and corporate social responsibility supports long-term value creation for our stakeholders. By proactively addressing environmental and social considerations, we aim to strengthen operational resilience, align with customer sustainability objectives, and contribute positively to the communities in which we operate.

Products and Services

We are a pure-play foundry focusing on providing semiconductor fabrication services for specialty ICs, including (i) PMICs, (ii) discrete, GaN and SiC power device solutions, (iii) DDICs, (iv) eFlash solutions, and (v) optical, magnetic and thermal sensors.

In the semiconductor industry, a technology platform refers to a complete and integrated manufacturing ecosystem that supports customers to design and produce specific types of chips, encompassing far more than a single process step or technology node. Our technology platforms include high-voltage and UHV processes, BCD, SOI, discrete power devices, GaN, SiC, logic, mixed-signal, precision analog, embedded memory, and MEMS.

In 2024, we achieved an annual production capacity of approximately 3.4 million 8-inch wafers, with a shipment volume of 2.2 million 8-inch wafers. Our 12-inch joint venture wafer fab in Singapore is currently

under construction, with mass production slated for 2027.

Power Management ICs (PMICs)

We manufacture PMICs that serve datacenter infrastructure, automotive electronics, and industrial systems, all of which require efficient, reliable, and high-performance power regulation. Our PMIC offerings support core functions such as voltage regulation, power conversion, load management, and thermal protection in mission-critical environments. As datacenters scale to meet rising AI and cloud-computing workloads, and as vehicles incorporate increasing levels of electronic content, our PMICs must deliver higher efficiency, handle elevated power densities, and maintain long operational lifecycles. We leverage our specialty technology platforms, including high-voltage CMOS, BCD, and discrete power processes, to meet these requirements, enabling our customers to design PMICs with high switching performance, low power loss, and robust reliability. Our 0.5 / 0.4 / 0.35 / 0.25 / 0.15 / 0.11 μm BCD processes have all entered mass production or trial production stages. Our 0.25 / 0.15 μm silicon on insulator processes have also been developed and are now in mass production. In addition, we have expanded our 0.5 μm UHV process to applications such as brushless motors and AC / DC power management. Through these mature-node specialty platforms, we are able to support a wide range of PMIC architectures used across servers, electric and hybrid vehicles, factory automation systems, and other power-management applications.

Discrete, GaN and SiC Power Device Solutions

We offer discrete power devices and GaN, SiC power solutions, which together form our power device solutions and support a wide range of datacenter, automotive, and industrial applications. Our discrete power devices, such as power MOSFETs, provide efficient switching, power conversion, and energy management in high-current and high-reliability environments. Our GaN power solutions extend these capabilities by enabling significantly faster switching speeds, higher power efficiency, and improved thermal performance, making them well suited for hyperscale server power architectures, electric vehicle powertrains, and fast-charging systems. Our SiC power solutions focus on the development of platforms and process technologies for SiC power devices, targeting high-voltage and high-reliability applications. By integrating both silicon-based discrete devices and next-generation wide-bandgap GaN technologies within our specialty power platforms, including trench MOSFET and GaN device processes, we are able to address the growing demand for high-efficiency, high-performance power components across multiple end markets, including those driven by the rapid expansion of AI and accelerated computing. We have successfully mass-produced our first-generation GaN-on-QST high-voltage process, meeting the needs of quick charging applications for handheld products. The second-generation 650V GaN process was completed and entered reliability testing in the second half of 2024 and the mass production is expected to commence in 2026. We are also developing 1200V GaN components that support high current applications such as electric vehicle fast charging systems and on-board chargers.

Display Driver ICs (DDICs)

We produce DDICs used in televisions, notebooks, monitors, mobile devices and emerging display applications. DDICs convert digital image data into the analog voltage signals required to activate individual pixels, ensuring smooth rendering, accurate color reproduction, and precise brightness control across a wide range of display formats. We have introduced 0.2 μm , 0.18 μm , 0.15 μm , and 0.11 μm high-voltage processes into mass production, which enable reductions in component size and mask layers while maintaining robust electrical performance. These high-voltage platforms support ultra-high-resolution TVs, smartphones, laptops, tablets, and touch panels, as well as next-generation display technologies such as electronic shelf labels (ESL), color e-readers, electrophoretic displays (EPD), and microLED displays. Leveraging our proven capabilities in high-voltage and process that are optimized for analog, mixed-signal applications, we provide customers with mature, cost-efficient, and reliable DDIC solutions that meet the stringent performance and power-consumption requirements of both established and emerging display markets.

eFlash Solutions

We develop and manufacture eFlash solutions used in motor controllers, IoT devices, and connectivity applications. eFlash enables on-chip storage of firmware and system parameters, providing secure, non-volatile memory for embedded control systems. Our mature-node platforms integrate eFlash with analog, mixed-signal, and high-voltage components, allowing customers to design compact, reliable system-on-chip solutions for smart appliances, industrial motors, home automation products, and wireless connectivity modules. We support these applications with proven, highly reliable eFlash processes that meet the endurance and retention

requirements of long-lifecycle embedded systems.

Optical, Magnetic and Thermal Sensors

We offer process technology for optical, magnetic and thermal sensor products used in personal health monitors, wearables, automotive systems, and industrial devices. These sensors convert environmental conditions, such as light intensity, magnetic fields, or temperature, into electrical signals for downstream measurement and control. We have reached stable volume production of sensors such as accelerometers and gyroscopes, long-wave infrared imaged sensors, and precision thermometers, and are actively expanding our cooperation with customers to develop new sensor technologies such as pressure gauges, sound and vibration sensors. We continue to enhance the performance of sensor-related products to broaden their adoption in higher-end products, including handheld devices, drones, mobile phones and Bluetooth earbuds. Our specialty platforms support the analog, mixed-signal, and high-voltage performance required for sensors operating in safety-critical or demanding environments. By providing stable, high-reliability sensor manufacturing capabilities, we enable customers to develop advanced sensing solutions for wellness monitoring, smart consumer devices, and automotive and industrial applications.

Our Technology Platform

Our technology platforms provide the foundation for the wide range of specialty IC products we manufacture, including PMICs, discrete and GaN power device solutions, DDICs, embedded flash solutions, and optical, magnetic and thermal sensors. These platforms encompass a diversified set of specialty process technologies tailored to support power, analog, mixed-signal, memory, and sensing functions across datacenter, automotive, consumer electronics, and industrial applications. Our high-voltage and UHV processes enable the generation, regulation, and switching of elevated voltages required in power management and display driver applications. Our BCD technologies integrate bipolar, CMOS, and DMOS technologies on a single chip, supporting the combination of digital control logic, analog precision circuits, and high-current power transistors used in PMICs, motor drivers, and automotive electronics. Our SOI processes enhance electrical isolation and noise immunity, making them well suited for high-voltage, high-temperature, and safety-critical environments. Our discrete power device platforms provide efficient switching and power-conversion functions for datacenter and industrial systems, while our GaN wide-bandgap power technologies offer superior switching speed, power efficiency, and thermal robustness for next-generation power electronics. Complementing these power management and high-voltage capabilities, our logic, mixed-signal, and precision analog platforms support the integration of digital processing, signal conditioning, and sensor-interface circuits, while our embedded memory technologies enable on-chip non-volatile storage and micro-scale sensing and actuation. By combining mature-node stability with these specialized device architectures, our technology platforms support the robust performance, reliability, and long product lifecycles required by customers.

Production Process

We provide wafer fabrication services for semiconductor products that support a wide range of end-market applications, each of which requires distinct process technologies and quality specifications. In the semiconductor foundry industry, the diversity of end market translates into complex manufacturing demands, as different products often rely on customized process modules, varying voltage and power requirements, and unique reliability and qualification standards. For example, automotive and industrial products must satisfy rigorous qualification standards and operate reliably across extended temperature ranges, while display driver and consumer products often require high-throughput manufacturing and tight analog performance.

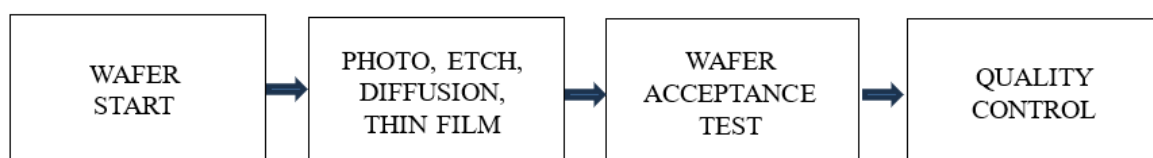
Our production process is designed to accommodate this diversity through flexible manufacturing lines, mature-node stability, and a broad suite of specialty technologies, enabling us to run numerous product families concurrently while maintaining high levels of efficiency and yield. Our products are used in (i) automotive systems (including gasoline vehicles, BEVs, PHEVs, and HEVs); (ii) HPC, such as data centers and servers, computers and related peripherals (including notebook PCs, TFT-LCD monitors, and motherboards); (iii) communications products (including mobile phones, base stations, and wireless LAN devices); (iv) consumer electronics (including high-resolution TVs, tablets, e-book readers, and TWS devices), and (v) various industrial applications.

We also benefit from our long-standing strategic relationship with TSMC, our largest shareholder, in our production process. Through at arm's-length collaboration, we gain access to technology licensing, equipment transfers, and manufacturing know-how that enhance our ability to deploy mature-node specialty processes

efficiently and reliably. All such arrangements are conducted on an arm’s-length basis and subject to applicable laws and regulations. This support strengthens critical aspects of our manufacturing operations, including process integration, yield optimization, disciplined production ramp-ups, and factory equipment utilization. By incorporating industry leading practices and operational insights from one of the world’s leading semiconductor foundries, we are able to maintain stable and competitive manufacturing performance across our fabs. This relationship reinforces customer confidence in our operational robustness and enhances our ability to deliver consistent product quality and timely capacity to customers across global markets.

To ensure the reliability and stability of our manufacturing processes, we employ advanced process-control and yield-management systems, including statistical process control, in-line metrology, automated inspection, and reliability monitoring programs. These systems allow us to manage process variation, rapidly identify and resolve yield excursions, and maintain long-term production stability across complex product families. Through close collaboration with customers during device design, tape-out, pilot runs, and mass-production ramp-ups, we tailor process integration to product requirements, optimize time-to-yield, and support the full lifecycle needs of customers’ specialty ICs.

The general production flow sets out as follows:



Raw Materials

Our key raw materials include wafer, chemicals, photoresist, and gas. Securing an adequate supply of raw materials at commercially reasonable prices and terms is critical to our business operations.

We source raw materials from suppliers who offer high-quality and cost-effective materials in a timely manner. Furthermore, in response to the concentration risk, we aim to source each raw material from multiple suppliers to establish a diversified supply chain. We generally maintain long-term relationships with a number of key suppliers, so as to retain maximum flexibility and priority supply. In 2022, 2023, 2024, and for the nine months ended September 30, 2025, our purchases from our top two suppliers accounted for 21.0%, 17.9%, 14.0% and 15.3% of total purchases from all suppliers, respectively.

From time to time, we may experience shortages of various raw materials and components. See “Risk Factors – Shortages in, or rises in the prices of, raw materials or components for products we manufacture may adversely affect our business.” We typically purchase additional stock in excess of our anticipated requirements when we foresee demand fluctuations or supply disruptions.

Sales and Marketing

Customers

We have established a strong customer portfolio consisting of different industries. Historically, sales of our products to key customers accounted for a substantial portion of our net revenue. In 2022, 2023, 2024 and the nine months ended September 30, 2025, sales to our top two customers accounting for 19.4%, 23.5%, 23.3% and 25.4% of our net revenue, respectively.

We sell and market our products through our sales and marketing team located in the Americas and Asia. We devote substantial resources to account management and new business development.

Sales regions

The following table sets out the percentage breakdown of our net revenue by geographic regions for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2022		2023		2024		2025			
	NT\$	%	NT\$	%	NT\$	%	US\$	NT\$	%	US\$
	<i>(in thousands, except percentages)</i>									
Asia	45,966,027	88.9	33,573,185	87.7	36,525,708	82.9	1,199,137	27,745,786	77.1%	910,893
America	3,073,632	5.9	2,818,898	7.4	6,367,062	14.5	209,030	7,207,441	20.0%	236,620
Europe	2,654,651	5.2	1,880,487	4.9	1,161,992	2.6	38,148	1,044,291	2.9%	34,284
Total.....	<u>51,694,310</u>	<u>100.0</u>	<u>38,272,570</u>	<u>100.0</u>	<u>44,054,762</u>	<u>100.0</u>	<u>1,446,315</u>	<u>35,997,518</u>	<u>100.0</u>	<u>1,181,797</u>

Production Facilities

We have five constructed production facilities for 8-inch wafers in Taiwan and Singapore and one production facility for 12-inch wafers in Singapore, which is under construction.

The following table sets forth the location, main products/service and wafer size of our production facilities:

Production Facilities	Main Product/Service	Wafer Size	Location
Fab 1	Wafer Foundry	8-inch	Hsinchu, Taiwan
Fab 2	Wafer Foundry	8-inch	Hsinchu, Taiwan
Fab 3	Wafer Foundry	8-inch	Taoyuan, Taiwan
Fab VS1	Wafer Foundry	8-inch	Singapore
Fab 5	Wafer Foundry	8-inch	Hsinchu, Taiwan
VSMC Fab.....	Wafer Foundry	12-inch	Singapore

The table below sets forth details of our 8-inch wafers production capacity and shipment volume for the periods indicated:

	For the year ended December 31,		
	2022	2023	2024
Production capacity	3.15 million	3.35 million	3.39 million
Shipment volume.....	2.60 million	1.95 million	2.19 million

Research and Development

We place significant emphasis on research and development. Our research and development expenses were NT\$2,742 million, NT\$2,151 million, NT\$2,081 million (US\$68 million), and NT\$1,608 million (US\$53 million) for 2022, 2023 and 2024, and the nine months ended September 30, 2025, respectively, which accounted for 44.8%, 46.0%, 43.2% and 38.1% of our total operating expenses for the respective periods.

We offer our customers a complementary and comprehensive technology portfolio, including PMS (Power & Analog Specialty), eNVM (eFlash/RRAM), GaN, and SiC, enabling end-to-end solutions from control to power, across low- to high-voltage, spanning consumer to automotive/industrial. This system-level approach shortens design-to-production cycles and delivers measurable gains in efficiency and reliability for our customers. Our R&D teams also focus on enhancing mature-node stability and developing specialized modules that meet long-lifecycle and high-reliability requirements, particularly for automotive and industrial markets where robust process control and qualification discipline are essential.

Our ongoing R&D initiatives aim to drive performance improvement, cost efficiency, and manufacturability across our specialty platforms: (i) in embedded memory and PMIC, we have achieved volume production of 0.18 μm , 0.15 μm , and 0.11 μm eFlash technologies with 30V, 40V, 60V, and 80V high-voltage options, and our roadmap extends to 40 nm eFlash and 40 nm RRAM to enable higher-density, lower-power MCU integration; (ii) in DTI, we continue to strengthen process modules, which reduce die size by more than 20%, improve latch-up immunity, and lower cost by approximately 10% compared with SOI; (iii) in DTC, we

deliver industry-leading capacitance density and exceptional stability across wide temperature and voltage ranges, supporting power-critical applications; (iv) in power device development, our integrated BCD VDMOS technology achieves best-in-class specific on-resistance ($R_{on.sp} < 15 \text{ m}\Omega \cdot \text{mm}^2$) for automotive high-side switches and eFuse applications, with first-cut samples successfully verified by China EV customer; (v) in wide-bandgap technology, supported by a patent portfolio of 187 inventions, our GaN-on-QST platform has demonstrated 96.31% efficiency in 150W PFC testing, while leveraging thermally matched substrates that reduce warpage and die breakage, spanning voltages below 200V to above 1,200V; (vi) in SiC, we are collaborating with Episil to transition established 6-inch SiC processes to 8-inch manufacturing, targeting traction inverters, DC-DC converters, and rectification and isolation functions for high-voltage, high-current applications. We co-develop with global partners, aiming to optimize performance, reliability, and cost to accelerate adoption of SiC technologies across automotive market.

Collectively, these ongoing R&D programs reinforce our position as a leading specialty foundry and support the continued expansion of our technology portfolio. By integrating advanced specialty device architectures with mature-node process stability, we are able to deliver products and solutions with robust performance, reliability, and long product lifecycles required by customers.

Quality Assurance

We prioritize rigorous process quality control, which is essential to our competitiveness as a specialty foundry. To support this commitment, we have established comprehensive quality management systems designed to ensure stable manufacturing processes, high production efficiency and strong yield performance across our fabs. New technologies and processes undergo a structured qualification flow that includes material and equipment qualification, supplier management, reliability testing, process simulation, design of experiments (DOE), and multiple rounds of production verification.

Our manufacturing operations adhere to these quality control standards and are supported by dedicated quality management, reliability and yield engineering teams. We employ advanced methodologies and statistical process controls (SPC) throughout our fabs to enhance process consistency and reliability. For customers with specific quality or reliability requirements, we conduct customer-designated tests and qualifications to ensure full compliance.

In addition, suppliers of key raw materials used in our manufacturing processes, such as wafers, gases, and chemicals, are required to meet stringent qualification criteria and maintain ISO 9001 or equivalent quality management certifications. We also comply with applicable environment, health and safety (EHS) and social responsibility standards across our operations.

Competition

The market for our products is highly competitive, rapidly evolving and subject to new technological developments, changing customer needs and new product introductions. We compete primarily with global specialty semiconductor foundry service providers, including United Microelectronics Corporation and Powerchip Semiconductor Manufacturing Corp.

The competitive factors in our industry include price, quality, lead time, service, technical support, the ability to offer total solutions and the size and reach of the sales and marketing network. We believe that our strong technology and production capabilities afford us competitive advantages relative to our competitors. See also “— Our Strengths.”

Employees

We had 6,641, 6,395, 6,526 and 7,260 employees as of December 31, 2022, 2023, 2024 and as of September 30, 2025, respectively. Our success is dependent in large part on our ability to attract, retain, train and motivate skilled and qualified engineering, research and management personnel. We have devoted significant attention and resources to recruiting and training our employees in order to enhance their professional capabilities and to instill the qualities that are essential to enable us to realize our long-term goals. We select our personnel through a rigorous process. We recruit graduates from colleges and universities. We also recruit employees through various other channels, including postings on job recruitment websites and human resource agents. From time to time, we employ senior technical and managerial personnel through executive search firms.

We believe that our compensation packages are competitive with those of our competitors. We evaluate the performance of our employees regularly, which forms the basis for determining the salary levels, bonuses and promotion opportunities. We make contribution to employee pension plans in compliance with local laws in the various jurisdictions in which we operate. For the amount of our contributions to employee benefits, see note 27 to our unaudited condensed consolidated financial statements as of and for the nine months ended September 30, 2024 and 2025 included elsewhere in this offering circular.

We have issued and may further issue employee equity incentives to key employees. For example, on June 14, 2024, our shareholders' meeting resolved to issue employee restricted stock awards totaling 41 million shares in a total of NT\$410 million with an issue price of NT\$0 per share. In 2022, 2023, 2024, and for the nine months ended September 30, 2025, we incurred share-based compensation expenses of NT\$0 million, NT\$0 million, NT\$370.8 million (US\$12.17 million) and NT\$582.2 million (US\$19.1 million), respectively.

Our employees are not covered by any collective bargaining agreement as of September 30, 2025. In 2022, 2023, 2024 and the nine months ended September 30, 2025, we did not experience any major disputes with our employees and we believe that we maintain good working relationships with our employees.

Properties

As of November 30, 2025, we owned a total of approximately 82,073 square meters of building, in Hsinchu, Taiwan, for our Fab 1, we owned a total of approximately 154,812 square meters of building, in Hsinchu, Taiwan, for our Fab 2, we owned a total of approximately 65,400 square meters of building, in Taoyuan, Taiwan, for our Fab 3, we owned a total of approximately 71,327 square meters of building, in Singapore, for our Fab VS1, we owned a total of approximately 48,571 square meters of building, in Hsinchu, Taiwan, for our Fab 5, and we owned a total of approximately 232,892 square meters of building, in Singapore, for our VSMC Fab. For more details of our production facilities, please see “ – Production Facilities.” Headquartered in Taiwan, we have diversified operation sites across Asia and the United States, optimizing resource allocation to improve operation efficiency and meeting our customers' needs worldwide. We believe that our existing properties, including both owned and leased, are in good condition and are suitable for the conduct of our business.

Legal Proceedings

We may from time to time be subject to various complaints, allegations or lawsuits in the ordinary course of business. Such complaints, allegations or lawsuits, whether with merit or not, may result in injunctions, indemnification or other significant expenditures. The outcome of any claims, allegations, investigations and legal proceedings is inherently uncertain, and it could be both costly and time-consuming to defend ourselves. The above mentioned risks may be amplified by the increase in the number of third-party participants.

As of the date of this offering circular, we were not involved in any material legal, arbitral or administrative proceedings, and we were not aware of any material pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which could have a material adverse effect on our operations or financial condition.

Intellectual Property and Licenses

We have established several intellectual property policies to manage our intellectual property and the implementation of intellectual property management should be reported to the board of directors every year. We believe that it is crucial for our business operations to maintain sufficient intellectual property and proprietary know-how to cover our products and major manufacturing processes. We currently rely on a combination of patents, trade secrets, copyrights, trademarks, contractual commitments and other legal rights to protect our intellectual property. In addition to the protection provided by our intellectual property rights, we generally require our employees to sign non-disclosure agreements which prohibit unauthorized disclosure of trade secrets.

Since our establishment, we have obtained more than 2,600 patents from various countries. As of September 30, 2025, we have a broad portfolio of 1,213 patents, mainly in Taiwan, the United States and the PRC, of which approximately 99.9% are invention patents. As of September 30, 2025, we have 380 pending patent applications in various jurisdictions around the world including Taiwan, the United States and the PRC.

In addition to patents and other formal intellectual property rights, we have accumulated extensive process know-how and proprietary manufacturing methodologies developed as a specialty foundry. Our intellectual property portfolio reflects sustained investment in advanced specialty technologies, including high-voltage CMOS, BCD, display driver, embedded memory, discrete power devices, wide-bandgap GaN and SiC power platforms, and related process modules. Many of our key innovations, such as DTI, DTC, embedded memory integration flows, and power device architectures, are embodied in proprietary process recipes, device structures, and integration techniques that are not publicly disclosed and are strictly protected. These proprietary technologies are critical to meet diverse needs of our customers in different end markets.

Environmental, Health and Safety Matters

We are committed to advancing sustainability across corporate governance, environmental stewardship, workplace practices and social engagement, guided by our vision of “Cultivating the Value of Sustainability and Creating Social Common Good.” We adhere to sustainable values of living in harmony with the environment and take concrete actions to enhance product value, promote green manufacturing and clean production, and maximize energy and resource efficiency while reducing waste and preventing pollution.

To strengthen sustainability governance, we established the Sustainable Development Committee under the Board of Directors in 2025. The Committee supervises sustainability-related policies, guidelines, goals, strategies and implementation progress, reviews sustainability reports, and oversees other sustainability matters as resolved by the Board. Important updates are reported to the Board every six months. At the operational level, the Corporate Sustainability Committee—led by the Chairman and Chief Strategy Officer—coordinates cross-department sustainability initiatives and reports regularly to senior management.

Our environmental initiatives focus on climate action, energy management, water resource efficiency, waste reduction, pollution prevention and biodiversity enhancement. We continue to refine green manufacturing technologies and progress toward our 2050 net-zero emissions goal. We maintain comprehensive greenhouse gas, carbon footprint and water footprint inventories and have established an internal e-carbon management platform to enhance data accuracy and timeliness. We have implemented measures to enhance resource circularity, including releasing the Sustainable Raw Materials Policy in 2024, which aims to minimize sustainability impacts of raw materials, increase recycled material usage and optimize resource efficiency. We are also advancing negative-emissions technologies through our joint research project with National Taiwan University, “Enhancing Soil Carbon Sinks through Resource Recycling,” which completed laboratory-scale testing and entered field implementation in early 2025.

We provide a safe, healthy and friendly workplace and regard employees as one of our most important assets. In line with our Human Rights Policy, we offer competitive compensation and benefits, a safe and engaging work environment, and comprehensive development programs. Vanguard continues to strengthen internal knowledge-sharing culture, expand the pool of instructors for management training, and promote workplace diversity and inclusion. In 2024, we established the employee resource group “Women V,” introduced flexible working hours, launched our first DEI seminar, and organized Junior Engineer winter and summer camps. We also launched “Maternity Protection 2.0,” including Mommy Resting Stations and exclusive items for Vanguard babies. Workplace health and safety training, emergency drills and contractor management are conducted regularly to minimize occupational risks.

We remain committed to social engagement in five major areas: caring for disadvantaged groups, caring for elderly citizens living alone, diverse empowerment, sustainability initiatives and environmental conservation. Vanguard has held its Year-end Charity Donation Campaign annually for ten consecutive years since 2015, raising over NT\$35 million in total and benefiting 20 charitable organizations and remote communities, with nearly 30,000 cumulative participants. In 2024 alone, the campaign raised NT\$4.6 million, achieving a new record for three consecutive years. We also cooperate with educational partners, including IC Broadcasting and local schools, to promote semiconductor science education and inspire students’ career planning and development.

Our sustainability efforts continue to receive widespread recognition. In 2024, we were selected for the Dow Jones Sustainability World Index for the fourth consecutive year and the Emerging Markets Index for the third consecutive year, and we remained constituents of the MSCI Global Standard Index and the FTSE4Good Index for 12 and 9 consecutive years, respectively. We received an A rating in the CDP Climate Change Questionnaire and an A- rating in the CDP Water Security Questionnaire. Domestically, we ranked among the top 5% of TPEX-listed companies in the Corporate Governance Evaluation for eleven consecutive years and

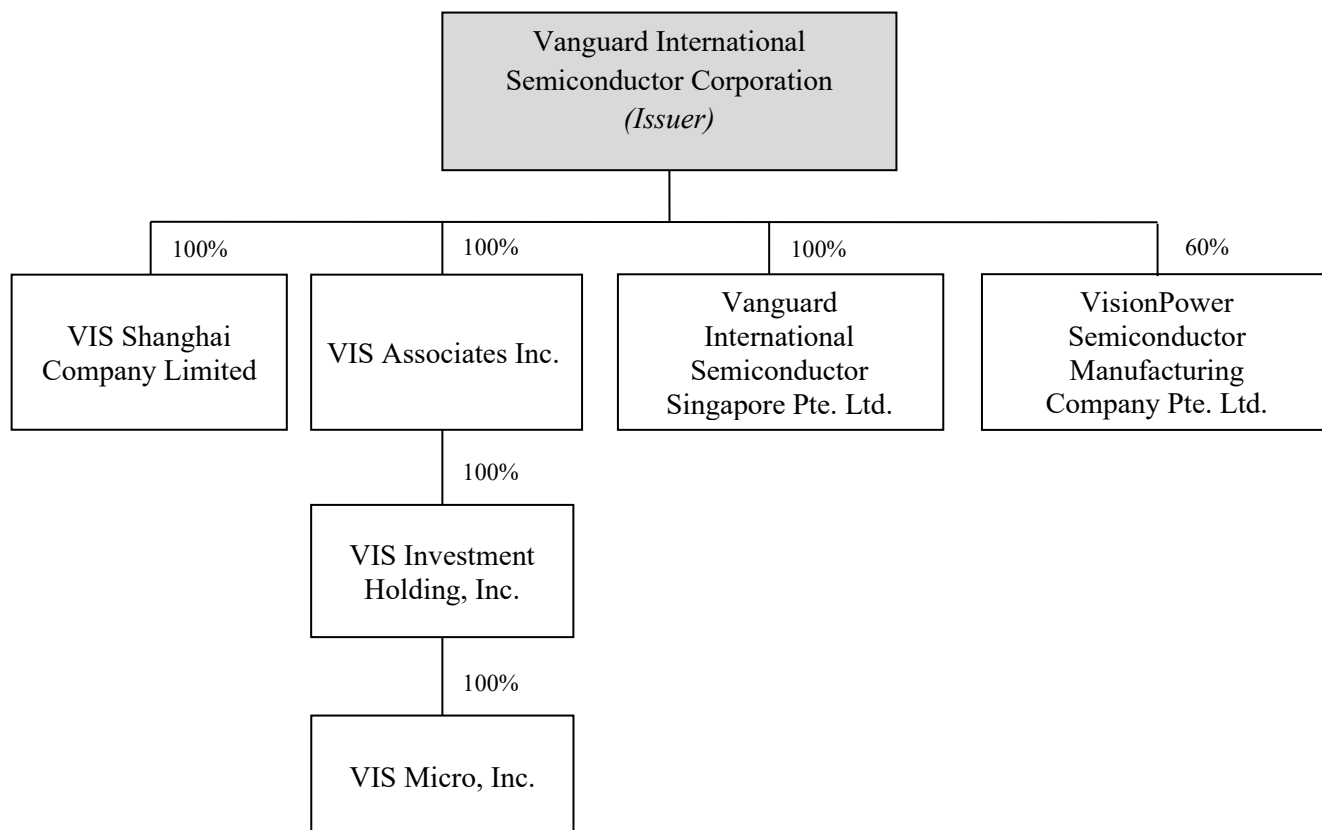
received awards including Taiwan’s Top 100 Sustainable Companies Award, Gender Equality Leadership Award, Talent Development Leadership Award and Workplace Wellbeing Leadership Award.

Insurance

We have insurance policies covering risks of typhoon, flooding, damage to buildings and machinery due to earthquakes or explosions, land and sea delivery insurance, which we consider adequate and in line with industry norms. We also maintain cybersecurity and directors’ and officers’ insurance policies.

Corporate Structure and Subsidiaries

Set forth below is an organizational chart depicting our subsidiaries as of November 30, 2025.



The following table sets forth certain information as of November 30, 2025, regarding our subsidiaries:

Name	Address	Our Shareholding	Jurisdiction of Incorporation
VIS Associates Inc.	Trident Chambers, PO Box 146, Road Town Tortola, British Virgin Islands	100%	British Virgin Islands
VIS Investment Holding, Inc.	Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801	100%	Delaware, United States
VIS Micro, Inc.	1475 S. Bascom Ave, Suite 109 Campbell, CA 95008	100%	California, United States
VIS Shanghai Company Limited	4th Floor, No. 416 Zhoushi Road, Zhoupu Town, Pudong New Area, Shanghai 200120, China	100%	China

<u>Name</u>	<u>Address</u>	<u>Our Shareholding</u>	<u>Jurisdiction of Incorporation</u>
Vanguard International Semiconductor Singapore Pte. Ltd.	1 Tampines Industrial Avenue 5 Singapore 528830	100%	Singapore
VisionPower Semiconductor Manufacturing Company Pte. Ltd.	2 Tampines Industrial Avenue 1 Singapore 529432	60%	Singapore

MANAGEMENT

Directors

Our Articles of Incorporation permits our board of directors to consist of no less than seven persons and no more than nine persons. As of November 30, 2025, we had nine directors. Each director will serve an officer term of three years and may be re-elected. Except as specifically noted, the following table contains certain information about each of our directors as of November 30, 2025.

Name	Representative	Position	Position Held Since	Expiration Date of the Current Term	Number and Percentage of Shares held as of November 30, 2025
Leuh Fang		Chairman	June 14, 2024	June 13, 2027	6,341,268 (0.34%)
F.C. Tseng		Vice Chairman	June 14, 2024	June 13, 2027	2,000,000 (0.11%)
National Development Fund, Executive Yuan	Chi-Jui Huang ⁽¹⁾	Director	March 1, 1999	June 13, 2027	298,744,837 (16.00%)
Jong-Chin Shen		Director	June 14, 2024	June 13, 2027	-
Kenneth Kin		Independent Director	June 12, 2012	June 13, 2027	-
Chintay Shih		Independent Director	June 12, 2012	June 13, 2027	-
Liang-Gee Chen		Independent Director	June 14, 2022	June 13, 2027	-
Chung S. Hsu		Independent Director	June 14, 2024	June 13, 2027	-
Chan-Jane Lin		Independent Director	June 14, 2024	June 13, 2027	-

Note:

(1) National Development Fund, Executive Yuan, changed its representative from Shu-Fang Yeh to Chi-Jui Huang, effective January 1, 2026.

Leuh Fang is the chairman of our board of directors. He also serves as the Chief Strategy Officer of Vanguard International Semiconductor Corporation, the director and president of VIS Associates Inc., the director and president of VIS Investment Holding, Inc., the director and CEO of Vanguard International Semiconductor Singapore Pte. Ltd., and a director of each of VIS Micro, Inc. and VisionPower Semiconductor Manufacturing Company Pte. Ltd. He previously served as the president of Vanguard International Semiconductor Corporation, a fab director of Taiwan Semiconductor Manufacturing Company Limited, and a vice president of Systems on Silicon Manufacturing Company (SSMC). Mr. Fang holds a Master of Science degree in Materials Science and Engineering from the University of Washington.

F.C. Tseng is the vice chairman of our board of directors. He also serves as the chairman of TSMC China Company Ltd. and the chairman of Global Unichip Corp., and as a director of TSMC, an independent director of eMemory Technology Inc., and the chairman of TSMC Education and Culture Foundation. He previously served as the vice chairman of Taiwan Semiconductor Manufacturing Company Limited, the deputy chief executive officer of Taiwan Semiconductor Manufacturing Company Limited, and the president of Vanguard International Semiconductor Corporation. Dr. Tseng holds a Ph.D. in Electrical Engineering from National Cheng Kung University.

Chi-Jui Huang is a member of our board of directors. He also serves as the Dean of Business School at National Taipei University, a professor of department of Finance and Cooperative Economics at National Taipei University, a supervisor of the board of Taiwan Insurance Institute, an independent director of TRI Innovations, Inc., and a commissioner of the Labor Retirement Fund Supervisory Committee. He previously served as a commissioner of Department of Economic Development, Taipei City Government and a director of Small and Medium Enterprise Credit

Guarantee Fund of Taiwan. Mr. Huang holds a Ph.D. in International Business from National Taiwan University.

Jong-Chin Shen, is a member of our board of directors. He also serves as a director of TECO Electric & Machinery Co., Ltd., a director of KGI Financial Holding Co., Ltd., an independent director of Gudeng Precision Industrial Co., Ltd., a senior advisor to the President at the Office of the President, a director of the National Chung-Shan Institute of Science & Technology, a director of the Far Eastern Memorial Foundation, a member of the board of the Taiwan Center for Corporate Sustainability, a policy advisor to the Taiwan Electrical and Electronic Manufacturers' Association, and an advisor to the Institute for Biotechnology and Medicine Industry. He previously served as the chairman of Taiwan Financial Holding Co., Ltd., the vice premier of the Executive Yuan, the minister of the Ministry of Economic Affairs, the deputy minister of the Ministry of Economic Affairs, the vice minister of the Ministry of Economic Affairs, the director general of the Industrial Development Bureau of the Ministry of Economic Affairs, the director general of the Export Processing Zone Administration of the Ministry of Economic Affairs, and the director of the Central Region Office of the Ministry of Economic Affairs. Mr. Shen holds a Master of Business Administration degree from the Graduate Institute of Commerce Automation and Management under the in-service master program (ICAM) of National Taipei University of Technology.

Kenneth Kin is a member of our board of directors. He also serves as the Honorary Chair Professor of the College of Technology Management of National Tsing Hua University, an independent director of ASMedia Technology Inc., and an independent director of Global Unichip Corp. He previously served as the senior vice president of Taiwan Semiconductor Manufacturing Company Limited, the vice president of worldwide sales and services of the Microelectronics Division of IBM, and the vice president of TSMC. Dr. Kin holds a Ph.D. in Nuclear Engineering and Applied Physics from Columbia University.

Chintay Shih is a member of our board of directors. He also serves as the Honorary Chair Professor of the College of Technology Management of National Tsing Hua University, an independent director of each of FocalTech Systems Co., Ltd., Sercomm Corporation and Taiwan Union Technology Corporation, a director of Qualife System Technology Corp., and a supervisor of NTHU Venture Consulting Co., Ltd. He previously served as the chairman of the Institute for Information Industry, the president of the Industrial Technology Research Institute, and the dean of the College of Technology Management of National Tsing Hua University. Dr. Shih holds a Ph.D. in Electrical Engineering from Princeton University.

Liang-Gee Chen is a member of our board of directors. He also serves as an emeritus professor in the Department of Electrical Engineering of National Taiwan University, and as an independent director of each of EVERLIGHT Electronics Co., Ltd., Qisda Corporation, Kinsus Interconnect Technology Corp., Nuvoton Technology Corporation, Himax Technologies, Inc. and Ganzin Technology Inc. He previously served as the Minister of the Ministry of Science and Technology of the R.O.C., the political deputy minister of the Ministry of Education of the R.O.C., the executive vice president for academics and research of National Taiwan University, the president of the National Applied Research Laboratories, the co-director general of the National Science and Technology Program for System-on-Chip, the director of the Intel-NTU Connected Context Computing Center, the deputy dean of the College of Electrical Engineering and Computer Science of National Taiwan University, and the principal of the Ministry of Education's 13th & 16th Annual National Professorship Awards. Dr. Chen holds a Ph.D. in Electrical Engineering from National Cheng Kung University.

Chung S. Hsu is a member of our board of directors. He previously served as the president of Vanguard International Semiconductor Corporation and the vice president of central planning, pricing and enterprise supply chain management at Taiwan Semiconductor Manufacturing Company Limited. Dr. Hsu completed the Stanford Executive Program in 1994 and holds a Ph.D. in Physics from Columbia University.

Chan-Jane Lin is a member of our board of directors. She also serves as a professor emerita at National Taiwan University, an independent director of each of FocalTech Systems Co., Ltd., Advantech Co., Ltd. and Chief Telecom Inc., a director of the Accounting Research and Development Foundation, a supervisor of the Higher Education Evaluation and Accreditation Council of Taiwan, a supervisor of the National Applied Research Laboratories, and the convener of supervisors of the Taiwan Corporate Governance Association. She previously served as the chairperson and professor of the Department of Accounting of National Taiwan University, the acting dean, associate dean and director of the Global MBA program of the College of Management of National Taiwan University, the director of the School of Professional Education and Continuing Studies of National Taiwan University, an assistant professor of George Washington University,

a visiting scholar at Stanford University, and a visiting professor in financial accounting at Kyoto University, Japan. Professor Lin holds a Ph.D. in Accounting from the University of Maryland.

There is no family relationship among the directors listed above and the senior management listed below.

We have not entered into service contract with our directors. No compensation is payable to our directors upon termination of their services with us, except that pursuant to the ROC Company Act, a director discharged by the shareholders' meeting during his or her term of office without justifiable reason may claim indemnification against the company.

Board Practices

Audit Committee

Our audit committee consists of five independent directors. Chan-Jane Lin, Chintay Shih, Kenneth Kin, Liang-Gee Chen and Chung S. Hsu are the members of the audit committee.

The purpose of our audit committee is to review and supervise:

- Compliance with laws, regulations, and rulings, and management of the existing or potential risks;
- Establishment or amendment of the internal control system, and assessment of the effectiveness of internal control system;
- Establishment or amendment of significant financial / accounting related policy or procedures;
- Interests of personal concern to Board members
- Transaction of major assets or derivatives
- Financing, lending, endorsements, or guarantees
- Capital funding and stock issuing publicly or privately with the common stock securities in essence
- Selection, termination, suitability, independence and performance of certified public accountants
- Appointment and termination of head of financial accounting, or internal auditing
- Annual and quarterly financial statements
- Business operation reports and earnings distribution or deficiency appropriation
- Review the changes of accounting policies or accounting estimate and other material matters as may be required by this Corporation or by the competent authority

Compensation Committee

Our compensation committee consists of five independent directors. Kenneth Kin, Chintay Shih, Liang-Gee Chen, Chung S. Hsu and Chan-Jane Lin are the members of the compensation committee.

The primary responsibilities of our compensation committee include:

- establishing sound corporate governance and assist the board to perform its responsibilities related to corporate compensation and benefit policies, plans and programs to attract and retain talent for the company;
- proposing the overall company compensation policies and structure, the compensation implementation for the board of director and chairman, the compensation implementation for executives including the president, the bonus and inspiration implementation for executives including the president, the proposal and implementation of performance review for board of director, chairman and executives including the president and other issues authorized by the board.

Strategy Committee

Leuh Fang , F.C. Tseng , Kenneth Kin, Chintay Shih, Liang-Gee Chen and Mr. Chung S. Hsu are the members of the strategy committee.

The primary responsibilities of our strategy committee include:

- guiding and planning the growth strategies of the Company and its subsidiaries, including short-term, medium-term and long-term goals and development roadmap;
- guiding and planning major investment and M&A;
- guiding and planning other important strategic topics.

Sustainable Development Committee

Leuh Fang, Chan-Jane Lin and Chintay Shih. are the members of the sustainable development committee.

The primary responsibilities of our strategy committee include:

- supervising sustainability policies and guidelines;
- overseeing sustainability goals, strategies and implementation;
- reviewing the sustainability report;
- monitoring the execution of other sustainability-related tasks as determined by the board of directors.

Senior Management

Except as specifically noted, the following table contains certain information about each of our senior executive officers as of November 30, 2025.

<u>Name</u>	<u>Position</u>	<u>Position held since</u>	<u>Number and Percentage of Shares held as of November 30, 2025</u>
Leuh Fang	Chairman & Chief Strategy Officer	February 20, 2009	6,341,268 (0.34%)
John Wei	President	October 4, 2021	1,198,661 (0.06%)
CJ Kuo	Sr. Vice President, Supply Chain Management	May 2, 2023	299,879 (0.02%)
Amanda Huang	Vice President & Chief Financial Officer	September 1, 2019	534,468 (0.03%)

Name	Position	Position held since	Number and Percentage of Shares held as of November 30, 2025
Claire Chen	Vice President, Worldwide Sales & Planning	October 29, 2019	500,274 (0.03%)
Lawrence Yeh	Vice President, Human Resources	May 23, 2022	120,898 (0.01%)
Thomas Chen	Vice President, Information Technology & Business Operation Planning	May 2, 2024	264,910 (0.01%)
Mingo Liu	Associate Vice President, Research & Development	August 1, 2022	196,929 (0.01%)
Benjamin Liao	Associate Vice President, Research & Development	February 1, 2021	357,810 (0.02%)
K.C. Liu	Associate Vice President, Project Office	March 6, 2023	72,598 (<0.01%)
Jonathan Chang	Associate Vice President, Project Office	June 17, 2019	268,637 (0.01%)
Ching-Ying Lee	Associate Vice President, Operation & Environment Safety	July 29, 2024	263,585 (0.01%)
Inn-Swee Goh	Associate Vice President	February 1, 2021	577,969 (0.03%)
Howard T.H. Wang	Associate Vice President	July 29, 2024	109,000 (0.01%)
Ellen Lin	Chief Corporate Governance Officer	April 29, 2019	211,610 (0.01%)

Leuh Fang, has served as our chairman and chief strategy officer since 2009. For details, see “—Directors.”

John Wei is the president of our Company. He also serves as a director of VisionPower Semiconductor Manufacturing Company Pte. Ltd. He previously served as a senior director at Taiwan Semiconductor Manufacturing Company Limited and as the chief operating officer of Vanguard International Semiconductor Corporation. Dr. Wei holds a Ph.D. in Electrical Engineering from the University of Pennsylvania.

CJ Kuo is the senior vice president of supply chain management of our Company. He previously served as the vice president of operation and environment safety at Vanguard International Semiconductor Corporation. Mr. Kuo holds a Master of Science degree in Electrical Engineering from National Tsing Hua University.

Amanda Huang is the vice president and chief financial officer of our Company. She also serves as a director of VIS Associates Inc., the director and chief financial officer of VIS Investment Holding, Inc., the director and chief financial officer of VIS Micro, Inc., the director and chief financial officer of Vanguard International Semiconductor Singapore Pte. Ltd., and a director of VisionPower Semiconductor Manufacturing Company Pte. Ltd. She previously served as the senior director of accounting at Vanguard International Semiconductor Corporation. Ms. Huang holds a Master of Science degree in Accounting from National Taiwan University.

Claire Chen is the vice president of worldwide sales and planning of our Company. She also serves as the director and chief executive officer of VIS Micro, Inc. and as a director of Qromis, Inc. She previously served as a director of Taiwan Semiconductor Manufacturing Company Limited. Dr. Chen holds a Ph.D. in Materials Science and Engineering from Virginia Tech, Blacksburg, Virginia, USA.

Lawrence Yeh is the vice president of human resources of our Company. He previously served as the senior director of human resources at Taiwan Semiconductor Manufacturing Company Limited and as the vice president of Ford Lio Ho Motor Company. Mr. Yeh holds a Master of Science degree in Human Resource Management from National Central University.

Thomas Chen is the vice president of information technology and business operation planning of our Company. He previously served as a senior director at Taiwan Semiconductor Manufacturing Company Limited. Mr. Chen holds a Master of Science degree in Information Management from National Taiwan University.

Mingo Liu is the associate vice president of research and development of our Company. He previously served as a director at Taiwan Semiconductor Manufacturing Company Limited. Mr. Liu holds a Master of Science degree in Chemical Engineering from National Tsing Hua University.

Benjamin Liao is the associate vice president of research and development of our Company. He previously served as a senior director at Vanguard International Semiconductor Corporation. Mr. Liao holds a Master of Science degree in Chemistry from Fu Jen Catholic University and an EMBA from National Tsing Hua University.

K.C. Liu is the associate vice president of the project office of our Company. He also serves as the chief executive officer of VisionPower Semiconductor Manufacturing Company Pte. Ltd. He previously served as a fab director at Taiwan Semiconductor Manufacturing Company Limited. Mr. Liu holds a Master of Science degree in Electrical Engineering from National Taiwan University.

Jonathan Chang is the associate vice president of the project office of our Company. He also serves as the vice president of VisionPower Semiconductor Manufacturing Company Pte. Ltd. He previously served as a senior manager at Taiwan Semiconductor Manufacturing Company Limited, a senior director at Infineon Technologies, and the chief information officer of TFME and general manager of Xiamen TFME. Dr. Chang holds a Ph.D. from the Institute of Manufacturing Information and Systems of National Cheng Kung University.

Ching-Ying Lee is the associate vice president of operation and environment safety of our Company. He previously served as a senior director at Vanguard International Semiconductor Corporation. Mr. Lee holds a Master of Science degree in Electro-Optical Engineering from National Chiao Tung University.

Inn-Swee Goh is an associate vice president of our Company. He also serves as the director and general manager of Vanguard International Semiconductor Singapore Pte. Ltd. and the deputy chief executive officer of VisionPower Semiconductor Manufacturing Company Pte. Ltd. He previously served as a senior fab director at Vanguard International Semiconductor Corporation. Dr. Goh holds a Ph.D. in Semiconductor Engineering from the University of Liverpool.

Howard T.H. Wang is an associate vice president of our Company. He also serves as the president of VIS Micro, Inc. He previously served as a senior director at NXP Semiconductors, a director at Taiwan Semiconductor Manufacturing Company Limited, and a manager at International Business Machines Corporation. Mr. Wang holds a Master of Science degree in Electrical and Computer Engineering from Syracuse University.

Ellen Lin is the chief corporate governance officer of our Company. She previously served as a senior attorney at Lee and Li, Attorneys-at-Law, the legal director of Ralink Technology Corporation, and a senior manager at MediaTek Inc. Ms. Lin holds an LL.M. from Georgetown University.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to the ten largest shareholders of Vanguard International Semiconductor Corporation as of July 12, 2025:

<u>Ranking</u>	<u>Shareholders</u>	<u>Number of Shares</u>	<u>Percentage of Shares</u>
1	Taiwan Semiconductor Manufacturing Co., Ltd.	506,709,324	27.13%
2	National Development Fund, Executive Yuan	299,108,837	16.02%
3	Capital TIP Customized Taiwan Select High Dividend Exchange Traded Fund	161,652,441	8.66%
4	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	101,810,442	5.45%
5	Fuh Hwa Taiwan Technology Dividend Highlight ETF	89,595,000	4.80%
6	Fubon Life Insurance Co., Ltd.	86,934,022	4.65%
7	Nan Shan Life Insurance Co., Ltd.	40,081,650	2.15%
8	Chunghwa Post Co., Ltd.	29,313,088	1.57%
9	CTBC Bank Trust Account in custody for Employee Restricted Stock of Vanguard International Semiconductor Corporation	28,027,509	1.50%
10	KGI Life Insurance Co., Ltd.	15,536,147	0.83%

Each of our Shares has one vote, and none of our shareholders have any different voting rights. As of July 12, 2025, 89.3% of our Shares, being 1,667,213 thousand Shares, were held by shareholders in the ROC, with the remaining 10.7% of our Shares, being 200,431 thousand Shares, were held by foreign entities or individuals.

CHANGES IN ISSUED SHARE CAPITAL

According to our Articles of Incorporation, as amended at the shareholders' meeting held on May 27, 2025, we only have Common Shares. As of the date of this offering circular, our authorized share capital registered with the MOEA was NT\$33,000,000,000, divided into 3,300,000,000 Shares of capital stock with a par value of NT\$10.00 per Share, out of which 300,000,000 Shares are reserved for issuance upon exercise of employee stock options, and our paid-in share capital was NT\$18,673,923,550, divided into 1,867,392,355 Common Shares. All issued Shares are in registered form.

The following table sets forth the changes in our issued share capital for the past three years through the date of this offering circular:

<u>Date</u>	<u>Description</u>	<u>Number of shares issued</u> <i>(in thousands)</i>	<u>Number of total issued shares after issue</u> <i>(in thousands)</i>
November 2024	Cash capital increase	200,000	1,838,982
December 2024	Issuance of employee restricted stock	27,664	1,866,647
April 2025	Issuance of employee restricted stock	998	1,867,644
August 2025	Cancellation of employee restricted stock	-252	1,867,392

TRANSACTIONS WITH RELATED PARTIES

From time to time we have engaged in a variety of transactions with our affiliates. There are no significant differences in prices and trading terms between transactions with our affiliates and arms-length transactions with our non-affiliates, except for the trading terms of certain transactions with our affiliates that are not comparable with third-party vendors due to product specifications. For more information on our related party transactions presented on a consolidated basis, note 33 to the audited consolidated financial statements as of and for the years ended December 31, 2022 and 2023, note 35 to the audited consolidated financial statements as of and for the years ended December 31, 2023 and 2024, and note 36 to the unaudited consolidated financial statements as of and for the nine months ended September 30, 2024 and 2025. The transactions among us and our subsidiaries were eliminated during the consolidation process.

Sales and Purchases of Goods

In 2022, 2023 and 2024, and for the nine months ended September 30, 2024 and 2025, we mainly purchased goods, such as foundry wafers, from our related parties in the aggregate amount of NT\$0 million, NT\$0 million, NT\$0.5 million, NT\$0.5 million, and NT\$0.2 million, respectively.

In 2022, 2023 and 2024, and for the nine months ended September 30, 2024 and 2025, we sold goods, such as ICs, to our related parties in the aggregate amount of NT\$2,578.3 million, NT\$1,406.2 million, NT\$1,561.6 million, NT\$820.3 million, and NT\$2,016.7 million, respectively.

Receivables and Payables

Due to our transactions with our related parties, we generated certain receivables and payables.

As of December 31, 2022, 2023 and 2024, and September 30, 2024 and 2025, receivables from the related parties amounted to NT\$336.7 million, NT\$135.4 million, NT\$414.4 million, NT\$408.6 million, and NT\$394.7 million. As of December 31, 2022, 2023 and 2024, and September 30, 2024 and 2025, other receivables from the related parties amounted to NT\$0 million, NT\$0.008 million, NT\$4,464.6 million, NT\$0 million, and NT\$6,489.4 million.

As of December 31, 2022, 2023 and 2024, and September 30, 2024 and 2025, payables to the related parties amounted to NT\$0 million, NT\$0 million, NT\$0.119 million, NT\$0.4 million, and NT\$0 million. As of December 31, 2022, 2023 and 2024, and September 30, 2024 and 2025, other payables to the related parties amounted to NT\$1.0 million, NT\$14.1 million, NT\$3,204.2 million, NT\$130.3 million, and NT\$2,357.8 million. As of September 30, 2025, payables to contractors and equipment suppliers amounted to NT\$55.8 million.

Expenses

In 2022, 2023 and 2024, and for the nine months ended September 30, 2024 and 2025, we paid manufacturing expenses to our related parties for Epitaxy (EPI) backup capacity, the aggregate amount of which was NT\$23.2 million, NT\$52.8 million, NT\$295.2 million, NT\$56.1 million, and NT\$668.3 million, respectively.

In 2022, 2023 and 2024, and for the nine months ended September 30, 2024 and 2025, we paid general and administrative expenses to our related parties for consulting fee, the aggregate amount of which was NT\$0 million, NT\$0 million, NT\$100.5 million, NT\$0 million, and NT\$0 million, respectively.

In 2022, 2023 and 2024, and for the nine months ended September 30, 2024 and 2025, we paid research and development expenses to our related parties for R&D testing fee, the aggregate amount of which was NT\$1.2 million, NT\$0 million, NT\$13.8 million, NT\$0 million, and NT\$0 million, respectively.

Others

In 2022, 2023 and 2024, and for the nine months ended September 30, 2024 and 2025, contract liabilities to our related parties amounted to NT\$0.08 million, NT\$0.08 million, NT\$14,487.6 million, NT\$0.09 million and NT\$27,394.0 million, respectively.

In 2022, 2023 and 2024, and for the nine months ended September 30, 2024 and 2025, guarantee deposits to our related parties amounted to NT\$34.4 million, NT\$34.4 million, NT\$36.7 million, NT\$35.4 million and NT\$34.2 million, respectively.

In 2022, 2023 and 2024, and for the nine months ended September 30, 2024 and 2025, intangible assets with our related parties amounted to NT\$0 million, NT\$0 million, NT\$2,929.1 million, NT\$0 million and NT\$0 million, respectively.

As of September 30, 2025, acquisition of property, plant and equipment amounted to NT\$50.6 million.

DESCRIPTION OF SHARE CAPITAL

Set forth below is a summary of information relating to our share capital including brief summaries of the relevant provisions of our Articles of Incorporation, the ROC Securities and Exchange Act and the ROC Company Act, all as currently in effect.

General

As of the date of this offering circular, our authorized share capital registered with the MOEA was NT\$33,000,000,000, divided into 3,300,000,000 Shares of capital stock with a par value of NT\$10.00 per Share, out of which 300,000,000 Shares are reserved for issuance upon exercise of employee stock options, and our paid-in share capital was NT\$18,673,923,550, divided into 1,867,392,355 Common Shares. Any change in the authorized share capital of a public company limited by shares, such as us, requires an amendment to our Articles of Incorporation (which requires approval at a shareholders' meeting).

Authorized but unissued shares may also be issued at such times and, subject to the provisions of the applicable laws and the approval of, or registration with, the MOEA and the FSC, upon terms that our board of directors may determine.

Dividends and Distributions

Dividend payments and distributions are generally governed by the ROC Company Act as well as our Articles of Incorporation.

Except in limited circumstances, we are not permitted to distribute dividends or make other distributions to shareholders for any year in which we do not have current or retained earnings (excluding reserves). Pursuant to our Articles of Incorporation, as amended at the shareholders' meeting held on May 27, 2025, and certain ROC regulatory requirements, before we can distribute a dividend or make any distribution to shareholders from profits, we must pay all outstanding taxes and duties, offset our losses incurred in previous years, and set aside 10% of our annual net profit as legal capital reserve, unless the accumulated legal capital reserve has equaled the total capital of the Company. In addition, we must set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge.

The board of directors may determine the ratio of cash dividend, provided however that dividends paid by cash shall be no less than 60% of the total dividends. The distribution of dividends proposed by the board of directors shall be subject to the shareholders' approval in the shareholders' meeting.

In addition to permitting dividends to be paid out of net income, if we do not have losses, the ROC Company Act permits that we can make distributions in cash or in stock to our shareholders from the legal reserve and capital surplus of premium from issuing shares and earnings from gifts received. However, the portion payable out of our legal reserve is limited to the portion that the accumulated legal reserve exceeds 25% of our paid-in capital. Under the ROC Civil Act, if the shareholder of the Company fails to receive dividends within five years from the distribution, the dividends will be included in the capital reserve of the Company.

Our Articles of Incorporation provide that upon the final settlement of accounts, if there is any net profit (meaning the profit before tax, excluding the amounts of employees' and directors' compensation), such profit will be distributed in accordance with the following, once the Company's accumulated losses have been covered:

- (i) No less than 10% of profit shall be distributed as employees' compensation (of which no less than 35% of the aforementioned allocated amount shall be reserved as compensation for non-executive employees). The employees' compensation may be distributed in the form of shares or in cash. The qualification requirements of employees, including the employees from the Company's controlling companies or subsidiaries, which are entitled to receive compensation, shall be determined by the board of directors.
- (ii) No more than 1% of profit shall be distributed as compensation in cash to the directors.

Issuance of New Shares and Preemptive Rights

New Shares may only be issued with the prior approval of the board of directors. If the issuance of any new Shares will result in any change in the authorized share capital, we are also required under the ROC Company Act to amend our Articles of Incorporation and obtain the approval of the shareholders. In addition, we must also obtain the approval of, and submit a registration with, the FSC and the MOEA.

Under the ROC laws, when we issue new Shares for cash, existing shareholders who are listed on the shareholders register as of the record date have preemptive rights to subscribe for the new issue in proportion to their existing shareholdings, while our employees, whether or not they are existing shareholders, have a similar right to subscribe for 10% to 15% of the new issue. Furthermore, we must offer at least 10% of the new issue in a public offering, except under certain circumstances or when exempted by the FSC. This percentage can be increased by a resolution passed at a shareholders' meeting, thereby reducing the number of new shares subject to the pre-emptive rights of existing shareholders. Unless the percentage of shares to be offered to the public is increased by the shareholders, existing shareholders who are listed on the shareholders' register as of the record date have a pre-emptive right to acquire the remaining 75% to 80% of the issue. Any new Shares that remain unsubscribed at the expiration of the subscription period may be offered to the public or specific persons at the discretion of our board of directors. The preemptive right and public offering provisions will not apply to issuance of new shares in certain limited circumstances, such as a private placement approved in a shareholders' meeting or share issuance for employee stock option plan.

The public offering percentage referred to above can be increased by a resolution passed at a shareholders meeting, which would diminish the number of new Shares subject to the preemptive rights of existing shareholders.

Meetings of Shareholders

Meetings of our shareholders may be annual general shareholders' meeting or extraordinary shareholders' meeting. Annual general meetings of our shareholders shall be duly convened within six months following the end of each fiscal year.

Extraordinary shareholders' meetings may be convened by resolutions of the board of directors when necessary in accordance with laws and regulations, or by the shareholders who hold 3% or more of the total issued and outstanding shares of the Company for one year or more, or by the shareholders who hold more than 50% of the total issued and outstanding shares of the Company for three months or more.

Shareholders' meetings may be convened via virtual meetings or through other methods announced by the competent authority. When we hold a virtual meeting, shareholders who participate in the meeting through a video call shall be deemed as attending the meeting in person.

Electronic copies of meeting notice, the form of proxy, and materials of all proposals shall be posted on MOPS no less than 30 days before the general shareholders' meetings and no less than 15 days before the extraordinary shareholders' meeting.

Voting Rights

Under the ROC Company Act, a shareholder has one vote for each Common Share except for treasury shares or under certain circumstances prescribed under the law. Except as otherwise provided by applicable laws, a resolution can be adopted by holders of a majority of the Common Shares represented at a shareholders' meeting at which the holders of a majority of all issued and outstanding Common Shares are present. According to the ROC Company Act, the ROC Securities and Exchange Act, and our Articles of Incorporation, the election of directors (including independent directors) at a shareholders meeting shall be by means of cumulative voting. In all matters, except for the election of directors, a shareholder who does not hold shares for other persons must cast all of his votes in the same direction, while a shareholder who holds shares for other persons may cast the votes in different directions. The directors (including independent directors) shall be nominated by adopting the candidate nomination system specified in the ROC Company Act. In an election of directors, the holders of Common Shares shall elect directors from the list of nominated candidates promulgated by the Company. Except for the election of directors, any shareholder who has a personal interest in a matter to be

discussed at the shareholders meeting, the outcome of which may impair our interests, shall not vote or exercise voting rights by itself or on behalf of another shareholder on such matter.

Under the ROC Company Act, the approval by at least a majority of the common shares represented at a shareholders' meeting in which a quorum of shareholders holding at least two-thirds of all issued and outstanding common shares is present is required for major corporation actions, including:

- lifting the restriction on the investment limit for investing in other companies as a limited liability shareholder;
- setting aside special reserve;
- ceasing to be a public corporation;
- entering into, modification or termination of any contract regarding leasing all of our business, mandating our operations to others or forming regular joint operations with others;
- transferring of the whole or a substantial part of our business or assets;
- taking over the whole of the business or assets of any other company which would have a significant impact on our operations;
- removing directors or waiving the non-compete obligation of directors;
- distributing dividends and bonuses, in whole or in part, in the form of new shares;
- distributing legal reserve or certain capital reserve in the form of new shares or cash;
- distributing any stock dividend or issuing restricted stock to employees;
- making amendments to the Articles of Incorporation (which is required, inter alia, for any increase in authorized share capital and any changes in the rights of different classes or shares); and
- dissolution, merger or spin-off.

Alternatively, the ROC Company Act provides that in the case of a public company, such as us, if the quorum of shareholders holding at least two-thirds of all issued and outstanding common shares is not met, a resolution may be adopted by the holders of at least two-thirds of the shares represented at a meeting of shareholders at which holders of at least a majority of issued and outstanding shares are present. However, if a controlling company holds not less than 90% of its subsidiary's outstanding shares, the controlling company merger with such subsidiary can be approved by a board resolution adopted by majority consent at a meeting with two-thirds of directors present.

A shareholder may be represented at an annual general meeting or extraordinary general meeting by proxy if a valid proxy form is delivered to us at least five days before the date fixed for such meeting. In the case of a public company, except for trustee enterprises or stock affair agents approved by the FSC, where (i) a person who holds proxies for two or more shareholders who together hold more than 3% of the total issued and outstanding shares, or (ii) a person who holds proxies for three or more shareholders who together hold more than four times of such authorized person own shares, the votes of those shareholders in excess of 3% of the outstanding shares or four times of such authorized person own shares (as applicable) shall not be counted. Voting rights attaching to our Shares exercised through a proxy are subject to the proxy regulations promulgated by the FSC.

Under the ROC Company Act, we may set a record date and shall close the register of shareholders for a specified period immediately prior to and including the record date in order to determine the shareholders that are entitled to rights pertaining to the shares. The specified period required for the respective record date is as follows:

- annual general meeting of shareholders: sixty days;
- extraordinary general meeting of shareholders: thirty days; and

relevant record date for distribution of dividends, bonuses or other interests and rights offering: five days.

Registration of Shareholders

With respect to shareholders who have opened book-entry accounts at TDCC, our register of such shareholders is maintained by the database of TDCC. With respect to shareholders who have not opened TDCC book-entry accounts, we currently maintain the register of our shareholders through the Transfer Agent Department of CTBC Bank, Co., Ltd. at 5F., No.83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.), and enter transfers of these Shares in our register of shareholders upon presentation of the certificates in respect of the Shares transferred accompanied by other required documents.

For the purpose of determining certain rights, including right to dividends attached to the Shares, the registration for transfer of Shares shall be suspended for a period of sixty days immediately before the date of annual general shareholders' meeting, thirty days immediately before the date of extraordinary shareholders' meeting, and five days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company. Under the ROC law, we are required to set a record date for the determination of the shareholders entitled to the receipt of dividends in cash or shares, or subscription of new Common Shares due to capital increase.

Annual Financial Statements

Within seventy-five (75) days after the end of each fiscal year, we must post our annual audited financial statements under Taiwan IFRS on the MOPS, for inspection by our shareholders. The shareholders may bring their lawyers or certified public accountants for such an inspection. According to the regulations of the FSC, we are required to publish our annual and quarterly financial statements on a consolidated basis.

Transfer of Shares

The transfer of shares in registered form is effected by endorsement and delivery of the related share certificates. However, settlement of trading of share of a listed company, such as our company, is generally carried out on the book-entry system maintained by TDCC. In order to assert shareholder's rights against us, the transferee must have its name and address registered on our register of shareholders. Shareholders are required to file their respective specimen seals, also known as chops, with our share registrar.

Repurchase of Shares by Us

With minor exceptions, we cannot acquire our own Shares under the ROC Company Act.

Under the ROC Securities and Exchange Act, we may, by resolution adopted by a majority of our board of directors at a meeting where more than two-thirds of the directors are present, repurchase the Shares on the TPEX or by a tender offer in accordance with the procedures prescribed by the FSC for the following purposes:

- for delivery upon conversion of bonds with warrants, preferred shares with warrants, convertible bonds and convertible preferred shares or certificates of warrants issued by us into capital stock;
- to transfer to our employees, or
- if necessary, to maintain our credit and shareholders' equity, provided that the Shares so repurchased shall be canceled thereafter.

The total Shares repurchased by us may not exceed 10% of our total issued and outstanding Shares. In addition, the total cost of the purchased Shares may not exceed the aggregate amount of our retained earnings, any premium from

share issuance and the realized portion of our capital reserve. Shares repurchased in the first two instances mentioned above are to be transferred to the intended transferees within five years from the repurchase, failing which they will be canceled and we are required to complete an amended registration for the cancellation. In the third instance mentioned above, the Shares repurchased by us must be canceled, and we shall complete an amended registration for such cancellation within six months after the repurchase. The Shares repurchased by us may not be pledged or hypothecated. In addition, we may not exercise any of the shareholder's rights attached to these Shares. Our affiliates, as defined in Article 369-1 of the ROC Company Act, directors, managers, shareholders holding more than 10% of our Shares and their respective spouses and minor children and nominees, are prohibited from selling the Shares until our repurchase period has lapsed.

Liquidation Rights

Pursuant to the ROC Company Act, in the event of our liquidation, the remaining assets after payment of all debts, liquidation expenses, taxes and distribution to holders of preferred shares, if any, will be distributed pro rata to the holders of Common Shares in accordance with the relevant provisions of the ROC Company Act.

Substantial Shareholders and Transfer Restrictions

Our directors, managers and shareholders (each together with his or her spouse, minor children or nominees) holding more than 10% of our Shares are required to report to us, on a monthly basis, any changes in their shareholding in our Company. The number of Shares that they may sell or transfer on the TPEX on any given day is limited by ROC laws. In addition, they may only sell or transfer such Shares on the TPEX at least three days after they have filed a notification with the FSC in connection with such sale or transfer, provided that such notification is not required if the number of Shares to be sold or transferred does not exceed 10,000. A person who individually or together with other persons (as defined under the FSC regulations) acquires more than 5% of our issued and outstanding shares shall report to the FSC, within ten days from the acquisition date, the acquisition purpose, funding sources and other information required by the FSC.

Rights to Bring Shareholder Suits

Under the ROC Company Act, a shareholder may bring a suit against us in the following events:

Within 30 days after the date of the shareholders' meeting, any shareholder has the right to annul any resolution adopted at a shareholders' meeting where the procedures or the method of resolution were or was legally defective. However, if the court is of the opinion that such violation is not material and does not affect the result of the resolution, the court may reject or dismiss the shareholder's lawsuit.

If the substance of a resolution adopted at a shareholders' meeting contradicts any applicable law or regulation or our Articles of Incorporation, a shareholder may bring a suit to determine the validity of such resolution.

Shareholders may bring suit against our directors under the following circumstances:

Shareholders who have continuously held 1% or more of the total number of issued and outstanding shares for a period of six months or longer may request in writing that an audit committee member institute an action against a director on our behalf. In case the audit committee member fails to institute an action within 30 days after receiving such request, the shareholders may institute an action on our behalf. In the event that shareholders institute an action, a court may, upon application of the defendant, order such shareholders to furnish appropriate security.

Shareholders holding 3% or more of the total number of issued and outstanding shares may institute an action with a court to remove a director who has materially violated the applicable laws or our Articles of Incorporation or has materially damaged our interests if a resolution for removal on such grounds has first been voted on and rejected by the shareholders and such suit is filed within 30 days of such shareholders' vote.

In the event that any director, officer or shareholder holding more than 10% of the issued and outstanding shares and their respective spouse and minor children and/or nominees sells shares within six months after the acquisition of such shares, or repurchases the shares within six months after the sale, we may make a claim for recovery of any profits realized

from the sale and purchase. If our board of directors or audit committee fail to make a claim for recovery, any shareholder may request our board of directors or audit committee to make such claim within 30 days. After such 30-day period, the requesting shareholder will have the right to make a claim for such recovery, and our directors will be jointly and severally liable for damages suffered by us as a result of their failure to exercise the right of claim.

Other Rights of Shareholders

Under the ROC Company Act and the Mergers and Acquisitions Act, dissenting shareholders are entitled to appraisal rights in the event of merger, spin-off and various other major corporate actions. A dissenting shareholder may request us to redeem all of the shares owned by such shareholder at a fair price to be determined by mutual agreement. If an agreement cannot be reached, the valuation will be determined by a court order.

In addition, one or more shareholders who have held more than 3% of our issued and outstanding Shares for over a year may require our board of directors to convene an extraordinary shareholders' meeting by sending a written request to our board of directors. Furthermore, shareholders holding over 50% of our issued Shares for a period of three months or longer may convene our special shareholders' meeting by themselves.

The ROC Company Act allows shareholders holding 1% or more of the total issued shares of a company to submit, during the period of time prescribed by the company, one proposal in writing for discussion at the ordinary meeting of shareholders. According to the ROC Company Act and the FSC's order, a TPEX listed company is required to adopt a nomination procedure for election of directors or supervisors, which shall be stipulated in its articles of incorporation. With such provision in the articles of incorporation of a company, shareholders representing 1% or more of the total issued shares of such company may submit a candidate list along with relevant information and supporting documents to the company within the period prescribed by the company. Our Articles of Incorporation currently provide for such nomination procedure.

DESCRIPTION OF THE BONDS

The Bonds are to be issued under an indenture, to be dated as of February 4, 2026 (the “Indenture”), between Vanguard International Semiconductor Corporation (the “Issuer” or the “Company”) and Citicorp International Limited, in its capacity as trustee (the “Trustee”, which expression shall include its successor(s) and all persons for the time being the trustee or trustees under the Indenture). The following summary of certain provisions of the Bonds and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Bonds and Indenture, including the definitions of certain terms therein. Whenever particular Sections or defined terms of the Indenture not otherwise defined herein are referred to, such Sections or defined terms are incorporated herein by reference. Copies of the Indenture will be made available to any Holder (as defined below) on or after the Closing Date (as defined below) via e-mail by the Trustee on any weekday (excluding public holidays) at all reasonable times during normal office hours (being between 9.00 a.m. (Hong Kong time) and 3.00 p.m. (Hong Kong time)) upon prior written request and satisfactory proof of holding to the Trustee.

General

Except in certain limited circumstances, the Bonds will only be issued in book-entry form.

The Bonds will be issued on or about February 4, 2026 (the date on which the Bonds are issued under the Indenture being referred to herein as the “Closing Date”) as direct, unconditional, unsecured and unsubordinated obligations of the Issuer limited in aggregate principal amount to US\$350,000,000 and will be redeemed on February 4, 2031 (the “Maturity Date”) unless earlier redeemed, repurchased and canceled or converted pursuant to the terms thereof and of the Indenture.

The Bonds will not bear interest.

Each Bond will be convertible into the Common Shares (as defined below), subject to compliance with certain conditions and procedures (see “— Conversion — Procedures; Conversion Notice; Taxes and Duties” below), at the Holder’s election on any Business Day (as defined below) during the period (the “Conversion Period”) commencing on May 5, 2026 (the next day immediately after the end of a three-month period following the Closing Date) and ending at the close of business in the location of the Conversion Agent (as defined below) on (i) January 5, 2031 (the thirtieth (30th) day prior to the Maturity Date) or (ii) the fifth (5th) Business Day prior to the applicable Purchase Date of such Bonds or date fixed for redemption (other than the Maturity Date) of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture. The Conversion Period shall not include any Closed Period (as defined below).

The principal of and other amounts on the Bonds will be payable in US Dollars by the Issuer pursuant to the Indenture, and the Bonds may be presented for registration of transfer, exchange or conversion, at the office or agency of the Issuer or maintained for such purpose at c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland, being the office of Citibank, N.A., London Branch, acting as paying agent, conversion agent and transfer agent of the Issuer (the “Paying Agent” or “Conversion Agent” or “Transfer Agent”, including any of their successors).

The Issuer reserves the right, subject to the provisions of the Indenture and the applicable Paying Agent and Registrar Appointment Letter, at any time to vary or terminate the appointment of the Paying Agent and to appoint further or other Paying Agents, provided that the Issuer will at all times maintain a Paying Agent. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agent will be given promptly by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under “— Notices”.

The Bonds will be issued only in fully registered form, without interest coupons, at 100.00% of par value in denominations of US\$200,000 and any integral multiples of US\$100,000 in excess thereof. See “— Book Entry; Delivery and Form” below. No service charge will be payable for any registration of transfer or exchange of the Bonds, for the conversion thereof or for the charges of the Paying Agents in connection therewith, but the Issuer may require payment by a Holder of a sum sufficient to cover any transfer or stamp tax or other similar governmental charge payable in connection therewith.

The Issuer and its Affiliates (as defined below) may at any time, subject to applicable law, purchase the Bonds in the open market, or otherwise, at any price. The Bonds which are purchased by the Issuer (including purchase in the open market), early redeemed, repurchased and repaid when due, converted or sold back by the Holders will be canceled and will not be re-issued. A Bond does not cease to be outstanding because any of the Issuer's Affiliates holds such Bond; provided, however, any Bonds owned by any Affiliate of the Issuer will be deemed not to be outstanding in determining whether the Holders of the requisite principal amount of Bonds have given or concurred in any request, demand, authorization, direction, notice, consent or waiver under the Indenture.

Further Issues

To the extent permitted by applicable laws of the ROC, the Issuer may from time to time, without the consent of the Holders, create and issue, pursuant to the Indenture, additional bonds, having the same terms and conditions under the Indenture as the previously outstanding Bonds in all respects, except for issue date, issue price, and amount of the applicable first payment of interest thereon. Additional bonds may be consolidated with and form a single series with the previously outstanding Bonds; provided, however, that such additional bonds will not be issued under the same CUSIP, ISIN or other identifying number as the outstanding Bonds unless such additional bonds are fungible with the outstanding Bonds for U.S. federal income tax purposes.

Book Entry; Delivery and Form

The Bonds will only be represented by a permanent global certificate in fully registered book-entry form (the "Global Bond") and will be deposited with a common depository (the "Common Depository") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") and registered in the name of a nominee of the Common Depository. If (i) at any time, the Common Depository advises the Issuer in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an Event of Default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Issuer in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, and, in the case of (iii) above, if the Issuer has received a written request from a Holder, the Issuer shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will have minimum denominations of US\$200,000 and any integral multiples of US\$100,000 in excess thereof.

The Bonds are not issuable in bearer form.

Transfers of interests in the Bonds evidenced by the Global Bond will be effected in accordance with the rules of the relevant clearing systems. In addition, transfers of the Bonds and Common Shares are subject to certain restrictions. See "Transfer Restrictions".

Ranking

The Bonds will (i) be direct, unconditional, unsecured and unsubordinated obligations of the Issuer, (ii) rank pari passu without any preference or priority among themselves and with all other direct, unconditional, unsecured and unsubordinated Debt (as defined below) of the Issuer now or hereafter outstanding (except to the extent that such other Debt (x) ranks above such obligation solely by reason of Liens (as defined below) permitted under the Indenture or (y) is preferred by mandatory provisions of law), and (iii) be senior in right of payment to all Debts of the Issuer that is expressed to be subordinated in right of payment to the Bonds.

The Bonds will be effectively subordinated to all secured obligations but subject to the negative pledge as described in "Certain Covenants — Negative Pledge" of the Issuer with respect to claims against the assets securing such obligations ("Secured Debt"). As of September 30, 2025, we had no outstanding Secured Debt.

Sinking Fund

The Bonds will not be entitled to the benefit of a sinking fund.

Transfer of Certificated Bonds and Delivery of New Certificated Bonds

In the event Certificated Bonds (as defined below) are issued, the following provisions will apply:

(i) Transfer of Certificated Bonds

A Certificated Bond may be transferred upon the surrender at the specified office of the Registrar or at the specified office of the Transfer Agent of the Certificated Bonds to be transferred, together with the form of transfer endorsed thereon (the "Form of Transfer") duly completed and executed, any transfer certifications required by the Indenture from the Holders and any other evidence that such registrar or transfer agent may require. In the case of a transfer of only part of a holding of Certificated Bonds, a new Certificated Bond shall be issued to the transferee in respect of the part transferred and a further new Certificated Bond in respect of the balance of the holding not transferred shall be issued to the transferor. The Form of Transfer will be available at the specified office of the Transfer Agent.

(ii) Delivery of New Certificated Bonds

Each new Certificated Bond shall be available for delivery upon receipt by the Transfer Agent at its specified office of the relevant Certificated Bond and the Form of Transfer.

Delivery of the new Certificated Bonds shall be made at the specified office of the Transfer Agent to whom the relevant Certificated Bond and the Form of Transfer shall have been surrendered or delivered or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant Form of Transfer or otherwise in writing, be mailed by registered post at the risk of the Holder entitled to the new Certificated Bond to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify.

(iii) Formalities Free from Charge

Transfers of the Certificated Bonds will be effected without charge by or on behalf of the Issuer or any Transfer Agent, but only upon confirmation of payment (or the giving of such indemnity as such Transfer Agent may require in respect) of any tax or other governmental charges which may be imposed in relation thereto.

(iv) Restricted Transfer Periods

No Holder may require the transfer of a Certificated Bond to be registered (i) during the period of 15 days ending on (and including) a Redemption Date (as defined below), (ii) after such Bond has been selected by the Issuer or the Holder for redemption, pursuant to the terms of the Indenture or (iii) after such Holder has exercised its Conversion Right (as defined below).

Payments

All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the Indenture or the Agency Agreement from or against the Issuer shall be payable and settled in US Dollars only.

The definitions of certain terms used in this section and the Indenture are listed below.

"*Fixed Exchange Rate*" means the fixed rate of US\$1.00=NT\$31.3250.

"*Independent Investment Bank*" means (i) an independent investment bank of international repute or (ii) leading independent securities company or bank in the ROC (in each case of (i) and (ii), acting as an expert) selected by the Issuer at the expense of the Issuer and notified in writing to the Trustee and the Agents.

“*NT Dollars*” or “*NT\$*” means the lawful currency for the time being of the ROC.

“*Prevailing Rate*” for each Rate Calculation Date, means a rate determined by the Issuer in good faith as follows:

- (a) the fixing rate at 11:00 a.m., expressed as the number of NT Dollars per one US Dollar, quoted by Taipei Forex Inc.;
- (b) if no such rate is available under sub-paragraph (a), the prevailing rate determined by the Issuer in good faith on the basis of quotations provided by the Reference Dealers of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the provisions below; and
- (c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the prevailing rate under sub-paragraph (b), the Issuer will request the Taipei office of each of the Reference Dealers to provide a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer’s experience in the foreign exchange market for NT Dollars and general activity in such market on the Rate Calculation Date. The quotations used to determine the Prevailing Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be requested at 3:30 p.m. (Taipei time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

As soon as practicable and no later than one Business Day after the Prevailing Rate has been determined, the Issuer will notify the Agents and the Trustee by email of the Prevailing Rate and the applicable Settlement Equivalent on the Rate Calculation Date.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of determining the Prevailing Rate, whether by the Reference Dealers (or any of them), the Issuer or the Independent Investment Bank, will (in the absence of fraud, willful misconduct or gross negligence) be binding on the Issuer and all Bondholders, and for administrative purpose only (without assuming any liability) on the Trustee and Agents.

“*Rate Calculation Date*” means the day which is five Business Days before the due date of the relevant amount.

“*Reference Dealers*” means four leading dealers engaged in the foreign exchange market of the relevant currency selected by the Issuer.

“*Settlement Equivalent*” for the relevant Rate Calculation Date in respect of any US Dollar-denominated amount payable in respect of the Bonds, means such US Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate, and then converted back to US Dollar amount using the applicable Prevailing Rate on such date.

“*US Dollars*” or “*US\$*” means the lawful currency for the time being of the United States of America.

Interest

The Bonds will not bear interest.

In any case where the date of the payment of the principal of the Bonds or the date fixed for redemption of the Bonds is not a Business Day (as defined below), then payment of such principal or the Early Redemption Amount (as defined below) shall be made on the next succeeding Business Day, with the same force and effect as if made on the

Maturity Date or the date fixed for redemption, as the case may be, and no interest shall accrue for the period after such date.

Additional Amounts

All payments of the principal of and other amounts on the Bonds and all deliveries of Common Shares (as defined below) made on conversion of the Bonds are to be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or other governmental charges (“Taxes”) imposed, levied, collected, withheld or assessed by or within the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or Taxing Authority (as defined below) thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds (all such additional amounts being referred to herein as “Additional Amounts”) as will result in receipt by the Holder of each Bond of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable for or on account of:

- (i) any Taxes that would not have been imposed but for:
 - (A) the existence of any present or former connection between the Holder of such Bond and the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes, other than merely holding such Bond or receiving payments or enforcing rights thereunder, including such Holder being or having been a national, domiciliary or resident of or treated as a resident thereof or being or having been present or engaged in a trade or business therein or having had a permanent establishment therein;
 - (B) the presentation of such Bond (if presentation is required) more than 30 days after the later of the date on which the payment of the principal of or other amounts on such Bond became due and payable pursuant to the terms thereof or the date that such payment was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Bond for payment on any date within such 30 day period; or
 - (C) the presentation of such Bond (if presentation is required) for payment in the ROC, unless such Bond could not have been presented for payment elsewhere;
- (ii) any estate, inheritance, gift, sale, transfer, stamp, personal property or similar tax, assessment or other governmental charge; or
- (iii) any combination of Taxes referred to in the preceding clauses (i) and (ii),

The Issuer will not pay Additional Amounts if the registered Holder of the Bond is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that the beneficiary, partner or settler with respect to such fiduciary, partnership or person, or the beneficial owner of that payment, would not have been entitled to the Additional Amounts if it had been the registered Holder of the Bonds.

Whenever there is mentioned, in any context, (i) the payment of the principal of and other amounts on any Bond, or (ii) the delivery of Common Shares or cash payments (if any) on conversion of any Bond, such mention shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect thereto.

Subject to certain exceptions, the Issuer will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the issue, initial delivery or registration of the Bonds or any other document or instrument referred to herein, including those resulting from or required to be paid in connection with, the enforcement of the Bonds or any other document or instrument following the occurrence of any Event of Default with respect to the Bonds and excluding those payable upon issue and delivery of Bonds to the order of a person other than a Holder.

Neither the Trustee nor any Agent shall be responsible for paying any Additional Amounts or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Holders or any other person to pay such Additional Amounts or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, assessments, withholding or other payment imposed by or in any jurisdiction.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or the Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee.

Redemption of the Bonds

Redemption for Taxation Reasons

The Bonds may be redeemed, in whole but not in part (subject to the provision of the paragraph below), at the option of the Issuer, at any time, upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee, the Registrar and the Paying Agent at least 5 Business Days prior to the notice to Holders, at the Settlement Equivalent of the applicable Early Redemption Amount on the Redemption Date (as defined below), if the Issuer determines and certifies to the Trustee in an officer's certificate immediately prior to the giving of such notice that, as a result of any change in, or amendment to the laws (including any regulations or rulings promulgated thereunder) of the ROC or such other jurisdiction in which the Issuer is then organized or resident for tax purposes (or any political subdivision or Taxing Authority thereof or therein), affecting taxation, or any change in official position regarding the application, interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change, amendment, application, interpretation or administration is proposed and becomes effective on or after the Closing Date (or, in the case of any jurisdiction other than the ROC, the date (if later than the Closing Date) on which the Issuer first becomes organized or resident for tax purposes in such other jurisdiction) with respect to any payment due or to become due on the Bonds, the Issuer is required to pay Additional Amounts in connection therewith and such requirement to pay Additional Amounts cannot be avoided by the taking of reasonable measures by the Issuer; provided that such right cannot be exercised earlier than 45 days prior to the first date on which the Issuer would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds were a payment then due. Prior to the giving of any such notice of redemption, the Issuer is required to deliver to the Trustee and the Paying Agent (i) an officer's certificate stating that such change or amendment has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer taking reasonable measures and (ii) an opinion of counsel or written advice of a qualified tax expert that the circumstances referred to in the preceding sentence exist as a result of such change, amendment, application, interpretation or administration. The Trustee and Agents shall be entitled to accept and rely exclusively and conclusively on such certificate, opinion and notice as sufficient evidence of the satisfaction of the conditions precedent described above, in which event, the same shall be conclusive and binding on the Holders. The Trustee is not obligated to verify any information in any certificate, opinion or notice.

Notwithstanding the foregoing, if the Issuer has given a redemption notice for taxation reasons in accordance with the paragraph above and if the outstanding principal amount of the Bonds at the time when such redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, each Holder of the Bonds will have the right to elect, and the redemption notice will state that each Holder will have the right to elect, that all or a portion of its Bonds should not be redeemed. Upon the exercise of such right by the Holder, the provisions set forth in "— Additional Amounts" will not apply to any payment in respect of such Bonds that is due after the relevant Redemption Date, and such payment will be made subject to the deduction of any ROC tax (or tax of such other jurisdiction in which the Issuer is then organized or resident for tax purposes) required to be withheld or deducted. To exercise such right the Holder must give notice to the Issuer in the manner set out in the Indenture no later than 15 days prior to the relevant Redemption Date.

Redemption at the Option of the Issuer

At any time after February 4, 2029, the Issuer may, on not less than 30 nor more than 60 days' notice to the

Holders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents at least 5 Business Days prior to the notice to Holders, redeem the Bonds, in whole or in part, at the Settlement Equivalent of the applicable Early Redemption Amount; provided, however, that no such redemption may be made unless:

- (1) the Closing Price of the Common Shares on each Trading Day during a period of 20 consecutive Trading Days (the “Calculation Period”), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 130% of the quotient of the prevailing Conversion Price (as defined below) multiplied by the Early Redemption Amount and divided by US\$200,000; and
- (2) the applicable Redemption Date does not fall within a Closed Period (as defined below).

If there shall occur an event giving rise to a change in the Conversion Price during any Calculation Period, appropriate adjustments for the relevant days, determined by an opinion of an Independent Investment Bank, shall be made for the purpose of calculating the Closing Price for such days. Notice of any such adjustments in the Conversion Price will be given promptly by the Issuer to the Trustee and the Agents.

Notwithstanding the foregoing, the Issuer may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days’ notice, at the Settlement Equivalent of the applicable Early Redemption Amount if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted; provided that the applicable Redemption Date does not fall within a Closed Period (as defined below).

Notice of any such redemption will be given by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under “— Notices”.

Redemption at Maturity

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, the Issuer will redeem the Bonds on the Maturity Date at the Settlement Equivalent of a redemption price equal to 100.00% of the outstanding principal amount thereof. The Bonds may be redeemed prior to the Maturity Date only as described herein.

Redemption Procedures

Payment of the relevant redemption price for a Certificated Bond is conditioned upon delivery of such Bond (together with necessary endorsements) to any Paying Agent. Payment of the relevant redemption price for any Bond will be made on the Redemption Date or, if such Bond is a Certificated Bond and has not been so delivered on or prior to the Redemption Date, at the time of delivery of such Bond. If the Paying Agent holds, in accordance with the terms of the Indenture, cash sufficient to pay the relevant redemption price of such Bond on the Redemption Date, then, immediately after such Redemption Date, such Bond will cease to be outstanding, whether or not such Bond is delivered to a Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the relevant redemption price).

In the case of any redemption other than on the Maturity Date, notice of redemption to each Holder shall specify the outstanding principal amount of each Bond held by such holder to be redeemed, the Redemption Date, the price at which such Bonds will be redeemed and (if the Bonds are in certificated form) the place or places of payment and that payment will be made upon presentation and surrender of the Bonds to be redeemed. If the Bonds are represented by a global certificate, redemption will be completed in accordance with the rules and procedures of the clearing system. Such notice shall also specify the Conversion Price then in effect and the date on which the right to convert such Bonds or the portions thereof to be redeemed will expire. Neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned above has occurred or for calculating or verifying the calculations of any amount payable under any notice of redemption hereunder and none of them shall be liable to the Holders or the Issuer or any other person for not doing so.

Repurchase of the Bonds

Repurchase at the Option of the Holder

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each Holder shall have the right (the “Holder’s Put Right”), at such Holder’s option, to require the Issuer to repurchase, in whole or in part (being US\$200,000 in principal amount or any integral multiple of US\$100,000 in excess thereof), such Holder’s Bonds, on February 4, 2029 (the “Bondholder’s Put Option Date”) at a price equal to the Settlement Equivalent of 100.00% of the principal amount in US dollars with respect to such Holder’s Bonds to be repurchased (the “Holder’s Put Price”).

Repurchase in the Event of Delisting

In the event that the Common Shares cease to be listed or admitted to trading on the TPEX (a “Delisting”) each Holder shall have the right (the “Delisting Put Right”), at such Holder’s option to require the Issuer to repurchase, in whole but not in part (being US\$200,000 in principal amount or any integral multiple of US\$100,000 in excess thereof), such Holder’s Bonds on the 20th Business Day after the Issuer provides a notice to Holders, the Trustee and the Paying Agent regarding the Delisting referred to under “— Repurchase Procedures” below (the “Delisting Put Date”) at the Settlement Equivalent of the applicable Early Redemption Amount with respect to such Holder’s Bonds to be repurchased on the Delisting Put Date (the “Delisting Put Price”).

Repurchase in the Event of Change of Control

If a Change of Control (as defined below) occurs with respect to the Issuer, each Holder shall have the right (the “Change of Control Put Right”), at such Holder’s option, to require the Issuer to repurchase, in whole but not in part (being US\$200,000 in principal amount or any integral multiple of US\$100,000 in excess thereof), such Holder’s Bonds on the date set by the Issuer for such repurchase (the “Change of Control Put Date”), which shall be not less than 30 nor more than 60 days following the date on which the Issuer notifies the Holders, the Trustee and the Paying Agent in writing of the Change of Control, at the Settlement Equivalent of the applicable Early Redemption Amount with respect to such Holder’s Bonds to be repurchased on the Change of Control Put Date (the “Change of Control Put Price”).

Repurchase Procedures

Not less than 30 nor more than 60 days prior to the Bondholder’s Put Option Date and not less than 30 nor more than 60 days promptly after becoming aware of a Delisting or Change of Control, the Issuer will provide a notice to the Holders, the Trustee and the Paying Agent at least 5 Business Days prior to the notice to Holders regarding such Holder’s Put Right, Delisting Put Right or Change of Control Put Right, as the case may be, which notice shall state, as appropriate:

- (A) the Bondholder’s Put Option Date, the Delisting Put Date or the Change of Control Put Date, as the case may be (each, a “Purchase Date”);
- (B) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;
- (C) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;
- (D) the date by which the Holder Purchase Notice (as defined below) must be given;
- (E) the Holder’s Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;
- (F) the names and addresses of all Agents;
- (G) briefly, the Conversion Right (as defined below) of the Holders and the then current Conversion Price and the date on which the right to convert such Bond will expire;
- (H) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights and/or Conversion Right; and
- (I) that a Holder Purchase Notice, once validly given, may not be withdrawn.

To exercise its right to require the Issuer to repurchase its Bonds, the Holder must deliver a written irrevocable notice of the exercise of such right (a “Holder Purchase Notice”) to any Paying Agent on any Business Day prior to the close of business at the location of such Paying Agent on such day and which day is not less than ten (10) Business Days prior to the Purchase Date.

Payment of the Holder’s Put Price upon exercise of the Holder’s Put Right, Delisting Put Price upon exercise of the Delisting Put Right or Change of Control Put Price upon exercise of the Change of Control Put Right for any Certificated Bond for which a Holder Purchase Notice has been delivered is conditioned upon delivery of such Certificated Bond (together with any necessary endorsements) to any Paying Agent on any Business Day together with the delivery of such Holder Purchase Notice and will be made promptly following the later of the Purchase Date and the time of delivery of such Certificated Bond. If the Paying Agent holds on the Purchase Date money sufficient to pay the Holder’s Put Price, Delisting Put Price or the Change of Control Put Price, as the case may be, of Bonds for which Holder Purchase Notices have been delivered in accordance with the provisions of the Indenture upon exercise of such right, then, whether or not such Bond is delivered to the Paying Agent, on and after such Purchase Date, (i) such Bond will cease to be outstanding, (ii) such Bond will be deemed paid, and (iii) all other rights of the Holder shall terminate (other than the right to receive the Holder’s Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be).

Neither the Trustee nor any Agent shall be required to monitor or to take any steps to ascertain whether a Change of Control, Delisting or any event which could lead to a Change of Control or Delisting has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received an Officer’s Certificate stating the contrary from the Issuer and none of them shall have any obligation or duty to verify the accuracy, completeness, content, validity and/or genuineness of any documents in relation to or in connection with a Change of Control or Delisting and none of them shall be liable to the Holders, the Issuer or any other person for any loss arising from their not doing any of the foregoing.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

“*Affiliate*” means, with respect to any Person (the “Specified Person”), (i) any Person other than the Specified Person directly or indirectly controlling, controlled by or under direct or indirect common control with, the Specified Person or (ii) any Person who is a director or executive officer (A) of the Specified Person, (B) of any Subsidiary of such Specified Person or (C) of any Person described in clause (i) above. For purposes of this definition, the term “control” when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

“*Agent*” means any registrar, paying agent, conversion agent and transfer agent, including any successor registrar, paying agent, conversion agent and transfer agent.

“*Business Day*” means any day except a Saturday, Sunday or other day on which commercial banks in Taipei, Hong Kong, London, and the City of New York (or, if applicable, in the city where the relevant Paying Agent is located) are authorized by law to close or are otherwise not open for business.

“*Capital Stock*” means, with respect to any Person, any and all shares, ownership interests, participation or other equivalents (however designated), including all common stock and all preferred stock, of such Person.

“*Certificated Bonds*” means the individual certificated Bonds executed and delivered by the Issuer and authenticated by or to the order of the Trustee or the Registrar, which may be delivered in exchange for the Global Bond in certain circumstances.

“*Change of Control*” occurs when:

- (1) any Person or Persons (as defined below) acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, control of the Issuer on the Closing Date; or
- (2) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such other Person acquiring Control over the Issuer or the successor entity; or
- (3) one or more other Persons acquire the legal or beneficial ownership of all or substantially all of the Issuer's Capital Stock.

“*Closing Price*” means for any Trading Day (a) with respect to the Common Shares, the closing sales price of the Common Shares on the TPEX on such day or, if no reported sales take place on such day, the average of the reported closing bid and offered prices, in either case as reported by the TPEX for such day as furnished by an Independent Investment Bank, and (b) with respect to Capital Stock of the Issuer (other than Common Shares), the closing bid price for such Capital Stock (other than Common Shares) on the Selected Exchange (as defined under “Trading Day” below); provided that for the purpose of determining the Closing Price used in “— Redemption at the Option of the Issuer” above for all Trading Days on or between the ex-rights or ex-dividends date and the record date for the determination of the shareholders entitled to receive such rights or dividends, the Closing Price shall be adjusted upwards to include the value of such rights or dividends.

“*Common Shares*” means fully paid shares of the common stock of the Issuer, par value NT\$10.0 per share.

“*Control*” means (i) the right to appoint and/or remove all or the majority of the members of the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (ii) the acquisition or control of more than 50% of the voting rights of the issued share capital of the Issuer.

“*Conversion Price*” means the initial conversion price of NT\$189.00 per Common Share set forth on the cover of this offering circular, subject to adjustment in the manner provided in “— Conversion — Adjustments to the Conversion Price” below.

“*Debt*” means, with respect to any Person at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of trading, (iv) all obligations of such Person as lessee which are capitalized in accordance with the generally accepted accounting principles applicable to such Person, (v) all indebtedness secured by a Lien on any asset of such Person, whether or not such indebtedness is otherwise an obligation of such Person, (vi) all obligations of such Person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument and (viii) all indebtedness of others guaranteed by such Person.

“*Default*” means any condition or event which, with the giving of notice or lapse of time or both, would become an Event of Default (as defined below).

“*Early Redemption Amount*” means, for each US\$200,000 principal amount of the Bonds, the amount which represents a gross yield of 0.00% per annum, calculated on a semi-annual basis up to the Redemption Date (as defined below) on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed.

“*FSC*” means the Financial Supervisory Commission of the ROC.

“*Holder*”, “*holder*” and “*Bondholder*” in relation to a Bond means the person in whose name a Bond is registered in the Bond register.

“*Lien*” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset, including, without limitation, the right of a vendor, lessor or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom prior to any general creditor of the owner thereof.

“*Market Value*” means (i) in the case of Common Shares, the average of the Closing Prices of the Common Shares for the most recent 30 Trading Days, (ii) in the case of Capital Stock (other than Common Shares) which is listed on the Selected Exchange, the average of the Closing Prices of such Capital Stock (other than Common Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an Independent Investment Bank.

“*Person*” means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) limited liability company, government or political subdivision or agency or instrumentality thereof, or any other entity or organization; provided that in the context of a Change of Control, a Person does not include the Issuer’s board of directors or any other governing board and does not include the Issuer’s wholly-owned direct or indirect subsidiaries.

“*Principal Subsidiary*” means any Subsidiary (as defined below) of the Issuer (i) whose gross revenues, as shown by the latest audited income statement (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary, exceed 10% of the consolidated gross revenues as shown by the then latest published audited consolidated income statement of the Issuer and its Subsidiaries; or (ii) whose gross assets, as shown by the latest audited balance sheet (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary, exceed 10% of the gross consolidated assets as shown by the then latest published audited consolidated balance sheet of the Issuer and its Subsidiaries. References to the audited income statement and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated income statement and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such income statement or balance sheet is required by law to be produced or is not produced when the Subsidiary becomes a Principal Subsidiary, to a pro forma income statement or balance sheet for the purpose of such determination.

“*Purchase Date*” has the meaning specified under the caption “— Repurchase Procedures” above.

“*Redemption Date*” means, with respect to any Bond, (i) the date fixed for redemption of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture; or (ii) the Maturity Date of such Bond if such Bond has not been redeemed, repurchased and canceled or converted in accordance with its terms prior to the Maturity Date.

“*Securities Act*” means the United States Securities Act of 1933, as amended.

“*Subsidiary*” means, with respect to any Person, (a) any entity which is controlled or of which more than 50% of its Capital Stock is owned directly or indirectly by such Person, or (b) any entity which at any time has its accounts consolidated with those of that Person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such Person from time to time, should have its accounts consolidated with those of that Person.

“*Taxing Authority*” means any government or political subdivision or any authority or agency thereof, having the legal power and authority to levy a mandatorily payable charge, assessment or tax.

“*Trading Day*” means (a) with respect to the Common Shares, a day when the TPEx is open for business, provided, however, if no transaction price or closing bid and offered prices are reported by the TPEx in respect of the Common Shares for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days and (b) with respect to Capital Stock of the Issuer (other than Common Shares), a day on which any securities exchange or quotation system selected by the Issuer and notified to the Paying Agent for this purpose (the “Selected Exchange”) on which shares of such Capital Stock (other than Common Shares) are quoted or traded is open for trading or quotation; provided, however, if no bid price

is reported by the Selected Exchange in respect of such Capital Stock (other than Common Shares) for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

“*TPEX*” means the Taipei Exchange.

“*TWSE*” means Taiwan Stock Exchange Corporation.

Certain Covenants

Negative Pledge

So long as any Bond remains outstanding, the Issuer shall not, and shall ensure that none of its Principal Subsidiaries will, create or permit to subsist any Lien on any of its or, as the case may be, such Principal Subsidiary’s, property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) (i) payment of any sum owing in respect of any such International Investment Securities, (ii) any payment under any guarantee of any such International Investment Securities or (iii) any payment under any indemnity or other like obligation relating to any such International Investment Securities, unless contemporaneously therewith effective provision is made to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien on the same property, assets or revenues securing such International Investment Securities for so long as such International Investment Securities are secured by such Lien or (b) with such other security, guarantee, indemnity or other arrangement as shall be approved by registered Holders holding not less than 50% of the principal amount of the outstanding Bonds.

As used herein, “International Investment Securities” means bonds, debentures, notes or other similar investment securities of the Issuer or any other person evidencing indebtedness with a maturity of not less than one year from the issue date thereof, or any guarantees thereof, which (i) either (A) are by their terms payable, or confer a right to receive payment, in any currency other than NT Dollars or (B) are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the consent of the Issuer and (ii) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded, in each case primarily, on any stock exchange or over-the-counter or other securities market outside the ROC.

Consolidation, Amalgamation or Merger

The Issuer shall not consolidate with, merge or amalgamate into or transfer or convey all or substantially all of its properties and assets to, any Person (the consummation of any such event, a “Merger”), unless:

- (i) the corporation formed by such Merger or the Person that acquired such properties and assets shall expressly assume, by an indenture supplemental to the Indenture, all obligations of the Issuer under the Indenture and the performance of every covenant and agreement applicable to it contained therein;
- (ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;
- (iii) the Issuer at least 20 Business Days prior to the Merger has delivered to the Trustee an officer’s certificate stating that such Merger complies with the provisions of the Indenture relating to this matter and that all conditions precedent therein provided for or relating to such Merger have been complied with;
- (iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to (A) indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal of and other amounts on the Bonds and (B) if organized under the laws of a jurisdiction other than the ROC, to deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts received by the

holders of the Bonds, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of the principal of and Additional Amounts on the Bonds, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and

- (v) the Issuer shall as soon as practicable on or prior to the Merger, deliver to the Trustee an opinion satisfactory to the Trustee of counsel(s) of recognized standing that the condition in paragraph (i) above has been satisfied and that the supplemental indenture constitutes the legal, valid and binding obligation of the corporation formed by such Merger.

In the event of any such Merger, the provisions described under “— Additional Amounts” and “— Redemption for Taxation Reasons” above will be applicable to the corporation formed by such Merger or the Person acquiring such properties and assets as appropriate, and any reference to the Issuer shall be read to include such successor person. Following the completion of a Merger, the Issuer shall deliver to the Trustee an Officer’s Certificate confirming the completion of the Merger and that no Default or Event of Default has occurred as a result of the Merger.

Conversion

Conversion Right

Each Holder will have the right (the “Conversion Right”) during the Conversion Period to convert its Bonds (being US\$200,000 in principal amount or an integral multiple of US\$100,000 in excess thereof), at the option of such converting Holder, upon delivery of an irrevocable notice (the “Conversion Notice”) at the office of the Conversion Agent, on any Business Day at all reasonable times during normal office hours (being between 9.00 a.m. and 3.00 p.m. (London time)) at the location of the Conversion Agent to which such Conversion Notice is delivered, into Common Shares; provided, however, that the Conversion Right during any Closed Period (as defined below) shall be suspended and the Conversion Period shall not include any such Closed Period. “Closed Period” means (i) the periods for share registrar closure pursuant to the laws and regulations of the ROC or the TPEX rules, excluding the closed period for the annual general meeting or the extraordinary general meeting; (ii) in the event of free distribution of shares, distribution of cash dividend or capital increase by cash, the period from the fifteenth Trading Day prior to the fifth day before the record date for the determination of the shareholders entitled to the receipt of dividends, subscription of new Common Shares due to capital increase or other benefits and bonuses to such record date; (iii) in the event of capital reduction of the Issuer, the period from the record date of any capital reduction to the day immediately preceding the date on which the Common Shares resume trading after such capital reduction; and (iv) in the event of change of par value of the Common Shares of the Issuer, the period from the commencement of the suspension of the conversion in respect of the change of par value of the Common Shares to the day immediately preceding the date on which the reissued Common Shares resume trading after such change of par value of the Common Shares. The Issuer shall procure that Holders (and the Trustee and the Agents) are given at least 7 days’ but not more than 60 days’ prior notice of any Closed Period in accordance with the provisions of the Indenture.

The number of Common Shares to be issued upon conversion will be determined by dividing the aggregate principal amount of all the Bonds to be converted by such Holder (translated into NT Dollars at the Fixed Exchange Rate) by the Conversion Price in effect on the Conversion Date (as defined below). Fractions of Common Shares will not be issued on conversion, and the Issuer will pay in US Dollars for any fraction of a Common Share not issued as aforesaid, net of remittance fee and processing fees, rounding to one US Dollar with US\$0.50 being rounded upwards.

The Conversion Price shall at all times be subject to Anti-dilution Adjustment (as defined below).

On the Conversion Date, the Conversion Agent shall be entitled to write down and cancel the relevant Bonds subject to such exercised Conversion Right with no further liability. The Trustee and the Paying Agent shall not be required to monitor or assist with the delivery of Common Shares or cash for any registration that may arise pursuant to an exercise of a Conversion Right.

Restrictions on Shareholdings by PRC Persons

Under current ROC laws, regulations and policies, a PRC person is not permitted to convert the Bonds or to register as the Company's shareholder unless, subject to the procedures and restrictions under applicable laws and regulations of the ROC, (i) it is a QDII who will hold less than 10% of the Issuer's issued shares after conversion of the Bonds, (ii) it otherwise obtains the approval of the Department of Investment Review of the Ministry of Economic Affairs if all the business items are within the positive list promulgated by the ROC government from time to time and it will hold 10% or more (or other threshold required by the regulators) of the Issuer's issued shares after conversion of the Bonds, or (iii) it is permitted under the laws and regulations of the ROC in effect at the time of the application of the conversion. There are also limits on the amount remitted to the ROC for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TPEX may cause a Bondholder who is a PRC person to be unable to convert the Bonds and hold the Common Shares. Under current ROC laws, "PRC person" means (A) an individual holding a passport issued by the PRC or PRC residence registration (including an individual who used to hold PRC passport or PRC residence registration but has given up his or her PRC citizenship and converted to the citizenship of another jurisdiction for less than four years or has not stayed outside the PRC for a period of over four years, but not including a resident in a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), (B) any agency or instrumentality of the PRC and any corporation, partnership or other entity of any area under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong or Macau, if so excluded by applicable laws of the ROC), or (C) any corporation, partnership or other entity organized under the laws of any other jurisdiction outside of the PRC that either (x) is directly or indirectly controlled by, or (y) directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person referred to in (A) to (B).

ROC Procedures for Foreign Persons Holding Common Shares

Under current ROC laws, if a non-ROC person is an overseas Chinese or foreign national or entity having not been registered with the TWSE, when exercising the conversion right, such non-ROC person will be required to first register with the TWSE and then appoint a local agent to, among other things, open a securities trading account with a local securities brokerage firm to hold or trade the common shares, open an NT dollar bank account, remit funds, pay ROC tax, exercise shareholders' rights, and perform such other matters as may be designated by the converting holder. In addition, under current ROC laws, a non-ROC person is required to appoint a local bank approved by the FSC to act as custodian for handling confirmation and settlement of trades, safekeeping of securities and cash proceeds, and reporting and declaration of information. Under current ROC laws and regulations, without satisfying these requirements, a non-ROC person will not be able to hold or to sell or otherwise transfer the Company's Common Shares on the TPEX or otherwise.

In addition, when a non-ROC person converts the Bonds or registers as the Company's shareholder, such non-ROC person will be required under current ROC laws and regulations to appoint an agent, or a tax guarantor, in the ROC for filing tax returns and making tax payments. A tax guarantor must meet certain qualifications set by the Ministry of Finance of the ROC and, upon appointment, becomes a guarantor of your ROC tax obligations. We cannot assure that such non-ROC person will be able to appoint and obtain approval for a tax guarantor in a timely manner, if at all.

Delivery of Common Shares upon Conversion

Upon a converting Holder exercising its Conversion Right, the Issuer shall as promptly as practicable issue Common Shares upon conversion of Bonds in accordance with the ROC law.

The Issuer's delivery to the Bondholder of the number of Common Shares into which the Bonds are convertible, together with any cash payment for any fraction of Common Shares, will be deemed to satisfy the Issuer's obligation to pay the principal of and other amounts on such Bonds.

See "Risk Factors — Risks Relating to Ownership of the Bonds and the Common Shares — A liquid market for the Bonds may not develop, and the market for the Common Shares may not be liquid."

Procedures; Conversion Notice; Taxes and Duties

In order to effect a conversion, each Holder must complete, execute and deliver at such Holder's expense during the Conversion Period to the office of the Conversion Agent on any Business Day at all reasonable times during normal

office hours (being between 9.00 a.m. and 3.00 p.m. (London time)) at the location of the Conversion Agent, a Conversion Notice, in the form then obtainable from the office of the Conversion Agent, together, in the case of Certificated Bonds, with the certificate representing the Bonds to be converted, and any certificates and other documents as may be required under applicable law and any expenses or other payments required to be paid by the Holder pursuant to the terms of the Indenture. The Conversion Notice shall contain, inter alia, an appointment of a local agent by such converting Holder and the name and address of such local agent.

Upon receipt of such Conversion Notices, the Conversion Agent shall have to process and transmit such Conversion Notices to the Issuer as soon as reasonably practicable.

A Conversion Notice once so delivered may not be withdrawn without the consent in writing of the Issuer. Holders who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Bonds until the first Business Day which is a Trading Day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be the Conversion Date for such Bonds. Such Holders will not be registered as holders until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price in effect on the Conversion Date.

As conditions precedent to conversion, the Holder must confirm that all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the country in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issue and delivery of Common Shares or any other property or cash upon conversion to or to the order of a person other than the converting Bondholder have been paid to the relevant authority. Except as aforesaid, the Issuer will pay the expenses arising in the ROC on the issue of Common Shares on conversion of Bonds and all charges of the Conversion Agent in connection therewith as provided in the Indenture. The date on which any Bond and the Conversion Notice (in duplicate) relating thereto, together with any certificates and other documents as may be required under applicable law, are deposited with the Conversion Agent without any omission or error to the satisfaction of the Issuer and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the "Deposit Date". The "Conversion Date" applicable to a Bond shall mean the next Business Day following the Deposit Date (or the first Business Day which is a Trading Day following the last day of a Closed Period if the related Conversion Notice was deposited during such Closed Period), which day must be a Trading Day and must fall within the Conversion Period. The Holder must therefore satisfy all such conditions on or before the Business Day prior to the end of the Conversion Period.

With effect from the opening of business in the ROC on the Conversion Date, the Issuer will deem the person designated in the Conversion Notice as the person in whose name the Common Shares to be issued upon such conversion are to be registered as the holder of record of the number of Common Shares (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective), and at such time the rights of such converting Holder as a Holder with respect to the Bonds deposited for conversion shall cease.

On the Conversion Date, the Issuer will register the converting Holder (or its designee) in the Issuer's register of shareholders as the owner of the number of Common Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to ROC laws and regulations) (or where the converting Holder has not appointed a local agent, after such local agent is appointed), there be delivered to the local agent appointed by the converting Holder through book-entry system of Taiwan Depository & Clearing Corporation ("TDCC"), registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the delivery thereof.

Adjustments to the Conversion Price

Anti-dilution. The Conversion Price will be subject to adjustment ("Anti-dilution Adjustment") in the circumstances described below:

- (i) If the Issuer shall issue Common Shares to the holders of Common Shares as a dividend in Common Shares or make a free distribution or bonus issue of Common Shares which is treated as a capitalization

issue for accounting purposes (including but not limited to recapitalization of retained earnings or capital surplus), then adjustment shall be made, in accordance with the following formula, to the Conversion Price in effect on (i) the record date for the determination of the shareholders entitled to receive such dividend and/or distribution; or (ii) (if the Common Shares are issued upon upfront payment by such shareholders) the date on which the newly issued Common Shares are fully paid up:

$$\text{NCP} = \text{OCP} \times [N / (N + n)]$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Common Shares outstanding at the time of issuance of such dividend and/or distribution (or at the close of business in Taipei on such record date, as the case may be), which shall exclude the treasury shares that have not been cancelled or transferred.

n = the number of Common Shares to be distributed to the shareholders as a dividend and/or distribution.

- (ii) If the Issuer shall (a) subdivide its outstanding Common Shares, (b) combine its outstanding Common Shares into a smaller number of Common Shares, or (c) re-classify any of its Common Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the Holder, in respect of the Conversion Date which occurs after the coming into effect of the adjustment described in this subsection (ii), shall be entitled to receive the number of Common Shares and/or other securities of the Issuer which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Issuer has fixed a prior record date for the determination of the shareholders entitled to receive any such securities issued upon any such subdivision, combination or reclassification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.
- (iii) If the Issuer shall grant, issue or offer to the holders of Common Shares rights entitling them to subscribe for or purchase Common Shares, which expression shall include those Common Shares which are required to be offered to employees and persons other than shareholders in connection with such grant, issue or offer, at a consideration per Common Share receivable by the Issuer which is fixed:
- (A) on or prior to the record date mentioned below and is less than the Market Value per Common Share on such record date; or
- (B) after the record date mentioned below and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,
- then the Conversion Price in effect (in the case of (A) above) on the record date for the determination of the shareholders entitled to receive such rights or (in the case of (B) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

- N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (A) above) on such record date or (in the case of (B) above) on the date the Issuer fixes the said consideration, which shall exclude the treasury shares that have not been cancelled or transferred.
- n = the number of Common Shares to be issued in connection with such rights issue at the said consideration.
- v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value specified in (A) or, as the case may be, (B) above.

Subject as provided below, such adjustment shall become effective immediately after the latest date for the submission of applications of such Common Shares by shareholders entitled to the same pursuant to such rights or (if later) immediately after the Issuer fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any Common Shares which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of applications for such Common Shares, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Issuer receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any such Common Shares which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such Common Shares as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

- (iv) If the Issuer shall grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares at a consideration per Common Share receivable by the Issuer which is fixed:
- (A) on or prior to the record date for the determination of the shareholders entitled to receive such warrants and is less than the Market Value per Common Share at such record date; or
- (B) after the record date mentioned above and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in a case within (A) above) on the record date for the determination of the shareholders entitled to receive such warrants or (in a case within (B) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

- N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (A) above) on such record date or (in the case of (B) above) on the date the Issuer fixes the said consideration, which shall

exclude the treasury shares that have not been cancelled or transferred.

- n = the number of Common Shares initially to be issued upon exercise of such warrants at the said consideration where no applications by shareholders entitled to such warrants are required. Where applications by shareholders entitled to such warrants are required, n equals the number of such Common Shares that equals (A) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, and (B) the number of warrants for which applications are received from shareholders as referred to below except to the extent already adjusted for under (A).
- v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value per Common Share specified in (A) or, as the case may be, (B) above.

Subject as provided below, such adjustment shall become effective, where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Issuer fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of warrants entitling them to subscribe for or purchase Common Shares where applications by shareholders entitled to the same are required, any warrants which are not subscribed for or purchased by the shareholders entitled thereto are purchased by other persons after the latest date for the submission of applications for such warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Issuer receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of warrants entitling them to subscribe for or purchase Common Shares where applications by shareholders entitled to the same are required, any such warrants which are not subscribed for or purchased by such other persons as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred the right to purchase such warrants) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

- (v) In case the Issuer or any Subsidiary of the Issuer shall distribute to all holders of Common Shares, any shares of Capital Stock of the Issuer other than Common Shares, evidences of indebtedness or other assets (other than cash distributions described below) of the Issuer, or rights or warrants to subscribe for or purchase any Capital Stock of the Issuer (other than Common Shares) at less than the Market Value of such indebtedness, assets or Capital Stock, determined as of the date on which the Board of Directors of the Issuer approves such distribution, then in each such case the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times [(M - \text{fmv}) / M]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M = the Market Value per Common Share on the record date for the determination of shareholders entitled to receive such distribution.

fmv = the Fair Market Value (as determined by an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in

writing to the Trustee and the Paying Agent) of the portion of Capital Stock other than Common Shares, evidences of indebtedness or other assets so distributed applicable to one Common Share less any consideration payable for the same by the relevant Shareholder.

- (vi) In case the Issuer shall, by dividend or otherwise, distribute to all holders of Common Shares cash then, in such case, the Conversion Price shall be adjusted downward, not upward (with such adjustment to be effective on the record date for the determination of the shareholders entitled to receive such distribution) in accordance with the following formula and rounded to the nearest cent of a NT Dollar;

$$\text{NCP} = \text{OCP} \times [1 - (C/M)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

C = the amount of cash so distributed applicable to one Common Share.

M = the Market Value per Common Share on such record date.

If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been approved.

- (vii) (A) If the Issuer shall reduce its share capital other than by means of canceling any Common Shares repurchased as treasury shares and does not distribute any cash in connection with such share capital reduction, then the Conversion Price in effect on the record date of such capital reduction shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times (N/n)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding immediately prior to such capital reduction.

n = the number of Common Shares outstanding immediately after such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Issuer cancels any Common Shares repurchased as treasury shares.

- (B) If the Issuer shall reduce its share capital other than by means of canceling any Common Shares repurchased as treasury shares and shall distribute cash in connection with such share capital reduction, the Conversion Price then in effect on the record date of such capital reduction shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times (1 - C/c) \times (N/n)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N and n have the meanings ascribed thereto in clause (A) of this subsection above.

C = the amount of cash distributed per Common Share.

c = the Closing Price on the last Trading Day prior to such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Issuer cancels any Common Shares repurchased as treasury shares.

(C) Effective date of adjustment: Such adjustment shall become effective immediately on the record date of such capital reduction.

- (viii) In case a tender or exchange offer made by the Issuer or any Subsidiary of the Issuer for all or any portion of the Common Shares shall expire and such tender or exchange offer shall involve the payment by the Issuer or such Subsidiary of consideration per Common Share having a Fair Market Value (as determined by an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee and the Paying Agent) at the last time (the “Expiration Date”) tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Market Value per Common Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times \left[\frac{\text{N} \times \text{M}}{\text{a} + [(\text{N} - \text{n}) \times \text{M}]} \right]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding (including any tendered or exchanged Common Shares) on the Expiration Date.

M = Market Value per Common Share as of the Expiration Date.

a = the Fair Market Value of the aggregate consideration payable to the holders of Common Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Common Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Common Shares deemed so accepted up to any such maximum, being referred to as the “Purchased Shares”).

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the Trading Day following the Expiration Date.

If the Issuer is obligated to purchase Common Shares pursuant to any such tender or exchange offer, but the Issuer is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

- (ix) In case the Issuer issues Common Shares (other than (A) Common Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Issuer; (B) Common Shares issued upon exercise of any rights or warrants granted, offered or issued by the Issuer; (C) Common Shares issued to employees (including but not limited to as stock-based employee bonus and restricted share units); or (D) Common Shares issued in any of the circumstances described in subsections (i) and (ii) or the Issuer or any Subsidiary of the Issuer shall issue any securities initially

convertible into or exchangeable for Common Shares at a price per Common Share less than the Market Value per Common Share determined as of the date on which the Board of Directors or shareholders' meeting of the Issuer or such Subsidiary, if applicable, approves such issuance, the Conversion Price in effect immediately prior to the date of issue of such Common Shares or convertible or exchangeable securities shall be adjusted and become effective in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

- N = the number of Common Shares outstanding on the date of issuance of such Common Shares or initially convertible or exchangeable securities, immediately prior to such issuance.
- n = the number of Common Shares issued or issuable upon conversion or exchange of such initially convertible or exchangeable securities.
- v = the number of Common Shares which the aggregate consideration issue price of the total amount of Common Shares would purchase at Market Value; in the case of convertible or exchangeable securities, the number of Common Shares which the conversion price or exchange price of the newly issued securities multiply by "n" would purchase at Market Value; provided that if the new Common Shares are issued by the Issuer to exchange for the total outstanding shares of an entity to be consolidated with, merged or amalgamated into the Issuer, such "aggregate consideration issue price of the total amount of Common Shares" shall mean the aggregate amount of the fair value per common share of such entity multiplied by "n" and further multiplied by the applicable share swap ratio under such consolidation, merger or amalgamation. The fair value per common share of such entity shall be (x) in the case of a listed company, either (i) the closing price of its common share on the date on which the share swap ratio was approved by the shareholders' meeting or board of directors (as applicable) or (ii) the simple average of the closing prices of its common shares on either one, three and five business days immediately preceding the date on which the share swap ratio is approved by the shareholders' meeting or board of directors (as applicable); or (y) in the case of a private company, either (i) the fair value falling into the fair value of such entity as determined by an independent expert in its fairness opinion or (ii) the net value per common share of such entity calculated based on the latest audited or reviewed financial statements, in each case, times the share swap ratio.

If the conversion or exchange right of any such convertible or exchangeable securities expires prior to exercise, the Conversion Price shall be readjusted to reflect the actual securities converted or exchanged.

- (x) In case the Issuer reissues the Common Shares to change the par value of the Common Shares, then the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times (N / n)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding immediately prior to such change of par value of Common Shares.

n = the number of Common Shares outstanding immediately after such change of par value of Common Shares.

Such adjustment shall become effective immediately on the record date for exchanging the Common Share with new par value for the Common Shares with original par value.

- (xi) If the Issuer shall declare a dividend in, or make a free distribution or bonus issue of, Common Shares which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:
- (A) the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections (iii) or (iv) above;
 - (B) the day immediately before the date of issue of any securities convertible into or exchangeable for Common Shares which requires an adjustment of the Conversion Price pursuant to subsection (ix) above;
 - (C) the day immediately before the date of a distribution which requires an adjustment of the Conversion Price pursuant to subsection (v) above;
 - (D) the record date for distribution of cash which requires an adjustment of the Conversion Price pursuant to subsection (vi) above;
 - (E) the record date of capital reduction which requires an adjustment of the Conversion Price pursuant to subsection (vii) above;
 - (F) the record date for exchanging the Common Share with new par value for the Common Shares with original par value which requires an adjustment of the Conversion Price pursuant to subsection (x) above;
 - (G) the Expiration Date with respect to any tender or exchange offer which requires an adjustment to the Conversion Price pursuant to subsection (viii) above; or
 - (H) the relevant date for an analogous event or circumstance which requires an adjustment to the Conversion Price;

then (except where such dividend, bonus issue or free distribution gives rise to a retroactive adjustment of the Conversion Price under subsections (i) or (ii) above) no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under the relevant subsections, but in lieu thereof an adjustment shall be made (A) under subsections (iii), (iv), (ix) or (x) above, as applicable, by including in the denominator of the fraction described therein the aggregate number of Common Shares to be issued pursuant to such dividend, bonus issue or free distribution and (B) under subsections (v), (vi), (vii) and (viii) above, as applicable, by multiplying the Conversion Price after the adjustment under such subsections by a fraction the numerator of which is the number of Common Shares outstanding on the record date and the denominator of which is the sum of such number of Common Shares outstanding and the aggregate number of Common Shares to be issued pursuant to such dividends, bonus issue or free distribution.

- (xii) In case of a Merger of the Issuer, each Bond then outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Common Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger or

the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Rights to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in the Indenture provided that where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth in “— Repurchase in the Event of Change of Control”.

If any event or circumstance analogous to the events and circumstances described in subsections (i) through (x) occur, the Conversion Price shall be adjusted as set forth in the analogous subsection in the Indenture.

Provisions Applicable to All Conversions and Adjustments of Conversion Price

No adjustment of the Conversion Price will be required to be made until cumulative adjustments, required to be made in the circumstances set forth above, amount to 1.0% or more of the Conversion Price as last adjusted. However, any adjustment, required to be made in the circumstances set forth above, which is not made because of failure to meet the 1.0% threshold, will be carried forward. Except as otherwise described below, the Conversion Price may at any time be reduced by the Issuer.

The Issuer will not take any action which would reduce the Conversion Price per Common Share below the par value of the Common Shares (currently NT\$10 per share), unless, under applicable law then in effect, the Bonds could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Common Shares.

All calculations relating to conversion, including adjustments of the Conversion Price, will be made to the lower 0.001 of a share of securities or other property or nearest cent, as the case may be.

Whenever the Conversion Price is adjusted, the Issuer will promptly file with the Trustee and the Paying Agent an officer’s certificate setting forth the date on which such adjustment became effective, the Conversion Price after such adjustment and prior to such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after receipt of such certificate, the Issuer will prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price, the Conversion Price prior to such adjustment, a brief statement of the facts requiring such adjustment and the date on which such adjustment became effective and shall give such notice of such adjustment of the Conversion Price to each Holder of a Bond.

Events of Default; Notice and Waiver

The Indenture provides that, if one or more of the following events or conditions (each an “Event of Default”) shall have occurred, the Trustee at its sole and absolute discretion may, or if so requested in writing by Holders of not less than 25% in aggregate principal amount of the Bonds then outstanding (subject to being indemnified and/or secured and/or prefunded by such Holders to its satisfaction) shall declare the Bonds to be immediately due and payable at the Settlement Equivalent of the Early Redemption Amount, Additional Amounts, if any, and other amounts. In the case of certain events of bankruptcy or insolvency, the Bonds shall automatically become and be immediately due and payable at the Settlement Equivalent of the Early Redemption Amount, Additional Amounts, if any, and other amounts. Under certain circumstances, the Holders of a majority in aggregate principal amount of the outstanding Bonds may rescind any such acceleration with respect to the Bonds and its consequences.

Under the Indenture, Events of Default include:

- (i) default in payment of the principal of or premium (if any) on any Bond, as and when the same becomes due and payable, and continuance of such default for three Business Days;
- (ii) default in the payment of Additional Amounts upon any Bond as and when the same becomes due and payable, and continuance of such default for five Business Days;
- (iii) failure by the Issuer to deliver the Common Shares as and when such Common Shares are required to be delivered following conversion of a Bond and which default is not remedied within five Business Days;

- (iv) failure on the part of the Issuer duly to observe or perform any of the covenants or agreements provided in the Bonds or the Indenture (other than those referred to in clauses (i), (ii) or (iii) above) which failure cannot be remedied or, if such failure is capable of being remedied, is not remedied within 30 days after the date on which written notice thereof requiring the Issuer to remedy the same shall have been given to the Issuer by the Trustee acting on the written instructions of the Holders of at least 25% in aggregate principal amount of the Bonds then outstanding;
- (v) there shall have been entered against the Issuer or any of its Principal Subsidiaries a final judgment, decree or order by a court of competent jurisdiction for the payment of money in excess of US\$ 150 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and 60 days shall have passed since the entry of the order without it being bonded, satisfied, discharged or stayed;
- (vi) (A) the Issuer or any of its Principal Subsidiaries shall fail to make any payment with respect to present or future Debt (other than the Bonds) in an aggregate principal amount in excess of US\$ 150 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) when and as the same shall become due and payable, if such failure shall continue for more than the period of grace, if any, originally applicable thereto or (B) the Issuer or any of its Principal Subsidiaries shall fail to perform or observe any covenant or agreement to be performed or observed by the Issuer or any of its Principal Subsidiaries contained in any agreement or instrument evidencing Debt (other than the Bonds) in an aggregate principal amount in excess of US\$ 150 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and such failure results in the acceleration of the maturity of any amount owing thereunder;
- (vii) a decree or order by a court having jurisdiction shall have been entered under any applicable bankruptcy, insolvency, reorganization or other similar law (A) adjudging the Issuer or any of its Principal Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Issuer or any of its Principal Subsidiaries or (B) appointing a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or any of its Principal Subsidiaries or of its property or (C) ordering the winding up or liquidation of the affairs of the Issuer or any of its Principal Subsidiaries and in any such case such decree or order shall have continued undischarged and unstayed for a period of 60 days;
- (viii) the Issuer or any of its Principal Subsidiaries shall voluntarily commence proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the filing of a bankruptcy or insolvency proceeding against it, or shall file a petition or answer or consent seeking reorganization under any applicable bankruptcy, insolvency, reorganization or other similar law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or its property, or shall make an assignment for the benefit of creditors;
- (ix) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not stayed or discharged within 60 days;
- (x) any step is taken by any person with a view to the expropriation or nationalization of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries;
- (xi) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Indenture, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Bonds and the Indenture admissible in evidence in the courts of the ROC is not taken, fulfilled or done and, in the case of paragraph (c), if capable of being remedied, is not remedied within 30 days after the date of the Trustee's notice;

- (xii) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Indenture; or
- (xiii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of paragraphs (i) to (xii) (both inclusive).

If an Event of Default shall have occurred and be continuing, interest shall accrue on the overdue sum at the rate of 1.80% per annum from the due date and ending on the date on which payment is made to the Holders in respect thereof (both dates inclusive). Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year consisting of 12 months of 30 days each.

The Trustee shall, within 90 days after the occurrence of any Default or Event of Default or, if later, within 30 days of receipt of written notice of any Default or Event of Default, give Holders notice of all Defaults or Events of Default, unless such Defaults or Events of Default shall have been cured or waived and the Trustee shall have been notified so in writing before the giving of such notice.

The Holders of a majority in aggregate principal amount of the outstanding Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; provided that the Trustee may refuse to follow any direction that conflicts with any law or the Indenture or that the Trustee determines in good faith is unduly prejudicial to the rights of other Bondholders (it being understood that the Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such holders) or would involve the Trustee in personal liability. The Trustee may refuse to perform any duty, exercise any right or power, expend or risk its own funds or otherwise incur any financial liability, unless it receives indemnity, pre-funding and/or security satisfactory to it against any loss, liability or expense. For the avoidance of doubt, for so long as the Bonds are represented by one or more Global Bond and such Global Bond are registered in the name of the Common Depository or its nominee or held through Euroclear or Clearstream, the Trustee may treat the beneficial owner(s) of the Global Bond as the "Holder" of such principal amount of the Bonds so held by such beneficial owner(s) (as shown in the records of Euroclear or Clearstream at the relevant time) for purposes of the provision of directions or instructions to the Trustee. No Holder will have the right to pursue any remedy with respect to the Indenture or the Bonds, unless:

- (i) such Holder shall have previously given the Trustee written notice of a continuing Event of Default;
- (ii) the Holders of at least 25% in aggregate principal amount of the outstanding Bonds shall have made a written request to the Trustee to pursue such remedy;
- (iii) such Holder or Holders shall have provided to the Trustee security and/or indemnity and/or prefunding against any loss, liability or expense satisfactory to it;
- (iv) the Trustee shall have failed to comply with the request within 60 days after receipt of such notice, request and provision of security and/or indemnity and/or prefunding; and
- (v) the Holders of a majority in aggregate principal amount of the outstanding Bonds shall not have given the Trustee a direction inconsistent with such request within 60 days after receipt of such request.

The right of any Holder (i) to receive payment of the principal of and other amounts on the Bonds, Additional Amounts, the Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right or the Change of Control Put Price upon exercise of the Change of Control Put Right, or to receive Common Shares on or after any Redemption Date, Purchase Date or Conversion Date, as the case may be, (ii) to convert its Bonds or (iii) to bring suit for the enforcement of any such right, shall not be materially impaired or materially adversely affected without such Holder's consent.

The Holders of a majority in aggregate principal amount of Bonds at the time outstanding may waive any existing

Default and its consequences, except (i) any default in any payment on the Bonds, (ii) any default with respect to the Conversion Rights of Holders or (iii) any default with respect to certain covenants or provisions in the Indenture which may not be modified without the consent of the Holder as described in “— Meeting of Bondholders; Modification and Waiver” below. When a Default is waived, it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Default or an Event of Default or any event which could lead to the occurrence of a Default or an Event of Default has occurred and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so. The Trustee or the Agents shall be entitled to assume that no such event has occurred and that the Issuer is performing all its obligations under the Indenture and the Bonds until they have received written notice to the contrary from the Issuer. The Trustee is entitled to rely on any opinion of counsel or officer’s certificate exclusively and conclusively regarding whether a Default or an Event of Default has occurred.

The Issuer will be required to furnish to the Trustee annually, and within 14 days at the request of the Trustee, a company’s certificate concerning the performance and observance of its obligations under the Bonds or the Indenture. In addition, the Issuer is required to file promptly with the Trustee (within 14 days following the Trustee’s request) a company’s certificate of the occurrence of any Default or Event of Default, specifying each such default and the nature and status thereof.

Prescription

Claims in respect of payment of the principal of or other amounts on the Bonds will be prescribed unless made within a period of six years from the relevant due date of payment in respect thereof.

Under ROC laws, claims in respect of the payment of (a) principal and (b) early redemption premium or default interest would become unenforceable after 15 years and 5 years, respectively from the relevant due date of payment in respect thereof.

Meeting of Bondholders; Modification and Waiver

The Indenture contains provisions for convening meetings (including by way of teleconference or videoconference call) of the Holders to consider any matter affecting their interests, including the approval of certain amendments or modifications of the Bonds or the provisions of the Indenture upon either the written consent of the Holders of a majority in aggregate principal amount of the outstanding Bonds or the approval at a meeting of the Holders duly called by persons entitled to vote a majority in principal amount of the outstanding Bonds. The quorum at any such meeting shall be two or more persons entitled to vote a majority in principal amount of the outstanding Bonds.

Modifications and amendments of the Indenture or the Bonds may be made by the Issuer and the Trustee with the written consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Bonds; provided that no such modification or amendment may, without the consent of the Holders of not less than 75% in aggregate principal amount of the outstanding Bonds:

- (i) change the Maturity Date of the principal of any Bond;
- (ii) change the Bondholder’s Put Option Date;
- (iii) reduce the principal of or other amounts on any Bond or Settlement Equivalent payable in respect of the Bonds, or change the method of calculation of the Settlement Equivalent;
- (iv) increase the then current Conversion Price (except as required by the anti-dilution provisions of the Indenture);
- (v) change the place or currency of payment of the principal of or other amounts on any Bond or the method of calculating any such payment;

- (vi) impair the right to institute suit for the enforcement of any payment on or after the Maturity Date (or, in the case of a redemption, on or after the Redemption Date) of any Bond;
- (vii) alter the obligations of the Issuer under “— Certain Covenants — Negative Pledge”, “— Certain Covenants — Consolidation, Amalgamation or Merger” or “— Additional Amounts” above;
- (viii) materially adversely affect the Conversion Right, the Holder’s Put Right, the Delisting Put Right or the Change of Control Put Right;
- (ix) modify the obligations of the Issuer to maintain an office or agency;
- (x) reduce the above-stated percentage of outstanding Bonds the consent of whose Holders is necessary to modify or amend the Indenture;
- (xi) reduce the percentage or aggregate principal amount of outstanding Bonds the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain Defaults;
- (xii) modify any of the percentage voting and quorum provisions described under “—Meeting of Bondholders; Modification and Waiver”; or
- (xiii) release the Issuer from any obligation under the Indenture other than in accordance with the provisions of the Indenture, or amend or modify any provision relating to such release in a manner that materially adversely affects the rights of the Holders.

Neither the Issuer nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Bonds, unless such consideration is offered to be paid or agreed to be paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Without the consent of any Holder, the Issuer together with the Trustee may amend the Indenture to:

- (i) cure any ambiguity, manifest errors, defect or inconsistency in the Indenture or the Bonds;
- (ii) provide for the assumption of the Issuer’s obligations under the Bonds and the Indenture by the surviving Person in a Merger effected in accordance with the provisions of the Indenture described under “— Certain Covenants — Consolidation, Amalgamation or Merger” above;
- (iii) make any other change that does not materially adversely affect the rights of any Holder;
- (iv) make any change necessary to comply with applicable ROC laws and regulations;
- (v) add to the covenants or obligations of the Issuer under the Indenture or decrease the Conversion Price at the discretion of the Issuer or surrender any right, power or option conferred by the Indenture on the Issuer; or
- (vi) to effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable clearing system.

Notices

Whenever the Indenture provides for notice to be given to Holders, such notice will be validly given (except as otherwise expressly provided) if in writing and delivered to each Holder entitled thereto, at such Holder’s address as it appears on the Bond register. Any such notice shall be deemed to have been given on the seventh day after being so

delivered. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bonds and the Global Bonds are held on behalf of Euroclear and Clearstream, notice to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream or their successor clearing systems for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence and such notice shall be deemed to be delivered on the date of delivery to the clearing system.

Concerning the Trustee

Citicorp International Limited has been initially appointed as Trustee under the Indenture and as registrar (the “Registrar”) with regard to the Bonds, and Citibank, N.A., London Branch has been appointed as Paying Agent, as Conversion Agent and as Transfer Agent with regard to the Bonds. The Indenture provides that, prior to the occurrence of an Event of Default, the Trustee will not be liable except for the performance of such duties as are specifically set forth in such Indenture and no implied covenant, duty or obligation shall be read into the Indenture, the Bonds or any documents to which the Trustee is a party against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will be obligated to use the same degree of care and skill as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs. The Trustee will not be responsible for any loss, liability, cost, claim, actions, demand, expense or inconvenience which may result from their exercise or non-exercise of any rights or powers conferred under the Indenture for the benefit of the Holders. Whenever it is mentioned in the Indenture, the Bonds or by law that the Trustee shall have discretion or permissive power, it may decline to exercise the same in the absence of approval by the Bondholders. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification submitted to it by the Issuer and is entitled to rely exclusively and conclusively on the certification contained therein, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Issuer in the fulfillment of its obligations under the Indenture and the Bonds. Furthermore, the Trustee shall not be deemed to have any actual or constructive knowledge of any Default or Event of Default unless it has been actually notified in writing of such event.

The Trustee shall not be responsible for the performance by any other person appointed by the Issuer in relation to the Bonds and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee in accordance with the instructions of the Holders.

The Trustee is entitled to rely exclusively and conclusively on all instructions, notices, declarations and certifications or any translations received pursuant to the Indenture or the Bonds without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications or any translations thereof.

Neither the Trustee nor the Agents will be responsible for making calculations or for verifying calculations performed by the Issuer or any other persons, unless otherwise expressly specified in the Indenture, or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Holders or any other person for not doing so.

The Trustee or any of the Agents may become the owner or pledgee of the Bonds with the same rights it would have if it were not the Trustee or an Agent and may otherwise deal with the Issuer and receive, collect, hold and retain collections from the Issuer with the same rights it would have if it were not the Trustee or an Agent.

Pursuant to the terms of the Indenture and the Bonds, the Issuer will reimburse the Trustee and the Agents for all properly incurred expenses and advances properly made, except to the extent that any such expense was due to the Trustee’s fraud, willful misconduct or gross negligence.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. Without prejudice to the foregoing, the Trustee is permitted to deal (whether on their own or their customers' account) in, or advise on, securities of such other customers and that such dealing or giving of advice will not constitute a conflict of interest for the purposes of the Bonds or the Indenture. The Trustee and entities associated with it are permitted

to engage in other transactions, business and other contractual relationships with the Issuer, its Subsidiaries and its Affiliates and shall not be obligated to account for any profits therefrom. The Trustee and the Agents may have an interest in, may be providing, or may in the future provide financial or other services to other parties. The Trustee shall have no liability merely by virtue of the existence of any such relationship other than by reason of its fraud, gross negligence or willful misconduct.

If an Event of Default occurs and is continuing, the Trustee may, but will not be obliged to, and shall, upon written request of Holders of at least 25% in aggregate principal amount of outstanding Bonds (subject to receiving indemnity, prefunding and/or security to its satisfaction at its sole discretion against any loss, liability or expense), pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Bonds or to enforce the performance of any provision of the Bonds or this Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding.

The Trustee will not be under any obligation to exercise and have sole, absolute and uncontrolled discretion as to exercise or non-exercise of any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have instructed the Trustee in writing pursuant to the terms of the Indenture and offered to the Trustee indemnity and/or security and/or pre-funding satisfactory to the Trustee at its sole discretion against any costs, loss, liability or expense which may be incurred therein or thereby.

Furthermore, each Holder, by accepting the Bonds will agree, for the benefit of the Trustee and each Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Indenture and the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Disclosure Obligations

The Indenture provides that the Issuer may have certain disclosure obligations and reporting obligations under ROC law if:

- (i) the person to be registered as a shareholder of the Issuer is a “related party” of the Issuer under the Regulations Governing the Preparation of Financial Reports by Securities Issuers of the ROC and such person beneficially owns Common Shares converted from the Bonds; or
- (ii) the person to be registered as a shareholder owns or will own more than 5% of the total number of Common Shares (including the Common Shares expected to be issued upon conversion of the Bonds).

Due to these obligations, the Issuer may ask the converting Holders to disclose the name of the person to be registered as the shareholder and to provide proof of identity and genuineness of any signature and other information and documents before it will convert the Bonds. The conversion of Bonds may be delayed until the Issuer receives the requested information and satisfactory evidence of the compliance with all laws and regulations by the Holders. The information the Holder is required to provide may include the name and nationality of the person to be registered as a shareholder of the Issuer and the total number of Common Shares such person is converting or has converted in the past.

Governing Law and Jurisdiction

The Indenture and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York. In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Bonds, the Issuer has in the Indenture irrevocably and unconditionally submitted to the non-exclusive jurisdiction of any state or federal court in The City of New York, New York. The Issuer has appointed Cogency Global Inc., as its agent for service of process.

Bondholders should note that exercise of a Conversion Right is subject not only to the provisions of the Indenture but also to the applicable ROC laws and regulations.

TAXATION

The following is a summary addresses the principal ROC tax consequences of the ownership and disposition of the Bonds or the Common Shares to a Non-ROC Resident Individual or Non-ROC Resident Entity (each a “Non-ROC Holder”). As used in the preceding sentence, a “Non-ROC Resident Individual” is a foreign national individual who owns the Bonds or the Company Common Shares and does not reside in the ROC for 183 days or more during any calendar year, and a “Non-ROC Resident Entity” is a corporation or a non-corporate body that owns the Bonds or the Company Common Shares and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC.

You should consult your tax advisors concerning the ROC tax consequences of owning the Bonds or Common Shares and the laws of any relevant taxing jurisdiction to which you are subject.

Bonds

Possible Interest Payments

Payments of interest or premium (if any ever becomes payable on the Bonds) to a Non-ROC Holder constitute interest income derived from the ROC and, therefore, are subject to ROC withholding tax at a rate of 15% at the time of payment unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident. The Company has agreed to pay Additional Amounts in respect of such withholding tax on the payments of interest or premium. See “Description of the Bonds — Additional Amounts”.

Sale

The sale of convertible bonds which were issued and offered by ROC companies outside of the ROC is not subject to ROC securities transaction tax according to a tax directive issued by the ROC Ministry of Finance dated March 23, 2010. Accordingly, the sale of the Bonds will not be subject to the securities transaction tax.

Gains from the sale of property in the ROC are generally subject to ROC income tax. However, under current ROC law, capital gains generated from sale or disposal of corporate bonds issued by ROC companies are exempt from income tax. This exemption applies to capital gains derived from the sale of the Bonds.

Conversion into Common Shares

The conversion of the Bonds into Common Shares is currently not subject to ROC tax. However, securities transaction tax, gift tax and/or income tax may be imposed in relation to the converting holder’s designation of other person to be the holder of Common Shares upon conversion of the Bonds.

Common Shares

Dividends on the Common Shares

Dividends (whether in cash or Common Shares) distributed by the Company out of retained earnings and paid out to Non-ROC Holders of Common Shares are normally subject to ROC income tax collected by way of withholding at the time of distribution. The current rate of withholding for Non-ROC Holders of Common Shares is 21% of the amount of the distribution, unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident.

Distributions of stock dividends declared by the Company out of capital reserves are not subject to withholding tax, except under limited circumstances.

In accordance with the ROC Income Tax Act, a 5% retained earnings tax will be imposed on a company for its annual after-tax earnings generated after January 1, 2018 which are not distributed in the following year. The retained earnings tax so paid will further reduce the retained earnings available for future distribution.

Preemptive Rights

Distributions of statutory subscription rights for the Common Shares in compliance with the ROC Company Act are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transactions tax, currently at the rate of 0.3% of the gross amount received. Non-ROC Holders are exempt from income tax on any capital gains from such sales. However, proceeds derived from sales of statutory subscription rights which are not evidenced by securities are subject to income tax at the rate of 20% of the gains realized. Subject to compliance with ROC law, the Company has the sole discretion to determine whether statutory subscription rights shall be evidenced by the issuances of securities.

Sale

Under current ROC law, Non-ROC Holders are exempt from income tax on any capital gains generated from the sale of Common Shares.

The ROC Government imposes a securities transaction tax that will apply to sales of the Common Shares. The transaction tax, which is payable by the seller, is levied on sales of Common Shares at the rate of 0.3% of the gross amount received.

Estate Tax and Gift Tax

ROC estate tax is payable on any property within the ROC of a deceased Non-ROC Resident Individual, and ROC gift tax is payable on any property within the ROC donated by a Non-ROC Resident Individual. Estate tax and gift tax are currently imposed at progressive rates of 10%, 15% and 20%. Under ROC estate and gift tax laws, the Bonds and Common Shares are deemed located in the ROC without regard to the location of the owner.

Tax Treaty

At present, the ROC has double tax treaties with Indonesia, Singapore, New Zealand, Australia, South Africa, Gambia, Senegal, Sweden, Eswatini, Malaysia, North Macedonia, the Netherlands, Belgium, Denmark, the UK, Vietnam, Israel, Paraguay, Hungary, France, India, Slovakia, Switzerland, Germany, Thailand, Kiribati, Luxembourg, Austria, Italy, Japan, Canada, Poland, Czech Republic, Saudi Arabia and South Korea. These tax treaties may provide a reduced withholding tax rate on interests and dividends paid with respect to bonds or shares in ROC companies.

TRANSFER RESTRICTIONS

Transfer Restrictions on the Bonds

Because of the following restrictions, we encourage you to consult a legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Common Shares issuable upon conversion of the Bonds.

The Bonds may not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person. The Bonds and the Common Shares issuable upon conversion of the Bonds have not been registered under the Securities Act and the Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Except in certain limited circumstances, interests in the Bonds may only be held through interests in the Global Bond. Such interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants.

Each purchaser of the Bonds, by accepting delivery of the Bonds, will be deemed to have acknowledged and represented to and agreed as follows (terms used herein that are defined in Regulation S are used as defined therein):

1. the Bonds and the Common Shares issuable upon conversion of the Bonds have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;
2. it is purchasing such Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S;
3. it agrees (or if it is a broker-dealer, its customer has confirmed to it that such customer agrees) that it (or such customer) will not offer, sell, pledge or otherwise transfer such Bonds except as permitted by the applicable legend set forth in paragraph (4) below;
4. it understands that the Regulation S Global Bond and any physical certificate evidencing the Bonds will bear a legend to the following effect, unless the Company determines otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

THE ZERO COUPON CONVERTIBLE BONDS DUE 2031 (THE “BONDS”) AND THE COMMON SHARES ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

5. it understands that the Bonds will be represented initially by a Global Bond; and
6. we, the Trustee, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

PLAN OF DISTRIBUTION

Goldman Sachs International and UBS AG Hong Kong Branch are the Initial Purchasers of this Offering.

Subject to the terms and conditions stated in a purchase agreement, dated as of January 28, 2026, entered into among the Company and the Initial Purchasers, the Initial Purchasers have agreed to purchase, and the Company has agreed to sell to the Initial Purchasers, the following principal amounts of the Bonds:

Initial Purchasers	Principal Amount
Goldman Sachs International.....	US\$175,000,000
UBS AG Hong Kong Branch	US\$175,000,000
Total	US\$350,000,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Bonds included in this offering are subject to certain conditions, including receipt of certain legal opinions, and entitles the Initial Purchasers to terminate it in certain circumstances prior to payment being made to the Company.

The Initial Purchasers or their affiliates may purchase the Bonds for their own account and enter into transactions, including (a) credit derivatives including asset swaps, repackaging and credit default swaps relating to the Bonds and/or the Company's securities or (b) equity derivatives and stock loan transactions relating to the Common Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counter-parties and separately from any existing sale or resale of the Bonds to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Certain of the Initial Purchasers, or their respective affiliates that have a lending relationship with the Company may routinely hedge their credit exposure to the Company consistent with their customary risk management policies. Typically, such Initial Purchasers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the bonds offered hereby. Any such short positions could adversely affect future trading prices of the bonds offered hereby. The Initial Purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Certain of the Initial Purchasers and their respective affiliates have, from time to time, performed, and may in the future perform certain commercial banking and lending, investment banking and advisory, other banking services and other dealings in the ordinary course of business with the Company or the Company's affiliates from time to time and may receive fees, expenses and commissions for these transactions. In addition to the transactions noted above, the Initial Purchasers and their respective affiliates may, from time to time, engage in other transactions with, and perform services for, the Company or the Company's affiliates in the ordinary course of their business, for which they may receive customary fees and reimbursement of expenses. The Initial Purchasers or their affiliates may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution. The Initial Purchasers or any of their affiliates is not expected to disclose such transactions or the extent of any such investment, except as required by any legal or regulatory obligation to do so. These transactions may involve a substantial portion of the Bonds.

The Bonds and the Common Shares (to be delivered upon conversion of the Bonds) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions." The Bonds will not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Approval in-principle has been received for the listing of the Bonds on the SGX-ST. However, the Company cannot assure you that the prices at which the Bonds will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Bonds will develop and continue after this offering.

For a period beginning from the date of the purchase agreement, dated January 28, 2026, entered into between the Company and the Initial Purchasers and ending 90 days following the Closing Date, without the prior written consent of

the Initial Purchasers of this Offering, the Company will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to (1) swap or other agreements that transfer to another, in whole or in part, any of the economic consequences of ownership of the Bonds, the underlying shares or any equity securities (the “Equity Securities”) of the Company or (2) cash settlement or otherwise) by the Company or any of its affiliate (as defined in Rule 405 under the Securities Act) or any person in privity with the Company or any of its affiliate (as defined in Rule 405 under the Securities Act)) directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, and the rules and regulations of the Commission promulgated thereunder, with respect to, or announce the offering of, any Bonds, underlying shares or Equity Securities or any securities convertible into, or exchangeable for, the Bonds, underlying shares or the Equity Securities. Notwithstanding the foregoing, the Company may (i) issue employee bonus shares, restricted shares and stock dividends (if any) approved in the Company’s 2024 annual general meeting of shareholders, (ii) implement stock splits and employee stock option plans and issuance of common shares pursuant thereto, and (iii) sell the Bonds to the Initial Purchasers pursuant to the purchase agreement.

Pursuant to the purchase agreement, the Company has agreed to indemnify the Initial Purchasers against certain losses and liabilities, including civil liabilities under the Securities Act in certain situation, or to contribute to payments that the Initial Purchasers may be required to make in respect thereof.

The Bonds are being sold outside of the United States to non-U.S. persons in reliance on Regulation S.

Restriction on related party subscription under ROC law

The Bonds may not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Under applicable ROC laws and regulations, the Company and the Initial Purchasers are prohibited from offering and selling the Bonds to the “related parties” as set forth in the International Accounting Standard (“IAS”) 24 or the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the persons as specified in Section 36 of the ROC Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms. Therefore, each subscriber or purchaser of the Bonds described in this offering circular will be deemed to have acknowledged and represented to us and the Initial Purchasers that he, she or it is not: (a) a related party to the Company, (b) a business entity that is invested by us using equity method in the Company’s accounting reporting, (c) a business entity that invests in the Company and uses equity method in its accounting reporting, (d) a company whose chairperson of the board or president is the same as that of the Company or is the spouse thereof, (e) a foundation with one-third or more of its total paid-in fund donated by the Company, (f) our director, president, vice-president, assistant vice president, and other department head under the immediate supervision by the Company’s president, (g) a spouse of the Company’s director or president, (h) a director or employee of any member of the underwriting syndicate or a spouse thereto, and (i) a securities firm that participates in the underwriting syndicate, (j) a securities firm serving as a recommending securities firm for the public sale of new shares issued by an Emerging Stock company for cash capital increase in connection with its initial listing on a stock exchange or an OTC market, (k) in a case involving an application for an initial listing of stock on the Taiwan Innovation Board, a prospective subscriber that is not qualified as a qualified investor as set out in Article 43-1, Paragraph 2 of Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms, and (l) a person subscribing for the Bonds on behalf of or for the benefit of any person set forth in items (b) to (k) above.

Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Code – Important Notice to CMIs (including Private Banks)

This notice to CMIs (including Private Banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as OCs for this Offering and are subject to additional requirements under the Code.

Paragraph 21.3.3(c) of the Code requires that a CMI should take all reasonable steps to identify whether its investor clients may have any associations with the Issuer, a CMI or a company in the same group of companies as the

CMI and provide sufficient information to the OC to enable it to assess whether orders placed by these investors may negatively impact the price discovery process.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, Private Banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Initial Purchasers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language and/or UK MiFIR product governance language (if applicable) set out elsewhere in this offering circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information should be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

CMIs (including Private Banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including Private Banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, the Initial Purchasers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Private Banks who disclose that they are placing their order other than on a “principal” basis (i.e. they are acting as an agent) should note that such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that if any of their group companies is a CMI of this Offering, placing an order on a “principal” basis may require the Initial Purchaser to apply the “proprietary orders” of the Code to such order and will require the Initial Purchasers to apply the “rebates” requirements of the Code (if applicable) to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) are requested to provide the following underlying investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including Private Banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for the Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the Offering. The Initial Purchasers may be asked to demonstrate compliance with its obligations under the Code, and may request other CMIs (including Private Banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have

been obtained). In such event, other CMIs (including Private Banks) are required to provide the relevant Initial Purchasers with such evidence within the timeline requested.

Notice to prospective investors in the European Economic Area

Each of the Initial Purchasers have represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering circular to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Notice to prospective investors in the United Kingdom

Each of the Initial Purchasers have represented and agreed that: (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or the sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to us; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the UK.

Each of the Initial Purchasers have represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering circular to any retail investor in the UK. For the purposes of this provision, the expression “retail investor” means a person who is not a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Notice to prospective investors in Hong Kong

The securities may not be offered or sold in Hong Kong by means of any document other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made thereunder.

Notice to prospective investors in Singapore

Each dealer has acknowledged that this offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each dealer has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

Investors should note that there may be restrictions on the secondary sale of the Bonds under Section 276 of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notice to prospective investors in the PRC

This offering circular is not intended to constitute a public offer of the Bonds, whether by way of sale or subscription, in the PRC. The Bonds are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC other than to QDIIs in the PRC. Pursuant to the Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors, with the exception of QDIIs in the PRC, the Bonds may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN TAIWAN IFRS AND IFRS

Our audited consolidated financial statements as of and for the years ended December 31, 2022 and 2023 and as of and for the years ended December 31, 2023 and 2024 are prepared in accordance with the Taiwan IFRS whereas our unaudited consolidated financial statements as of and for the nine months ended September 30, 2024 and 2025 are prepared in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the FSC, and do not include all of the information required by Taiwan IFRS for a complete set of the annual consolidated financial statements. Taiwan IFRS differs in certain material respects from IFRS. Certain material differences between Taiwan IFRS applicable to us and IFRS are summarized below. The summary should not be taken as inclusive of all Taiwan IFRS/IFRS differences. Additionally, no attempt has been made to quantify all differences or identify all disclosure, presentation or classification differences that would affect the manner in which events and transactions are presented in the financial statements or notes thereto. Further, no attempt has been made to identify future differences between Taiwan IFRS and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate Taiwan IFRS and IFRS have significant projects ongoing that could affect future comparisons such as this one.

If we were to prepare a complete reconciliation between Taiwan IFRS and IFRS additional accounting and disclosure differences might have come to our attention.

Subject	Taiwan IFRS	IFRS
Tax on undistributed earnings	Under Taiwan IFRS, companies in the ROC are subject to 10% surtax on profits earned and retained since December 31, 1997. If the retained profits are distributed to the shareholders in the fiscal year following the year of earnings, the surtax could be avoided. If the earnings are not fully distributed to the shareholders, surtax is recorded as income tax expenses in the fiscal year when shareholders’ decision on distribution is made. In addition, starting from 2018, the rate of the corporate surtax applicable to the unappropriated earnings is reduced from 10% to 5%.	Under IFRS, current and deferred tax assets and liabilities are measured at the tax rate applicable to the undistributed profits. Consequently, tax on undistributed earnings should be accrued during the period the earnings arise and adjusted to the extent of the distributions approved by the shareholders in the following year.
Disclosure of related party transactions	Taiwan IFRS requires additional disclosure of the names of the related parties and the relationships with whom the company has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the company’s respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party. Furthermore, Taiwan IFRS also stipulates that other companies or institutions of which the chairman of the company’s board of directors or president serves as the chairman of the board of directors or the president of the company or its subsidiaries, or is the spouse or second immediate family member of the chairman of the	Under IFRS, in considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. However, there is no such additional disclosure required as Taiwan IFRS

Subject	Taiwan IFRS	IFRS
	company's board of directors or president of the company or its subsidiaries, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists.	

The information set forth above does not in any way attempt to quantify the effects of the aforementioned differences between Taiwan IFRS and IFRS and the impact of such differences would have on net income or shareholder's equity under IFRS.

INDEPENDENT AUDITORS

The consolidated financial statements of Vanguard International Semiconductor Corporation and its subsidiaries as of and for the years ended December 31, 2022 and 2023 and as of and for the years ended December 31, 2023 and 2024 included in this offering circular have been audited by Deloitte & Touche, independent auditors, as stated in their reports appearing herein. Deloitte & Touche are located at 20th Floor, Taipei Nan Shan Plaza, No. 100, Songren Rd., Xinyi District, Taipei 110421, Taiwan. Deloitte & Touche are a member of the Taiwan CPA Association.

With respect to the unaudited consolidated interim financial information of Vanguard International Semiconductor Corporation and its subsidiaries as of and for the nine months ended September 30, 2024 and 2025, which is included herein, Deloitte & Touche, independent auditors, have applied limited procedures in accordance with the Standards on Review Engagements of the Republic of China 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” applicable for a review of such information. However, as stated in their report included herein, they did not audit, and they do not express an opinion on, that interim financial information.

GENERAL INFORMATION

We are incorporated as a company limited by shares in the ROC on December 5, 1994. Our registered office is located at 123, Park Ave 3rd, Hsinchu Science Park, Hsinchu, Taiwan, the ROC. As of the date of this offering circular, our authorized share capital registered with the MOEA was NT\$33,000,000,000, divided into 3,300,000,000 Shares of capital stock with a par value of NT\$10.00 per Share, out of which 300,000,000 Shares are reserved for issuance upon exercise of employee stock options, and our paid-in share capital was NT\$18,673,923,550, divided into 1,867,392,355 Common Shares.

Our business scope as provided under the Article 2 of our Articles of Incorporation is: (1) electronic parts and components manufacturing; (2) manufacturing and sales of integrated circuits and other semiconductor devices in wafer form based on customer orders and product design specifications provided by the customer; (3) provision of packaging and testing services for the aforementioned products; (4) provision of computer assisted design and technology services for integrated circuits and other semiconductor devices in wafer form; (5) provision of mask making and mask design services. Our articles of incorporation do not contain any provision that would have an effect of delaying, deferring or preventing a change in control of the Company.

Our Legal Entity Identifier is 2549001S5Q158BIJO13.

The Bonds have been accepted for clearance and settlement by Euroclear and Clearstream. Relevant trading information is set forth below.

	<u>ISIN</u>	<u>Common Code</u>
Bonds.....	XS3275877143	327587714

Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering circular.

The Company has obtained all necessary consents, approvals and authorizations in connection with the issue of the Bonds, including the approvals of the CBC and the FSC which have been duly obtained and are, and will be on the Closing Date, in full force and effect.

The issue of the Bonds was authorized by the resolutions of the Company's board of directors passed on December 5, 2025.

Except as disclosed, there has been no significant change in the Company's financial or trading position since September 30, 2025 or any material adverse change in the Company's financial position or prospects since September 30, 2025.

Except as disclosed in "Our Business – Legal Proceedings", neither the Company nor any of its subsidiaries is involved in any litigation or arbitration proceedings which may have, or have had during the period recently preceding the date of this offering circular, a material adverse effect on the Company's financial position, nor, so far as the Company or any of its subsidiaries is aware, are any such proceedings pending or threatened except as may be otherwise disclosed or referred to herein.

No company in which the Company has a direct or indirect holding of more than 50% of capital or issued shares holds any Shares.

Copies (and certified English translations where the documents are not in English) of the following documents may be inspected, free of charge, at the specified offices of the Issuer, so long as the Bonds remain outstanding:

- the Company's Articles of Incorporation;
- the Indenture relating to the Bonds;
- the purchase agreement relating to the Bonds;

- this offering circular; and
- a copy of the Company's audited consolidated financial statements as of and for the years ended December 31, 2022 and 2023 and as of and for the years ended December 31, 2023 and 2024 and the Company's unaudited consolidated financial statements as of and for the nine months ended September 30, 2024 and 2025.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Bond is exchanged for individual definitive Bonds, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Bond is exchanged for individual definitive Bonds, announcement of such exchange will be made by the Company or on its behalf through the SGX-ST. Such announcement will include all material information with respect to the delivery of the individual definitive Bonds, including details of the paying agent in Singapore. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of US\$200,000.

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**Vanguard International Semiconductor
Corporation and Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2025 and 2024 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Vanguard International Semiconductor Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Vanguard International Semiconductor Corporation and its subsidiaries (collectively, the “Group”) as of September 30, 2025 and 2024, the related consolidated statements of comprehensive income for the three months ended September 30, 2025 and 2024 and for the nine months ended September 30, 2025 and 2024, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2025 and 2024, and the related notes to the consolidated financial statements, including material accounting policy information (collectively referred to as 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 International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2025 and 2024, its consolidated financial performance for the three months ended September 30, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Te-Chen Cheng and Chih-Yuan Wen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 3, 2025

Notice to Readers

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

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2025		December 31, 2024		September 30, 2024		LIABILITIES AND EQUITY	September 30, 2025		December 31, 2024		September 30, 2024	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6 and 35)	\$ 47,430,675	28	\$ 57,819,705	39	\$ 35,861,530	32	Short-term borrowings (Notes 22, 33 and 35)	\$ 4,702,889	3	\$ -	-	\$ 949,147	1
Financial assets at fair value through profit or loss (Notes 7 and 35)	-	-	139,989	-	197,038	-	Financial liabilities at fair value through profit or loss (Notes 7 and 35)	4,610	-	1,098	-	-	-
Financial assets at amortized cost (Notes 9, 10 and 35)	2,344,585	1	5,913,812	4	6,485,407	6	Contract liabilities (Notes 26 and 36)	6,911,980	4	7,224,787	5	6,909,540	6
Hedging financial assets (Notes 6, 11 and 35)	962,315	-	2,875,507	2	1,356,720	1	Notes and accounts payable (Note 35)	1,461,154	1	1,416,135	1	1,373,462	1
Notes and accounts receivable, net (Notes 12, 26 and 35)	6,826,878	4	5,820,406	4	6,199,553	6	Notes payable to related parties (Notes 35 and 36)	-	-	119	-	412	-
Receivables from related parties (Notes 26, 35 and 36)	394,678	-	414,444	-	408,640	-	Accrued compensation of employees and remuneration of directors (Notes 27 and 35)	1,404,402	1	1,826,283	1	1,327,382	1
Other receivables (Note 35)	1,111,840	1	1,656,102	1	1,495,366	1	Payables to contractors and equipment suppliers (Notes 35 and 36)	8,566,208	5	466,157	-	629,237	1
Other receivables from related parties (Notes 35 and 36)	6,489,364	4	4,464,640	3	-	-	Other payables (Notes 20 and 35)	4,366,706	3	4,287,456	3	4,371,261	4
Inventories (Note 13)	6,332,687	4	6,220,568	4	5,787,141	5	Other payables to related parties (Notes 35, 36 and 38)	1,670,821	1	992,328	1	130,300	-
Prepayments (Notes 22 and 33)	976,599	1	697,918	1	1,000,861	1	Current income tax liabilities (Notes 4 and 28)	647,407	-	1,288,527	1	750,776	1
Other current assets (Notes 19, 35 and 37)	165,538	-	188,088	-	44,071	-	Lease liabilities (Notes 17, 33 and 35)	238,118	-	245,456	-	233,896	-
Total current assets	73,035,159	43	86,211,179	58	58,836,327	52	Other current liabilities (Notes 21, 33 and 35)	3,931,141	2	3,626,896	2	3,471,742	3
NON-CURRENT ASSETS							Total current liabilities	33,905,436	20	21,375,242	14	20,147,155	18
Financial assets at fair value through other comprehensive income (Notes 8 and 35)	1,813,590	1	2,169,959	1	2,245,878	2	NON-CURRENT LIABILITIES						
Financial assets at amortized cost (Notes 9, 10 and 35)	4,346,662	3	2,717,337	2	1,452,347	1	Contract liabilities (Notes 26 and 36)	35,667,924	21	27,256,837	19	15,361,123	14
Investments accounted for using the equity method (Note 15)	2,473,798	1	2,561,011	2	2,589,810	2	Bonds payable (Notes 23, 33 and 35)	20,987,612	12	20,984,172	14	20,982,960	19
Property, plant and equipment (Notes 16, 31 and 36)	78,590,757	46	44,141,376	30	40,486,581	36	Long-term bank loans (Notes 22, 33 and 35)	1,000,000	1	-	-	-	-
Right-of-use assets (Note 17)	3,703,670	2	4,065,614	3	2,753,169	3	Deferred income tax liabilities (Notes 4 and 28)	1,609,882	1	1,454,349	1	1,434,949	1
Intangible assets (Note 18)	3,005,073	2	3,234,620	2	171,109	-	Lease liabilities (Notes 17, 33 and 35)	3,278,775	2	3,426,154	2	2,140,436	2
Deferred income tax assets (Notes 4 and 28)	2,021,104	1	2,105,565	1	2,032,657	2	Long-term payables to related parties (Notes 35, 36 and 38)	686,948	-	2,211,840	2	-	-
Refundable deposits (Note 35)	13,684	-	5,524	-	5,899	-	Net defined benefit liabilities (Notes 4 and 24)	188,412	-	255,863	-	268,333	-
Other non-current assets (Notes 19, 35 and 37)	1,303,708	1	1,493,517	1	1,641,236	2	Guarantee deposits (Notes 33, 35 and 36)	1,350,158	1	2,972,596	2	3,362,897	3
Total non-current assets	97,272,046	57	62,494,523	42	53,378,686	48	Other non-current liabilities (Note 21)	123,710	-	101,624	-	65,432	-
							Total non-current liabilities	64,893,421	38	58,663,435	40	43,616,130	39
							Total liabilities	98,798,857	58	80,038,677	54	63,763,285	57
							EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
							(Notes 8, 11, 25 and 30)						
							Share capital	18,670,782	11	18,666,467	12	16,389,823	14
							Capital surplus	19,003,295	11	18,865,089	13	932,695	1
							Retained earnings						
							Legal reserve	10,488,343	6	9,782,965	7	9,782,965	9
							Unappropriated earnings	14,881,294	9	17,826,712	12	15,965,829	14
							Total retained earnings	25,369,637	15	27,609,677	19	25,748,794	23
							Other equity	(2,163,188)	(1)	(1,036,807)	(1)	940,679	1
							Total equity attributable to owners of the Company	60,880,526	36	64,104,426	43	44,011,991	39
							NON-CONTROLLING INTERESTS (Notes 25, 32 and 33)	10,627,822	6	4,562,599	3	4,439,737	4
							Total equity	71,508,348	42	68,667,025	46	48,451,728	43
TOTAL ASSETS	\$ 170,307,205	100	\$ 148,705,702	100	\$ 112,215,013	100	TOTAL LIABILITIES AND EQUITY	\$ 170,307,205	100	\$ 148,705,702	100	\$ 112,215,013	100

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2025		2024		2025		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 26 and 36)	\$ 12,348,866	100	\$ 11,804,158	100	\$ 35,997,518	100	\$ 32,502,088	100
COST OF REVENUE (Notes 13, 27, 31, 36 and 39)	<u>9,036,777</u>	<u>73</u>	<u>8,377,201</u>	<u>71</u>	<u>25,808,204</u>	<u>72</u>	<u>23,882,949</u>	<u>73</u>
GROSS PROFIT	<u>3,312,089</u>	<u>27</u>	<u>3,426,957</u>	<u>29</u>	<u>10,189,314</u>	<u>28</u>	<u>8,619,139</u>	<u>27</u>
OPERATING EXPENSES (Notes 27, 31 and 36)								
Marketing	144,379	1	113,658	1	393,965	1	324,231	1
General and administrative	770,954	6	572,776	5	2,221,059	6	1,610,865	5
Research and development	<u>564,845</u>	<u>5</u>	<u>511,098</u>	<u>4</u>	<u>1,607,588</u>	<u>4</u>	<u>1,497,857</u>	<u>5</u>
Total operating expenses	<u>1,480,178</u>	<u>12</u>	<u>1,197,532</u>	<u>10</u>	<u>4,222,612</u>	<u>11</u>	<u>3,432,953</u>	<u>11</u>
OPERATING INCOME	<u>1,831,911</u>	<u>15</u>	<u>2,229,425</u>	<u>19</u>	<u>5,966,702</u>	<u>17</u>	<u>5,186,186</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 27)	391,230	3	529,852	5	1,424,507	4	1,460,837	5
Dividend income (Notes 8 and 27)	11,829	-	-	-	40,702	-	34,785	-
Gain on lease modification	-	-	-	-	71	-	-	-
Net foreign exchange gain (loss)	8,027	-	(85,790)	(1)	(159,650)	(1)	(34,971)	-
(Loss) gain on financial assets and liabilities at fair value through profit or loss (Note 27)	(6,671)	-	111,922	1	260,352	1	47,606	-
Interest expense (Note 27)	(84,269)	(1)	(98,570)	(1)	(253,512)	(1)	(259,903)	(1)
Other gains and losses (Note 31)	(18,068)	-	3,066	-	(12,417)	-	12,170	-
Share of profit or loss of associates and joint ventures accounted for using the equity method	<u>(34,837)</u>	<u>-</u>	<u>(11,172)</u>	<u>-</u>	<u>(111,101)</u>	<u>-</u>	<u>(27,396)</u>	<u>-</u>
Total non-operating income and expenses	<u>267,241</u>	<u>2</u>	<u>449,308</u>	<u>4</u>	<u>1,188,952</u>	<u>3</u>	<u>1,233,128</u>	<u>4</u>
INCOME BEFORE INCOME TAX	2,099,152	17	2,678,733	23	7,155,654	20	6,419,314	20
INCOME TAX EXPENSE (Notes 4 and 28)	<u>(413,745)</u>	<u>(3)</u>	<u>(545,820)</u>	<u>(5)</u>	<u>(1,051,594)</u>	<u>(3)</u>	<u>(1,215,891)</u>	<u>(4)</u>
NET INCOME	<u>1,685,407</u>	<u>14</u>	<u>2,132,913</u>	<u>18</u>	<u>6,104,060</u>	<u>17</u>	<u>5,203,423</u>	<u>16</u>
OTHER COMPREHENSIVE INCOME (Note 25)								
Item that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(20,824)	-	(94,637)	(1)	(431,369)	(1)	(171,202)	(1)

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2025		2024		2025		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
Gain (loss) on hedging instruments (Note 11)	\$ 4,019	-	\$ (38,498)	-	\$ 133,066	-	\$ 29,733	-
Share of other comprehensive loss of associates and joint ventures accounted for using equity method	(351)	-	-	-	(737)	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	1,478,662	12	(159,369)	(1)	(1,522,232)	(4)	575,002	2
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	164	-	-	-	(39)	-	-	-
Total other comprehensive income (loss)	<u>1,461,670</u>	<u>12</u>	<u>(292,504)</u>	<u>(2)</u>	<u>(1,821,311)</u>	<u>(5)</u>	<u>433,533</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,147,077</u>	<u>25</u>	<u>\$ 1,840,409</u>	<u>16</u>	<u>\$ 4,282,749</u>	<u>12</u>	<u>\$ 5,636,956</u>	<u>17</u>
NET INCOME								
ATTRIBUTABLE TO								
Owner of the Corporation	\$ 1,703,152	14	\$ 2,129,262	18	\$ 6,159,998	17	\$ 5,199,772	16
Non-controlling interests	(17,745)	-	3,651	-	(55,938)	-	3,651	-
	<u>\$ 1,685,407</u>	<u>14</u>	<u>\$ 2,132,913</u>	<u>18</u>	<u>\$ 6,104,060</u>	<u>17</u>	<u>\$ 5,203,423</u>	<u>16</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO								
Owner of the Corporation	\$ 2,726,444	22	\$ 1,881,946	16	\$ 4,630,140	13	\$ 5,678,493	17
Non-controlling interests	420,633	3	(41,537)	-	(347,391)	(1)	(41,537)	-
	<u>\$ 3,147,077</u>	<u>25</u>	<u>\$ 1,840,409</u>	<u>16</u>	<u>\$ 4,282,749</u>	<u>12</u>	<u>\$ 5,636,956</u>	<u>17</u>
EARNINGS PER SHARE (Note 29)								
Basic	<u>\$ 0.93</u>		<u>\$ 1.30</u>		<u>\$ 3.35</u>		<u>\$ 3.17</u>	
Diluted	<u>\$ 0.91</u>		<u>\$ 1.29</u>		<u>\$ 3.30</u>		<u>\$ 3.14</u>	

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

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company					Other Equity				Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Unearned Employee Compensation	Non-controlling Interests	
			Legal Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2024	\$ 16,389,823	\$ 913,754	\$ 9,041,949	\$ 18,889,367	\$ 217,428	\$ 235,372	\$ 25,347	\$ -	\$ -	\$ 45,713,040
Appropriations of prior year's earnings										
Legal reserve	-	-	741,016	(741,016)	-	-	-	-	-	-
Cash dividends - 45%	-	-	-	(7,375,420)	-	-	-	-	-	(7,375,420)
Changes in capital surplus from investments in associates and joint ventures accounted for using equity method	-	18,700	-	-	-	-	-	-	-	18,700
Other changes in capital surplus	-	241	-	-	-	-	-	-	-	241
Changes in percentage of ownership interests in subsidiaries	-	-	-	(6,874)	-	-	-	-	6,874	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	4,474,400	4,474,400
Net income for the nine months ended September 30, 2024	-	-	-	5,199,772	-	-	-	-	3,651	5,203,423
Other comprehensive income for the nine months ended September 30, 2024	-	-	-	-	620,190	(171,202)	29,733	-	(45,188)	433,533
Total comprehensive income for the nine months ended September 30, 2024	-	-	-	5,199,772	620,190	(171,202)	29,733	-	(41,537)	5,636,956
Loss on hedging instruments transferred to initial cost of hedged items	-	-	-	-	-	-	(16,189)	-	-	(16,189)
BALANCE AT SEPTEMBER 30, 2024	\$ 16,389,823	\$ 932,695	\$ 9,782,965	\$ 15,965,829	\$ 837,618	\$ 64,170	\$ 38,891	\$ -	\$ 4,439,737	\$ 48,451,728
BALANCE AT JANUARY 1, 2025	\$ 18,666,467	\$ 18,865,089	\$ 9,782,965	\$ 17,826,712	\$ 1,212,688	\$ (11,827)	\$ 5,655	\$ (2,243,323)	\$ 4,562,599	\$ 68,667,025
Appropriations of prior year's earnings										
Legal reserve	-	-	705,378	(705,378)	-	-	-	-	-	-
Cash dividends - 45%	-	-	-	(8,399,910)	-	-	-	-	-	(8,399,910)
Changes in capital surplus from investments in associates and joint ventures accounted for using equity method	-	31,901	-	-	-	-	-	-	-	31,901
Employee restricted shares awaiting retirement	(3,142)	3,142	-	-	-	-	-	-	-	-
Cancelled restricted shares	(2,521)	2,521	-	-	-	-	-	-	-	-
Share-based payment	9,978	100,642	-	-	-	-	-	471,617	-	582,237
Increase in non-controlling interests	-	-	-	-	-	-	-	-	6,437,378	6,437,378
Net income for the nine months ended September 30, 2025	-	-	-	6,159,998	-	-	-	-	(55,938)	6,104,060
Other comprehensive income (loss) for the nine months ended September 30, 2025	-	-	-	(128)	(1,168,076)	(431,978)	70,324	-	(291,453)	(1,821,311)
Total comprehensive income (loss) for the nine months ended September 30, 2025	-	-	-	6,159,870	(1,168,076)	(431,978)	70,324	-	(347,391)	4,282,749
Loss on hedging instruments transferred to initial cost of hedged items	-	-	-	-	-	-	(68,268)	-	(24,764)	(93,032)
BALANCE AT SEPTEMBER 30, 2025	\$ 18,670,782	\$ 19,003,295	\$ 10,488,343	\$ 14,881,294	\$ 44,612	\$ (443,805)	\$ 7,711	\$ (1,771,706)	\$ 10,627,822	\$ 71,508,348

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,155,654	\$ 6,419,314
Adjustments for:		
Depreciation	6,264,192	6,251,634
Amortization	72,239	115,196
Net gain on financial assets and liabilities at fair value through profit or loss	(11)	(9,945)
Interest expense	253,512	259,903
Interest income	(1,424,507)	(1,460,837)
Dividend income	(40,702)	(34,785)
Share-based payment	582,237	-
Share of loss of associates and joint ventures	111,101	27,396
Net gain on foreign exchange	(56,321)	(168,919)
Gain on lease modification	(71)	-
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	-	(25,784)
Notes and accounts receivable	(2,206,164)	(1,653,044)
Receivables from related parties	19,765	(273,248)
Other receivables	(37,485)	(1,125,980)
Other receivables from related parties	394,640	-
Inventories	(112,119)	(115,037)
Prepayments	(148,035)	(265,929)
Other current assets	155,892	93,938
Financial liabilities held for trading	3,512	-
Contract liabilities	7,052,479	4,942,077
Notes and accounts payable	45,019	401,272
Payable to related parties	(119)	412
Other payables	(105,729)	317,772
Other payables to related parties	41,878	116,180
Other current liabilities	525,707	(31,838)
Net defined benefit liabilities	(67,451)	(34,357)
Accrued compensation of employees and remuneration of directors	(421,881)	(491,358)
Cash generated from operations	18,057,232	13,254,033
Interest received	1,390,953	1,445,578
Interest paid	(226,468)	(274,058)
Income tax paid	(1,474,166)	(2,615,212)
Net cash generated from operating activities	<u>17,747,551</u>	<u>11,810,341</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(75,000)	-
Acquisitions of financial assets at amortized cost	(3,400,884)	(57,793)
Proceeds from redemption of financial assets at amortized cost	5,102,949	6,544,261
Acquisitions of financial assets at fair value through profit or loss	-	(710,601)
Proceeds from disposal of financial assets at fair value through profit or loss	140,000	1,426,861
Acquisition of investments accounted for using the equity method	(454)	(2,480,000)
Acquisitions of property, plant and equipment	(35,243,295)	(10,163,981)
Increase in refundable deposits	(8,160)	(1,637)
Acquisitions of intangible assets	(711,523)	(17,521)

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2025	2024
Acquisition of right-of-use assets	\$ -	\$ (1,595)
Increase in other non-current assets	(209)	(150,192)
Dividends received	40,702	34,785
Proceeds from government grants - property, plant and equipment	<u>1,191,804</u>	<u>8,693</u>
Net cash used in investing activities	<u>(32,964,070)</u>	<u>(5,568,720)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	4,702,889	961,187
Proceeds from issuance of bonds	-	3,000,000
Proceeds from long-term borrowings	1,000,000	-
(Decrease) increase in guarantee deposits	(270,972)	141,508
Repayment of the principal portion of lease liabilities	(231,890)	(174,023)
Cash dividends	(8,399,910)	(7,375,420)
Changes in non-controlling interests	6,437,378	4,474,400
Unclaimed dividends	-	241
Payment for syndication arrangement fees and transaction costs attributable to the issuance of bonds	<u>(132,000)</u>	<u>(4,342)</u>
Net cash generated from financing activities	<u>3,105,495</u>	<u>1,023,551</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(191,198)</u>	<u>110,636</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,302,222)	7,375,808
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>60,695,212</u>	<u>29,842,442</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 48,392,990</u>	<u>\$ 37,218,250</u>

RECONCILIATION BETWEEN BALANCE SHEETS AND STATEMENTS OF CASH FLOWS

	September 30	
	2025	2024
Cash and cash equivalents in the consolidated balance sheets	\$ 47,430,675	\$ 35,861,530
Cash and cash equivalents included in hedging financial assets	<u>962,315</u>	<u>1,356,720</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 48,392,990</u>	<u>\$ 37,218,250</u>

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

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Vanguard International Semiconductor Corporation (the “Corporation”) was incorporated in Hsinchu Science Park in December 1994 and commenced business in January 1995. The Corporation engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and manufacturing of masks.

The Corporation’s shares have been traded over the counter on the Taipei Exchange since March 25, 1998.

The functional currency of the Corporation is the New Taiwan dollar. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Corporation’s board of directors on November 3, 2025.

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

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

Amendments to IAS 21 “Lack of Exchangeability”

The initial application of the Amendments to IAS 21 “Lack of Exchangeability” did not have a material impact on the accounting policies of the Corporation and entities controlled by the Corporation (collectively referred to as the “Group”).

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2026

<u>New, Revised and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
IFRS 17 “Insurance Contracts” (including the 2020 and 2021 amendments to IFRS 17)	January 1, 2023

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of the amendments on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027 (Note 2)
IFRS 19 "Subsidiaries without Public Accountability: Disclosures" (including the 2025 amendments to IFRS 19)	January 1, 2027

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

Note 2: On September 25, 2025, the FSC announced that IFRS 18 will take effect starting from January 1, 2028. Domestic entities could elect to apply IFRS 18 for an earlier period after the endorsement of IFRS 18 by the FSC.

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will supersede IAS 1 "Presentation of Financial Statements". The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as "other" only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the other impacts of the above amended standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 14, Table 6 and Table 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other material accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements were consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2024.

1) Carbon fee provision

In accordance with the Regulations Governing the Collection of Carbon Fees and related regulations of the ROC, the carbon fee provision is recognized and measured on the basis of the best estimate of the expenditure required to settle the obligation for the current year and the proportion of actual emissions to the total annual emissions.

2) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Group considers the possible impact of inflation and interest fluctuations and volatility in foreign currency on the cash flow projection, growth rates, discount rates, profitability and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. For except as otherwise noted below and key sources of estimation uncertainty, please refer to the consolidated financial statements for the year ended December 31, 2024.

Key Sources of Estimation Uncertainty

Carbon fees

In accordance with the Regulations Governing the Collection of Carbon Fees and related regulations of the ROC, the management recognizes the carbon fee provision based on the estimate of the chargeable emissions the preferential rate and the emission adjustment coefficient. The estimate may vary as a result of the Group evaluates the potential changes in its ability to comply with the voluntary reduction program set forth by the competent authorities. Therefore, the estimated amount of provision is subject to a higher degree of estimation uncertainties. The carrying amount of the carbon fee provision as of September 30, 2025 is disclosed in Note 20.

6. CASH AND CASH EQUIVALENTS

	September 30, 2025	December 31, 2024	September 30, 2024
Bank deposits	\$ 40,860,429	\$ 37,273,678	\$ 22,285,680
Cash equivalents			
Commercial paper	4,865,030	15,298,700	9,939,938
Bonds acquired under repurchase agreements	<u>1,705,216</u>	<u>5,247,327</u>	<u>3,635,912</u>
	<u>\$ 47,430,675</u>	<u>\$ 57,819,705</u>	<u>\$ 35,861,530</u>

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

	September 30, 2025	December 31, 2024	September 30, 2024
Bank deposits	0%-4.57%	0%-4.96%	0%-5.60%
Commercial paper	1.57%-4.45%	1.76%-5.15%	1.70%-5.55%
Bonds acquired under repurchase agreements	1.46%-4.56%	1.55%-5.00%	1.55%-5.45%

As of September 30, 2025, December 31, 2024 and September 30, 2024, the amounts of foreign currency bank deposits of \$962,315 thousand, \$2,875,507 thousand and \$1,356,720 thousand are designated as hedging instruments to avoid foreign currency risk and are classified as hedging financial assets, refer to Note 11.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2025	December 31, 2024	September 30, 2024
Financial assets mandatorily classified as at <u>FVTPL</u>			
Derivative instruments (not designated for hedging)			
Forward exchange contracts (a)	\$ -	\$ -	\$ 57,043
Hybrid instruments			
Credit linked notes (b)	<u>-</u>	<u>139,989</u>	<u>139,995</u>
Financial assets at FVTPL - current	<u>\$ -</u>	<u>\$ 139,989</u>	<u>\$ 197,038</u>
<u>Financial liabilities held for trading</u>			
Derivative instruments (not designated for hedging)			
Forward exchange contracts (a)	<u>\$ 4,610</u>	<u>\$ 1,098</u>	<u>\$ -</u>
Financial liabilities at FVTPL - current	<u>\$ 4,610</u>	<u>\$ 1,098</u>	<u>\$ -</u>

- a. At the end of the reporting period, outstanding forward exchange contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2025</u>			
Sell forward exchange contracts	USD to NTD	2025.10.22	US\$ 10,000
<u>December 31, 2024</u>			
Sell forward exchange contracts	USD to SGD	2025.03.24	US\$ 3,000
Sell forward exchange contracts	USD to NTD	2025.01.24-2025.02.03	US\$ 20,000
<u>September 30, 2024</u>			
Sell forward exchange contracts	USD to SGD	2024.10.25	US\$ 1,000
Sell forward exchange contracts	USD to NTD	2024.10.02-2024.10.18	US\$ 75,000

- b. The Group entered into structured investment contracts with banks in 2024. The structured investment contracts included embedded derivative instruments which were not closely related to the host contracts. The entire contract should be assessed and classified mandatorily as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity Instruments	September 30, 2025	December 31, 2024	September 30, 2024
Domestic investments			
Listed shares	\$ -	\$ 44,100	\$ 45,975
Emerging market shares	510,797	999,128	1,075,807
Unlisted shares	412,988	211,964	223,513
Foreign investments			
Unlisted shares	<u>889,805</u>	<u>914,767</u>	<u>900,583</u>
Financial assets at FVTOCI - non-current	<u>\$ 1,813,590</u>	<u>\$ 2,169,959</u>	<u>\$ 2,245,878</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Dividends from equity investments held at the reporting date were \$11,829 thousand, \$0 thousand, \$40,702 thousand and \$34,785 thousand for the three months ended September 30, 2025 and 2024 and for the nine months ended September 30, 2025 and 2024, respectively.

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Current</u>			
Foreign investments			
Corporate bonds	<u>\$ 2,344,585</u>	<u>\$ 5,913,812</u>	<u>\$ 6,485,407</u>
<u>Non-current</u>			
Foreign investments			
Corporate bonds	<u>\$ 4,346,662</u>	<u>\$ 2,717,337</u>	<u>\$ 1,452,347</u>

At the end of the date, corporate bonds bought by the Corporation were as follows:

	September 30, 2025	December 31, 2024	September 30, 2024
Purchase amount (in thousands)	US\$ 220,300	US\$ 266,550	US\$ 254,800
Coupon rate	0.75%-5.80%	0.75%-5.90%	0.75%-5.90%
Effective interest rate	4.05%-6.38%	4.40%-6.50%	2.20%-6.50%

Please refer to Note 10 for information relating to their credit risk management and assessment of impairment.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost were as follow:

	September 30, 2025	December 31, 2024	September 30, 2024
Gross carrying amount	\$ 6,691,247	\$ 8,631,149	\$ 7,937,754
Less: Allowance for impairment loss	<u> -</u>	<u> -</u>	<u> -</u>
Amortized cost	<u>\$ 6,691,247</u>	<u>\$ 8,631,149</u>	<u>\$ 7,937,754</u>

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group continued to review the changes in bond yields and other publicly available information and makes an assessment whether there has been a significant increase in credit risk since the initial recognition to the reporting date.

In determining the 12-months expected credit losses (ECLs) for debt instrument investments, the Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries.

The Group's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing ECLs
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates were as follows:

	September 30, 2025	December 31, 2024	September 30, 2024
Category	Performing	Performing	Performing
Expected loss rate	0%	0%	0%
Gross carrying amount			
At amortized cost	<u>\$ 6,691,247</u>	<u>\$ 8,631,149</u>	<u>\$ 7,937,754</u>

11. HEDGING FINANCIAL ASSETS

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Current hedging financial assets</u>			
Cash flow hedge			
Hedging of foreign currency deposits	<u>\$ 962,315</u>	<u>\$ 2,875,507</u>	<u>\$ 1,356,720</u>

In order to manage the cash flow risk resulting from exchange rate fluctuations of commitment to equipment purchasing, the Group designated the foreign currency deposits as hedging instruments. When forecast purchases actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

As the hedge for commitment of equipment purchasing, the carry amount of the foreign currency deposits is based on the terms of relative hedged items. The Group qualitatively assessed the effectiveness and considered that the value of foreign currency deposits have a negative correlation with the value of the corresponding hedged items in response to the movements of the underlying exchange rates.

The source of hedge ineffectiveness in these hedging relationships is driven by the effect the counterparty's credit risk on the fair value of hedging instruments. This credit risk will not affect the fair value changes hedged transaction due to exchange rate changes and the changes in the timing of the hedged transaction. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables summarize the information relating to the hedges of foreign currency risk:

September 30, 2025

Hedging Instrument/ Hedged Item	Amount (In Thousands)	Line Item in Balance Sheet	Carrying Amount	
			Asset	Liability
Cash flow hedge				
Hedging of foreign currency deposits/committed equipment purchase	SGD 17,000	Current hedging financial assets	\$ 402,191	\$ -
	JPY 1,730,150	Current hedging financial assets	355,233	-
	US\$ 3,637	Current hedging financial assets	111,041	-
	EUR 2,623	Current hedging financial assets	93,850	-

Hedging Instrument/ Hedged Item	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
			Continuing Hedges	Discounting Hedges
Cash flow hedge				
Hedging of foreign currency deposits/committed equipment purchase	\$ 133,066	\$ (133,066)	\$ (4,952)	\$ 18,053

For the nine months ended September 30, 2025

Comprehensive Income	Hedging Gain (Loss) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit and Loss	Line Item of Ineffectiveness	Amount from Equity Reclassified to Profit and Loss	
				Due to Hedged Item Affecting Profit and Loss	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge					
Committed equipment purchase	\$ 133,066	\$ -	-	\$ -	\$ -

December 31, 2024

Hedging Instrument/ Hedged Item	Amount (In Thousands)	Line Item in Balance Sheet	Carrying Amount	
			Asset	Liability
Cash flow hedge				
Hedging of foreign currency deposits/committed equipment purchase	JPY 1,755,770	Current hedging financial assets	\$ 367,962	\$ -
	US\$ 31,259	Current hedging financial assets	1,024,302	-
	EUR 26,265	Current hedging financial assets	896,033	-
	SGD 24,350	Current hedging financial assets	587,210	-

Hedging Instrument/ Hedged Item	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
			Continuing Hedges	Discounting Hedges
Cash flow hedge Hedging of foreign currency deposits/committed equipment purchase	\$ (38,414)	\$ 38,414	\$ (26,933)	\$ -

For the year ended December 31, 2024

Comprehensive Income	Hedging Gain (Loss) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit and Loss	Line Item of Ineffectiveness	Amount from Equity Reclassified to Profit and Loss	
				Due to Hedged Item Affecting Profit and Loss	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge Committed equipment purchase	\$ (38,414)	\$ -	-	\$ -	\$ -

September 30, 2024

Hedging Instrument/ Hedged Item	Amount (In Thousands)	Line Item in Balance Sheet	Carrying Amount	
			Asset	Liability
Cash flow hedge Hedging of foreign currency deposits/committed equipment purchase	US\$ 42,883	Current hedging financial assets	\$ 1,356,720	\$ -

Hedging Instrument/ Hedged Item	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
			Continuing Hedges	Discounting Hedges
Cash flow hedge Hedging of foreign currency deposits/committed equipment purchase	\$ 29,733	\$ (29,733)	\$ 38,891	\$ -

For the nine months ended September 30, 2024

Comprehensive Income	Hedging Gain (Loss) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit and Loss	Line Item of Ineffectiveness	Amount from Equity Reclassified to Profit and Loss	
				Due to Hedged Item Affecting Profit and Loss	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge					
Committed equipment purchase	\$ 29,733	\$ -	-	\$ -	\$ -

12. NOTES AND ACCOUNTS RECEIVABLE, NET

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Notes and accounts receivable</u>			
At amortized cost			
Gross carrying amount	\$ 6,827,609	\$ 5,821,137	\$ 6,200,284
Less: Allowance for impairment loss	<u>(731)</u>	<u>(731)</u>	<u>(731)</u>
	<u>\$ 6,826,878</u>	<u>\$ 5,820,406</u>	<u>\$ 6,199,553</u>

At amortized cost

The average credit period on sales of goods is 30 to 60 days after month closing. No interest was charged on notes and accounts receivable. Because the discounted effect of accounts receivable was not significant, it was measured by the original invoice amount. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach prescribed by IFRS 9 which permits the use of lifetime ECL as the provision loss of trade receivables. The lifetime ECLs are estimated using a provision matrix approach considering the debtors' past default experience, the debtors' current financial position, economic condition of the industry as well as the forecasted GDP and industry outlook. As the Group's historical experience shows no significant difference on individual customer, the Group's provision matrix does not distinguish different customer base. The expected credit loss rates are estimated based on past due days of the trade receivables.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

September 30, 2025

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 6,803,119	\$ 20,679	\$ 632	\$ 3,179	\$ 6,827,609
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(731)</u>	<u>(731)</u>
Amortized cost	<u>\$ 6,803,119</u>	<u>\$ 20,679</u>	<u>\$ 632</u>	<u>\$ 2,448</u>	<u>\$ 6,826,878</u>

December 31, 2024

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 5,800,283	\$ 7,808	\$ 110	\$ 12,936	\$ 5,821,137
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(731)</u>	<u>(731)</u>
Amortized cost	<u>\$ 5,800,283</u>	<u>\$ 7,808</u>	<u>\$ 110</u>	<u>\$ 12,205</u>	<u>\$ 5,820,406</u>

September 30, 2024

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 6,179,987	\$ 6,380	\$ 11,133	\$ 2,784	\$ 6,200,284
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(731)</u>	<u>(731)</u>
Amortized cost	<u>\$ 6,179,987</u>	<u>\$ 6,380</u>	<u>\$ 11,133</u>	<u>\$ 2,053</u>	<u>\$ 6,199,553</u>

The movement of the loss allowance of accounts receivables were as follows:

	<u>For the Nine Months Ended September 30</u>	
	<u>2025</u>	<u>2024</u>
Balance on the beginning and at the end of the period	<u>\$ 731</u>	<u>\$ 731</u>

13. INVENTORIES

	September 30, 2025	December 31, 2024	September 30, 2024
Finished goods	\$ 233,426	\$ 631,393	\$ 643,330
Work in process	3,070,310	2,700,218	2,437,012
Raw materials	1,212,802	1,372,120	1,358,805
Supplies and spare parts	<u>1,816,149</u>	<u>1,516,837</u>	<u>1,347,994</u>
	<u>\$ 6,332,687</u>	<u>\$ 6,220,568</u>	<u>\$ 5,787,141</u>

Cost of revenue provision (reversal) of write-downs of inventory and unallocated manufacturing overhead included in the cost of revenue were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Cost of revenue	\$ 9,036,777	\$ 8,377,201	\$ 25,808,204	\$ 23,882,949
Provision (reversal) of inventory valuation and obsolescence loss	\$ 30,814	\$ 142,136	\$ 162,162	\$ (74,220)
Unallocated manufacturing overhead	\$ 332,399	\$ 345,284	\$ 571,499	\$ 2,324,596

Provision of inventory valuation and obsolescence loss were reversed because factors causing net realizable value below cost were improved.

14. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership		
			September 30, 2025	December 31, 2024	September 30, 2024
Vanguard International Semiconductor Corporation	VIS Associates Inc.	Investments	100%	100%	100%
Vanguard International Semiconductor Corporation	VIS Shanghai Company Limited	Marketing services	100%	100%	100%
Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Manufacturing, selling and packaging	100%	100%	100%
Vanguard International Semiconductor Corporation	VisionPower Semiconductor Manufacturing Company Pte. Ltd. (former name: Vanguard Power Electronics Singapore Pte. Ltd.)	Manufacturing selling and packaging	60%	60%	60%
VIS Associates Inc.	VIS Investment Holding, Inc.	Investments	100%	100%	100%
VIS Investment Holding, Inc.	VIS Micro, Inc.	Marketing services	100%	100%	100%

On January 30, 2024, for the purpose of satisfying the demands of business expansion, the Corporation established a subsidiary, Vanguard Power Electronics Singapore Pte. Ltd. (hereinafter referred to as “VPES”), in Singapore and injected US\$3,000 thousand into VPES on April 22, 2024. Subsequently, on June 5, 2024, the Company announced a joint venture plan with NXP SEMICONDUCTORS SINGAPORE PTE. TED. and renamed VPES as VisionPower Semiconductor Manufacturing Company Pte. Ltd. (hereinafter referred to as “VSMC”). VSMC is constructing a 12-inch wafer fabrication plant in Singapore to manufacture mixed-signal, power management, and analog products, supporting end-market demands in automotive, industrial, consumer electronics, and mobile devices. On September 4, 2024, the joint venture agreement was officially approved by relevant regulatory authorities and became effective. As of September 30, 2025, the Corporation’s accumulative investment amounted to US\$719,200 thousand, of which US\$196,000 thousand has not completed the registration process. VSMC’s paid-in capital amounted to US\$872,000 thousand, and the Corporation holds 60% equity interest.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Material associate</u>			
Episil Technologies Inc.	\$ 2,380,587	\$ 2,456,121	\$ 2,479,532
<u>Associates individually immaterial</u>			
Qromis, Inc.	92,757	104,890	110,278
Episil-Precision Inc.	<u>454</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,473,798</u>	<u>\$ 2,561,011</u>	<u>\$ 2,589,810</u>

Material Associate

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights		
			September 30, 2025	December 31, 2024	September 30, 2024
Episil Technologies Inc.	Epitaxy wafer and wafer foundry service of power IC and analog IC	Taiwan	13%	13%	13%

The market prices of the associates' ownership held by the Company in publicly traded stocks calculated by the closing price are summarized as follows:

The closing price represents the quoted price in active markets, the level 1 fair value measurement.

Name of Associate	September 30, 2025	December 31, 2024	September 30, 2024
Episil Technologies Inc.	<u>\$ 2,965,000</u>	<u>\$ 2,482,500</u>	<u>\$ 2,805,000</u>
Episil-Precision Inc.	<u>\$ 578</u>	<u>-</u>	<u>-</u>

In September 2024, the Group subscribed for 50,000 thousand ordinary shares of Episil Technologies Inc. (hereinafter referred to as "Episil") for a cash fee of \$2,480,000 thousand, with a shareholding ratio of 13% after the private placement, making it the second largest shareholder of the Company and holding a seat on the board of directors, so it has a significant impact on the Company. The ordinary shares are not transferable for a period of three years in accordance with the relevant laws and regulations. Included in the cost of investment in associates is a goodwill of \$1,349,769 thousand recognized from the acquisition of Episil.

On February 19, 2025, the Company additionally acquired 10 thousand shares of Episil-precision Inc., Ltd. (hereinafter referred to as "Episil-precision") for \$454 thousand, with a shareholding ratio of approximately 0.0035%. Since Episil-precision is a subsidiary of Episil and the Company holds a board seat, the Company is considered to have significant influence over Episil-precision, therefore, accounts for the investment using the equity method.

Please refer to Table 6 "Information on Investees" for the nature of business, principal place of business and country of incorporation of the associates.

The investments in associates accounted for using equity method, the share of net profit or loss and the share of other comprehensive income (loss) from investments were calculated based on the unreviewed financial statements. The Group's management considered the use of unreviewed financial statements of the investees did not have material impact on its consolidated financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

	Assets Used by the Group				Total
	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	
<u>Cost</u>					
Balance on January 1, 2025	\$ 24,392,766	\$ 101,363,160	\$ 891,487	\$ 17,668,077	\$ 144,315,490
Additions	107,943	2,417,749	15,862	39,609,988	42,151,542
Capitalization of expenses	-	-	-	73,464	73,464
Disposal	-	(2,264)	(112)	-	(2,376)
Reclassification	471,476	2,480,666	50,453	(2,983,678)	18,917
Translation adjustments	(20,914)	(182,709)	(684)	(1,723,582)	(1,927,889)
Balance on September 30, 2025	<u>\$ 24,951,271</u>	<u>\$ 106,076,602</u>	<u>\$ 957,006</u>	<u>\$ 52,644,269</u>	<u>\$ 184,629,148</u>
<u>Accumulated depreciation</u>					
Balance on January 1, 2025	\$ 17,280,395	\$ 82,050,591	\$ 659,607	\$ -	\$ 99,990,593
Depreciation	767,963	5,210,734	64,799	-	6,043,496
Disposal	-	(2,264)	(112)	-	(2,376)
Translation adjustments	(6,242)	(170,001)	(600)	-	(176,843)
Balance on September 30, 2025	<u>\$ 18,042,116</u>	<u>\$ 87,089,060</u>	<u>\$ 723,694</u>	<u>\$ -</u>	<u>\$ 105,854,870</u>
<u>Accumulated impairment</u>					
Balance on January 1, 2025 and September 30, 2025	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,521</u>
Carrying amount on September 30, 2025	<u>\$ 6,909,155</u>	<u>\$ 18,804,021</u>	<u>\$ 233,312</u>	<u>\$ 52,644,269</u>	<u>\$ 78,590,757</u>
Carrying amount on December 31, 2024 and January 1, 2025	<u>\$ 7,112,371</u>	<u>\$ 19,129,048</u>	<u>\$ 231,880</u>	<u>\$ 17,668,077</u>	<u>\$ 44,141,376</u>
<u>Cost</u>					
Balance on January 1, 2024	\$ 22,423,980	\$ 94,037,768	\$ 868,477	\$ 11,064,925	\$ 128,395,150
Additions	239,495	665,664	20,348	8,941,544	9,867,051
Disposal	-	(8,846)	-	-	(8,846)
Reclassification	104,381	3,979,754	2,129	(4,084,264)	2,000
Translation adjustments	47,518	547,241	1,547	(92,274)	504,032
Balance on September 30, 2024	<u>\$ 22,815,374</u>	<u>\$ 99,221,581</u>	<u>\$ 892,501</u>	<u>\$ 15,829,931</u>	<u>\$ 138,759,387</u>
<u>Accumulated depreciation</u>					
Balance on January 1, 2024	\$ 16,342,100	\$ 74,686,391	\$ 579,261	\$ -	\$ 91,607,752
Depreciation	706,312	5,266,629	64,393	-	6,037,334
Disposal	-	(8,846)	-	-	(8,846)
Translation adjustments	14,320	437,649	1,076	-	453,045
Balance on September 30, 2024	<u>\$ 17,062,732</u>	<u>\$ 80,381,823</u>	<u>\$ 644,730</u>	<u>\$ -</u>	<u>\$ 98,089,285</u>
<u>Accumulated impairment</u>					
Balance on January 1, 2024 and September 30, 2024	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,521</u>
Carrying amount on September 30, 2024	<u>\$ 5,752,642</u>	<u>\$ 18,656,237</u>	<u>\$ 247,771</u>	<u>\$ 15,829,931</u>	<u>\$ 40,486,581</u>

The Group did not recognize or reverse impairment loss for the three months and nine months ended September 30, 2025 and 2024.

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

Buildings	
Main plants	20 years
Mechanical and electrical power equipment	10 years
Clean rooms	10 years
Machinery and equipment	5 years
Other equipment	5 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance on January 1, 2025	\$ 3,512,420	\$ 1,837,156	\$ 4,289	\$ 23,102	\$ 5,376,967
Additions	606	-	947	-	1,553
Lease expired	(633)	(33,447)	-	(7,398)	(41,478)
Lease revised	300	4,481	-	-	4,781
Reclassification	(18,917)	-	-	-	(18,917)
Translation adjustments	(109,229)	(20,184)	-	(10)	(129,423)
Balance on September 30, 2025	<u>\$ 3,384,547</u>	<u>\$ 1,788,006</u>	<u>\$ 5,236</u>	<u>\$ 15,694</u>	<u>\$ 5,193,483</u>
<u>Accumulated depreciation</u>					
Balance on January 1, 2025	\$ 842,502	\$ 454,647	\$ 1,550	\$ 12,654	\$ 1,311,353
Depreciation	137,402	85,939	1,714	3,349	228,404
Lease expired	(633)	(32,790)	-	(7,398)	(40,821)
Translation adjustments	(4,157)	(4,956)	-	(10)	(9,123)
Balance on September 30, 2025	<u>\$ 975,114</u>	<u>\$ 502,840</u>	<u>\$ 3,264</u>	<u>\$ 8,595</u>	<u>\$ 1,489,813</u>
Carrying amount on September 30, 2025	<u>\$ 2,409,433</u>	<u>\$ 1,285,166</u>	<u>\$ 1,972</u>	<u>\$ 7,099</u>	<u>\$ 3,703,670</u>
Carrying amount on December 31, 2024 and January 1, 2025	<u>\$ 2,669,918</u>	<u>\$ 1,382,509</u>	<u>\$ 2,739</u>	<u>\$ 10,448</u>	<u>\$ 4,065,614</u>
<u>Cost</u>					
Balance on January 1, 2024	\$ 2,055,836	\$ 1,806,463	\$ 586	\$ 18,641	\$ 3,881,526
Additions	1,595	23,394	4,289	4,488	33,766
Lease expired	-	(37,882)	(586)	(1,935)	(40,403)
Lease revised	13,253	8,259	-	-	21,512
Translation adjustments	41,180	60,540	-	245	101,965
Balance on September 30, 2024	<u>\$ 2,111,864</u>	<u>\$ 1,860,774</u>	<u>\$ 4,289</u>	<u>\$ 21,439</u>	<u>\$ 3,998,366</u>
<u>Accumulated depreciation</u>					
Balance on January 1, 2024	\$ 674,970	\$ 366,438	\$ 562	\$ 8,763	\$ 1,050,733
Depreciation	119,583	89,544	1,073	4,100	214,300
Lease expired	-	(37,882)	(586)	(1,935)	(40,403)
Translation adjustments	8,661	11,735	-	171	20,567
Balance on September 30, 2024	<u>\$ 803,214</u>	<u>\$ 429,835</u>	<u>\$ 1,049</u>	<u>\$ 11,099</u>	<u>\$ 1,245,197</u>
Carrying amount on September 30, 2024	<u>\$ 1,308,650</u>	<u>\$ 1,430,939</u>	<u>\$ 3,240</u>	<u>\$ 10,340</u>	<u>\$ 2,753,169</u>

The Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2025 and 2024.

b. Lease liabilities

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Carrying amount</u>			
Current	<u>\$ 238,118</u>	<u>\$ 245,456</u>	<u>\$ 233,896</u>
Non-current	<u>\$ 3,278,775</u>	<u>\$ 3,426,154</u>	<u>\$ 2,140,436</u>

Range of discount rates for lease liabilities were as follows:

	September 30, 2025	December 31, 2024	September 30, 2024
Land	1.3%-5.8%	1.3%-5.8%	1.3%-4.8%
Buildings	1.3%-6.6%	1.3%-6.6%	1.3%-6.6%
Machinery and equipment	2.8%-2.9%	2.8%-2.9%	2.8%-2.9%
Other equipment	1.3%-6.8%	1.3%-6.8%	1.3%-6.8%

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants, offices and parking lots with the lease period is 1 to 30 years. During the period of land lease, the rental may be adjusted according to the contract. Upon termination of the lease period, the Group has no right to purchase the leased land and buildings.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Expenses relating to short-term leases	<u>\$ 3,984</u>	<u>\$ 1,683</u>	<u>\$ 8,405</u>	<u>\$ 6,102</u>
Expenses relating to low-value asset leases	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 45</u>
Total cash outflow for leases	<u>\$ 128,282</u>	<u>\$ 88,555</u>	<u>\$ 300,797</u>	<u>\$ 248,953</u>

The Group leases certain buildings, machinery and equipment qualify as short-term leases, and certain other equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

18. INTANGIBLE ASSETS

	Computer Software	Technological Assets	Total
<u>Cost</u>			
Balance on January 1, 2025	\$ 1,202,173	\$ 3,389,041	\$ 4,591,214
Additions	11,049	42,934	53,983
Translation adjustments	<u>(1,990)</u>	<u>(216,171)</u>	<u>(218,161)</u>
Balance on September 30, 2025	<u>\$ 1,211,232</u>	<u>\$ 3,215,804</u>	<u>\$ 4,427,036</u>
<u>Accumulated amortization</u>			
Balance on January 1, 2025	\$ 1,060,934	\$ 295,660	\$ 1,356,594
Amortization	72,239	-	72,239
Translation adjustments	<u>(1,267)</u>	<u>(5,603)</u>	<u>(6,870)</u>
Balance on September 30, 2025	<u>\$ 1,131,906</u>	<u>\$ 290,057</u>	<u>\$ 1,421,963</u>
Carrying amount on September 30, 2025	<u>\$ 79,326</u>	<u>\$ 2,925,747</u>	<u>\$ 3,005,073</u>
Carrying amount on December 31, 2024 and January 1, 2025	<u>\$ 141,239</u>	<u>\$ 3,093,381</u>	<u>\$ 3,234,620</u>
<u>Cost</u>			
Balance on January 1, 2024	\$ 1,171,587	\$ 285,926	\$ 1,457,513
Additions	17,521	-	17,521
Reclassification	(2,000)	-	(2,000)
Translation adjustments	<u>6,004</u>	<u>16,908</u>	<u>22,912</u>
Balance on September 30, 2024	<u>\$ 1,193,112</u>	<u>\$ 302,834</u>	<u>\$ 1,495,946</u>
<u>Accumulated amortization</u>			
Balance on January 1, 2024	\$ 963,631	\$ 228,740	\$ 1,192,371
Amortization	71,173	44,023	115,196
Translation adjustments	<u>2,342</u>	<u>14,928</u>	<u>17,270</u>
Balance on September 30, 2024	<u>\$ 1,037,146</u>	<u>\$ 287,691</u>	<u>\$ 1,324,837</u>
Carrying amount on September 30, 2024	<u>\$ 155,966</u>	<u>\$ 15,143</u>	<u>\$ 171,109</u>

Technological assets were the Group's purchase of patents and technology licenses from other companies.

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

Computer software	3 years
Technological assets	5 years

19. OTHER ASSETS

	September 30, 2025	December 31, 2024	September 30, 2024
Pledged time deposit	\$ 932,550	\$ 1,133,946	\$ 1,111,927
Prepayments	529,309	529,309	529,309
Others	<u>7,387</u>	<u>18,350</u>	<u>44,071</u>
	<u>\$ 1,469,246</u>	<u>\$ 1,681,605</u>	<u>\$ 1,685,307</u>
Current	\$ 165,538	\$ 188,088	\$ 44,071
Non-current	<u>1,303,708</u>	<u>1,493,517</u>	<u>1,641,236</u>
	<u>\$ 1,469,246</u>	<u>\$ 1,681,605</u>	<u>\$ 1,685,307</u>

In order to maintain a stable supply of raw materials required for production, the Corporation has signed short-term and long-term supply contracts with suppliers.

20. OTHER PAYABLES

	September 30, 2025	December 31, 2024	September 30, 2024
Bonus	\$ 1,484,022	\$ 1,413,322	\$ 1,390,049
Maintenance	684,466	855,881	849,360
Utilities	552,700	428,596	510,969
Others	<u>1,645,518</u>	<u>1,589,657</u>	<u>1,620,883</u>
	<u>\$ 4,366,706</u>	<u>\$ 4,287,456</u>	<u>\$ 4,371,261</u>

Starting from 2025, the Group recognizes the carbon fee provision in accordance with the Regulations Governing the Collection of Carbon Fees and related regulations of the ROC. As of September 30, 2025, the Group has recognized an amount of \$55,668 thousand, which has been recorded under "Other Payables Others." The Group assessed that it was probable to obtain the approval for the self-determined reduction plan, and assessed that it was probable to meet the designated target of the current year. Therefore, the carbon fee provision was calculated based on the preferential rate.

21. OTHER LIABILITIES

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Current</u>			
Guarantee deposits	\$ 1,993,649	\$ 2,194,541	\$ 2,077,907
Refund liabilities (provision of sales returns and allowances)	1,901,654	1,416,074	1,385,710
Others	<u>35,838</u>	<u>16,281</u>	<u>8,125</u>
	<u>\$ 3,931,141</u>	<u>\$ 3,626,896</u>	<u>\$ 3,471,742</u>

(Continued)

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Non-current</u>			
Decommissioning liabilities	\$ 83,270	\$ 81,755	\$ 65,432
Deferred revenue	<u>40,440</u>	<u>19,869</u>	<u>-</u>
	<u>\$ 123,710</u>	<u>\$ 101,624</u>	<u>\$ 65,432</u>
			(Concluded)

The provision of sales returns and allowances was estimated based on historical experience, management's judgments and any other known factors that may affect the returns and allowances. The provision was recognized as a reduction of revenue in the period the related products were sold.

22. BONDS PAYABLE

a. Short-term borrowings

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Unsecured borrowings</u>			
Bank loans	<u>\$ 4,702,889</u>	<u>\$ -</u>	<u>\$ 949,147</u>

The range of interest rates on bank short-term loans were 0% and 5.50%-6.05% per annum on September 30, 2025 and 2024, respectively.

b. Syndicated loans

To meet the needs of business expansion, the Corporation entered into a syndicated loan agreement with 19 financial institutions on March 11, 2025. The purpose of the loan is to continue capital injection into VSMC for the construction of a 12-inch wafer fabrication plant in Singapore, repay existing bank borrowings, and strengthen mid-term working capital. According to the agreement, the total credit line is NT\$66 billion, with a loan term of 5 years starting from the first drawdown date. The term may be extended for an additional 2 years upon written application submitted no later than six months prior to the maturity date. As of September 30, 2025, the credit facility had not yet been utilized. The Corporation paid syndication arrangement fees totaling \$132,000 thousand, which are recorded as prepaid expenses. These will be reclassified to a reduction of long-term borrowings upon actual disbursement and amortized as interest expense over the loan period.

c. Long-term borrowings

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Unsecured borrowings</u>			
Bank loans	<u>\$ 1,000,000</u>	<u>\$ _____</u>	<u>\$ _____</u>

In January 2025, the Corporation entered into an unsecured medium-term and long-term credit facility agreement with KGI Commercial Bank, with a credit line of \$1,000,000 thousand. The Corporation drew down \$100,000 thousand and \$900,000 thousand under this facility in January and July 2025, respectively. The loan period is from January 15, 2025 to December 7, 2029. Repayment of principal will begin three years from the initial drawdown date, with repayments made in five semi-annual installments. Interest is payable monthly. As of September 30, 2025, the annual interest rate was approximately 2%.

23. BONDS PAYABLE

	September 30, 2025	December 31, 2024	September 30, 2024
Domestic unsecured corporate bonds	<u>\$ 20,987,612</u>	<u>\$ 20,984,172</u>	<u>\$ 20,982,960</u>

The major terms of domestic unsecured bonds are as follows:

Issuance	Tranche	Issue Period	Total Amount	Coupon Rate	Repayment and Interest Payment
2021 Issue 1	A	2021.10-2026.10	\$ 4,300,000	0.57%	Repay the principal at maturity and pay interest annually
2021 Issue 1	B	2021.10-2026.10	700,000	0.52%	The same as above
2022 Issue 1	A	2022.03-2027.03	6,000,000	0.90%	The same as above
2022 Issue 1	B	2022.03-2027.03	1,000,000	0.85%	The same as above
2023 Issue 1	A	2023.09-2028.09	2,000,000	1.68%	The same as above
2023 Issue 1	B	2023.09-2030.09	4,000,000	1.75%	The same as above
2024 Issue 1	A	2024.03-2031.03	3,000,000	1.82%	The same as above

24. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2025 and 2024 and for the nine months ended September 30, 2025 and 2024, the pension cost of defined benefit plans amounted to \$3,389 thousand, \$3,506 thousand, \$10,168 thousand and \$10,518 thousand, respectively, which was calculated using the actuarially determined pension cost discount rates as of December 31, 2024 and 2023.

25. EQUITY

a. Share capital

Ordinary shares

	September 30, 2025	December 31, 2024	September 30, 2024
Shares authorized (in thousands of shares)	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,300,000</u>
Capital authorized	<u>\$ 33,000,000</u>	<u>\$ 33,000,000</u>	<u>\$ 33,000,000</u>
Shares issued and fully paid (in thousands of shares)	1,867,392	1,866,647	1,638,982
Shares pending cancellation (in thousands of shares)	<u>(314)</u>	<u>-</u>	<u>-</u>
Share capital (in thousands of shares)	<u>1,867,078</u>	<u>1,866,647</u>	<u>1,638,982</u>
Capital issued	\$ 18,673,924	\$ 18,666,467	\$ 16,389,823
Capital pending cancellation	<u>(3,142)</u>	<u>-</u>	<u>-</u>
Share capital	<u>\$ 18,670,782</u>	<u>\$ 18,666,467</u>	<u>\$ 16,389,823</u>

The authorized shares include 300,000 thousand shares reserved for the exercise of employee share options.

On July 29, 2024, the Corporation's board of directors resolved to issue 200,000 thousand ordinary shares with a par value of \$10 for a consideration of \$88 per share, which increased the share capital issued and fully paid to \$18,389,823 thousand. On September 11, 2024, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be October 28, 2024.

On June 14, 2024, the shareholders' meeting of the Corporation resolved to issue employee restricted stocks awards for its employees in a total of 41,000 thousand shares with a par value of \$10. The total amount that can be issued is \$410,000 thousand. On October 30, 2024, the above transaction was approved by the FSC and was determined by the board of directors on November 4, 2024, to be issued at several times. On April 1, 2025 and November 27, 2024, a total of 998 thousand and 27,664 thousand employee restricted stocks awards were issued, with an issue price of \$0 per share, issued free of charge. The aforementioned issuance of new shares has been approved by the competent authority and the registration for the change has been duly completed.

From January 1 to September 30, 2025, the Corporation reclaimed 566 thousand restricted employee shares due to the resignation of certain employees prior to the vesting date. Of these shares, 314 thousand had not yet completed the cancellation registration process as of September 30, 2025, and were recorded as capital stock pending cancellation.

b. Capital Surplus

	September 30, 2025	December 31, 2024	September 30, 2024
<u>May be used to offset a deficit, distributed by cash or transferred to capital</u>			
Issuance of ordinary shares	\$ 16,509,092	\$ 16,509,092	\$ 544,884
<u>May be used to offset a deficit only</u>			
Employee share options (transferred and inactive)	285,845	285,845	285,845
Share of changes in equities of subsidiaries, associates and joint ventures	133,899	101,998	100,431
Unclaimed dividends	1,535	1,535	1,535
<u>May not be used for any purpose</u>			
Employee restricted shares	<u>2,072,924</u>	<u>1,966,619</u>	<u>-</u>
	<u>\$ 19,003,295</u>	<u>\$ 18,865,089</u>	<u>\$ 932,695</u>

The capital surplus from shares issued in excess of par may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed in cash or transferred to capital, which is limited to a certain percentage of the Group's paid-in capital.

c. Retained earnings and dividends policy

Earnings distribution and dividends policy

Under the dividend policy as set forth in the Corporation's Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The policies of the distribution of compensation of employees and remuneration of directors set forth in the Articles, please refer to compensation of employees and remuneration of directors in Note 27-c.

The Corporation's Articles also stipulate that all profits may be distributed after taking into consideration the financial, business and operational factors. Dividends are in cash and/or in the form of shares. Since the Corporation's operation is at the steady growth stage, the cash dividend paid (in any given year) should be at least 60% of the dividends of the current year's appropriation. If there is no profit for distribution, or the profit is far less than the profit actually distributed by the Corporation in the previous year or other reasons so require, all or part of the capital surplus may be distributed in accordance with relevant laws or regulations of the authorities in charge.

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

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards. Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2024 and 2023, which have been approved in the shareholders’ meetings on May 27, 2025 and June 14, 2024, respectively, were as follows:

	2024	2023
Legal reserve	<u>\$ 705,378</u>	<u>\$ 741,016</u>
Cash dividends	<u>\$ 8,399,910</u>	<u>\$ 7,375,420</u>
Cash dividends per share (NT\$)	\$ 4.50	\$ 4.50

d. Other equity

1) Exchange differences on translation of the financial statements of foreign operations

	For the Nine Months Ended September 30	
	2025	2024
Balance on the beginning of the period	<u>\$ 1,212,688</u>	<u>\$ 217,428</u>
Recognized during the period		
Exchange differences on translation of foreign operations	(1,168,037)	620,190
Share of other comprehensive loss of associates accounted for using equity method	<u>(39)</u>	<u>-</u>
Recognized in other comprehensive (loss) income	<u>(1,168,076)</u>	<u>620,190</u>
Balance on the end of the period	<u>\$ 44,612</u>	<u>\$ 837,618</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Nine Months Ended September 30	
	2025	2024
Balance on the beginning of the period	<u>\$ (11,827)</u>	<u>\$ 235,372</u>
Recognized during the period		
Unrealized loss - equity instruments	(431,369)	(171,202)
Share of other comprehensive loss of associates accounted for using equity method	<u>(609)</u>	<u>-</u>
Recognized in other comprehensive loss	<u>(431,978)</u>	<u>(171,202)</u>
Balance on the end of the period	<u>\$ (443,805)</u>	<u>\$ 64,170</u>

3) Gain (loss) on hedging instrument - cash flow hedges

	For the Nine Months Ended September 30	
	2025	2024
Balance on the beginning of the period	\$ <u>5,655</u>	\$ <u>25,347</u>
Recognized during the period		
Gain on changes in the fair value of hedging instruments		
Foreign currency risk - foreign currency deposits	70,324	29,733
Transferred to initial cost of hedged items		
Foreign currency risk - foreign currency deposits	<u>(68,268)</u>	<u>(16,189)</u>
Balance on the end of the period	<u>\$ 7,711</u>	<u>\$ 38,891</u>

4) Unearned stock-based employee compensation

On June 14, 2024, the shareholders' meeting of the Corporation resolved to issue new stocks with employee restricted stock awards (RSAs) for employees. Please refer to Note 30.

	For the Nine Months Ended September 30	
	2025	2024
Balance on the beginning of year	\$ (2,243,323)	\$ -
Issuance of shares	(110,620)	-
Recognition of share-based payment expense	<u>582,237</u>	<u>-</u>
Balance on the end of year	<u>\$ (1,771,706)</u>	<u>\$ -</u>

5) Non-controlling interests

	For the Nine Months Ended September 30	
	2025	2024
Balance on the beginning of the period	\$ 4,562,599	\$ -
Increase in the period	6,437,378	4,474,400
Changes in ownership interest in subsidiaries	-	6,874
Share in (loss) profit for the year	(55,938)	3,651
Other comprehensive income of the current year		
Exchange differences on translating the financial statements of foreign entities	(354,195)	(45,188)
Gain on hedging instruments	62,742	-
Loss on hedging instruments transferred to initial cost of hedged items	<u>(24,764)</u>	<u>-</u>
Balance on the end of the period	<u>\$ 10,627,822</u>	<u>\$ 4,439,737</u>

26. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Revenue from contracts with customers				
Wafer revenue	\$ 11,939,832	\$ 11,445,174	\$ 34,630,578	\$ 30,901,522
Others	<u>409,034</u>	<u>358,984</u>	<u>1,366,940</u>	<u>1,600,566</u>
	<u>\$ 12,348,866</u>	<u>\$ 11,804,158</u>	<u>\$ 35,997,518</u>	<u>\$ 32,502,088</u>

a. Disaggregation of revenue

1) Disaggregation of revenue by region

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
<u>Regions</u>				
Asia	\$ 9,251,758	\$ 10,018,351	\$ 27,745,786	\$ 27,415,897
America	2,632,802	1,557,735	7,207,441	4,257,622
Europe	<u>464,306</u>	<u>228,072</u>	<u>1,044,291</u>	<u>828,569</u>
	<u>\$ 12,348,866</u>	<u>\$ 11,804,158</u>	<u>\$ 35,997,518</u>	<u>\$ 32,502,088</u>

2) Disaggregation of revenue by platform

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
<u>Platforms</u>				
Power management	\$ 8,837,256	\$ 7,511,365	\$ 24,747,594	\$ 20,085,403
Large panel driver IC	1,984,337	2,628,584	6,320,551	6,863,317
Small panel driver IC	711,052	983,397	2,393,186	2,835,096
Other platforms	<u>407,187</u>	<u>321,828</u>	<u>1,169,247</u>	<u>1,117,706</u>
Wafer revenue	11,939,832	11,445,174	34,630,578	30,901,522
Other revenue	<u>409,034</u>	<u>358,984</u>	<u>1,366,940</u>	<u>1,600,566</u>
	<u>\$ 12,348,866</u>	<u>\$ 11,804,158</u>	<u>\$ 35,997,518</u>	<u>\$ 32,502,088</u>

3) Disaggregation of revenue by process

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
<u>Processes</u>				
0.18 micron and below	\$ 7,519,133	\$ 7,003,942	\$ 21,690,597	\$ 18,578,076
0.25 micron	1,385,099	1,579,587	4,159,211	4,001,396
0.35 micron	1,467,827	1,306,031	4,234,443	3,980,050
0.5 micron and above	<u>1,567,773</u>	<u>1,555,614</u>	<u>4,546,327</u>	<u>4,342,000</u>
Wafer revenue	11,939,832	11,445,174	34,630,578	30,901,522
Other revenue	<u>409,034</u>	<u>358,984</u>	<u>1,366,940</u>	<u>1,600,566</u>
	<u>\$ 12,348,866</u>	<u>\$ 11,804,158</u>	<u>\$ 35,997,518</u>	<u>\$ 32,502,088</u>

b. Contract balances

	September 30, 2025	December 31, 2024	September 30, 2024	January 1, 2024
Notes and accounts receivable, net (Note 12)	\$ 6,826,878	\$ 5,820,406	\$ 6,199,553	\$ 5,387,197
Receivables from related parties (Note 36)	<u>394,678</u>	<u>414,444</u>	<u>408,640</u>	<u>135,392</u>
Accounts receivable	<u>\$ 7,221,556</u>	<u>\$ 6,234,850</u>	<u>\$ 6,608,193</u>	<u>\$ 5,522,589</u>
Contract liabilities - advanced receipts				
Current	\$ 6,911,980	\$ 7,224,787	\$ 6,909,540	\$ 6,167,517
Non-current	<u>35,667,924</u>	<u>27,256,837</u>	<u>15,361,123</u>	<u>10,444,291</u>
	<u>\$ 42,579,904</u>	<u>\$ 34,481,624</u>	<u>\$ 22,270,663</u>	<u>\$ 16,611,808</u>

The change of the contract liabilities primarily results from the timing difference between the satisfaction of performance obligation and the customer's payment. Some customers have entered into long-term capacity guarantee agreements with the Corporation to ensure stable production capacity, making advance payments and depositing security funds to ensure the fulfillment of the contracts.

Revenue from the beginning balance of the contract liability and satisfaction during the three months and the nine months ended September 30, 2025 and 2024 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Revenue from the beginning balance of contract liabilities				
Sales of goods	<u>\$ 1,547,812</u>	<u>\$ 1,488,970</u>	<u>\$ 4,523,584</u>	<u>\$ 4,240,569</u>

27. OTHER ITEMS IN THE STATEMENTS OF COMPREHENSIVE INCOME

a. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Classification of depreciation by function				
Cost of revenue	\$ 2,141,645	\$ 2,094,445	\$ 6,158,137	\$ 6,154,713
Operating expenses	<u>36,355</u>	<u>31,992</u>	<u>113,763</u>	<u>96,921</u>
	2,178,000	2,126,437	6,271,900	6,251,634
Less: Capitalization of right-of-use asset depreciation	<u>-</u>	<u>-</u>	<u>(7,708)</u>	<u>-</u>
	<u>\$ 2,178,000</u>	<u>\$ 2,126,437</u>	<u>\$ 6,264,192</u>	<u>\$ 6,251,634</u>
Classification of amortization by function				
Cost of revenue	\$ 16,844	\$ 33,952	\$ 54,594	\$ 100,462
Operating expenses	<u>6,146</u>	<u>4,864</u>	<u>17,645</u>	<u>14,734</u>
	<u>\$ 22,990</u>	<u>\$ 38,816</u>	<u>\$ 72,239</u>	<u>\$ 115,196</u>

b. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Post-employment benefits				
Defined contribution plans	\$ 121,556	\$ 101,569	\$ 370,662	\$ 302,137
Defined benefit plans (Note 24)	<u>3,389</u>	<u>3,506</u>	<u>10,168</u>	<u>10,518</u>
	124,945	105,075	380,830	312,655
Share-based payment				
Equity-settled	189,521	-	582,237	-
Other employee benefits	<u>3,223,793</u>	<u>2,913,036</u>	<u>8,997,567</u>	<u>8,132,223</u>
Total employee benefits expense	<u>\$ 3,538,259</u>	<u>\$ 3,018,111</u>	<u>\$ 9,960,634</u>	<u>\$ 8,444,878</u>
Employee benefits expense summarized by function				
Cost of revenue	\$ 2,571,089	\$ 2,281,673	\$ 7,293,974	\$ 6,379,389
Operating expenses	<u>967,170</u>	<u>736,438</u>	<u>2,666,660</u>	<u>2,065,489</u>
	<u>\$ 3,538,259</u>	<u>\$ 3,018,111</u>	<u>\$ 9,960,634</u>	<u>\$ 8,444,878</u>

c. Compensation of employees and remuneration of directors

The Corporation should distribute no less than 10% of the current year's profit as compensation. In accordance with the amendments to the Securities and Exchange Act in August 2024, the Corporation plans to propose an amendment to its Articles of Incorporation for approval at the shareholders' meeting on May 27, 2025. The amendment will stipulate that the Corporation shall distribute no less than 10% of its annual profits as employee compensation, of which no less than 35% shall be allocated to rank-and-file employees. The employees include those of subsidiaries meeting some conditions agreed by the board of directors. The Corporation should also distribute no higher than 1% of the current year's profit as remuneration of directors. For the three months and nine months ended September 30, 2025 and 2024, the compensation of employees was \$630,993 thousand, \$532,316 thousand, \$1,349,250 thousand and \$1,299,943 thousand, respectively. For the three months and the nine months ended September 30, 2025 and 2024, the remuneration of directors was \$19,909 thousand, \$10,011 thousand, \$55,152 thousand and \$27,439 thousand, respectively. The above calculation was at a certain percentage of the base income.

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

The appropriations of compensation of employees and remuneration of directors for 2024 and 2023, which were resolved by the board of directors on February 24, 2025 and February 1, 2024, respectively, were as follows:

	For the Year Ended December 31	
	2024	2023
	Cash	Cash
Compensation of employees	\$ 1,761,606	\$ 1,755,300
Remuneration of directors	64,677	63,440

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2024 and 2023.

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

d. Net gain and loss of financial instruments

	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2025	2024	2025	2024
Interest income				
Cash and cash equivalents	\$ 314,855	\$ 425,361	\$ 1,156,548	\$ 1,075,796
Financial assets at amortized cost	76,375	99,490	267,485	362,639
Financial assets at FVTPL	<u>-</u>	<u>5,001</u>	<u>474</u>	<u>22,402</u>
	<u>\$ 391,230</u>	<u>\$ 529,852</u>	<u>\$ 1,424,507</u>	<u>\$ 1,460,837</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Dividends				
Investments in equity instruments at FVTOCI	\$ <u>11,829</u>	\$ <u>-</u>	\$ <u>40,702</u>	\$ <u>34,785</u>
(Loss) gain on financial assets and liabilities at FVTPL				
Financial assets and liabilities mandatorily classified as at FVTPL				
Forward exchange and currency-swap contracts	\$ (6,671)	\$ 126,495	\$ 260,341	\$ 37,661
Credit linked notes	<u>-</u>	<u>(14,573)</u>	<u>11</u>	<u>9,945</u>
	<u>\$ (6,671)</u>	<u>\$ 111,922</u>	<u>\$ 260,352</u>	<u>\$ 47,606</u>

(Concluded)

e. Interest expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Corporate bonds	\$ 63,957	\$ 63,967	\$ 189,417	\$ 180,563
Lease liabilities	39,083	21,395	119,671	64,665
Bank loans	4,633	12,437	7,092	12,437
Provision for decommissioning cost	1,019	771	3,088	2,238
Less: Interest capitalized under property, plant and equipment	<u>(24,423)</u>	<u>-</u>	<u>(65,756)</u>	<u>-</u>
	<u>\$ 84,269</u>	<u>\$ 98,570</u>	<u>\$ 253,512</u>	<u>\$ 259,903</u>

The information related to interest capitalization is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Interest capitalization rate	2.0%-5.8%	-	2.0%-5.8%	-

28. INCOME TAX

a. Major components of tax expenses recognized in profit or loss:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Current tax				
In respect of the current period	\$ 439,195	\$ 540,433	\$ 1,276,072	\$ 1,232,438
Adjustments for prior years' tax	(37,000)	-	(442,742)	(80,792)
Others	<u>41,079</u>	<u>27,565</u>	<u>(21,730)</u>	<u>44,869</u>
	443,274	567,998	811,600	1,196,515
Deferred income tax				
In respect of the current period	<u>(29,529)</u>	<u>(22,178)</u>	<u>239,994</u>	<u>19,376</u>
Income tax expenses recognized in profit or loss	<u>\$ 413,745</u>	<u>\$ 545,820</u>	<u>\$ 1,051,594</u>	<u>\$ 1,215,891</u>

b. Income tax assessments

Income tax returns through 2022 have been examined and cleared by the tax authorities.

29. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Basic earnings per share	<u>\$ 0.93</u>	<u>\$ 1.30</u>	<u>\$ 3.35</u>	<u>\$ 3.17</u>
Diluted earnings per share	<u>\$ 0.91</u>	<u>\$ 1.29</u>	<u>\$ 3.30</u>	<u>\$ 3.14</u>

The earnings and weighted average number of ordinary shares used in the computation of earnings per share were as follows:

Earnings

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Net profit for the period attributable to owners of the parent company	\$ 1,703,152	\$ 2,129,262	\$ 6,159,998	\$ 5,199,772
Effect of dilutive potential ordinary shares:				
Compensation of employees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,703,152</u>	<u>\$ 2,129,262</u>	<u>\$ 6,159,998</u>	<u>\$ 5,199,772</u>

Shares

	Unit: Shares in Thousands			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,838,982	1,638,982	1,838,982	1,638,982
Effect of dilutive potential ordinary shares:				
Compensation of employees	13,228	12,560	16,719	15,262
Employee restricted shares	<u>9,502</u>	<u>-</u>	<u>9,552</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,861,712</u>	<u>1,651,542</u>	<u>1,865,253</u>	<u>1,654,244</u>

Since the Corporation is allowed to settle compensation paid to employees by cash or shares, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

30. SHARE-BASED PAYMENT ARRANGEMENTS

Equity-settled Share-based Payment - RSAs

On June 14, 2024, the shareholders' meeting of the Corporation resolved to issue employee restricted stocks awards for its employees in a total of \$410,000 thousand and total issue 41,000 thousand with an issue price \$0 per share. Granting and Vesting conditions of the above arrangement are as follows:

	2025 RSAs	2024 RSAs
Resolution date of board of directors in its meeting	February 24, 2025	November 4, 2024
Issuance of stocks (in thousands)	998	27,664
Eligible employees	Employees	Employees
Grant date/issuance date	April 1, 2025	November 27, 2024

a. Vesting conditions of the aforementioned arrangement are as follows:

- 1) The employee remains employed by the Corporation on the last date of each vesting period;
- 2) During the vesting period, the employee may not breach any agreement with the Corporation or violate the Corporation's work rules; and
- 3) Certain employee performance metrics are met.

- b. The maximum percentage of granted RSAs that may be vested each year shall be as follows: Two-year anniversary of the grant: 25%; three-year anniversary of the grant: 25%; and four-year anniversary of the grant: 50%.
- c. Restrictions imposed on the employees' rights in the RSAs before the vesting conditions are fulfilled
 - 1) The RSAs should be delivered to the trust custodians upon grant date. The employees cannot request for return in any manner before vesting conditions are met.
 - 2) During the vesting period, the employees cannot sell, pledge, transfer, donate or, in any other way, dispose of these shares.
 - 3) Apart from the aforementioned restrictions, before the vesting conditions are fulfilled, any other shareholder rights including but not limited to the entitlement to any distribution regarding dividends, bonuses and capital reserve, and the subscription right of the new shares issued for any capital increase, are the same as those of holders of common shares of the Company.
 - 4) During the vesting period, the Company conducts a cash reduction of capital or a capital reduction to offset losses (not due to a statutory reduction of capital), the RSAs shall be cancelled according to the reduction ratio. If it is a cash reduction, the cash returned must be placed in trust, and it can only be delivered to the employee once the vesting conditions are met. If the vesting conditions are not met, the Company shall reclaim the cash.
 - 5) Before the vesting conditions are fulfilled, the attendance, proposal rights, speech rights, voting rights and etc. shall be exercised by the engaged trustee/custodian on the employee's behalf.
 - 6) The vesting conditions are not fulfilled; the Company will recall or purchase and cancel the employee's restricted shares.

From January 1 to September 30, 2025, the remuneration expenses recognized by the Company amounted to \$582,237 thousand.

31. GOVERNMENT GRANT

The Group obtained subsidies from the government for the nine months ended September 30, 2025 and 2024, which were recorded in the deduction expenses of \$73,380 thousand and \$99,724 thousand, respectively, and deduction of the purchasing costs of property, plant and equipment were \$1,191,804 thousand and \$8,693 thousand, respectively, and recorded as non-operating income were \$95 thousand and \$48 thousand, respectively.

32. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In September 2024, the Group subscribed for additional new shares of VSMC Limited at a percentage different from its existing ownership percentage and reduced its continuing interest from 100% to 60%.

The above transactions were accounted for as equity transactions since the Group did not cease to have control over these subsidiaries.

	VSMC
Consideration paid	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(6,874)</u>
Differences recognized from equity transactions	<u>\$ (6,874)</u>
<u>Line items adjusted for equity transactions</u>	
Retained earnings - changes in percentage of ownership interests in subsidiaries	<u>\$ (6,874)</u>

33. CASH FLOWS INFORMATION FOR FINANCING ACTIVITIES

For the nine months ended September 30, 2025

	January 1	Cash Flows	Non-cash Changes (Note)	September 30
Bonds payable	\$ 20,984,172	\$ -	\$ 3,440	\$ 20,987,612
Long-term bank loans	-	1,000,000	-	1,000,000
Short-term bank loans	-	4,702,889	-	4,702,889
Guarantee deposits	5,167,137	(270,972)	(1,552,358)	3,343,807
Lease liabilities	3,671,610	(231,890)	77,173	3,516,893
Non-controlling interests	4,562,599	6,437,378	(372,155)	10,627,822
Dividends payable	-	(8,399,910)	8,399,910	-
Unclaimed dividends	1,535	-	-	1,535
Prepayments (syndication arrangement fees)	-	(132,000)	-	(132,000)
	<u>\$ 34,387,053</u>	<u>\$ 3,105,495</u>	<u>\$ 6,556,010</u>	<u>\$ 44,048,558</u>

For the nine months ended September 30, 2024

	January 1	Cash Flows	Non-cash Changes (Note)	September 30
Bonds payable	\$ 17,983,425	\$ 2,995,658	\$ 3,877	\$ 20,982,960
Guarantee deposits	6,851,813	141,508	(1,552,517)	5,440,804
Lease liabilities	2,438,528	(174,023)	109,827	2,374,332
Non-controlling interests	-	4,474,400	(34,663)	4,439,737
Dividends payable	-	(7,375,420)	7,375,420	-
Unclaimed dividends	1,294	241	-	1,535
Short-term bank loans	-	961,187	(12,040)	949,147
	<u>\$ 27,275,060</u>	<u>\$ 1,023,551</u>	<u>\$ 5,889,904</u>	<u>\$ 34,188,515</u>

Note: Non-cash changes comprise changes in leases, changes in exchange rates, guarantee deposits, deduction of accounts receivable, changes in non-controlling interests, recognition of cash dividends payable and amortization of bonds payable.

34. CAPITAL MANAGEMENT

The objectives, policies and process of capital risk management and the capital structures of the Group in these consolidated financial statements were applied as the same as in the preparation of the consolidated financial statements for the year ended December 31, 2024. Please refer to Note 33 to the consolidated financial statements for the year ended December 31, 2024 for details.

35. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

September 30, 2025

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Foreign corporate bonds	\$ 6,691,247	\$ -	\$ 6,732,204	\$ -	\$ 6,732,204
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bonds payable	20,987,612	-	20,813,254	-	20,813,254

December 31, 2024

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Foreign corporate bonds	\$ 8,631,149	\$ -	\$ 8,650,917	\$ -	\$ 8,650,917
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bonds payable	20,984,172	-	20,665,109	-	20,665,109

September 30, 2024

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Foreign corporate bonds	\$ 7,937,754	\$ -	\$ 7,969,192	\$ -	\$ 7,969,192
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bonds payable	20,982,960	-	20,636,378	-	20,636,378

2) Valuation techniques and assumptions applied to Level 2 of fair value measurement

The bond investments at amortized cost, negotiable certificate of deposit and fair value of bonds payable are determined by quoted market prices provided by third party pricing services.

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

1) Fair value hierarchy

September 30, 2025

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ -	\$ -	\$ -
Domestic emerging market shares	510,797	-	-	510,797
Domestic unlisted shares	-	-	412,988	412,988
Foreign unlisted shares	-	-	889,805	889,805
	<u>\$ 510,797</u>	<u>\$ -</u>	<u>\$ 1,302,793</u>	<u>\$ 1,813,590</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 4,610</u>	<u>\$ -</u>	<u>\$ 4,610</u>

December 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Hybrid financial assets	<u>\$ -</u>	<u>\$ 139,989</u>	<u>\$ -</u>	<u>\$ 139,989</u>
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ -	\$ 44,100	\$ 44,100
Domestic emerging market shares	999,128	-	-	999,128
Domestic unlisted shares	-	-	211,964	211,964
Foreign unlisted shares	-	-	914,767	914,767
	<u>\$ 999,128</u>	<u>\$ -</u>	<u>\$ 1,170,831</u>	<u>\$ 2,169,959</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,098</u>	<u>\$ -</u>	<u>\$ 1,098</u>

September 30, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 57,043	\$ -	\$ 57,043
Hybrid financial assets	-	139,995	-	139,995
	<u>\$ -</u>	<u>\$ 197,038</u>	<u>\$ -</u>	<u>\$ 197,038</u>
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ -	\$ 45,975	\$ 45,975
Domestic emerging market shares	1,075,807	-	-	1,075,807
Domestic unlisted shares	-	-	223,513	223,513
Foreign unlisted shares	-	-	900,583	900,583
	<u>\$ 1,075,807</u>	<u>\$ -</u>	<u>\$ 1,170,071</u>	<u>\$ 2,245,878</u>

There were no transfers between Levels 1 and 2 of the fair value hierarchy for the nine months ended September 30, 2025 and 2024, respectively.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets	Financial Assets at FVTOCI For the Nine Months Ended September 30	
	2025	2024
Balance on January 1	\$ 1,170,831	\$ 2,417,080
Purchases	75,000	-
Recognized in other comprehensive income (loss) (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	56,962	(171,202)
Transfers out of Level 3	-	(1,075,807)
Balance on September 30	<u>\$ 1,302,793</u>	<u>\$ 1,170,071</u>

3) Valuation techniques and assumptions applied to Level 2 of fair value hierarchy

For those derivative instruments with no quoted market prices, their fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair values.

The fair values of forward exchange contracts and currency-swap contracts is determined by using valuation techniques based on forward rates for each contract. The Reuter's quotation system is mainly used as reference for the forward rates.

4) Valuation techniques and assumptions applied to level 3 of fair value hierarchy

The fair value of financial assets and financial liabilities is determined as follows:

- a) For the private placement shares issued by listed companies with no quoted market prices, the fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair values.

The Group used “Black-Scholes model” to determine the fair value.

- b) The fair values of the unlisted shares are estimated by reference to comparable targets and compares investee’ assets, liabilities, profit and loss with the observable share prices and give them implicit value multiplier. The “Black-Scholes model” is adopted according to the individual terms of each equity instrument, and it takes the observable share price, share price volatility, risk-free interest rate and exit probability as the parameters, and comprehensively considers the discount of non-controlling rights and liquidity risks.

c. Categories of financial instruments

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Financial assets</u>			
FVTPL			
Mandatorily at FVTPL	\$ -	\$ 139,989	\$ 197,038
Financial assets at amortized cost (Note 1)	70,853,319	82,834,417	54,392,092
Financial assets at FVTOCI			
Equity instruments	1,813,590	2,169,959	2,245,878
<u>Financial liabilities</u>			
FVTPL			
Held for trading	4,610	1,098	-
Financial liabilities at amortized cost (Note 2)	48,190,547	37,351,627	35,204,965

Note 1: The balances of financial assets measured at amortized cost comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, refundable deposits and investment in debt instruments.

Note 2: The balances of financial liabilities measured at amortized cost comprise short-term borrowing, accounts payable, other payables, bonds payable, long-term bank loans, long-term payables and guarantee deposits.

d. Objective and policies of financial risk management

The Group’s major financial instruments include equity and bond investments, accounts receivable, borrowings, accounts payable, bonds payable and lease liabilities. The Group’s corporate finance department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group’s policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. The compliance with policies and the control of exposure limits are reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate finance function reports quarterly to the Corporation's board of directors and Audit Committee for their overall supervision and control to risks and policy implementation.

1) Market risk

The Group's activities are exposed to the financial risks primarily arising from the changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other prices (see (c) below). The Group enters into a variety of derivative financial instruments, including forward exchange and currency-swap contracts, to manage its exposure to foreign currency risk.

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

a) Foreign currency risk

The Group's operating activities are partially denominated in foreign currencies and apply natural hedging. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

The strategy of foreign currency risk management is to regularly review the net position of assets and liabilities exposed to foreign currency risk and manage the risk of the net position. The Group selects the instruments to hedge currency exposure by considering the hedge cost and hedge period. The Group currently utilizes primarily foreign exchange spot, buy/sell forward exchange contracts and purchase foreign currency deposit to hedge its currency exposure.

According to the Group's policy, the terms of the hedge derivatives and foreign currency deposits are negotiated to match the terms of the hedged item for maximizing the hedge effectiveness.

Investing in foreign operations is for strategic purposes and is not hedged by the Group.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuation of USD, JPY, EUR and SGD.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items (including cash and cash equivalents, financial assets, accounts receivable, other receivables, refundable deposits, accounts payable, other payables, long-term bank loans, long-term payables and guarantee deposits) and hedging instruments, and adjusts their translation at the end of the year for a 5% change in foreign currency rates. The positive/negative number in the following table indicates the amount of profit and loss will increase/decrease the New Taiwan dollars strengthen 5% against the relevant currency.

	Impact on USD Items	
	For the Nine Months Ended	
	September 30	
	2025	2024
Gain	\$ 35,185	\$ 61,323

	Impact on JPY Items	
	For the Nine Months Ended	
	September 30	
	2025	2024
Loss	\$ (5,157)	\$ (9,046)
	Impact on EUR Items	
	For the Nine Months Ended	
	September 30	
	2025	2024
Loss	\$ (6,094)	\$ (50,769)
	Impact on SGD Items	
	For the Nine Months Ended	
	September 30	
	2025	2024
Gain (loss)	\$ 29,389	\$ (41,975)

b) Interest rate risk

The Group's financial assets are exposed to interest rate risk both at fixed and floating interest rates.

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

	September 30, 2025	December 31, 2024	September 30, 2024
Fair value interest rate risk			
Financial assets	\$ 36,915,224	\$ 58,374,269	\$ 37,464,164
Financial liabilities	24,504,505	24,655,782	24,306,439
Cash flow interest rate risk			
Financial assets	19,101,652	12,239,020	8,958,465
Financial liabilities	1,000,000	-	-

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for the derivative and non-derivative instruments at the end of the reporting period. For the floating rate assets, the analysis is prepared assuming the amount of the asset at the end of the reporting date is outstanding during the reporting period.

If the market interest rate had increased/decreased by 0.1% and all other variables remain constant, the pre-tax profit of the Group for the nine months ended on September 30, 2025 and 2024 will have increased/decreased \$13,576 thousand and \$6,719 thousand, respectively, resulting from the exposure of the net assets with floating rate.

c) Other price risk

The Group is exposed to price risk arising from its investments in shares. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to security price risks at the end of the reporting period.

If financial assets at FVTOCI share prices had been 5% higher/lower, the other comprehensive income for the nine months ended September 30, 2025 and 2024 would have an increase/decrease of \$90,680 thousand and \$112,294 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations and result in financial loss to the Group. At the end of the reporting period, the Group may have a financial loss due to the default on obligation from a counterparty, and the maximum exposure to credit risk is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to mitigate credit risk, the Group has made the policy of credit management to ensure that appropriate action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each receivable debt at the end of the reporting period to ensure that adequate allowance for impairment losses is made for irrecoverable amounts. In this regard, the Group considers the credit risk is significantly reduced.

The credit risk on operating funds and derivatives is limited as the counterparts are creditworthy banks.

The Group's accounts receivable outstanding arose from trading with its customers spreading across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customer's financial condition.

The Group's credit concentration risk was related to the 5 largest customers. Besides the 5 largest customers, credit concentration risks related to other customers do not exceed 10% of total gross accounts receivable at any time during the nine months ended September 30, 2025 and 2024. The 5 largest customers are creditworthy counterparts; therefore, the Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining adequate reserves of cash and cash equivalents to fund the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

September 30, 2025

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 4,702,889	\$ -	\$ -	\$ -	\$ -	\$ 4,702,889
Non-interest bearing liabilities	17,469,291	686,948	-	-	-	18,156,239
Lease liabilities	304,504	1,203,590	1,281,555	1,080,579	4,287,201	8,157,429
Bonds payable	310,155	14,596,636	7,023,485	-	-	21,930,276
Long-term bank loans	20,000	1,074,636	-	-	-	1,094,636
Guarantee deposits	<u>1,993,649</u>	<u>1,350,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,343,807</u>
	<u>\$ 24,800,488</u>	<u>\$ 18,911,968</u>	<u>\$ 8,305,040</u>	<u>\$ 1,080,579</u>	<u>\$ 4,287,201</u>	<u>\$ 57,385,276</u>

December 31, 2024

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities	\$ 8,988,478	\$ 2,211,840	\$ -	\$ -	\$ -	\$ 11,200,318
Lease liabilities	304,156	1,033,008	1,023,573	1,168,781	4,989,136	8,518,654
Bonds payable	248,850	14,689,108	7,115,571	-	-	22,053,529
Guarantee deposits	<u>2,194,541</u>	<u>2,972,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,167,137</u>
	<u>\$ 11,736,025</u>	<u>\$ 20,906,552</u>	<u>\$ 8,139,144</u>	<u>\$ 1,168,781</u>	<u>\$ 4,989,136</u>	<u>\$ 46,939,638</u>

September 30, 2024

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 951,694	\$ -	\$ -	\$ -	\$ -	\$ 951,694
Non-interest bearing liabilities	7,832,054	-	-	-	-	7,832,054
Lease liabilities	305,486	1,066,030	852,368	698,721	95,920	3,018,525
Bonds payable	248,850	14,780,500	7,179,200	-	-	22,208,550
Guarantee deposits	<u>2,077,907</u>	<u>3,362,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,440,804</u>
	<u>\$ 11,415,991</u>	<u>\$ 19,209,427</u>	<u>\$ 8,031,568</u>	<u>\$ 698,721</u>	<u>\$ 95,920</u>	<u>\$ 39,451,627</u>

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted net inflows and outflows from those derivatives with gross settlement.

September 30, 2025

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange contracts		
Inflows	\$ 300,700	\$ -
Outflows	<u>(305,310)</u>	<u>-</u>
	<u>\$ (4,610)</u>	<u>\$ -</u>

December 31, 2024

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange contracts		
Inflows	\$ 752,565	\$ -
Outflows	<u>(753,663)</u>	<u>-</u>
	<u>\$ (1,098)</u>	<u>\$ -</u>

September 30, 2024

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange contracts		
Inflows	\$ 2,461,531	\$ -
Outflows	<u>(2,404,488)</u>	<u>-</u>
	<u>\$ 57,043</u>	<u>\$ -</u>

c) Financial facilities

	September 30, 2025	December 31, 2024	September 30, 2024
Unsecured bank credit facilities (reviewed annually)			
Amount used	\$ 6,071,597	\$ 150,000	\$ 1,103,000
Amount unused	<u>88,376,695</u>	<u>19,438,000</u>	<u>18,257,000</u>
	<u>\$ 94,448,292</u>	<u>\$ 19,588,000</u>	<u>\$ 19,360,000</u>
Secured bank credit facilities (reviewed annually)			
Amount used	\$ 503,685	\$ 677,000	\$ 655,000
Amount unused	<u>459,590</u>	<u>292,000</u>	<u>285,000</u>
	<u>\$ 963,275</u>	<u>\$ 969,000</u>	<u>\$ 940,000</u>

36. TRANSACTIONS WITH RELATED PARTIES

Intercompany balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Name and relationship of related parties

Name	Relationship with the Group
Taiwan Semiconductor Manufacturing Company Ltd.	Investor with significant influence over the Group
NXP SEMICONDUCTORS SINGAPORE PTE. LTD.	Investor with significant influence over the Group (investor having significant influence since September 4, 2024)
Global Unichip Corp.	Substantial related party
Shenzhen Winsemi Microelectronics Co., Ltd.	Substantial related party
Wuxi Winsemi Microelectronics Co., Ltd.	Substantial related party
Wuxi Proisemi Technology Company Limited	Substantial related party
Xi An Winsemi Semiconductor Technology Co., Ltd.	Substantial related party
NXP Semiconductors Taiwan Ltd.	Substantial related party (substantial related party since September 4, 2024)
CMSC, Inc.	Substantial related party
Episil-Precision Inc.	Associate (substantial related party since September 24, 2024, and reclassified as associate since February 19, 2025)
Qromis, Inc.	Associate

b. Operating transactions

	Revenue from Sales of Goods			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Substantial related parties	\$ 437,962	\$ 176,943	\$ 1,368,700	\$ 271,932
Investor with significant influence over the Group	247,643	215,922	634,081	536,868
Associates	<u>7,817</u>	<u>3,122</u>	<u>13,963</u>	<u>11,513</u>
	<u>\$ 693,422</u>	<u>\$ 395,987</u>	<u>\$ 2,016,744</u>	<u>\$ 820,313</u>

	Purchase of Goods			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Associates	\$ -	\$ -	\$ 245	\$ -
Investor with significant influence over the Group	-	-	-	536
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245</u>	<u>\$ 536</u>

	Manufacturing Expenses			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Associates	\$ 198,533	\$ -	\$ 568,933	\$ 313
Investor with significant influence over the Group	39,904	17,559	99,386	55,750
	<u>\$ 238,437</u>	<u>\$ 17,559</u>	<u>\$ 668,319</u>	<u>\$ 56,063</u>

The following balances were outstanding at the end of the reporting period:

	Receivables from Related Parties		
	September 30, 2025	December 31, 2024	September 30, 2024
Substantial related parties	\$ 291,890	\$ 299,892	\$ 343,870
Investor with significant influence over the Group	94,793	110,224	60,376
Associates	<u>7,995</u>	<u>4,328</u>	<u>4,394</u>
	<u>\$ 394,678</u>	<u>\$ 414,444</u>	<u>\$ 408,640</u>

For the nine months ended September 30, 2025 and 2024, no impairment losses were recognized for trade receivables from related parties.

	Other Receivables from Related Parties		
	September 30, 2025	December 31, 2024	September 30, 2024
Investor with significant influence over the Group NXP SEMICONDUCTORS SINGAPORE PTE. LTD.	<u>\$ 6,489,364</u>	<u>\$ 4,464,640</u>	<u>\$ -</u>

	Contract Liabilities		
	September 30, 2025	December 31, 2024	September 30, 2024
Investor with significant influence over the Group NXP SEMICONDUCTORS SINGAPORE PTE. LTD.	\$ 26,104,005	\$ 13,107,200	\$ -
Substantial related parties	1,290,014	1,380,438	83
Associates	<u>2</u>	<u>2</u>	<u>2</u>
	<u>\$ 27,394,021</u>	<u>\$ 14,487,640</u>	<u>\$ 85</u>
Current	\$ 396,984	\$ 426,072	\$ 85
Non-current	<u>26,997,037</u>	<u>14,061,568</u>	<u>-</u>
	<u>\$ 27,394,021</u>	<u>\$ 14,487,640</u>	<u>\$ 85</u>

	Payables to Related Parties		
	September 30, 2025	December 31, 2024	September 30, 2024
Investor with significant influence over the Group Substantial related parties	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ 412</u>

	Payables to Contractors and Equipment Suppliers		
	September 30, 2025	December 31, 2024	September 30, 2024
Investor with significant influence over the Group	<u>\$ 55,780</u>	<u>\$ -</u>	<u>\$ -</u>

	Other Payables to Related Parties		
	September 30, 2025	December 31, 2024	September 30, 2024
Investor with significant influence over the Group Taiwan Semiconductor Manufacturing Company Ltd.	\$ 2,225,420	\$ 3,084,238	\$ 16,913
Associates	132,349	18	-
Substantial related parties	<u>-</u>	<u>119,912</u>	<u>113,387</u>
	<u>\$ 2,357,769</u>	<u>\$ 3,204,168</u>	<u>\$ 130,300</u>
Current	\$ 1,670,821	\$ 992,328	\$ 130,300
Non-current	<u>686,948</u>	<u>2,211,840</u>	<u>-</u>
	<u>\$ 2,357,769</u>	<u>\$ 3,204,168</u>	<u>\$ 130,300</u>

	Guarantee Deposits		
	September 30, 2025	December 31, 2024	September 30, 2024
Substantial related parties	<u>\$ 34,195</u>	<u>\$ 36,700</u>	<u>\$ 35,435</u>

	Acquisition of Property, Plant and Equipment	
	For the Nine Months Ended September 30	
	2025	2024
Investor with significant influence over the Group	<u>\$ 50,603</u>	<u>\$ -</u>

The property, plant and equipment are machinery and related plant equipment acquired by the Corporation from related parties.

The terms of sales transactions with related parties were not significantly different from those transactions of third parties. However, for other related-party transactions including licensing fees, outsourcing, acquired machinery and equipment, and guarantee deposits, there were no similar transactions in the market; thus, transaction terms were determined in accordance with related contracts.

c. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2025	2024	2025	2024
Short-term employee benefits	\$ 160,690	\$ 85,218	\$ 367,033	\$ 251,888
Post-employment benefits	<u>2,722</u>	<u>1,817</u>	<u>8,166</u>	<u>7,310</u>
	<u>\$ 163,412</u>	<u>\$ 87,035</u>	<u>\$ 375,199</u>	<u>\$ 259,198</u>

The compensation of directors and other key management personnel was determined by the Compensation Committee in accordance with the individual performance and the market trends.

37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

Please refer to Note 19, the following assets have been pledged as guarantee for customs duty, bank fulfillment, government grant project and lease of the manufacturing plant from the Hsinchu Science Park Bureau:

	September 30, 2025	December 31, 2024	September 30, 2024
Pledged time deposits	<u>\$ 932,550</u>	<u>\$ 1,133,946</u>	<u>\$ 1,111,927</u>

38. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments of the Group as of September 30, 2025 were as follows:

a. Significant unrecognized commitments

- 1) The Corporation entered into a “Manufacturing, License, and Technology Transfer Agreement” with Taiwan Semiconductor Manufacturing Company Ltd. beginning January 1, 2004; under the agreement, the Corporation pays fees according to the net sales of certain products and reserved portion of its production capacity. In addition, the Corporation signed a technology licensing agreement with Taiwan Semiconductor Manufacturing Company Ltd. on July 16, 2024, with a total value of US\$150,000 thousand to obtain licensing rights for process technologies. As of September 30, 2025, US\$90,000 thousand has been recognized as an intangible asset, and the corresponding payables are classified based on liquidity as follows: Other payables - related parties of US\$45,000 thousand and long-term payables - related parties of US\$22,500 thousand.
- 2) The Corporation entered into a “Shares Subscription Agreement” with NXP SEMICONDUCTORS SINGAPORE PTE. LTD. to establish VSMC to build a 300mm semiconductor wafer manufacturing facility. The agreement begins on June 5, 2024, and is terminated upon the completion of the agreement. In addition, the Corporation signed an irrevocable capacity reservation agreement with NXP SEMICONDUCTORS SINGAPORE PTE. LTD. on September 4, 2024. As of September 30, 2025, contract liabilities amounted to US\$855,000 thousand.

b. Contingencies

The Corporation received an Ancillary Civil Action Complaint filed by Phoenix Silicon International Company (PSI) from Hsinchu District Court in March 2021. PSI stated that its trade secret was reproduced and utilized by Integrated Service Technology Inc. (IST) and the Corporation’s ex-employees without PSI’ authorization and claimed against the above persons and the Corporation for joint and several liability for compensation of PSI’s damages. The Corporation considers that it needs to be verified if the information claimed by PSI involves confidentiality and trade secrets based on current information. In addition, it is ex-employees’ personal behaviors and PSI’s claim is legally groundless. On June 30, 2025, the Hsinchu District Court in Taiwan rendered a judgment dismissing the incidental civil lawsuit filed by PSI.

39. SIGNIFICANT LOSSES FROM DISASTERS

The earthquake struck Taiwan on the morning of April 3, 2024, mainly causing damage to some of the Corporation's inventory and equipment. In June 2024, the Company recognized the estimated loss of \$250,000 thousand after deducting insurance claims from the cost of revenue.

40. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	September 30			
	2025		2024	
	Foreign Currency (In Thousands)	Exchange Rate	Foreign Currency (In Thousands)	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 699,207	30.531	\$ 977,739	31.638
EUR	6,618	35.785	29,253	35.308
JPY	2,592,458	0.205	1,070,643	0.222
SGD	105,724	23.658	51,706	24.700
RMB	1,040	4.275	1,252	4.521
Non-monetary items				
USD	10,809	30.531	3,486	31.638
RMB	150,038	4.275	145,550	4.521
<u>Financial liabilities</u>				
Monetary items				
USD	708,619	30.531	897,622	31.638
EUR	590	35.785	495	35.308
JPY	359,911	0.205	255,644	0.222
SGD	113,569	23.658	17,718	24.700
Derivative instruments				
USD	10,000	30.531	76,000	31.638
<u>December 31, 2024</u>				
			Foreign Currency (In Thousands)	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD			\$ 888,935	32.768
EUR			28,735	34.115
JPY			2,024,076	0.2096
SGD			51,813	24.115
RMB			1,199	4.486
Non-monetary items				
USD			10,972	32.768
RMB			145,181	4.486

(Continued)

	December 31, 2024	
	Foreign Currency (In Thousands)	Exchange Rate
<u>Financial liabilities</u>		
Monetary items		
USD	\$ 835,677	32.768
EUR	698	34.115
JPY	326,785	0.2096
SGD	29,291	24.115
Derivative instruments		
USD	23,000	32.768
		(Concluded)

Please refer to the consolidated statements of comprehensive income for the total of realized and unrealized foreign exchange gain and loss for the nine months ended September 30, 2025 and 2024, respectively. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Group, the Group was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact.

41. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

- 1) Financing provided to others: Table 1 (attached).
- 2) Endorsements/guarantees provided: None.
- 3) Significant marketable securities held (excluding investment in subsidiaries, associates and jointly ventures): Table 2 (attached)
- 4) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- 5) Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
- 6) Intercompany relationships and significant intercompany transactions: Table 5 (attached)
- 7) Locations and related information of investees over which the company exercises significant influence (excluding the information on investment in mainland China): Table 6 (attached)

c. Information on investment in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7 (attached)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services

42. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information on a per plant basis. It focuses on the operating result of each of the plants. Accordingly, each plant constitutes an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production process and all of products produced are distributed and sold to the same level of customers through a central sales function, the Group's segments are aggregated into a single reportable segment.

The revenue, operating results and financial information on a plant by plant basis presented to the chief operating decision maker are consistent with the information in the consolidated financial statement. The segment revenue and operating results for the three months and nine months ended September 30, 2025 and 2024 can be referred to the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2025 and 2024. The segment assets as of September 30, 2025, December 31, 2024 and September 30, 2024 can be referred to the consolidated balance sheets as of September 30, 2025, December 31, 2024 and September 30, 2024.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Gain	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Total Available Amount for Leading (Note 2)
													Item	Value		
0	Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Other receivables from related parties	Yes	\$ 1,657,400	\$ 1,526,550	\$ 1,526,550	5.40	For short-term financing	\$ -	Short-term financing needed	\$ -	-	\$ -	\$ 18,264,157	\$ 24,352,210

Note 1: The description of the number column is as follows:

- a. Issuer fills in 0.
- b. The invested company is numbered sequentially according to the company from Arabic number 1.

Note 2: The amount of loan to each borrowing company and the total available amount for all borrowings shall not exceed 30% and 40% of the Corporation's net equity, respectively.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2025

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2025				Note
				Shares/Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value	
Vanguard International Semiconductor Corporation	<u>Warrant</u> AnDAPT Holdings Ltd.	-	Financial assets at FVTPL - non-current	179	\$ -	-	\$ -	-
	<u>Shares</u> Advanced Microelectronic Products Inc.	Investee	Financial assets at FVTOCI - non-current	7,500	-	6	-	-
	E-Charging Inc.	Investee	Financial assets at FVTOCI - non-current	-	546,430	4	546,430	-
	United Industrial Gases Co., Ltd.	Investee	Financial assets at FVTOCI - non-current	4,246	337,988	2	337,988	-
	AnDAPT Holdings Ltd.	Investee	Financial assets at FVTOCI - non-current	1,000	-	3	-	-
	Voltafield Technology Corporation (Cayman)	Investee	Financial assets at FVTOCI - non-current	600	-	1	-	-
	Shenzhen Winsemi Microelectronics Co., Ltd.	Investee	Financial assets at FVTOCI - non-current	-	94,980	7	94,980	-
	Efficient Power Conversion Corporation	Investee	Financial assets at FVTOCI - non-current	82	248,395	5	248,395	-
	CMSC, INC.	Investee	Financial assets at FVTOCI - non-current	5,912	510,797	13	510,797	-
	Taiwan Smart Electricity & Energy Co., Ltd.	Investee	Financial assets at FVTOCI - non-current	7,500	75,000	5	75,000	-
	<u>Company bonds</u> Emirates NBD Bank PJSC	-	Financial assets at amortized cost - current	-	152,655	-	152,692	-
	Foxconn (Far East) Limited	-	Financial assets at amortized cost - current	-	152,163	-	152,338	-
	QNB Finance Ltd	-	Financial assets at amortized cost - current	-	150,977	-	151,238	-
	Sumitomo Mitsui Financial Group, Inc.	-	Financial assets at amortized cost - current	-	183,399	-	183,754	-
VIS Associates Inc.	<u>Company bonds</u> Emirates NBD Bank PJSC	-	Financial assets at amortized cost - current	-	152,654	-	152,692	-
	Foxconn (Far East) Limited	-	Financial assets at amortized cost - current	-	152,140	-	152,342	-
	Goldman Sachs Bank USA	-	Financial assets at amortized cost - current	-	184,031	-	184,423	-
	HSBC Holdings Plc	-	Financial assets at amortized cost - current	-	59,540	-	59,980	-
	IBM Corp	-	Financial assets at amortized cost - current	-	91,259	-	91,416	-
	Sumitomo Mitsui Financial Group, Inc.	-	Financial assets at amortized cost - current	-	270,389	-	271,454	-
	TSMC Global Ltd	-	Financial assets at amortized cost - current	-	584,021	-	584,660	-
	UBS Group AG	-	Financial assets at amortized cost - current	-	211,357	-	211,951	-
	Australia and New Zealand Banking Group, NY	-	Financial assets at amortized cost - non-current	-	60,333	-	61,111	-
	Bank of America Corporation	-	Financial assets at amortized cost - non-current	-	270,740	-	270,866	-
	Bank of New Zealand	-	Financial assets at amortized cost - non-current	-	122,143	-	124,359	-
	BPCE S.A.	-	Financial assets at amortized cost - non-current	-	154,306	-	155,748	-
	Credit Agricole S.A	-	Financial assets at amortized cost - non-current	-	274,085	-	276,576	-
	Emirates NBD Bank PJSC	-	Financial assets at amortized cost - non-current	-	186,089	-	188,805	-
HSBC Holdings Plc	-	Financial assets at amortized cost - non-current	-	272,251	-	274,912	-	
JPMorgan Chase Bank NA	-	Financial assets at amortized cost - non-current	-	274,779	-	277,332	-	

(Continued)

Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2025				Note
				Shares/Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value	
	Mitsubishi UFJ FIN Group, Inc.	-	Financial assets at amortized cost - non-current	-	\$ 271,336	-	\$ 274,623	-
	Morgan Stanley Bank NA	-	Financial assets at amortized cost - non-current	-	274,042	-	275,471	-
	Natwest Markets Plc	-	Financial assets at amortized cost - non-current	-	278,020	-	280,738	-
	QNB Finance Ltd.	-	Financial assets at amortized cost - non-current	-	267,308	-	269,437	-
	ROYAL BANK OF CANADA	-	Financial assets at amortized cost - non-current	-	274,779	-	277,969	-
	BANK OF NOVA SCOTIA	-	Financial assets at amortized cost - non-current	-	182,661	-	184,277	-
	MORGAN STANLEY	-	Financial assets at amortized cost - non-current	-	267,317	-	269,011	-
	JPMORGAN CHASE & CO.	-	Financial assets at amortized cost - non-current	-	274,789	-	277,278	-
	BANK OF MONTREAL	-	Financial assets at amortized cost - non-current	-	63,017	-	63,854	-
	BNP PARIBAS	-	Financial assets at amortized cost - non-current	-	273,536	-	275,818	-
	KIA CORP	-	Financial assets at amortized cost - non-current	-	149,438	-	149,932	-
	CITI BANK NA	-	Financial assets at amortized cost - non-current	-	31,986	-	32,058	-
	BMW US CAPITAL LLC	-	Financial assets at amortized cost - non-current	-	123,707	-	123,089	-

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificate and the derivative securities from aforementioned items that fall within the scope of "Financial Instruments in IFRS 9".

Note 2: As of September 30, 2025, all the securities were not pledged or restricted.

Note 3: With respect to the information of subsidiaries, associates and joint ventures, please see Table 6 and Table 7.

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Investor with significant influence over the Group	Sales	\$ 634,081	2	30 days after closing	\$ -	-	\$ 94,793	1	-
	NXP Semiconductors Taiwan Ltd.	Substantial related party	Sales	1,134,024	3	60 days from the invoice date	-	-	204,679	3	-

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2025

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Vanguard International Semiconductor Corporation	NXP Semiconductors Taiwan Ltd.	Substantial related party	\$ 204,679	6.99	\$ -	-	\$ 78,186	\$ -

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

(In Thousands of New Taiwan Dollars)

No.	Company Name	Company Name	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note)	Percentage of Consolidated Net Revenue or Total Assets
0	Vanguard International Semiconductor Corporation	VIS Micro, Inc.	Transaction from ultimate parent company to subsidiary	Marketing expenses	\$ 96,945	-	-
		VIS Shanghai Company Limited Vanguard International Semiconductor Singapore Pte. Ltd.	Directly held subsidiary	Other payables to related parties	19,556	-	-
				Marketing expenses	654	-	-
		VisionPower Semiconductor Manufacturing Company Pte. Ltd.	Directly held subsidiary	Sales revenue	204,707	-	1
				Purchases	2,709	-	-
				Accounts receivable from related parties	43,665	-	-
				Other receivables from related parties	1,561,998	-	1
				Payables to related parties	1,958	-	-
				Interest income	44,225	-	-
				Other receivables from related parties	206,372	-	-
				Other payables to related parties	895	-	-
		Vanguard International Semiconductor Singapore Pte. Ltd.	VisionPower Semiconductor Manufacturing Company Pte. Ltd.	Transaction between two subsidiaries	Research and development expenses	3,098	-
	Rental income				3,373	-	-
			Other receivables from related parties	1,136	-	-	

Note: The trade term of the intercompany transactions was based on the related agreements.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING THE INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2025			Net Gain (Loss) of the Investee (Foreign Currencies in Thousands)	Investment Gain (Loss) Recognized (Foreign Currencies in Thousands)	Note
				September 30, 2025 (Foreign Currencies in Thousands)	December 31, 2024 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investments	\$ 5,675,691	\$ 5,675,691	184	100	\$ 6,964,403	\$ 249,562	\$ 249,562	Subsidiary
	Vanguard International Semiconductor Singapore Pte. Ltd.	Singapore	Semiconductor manufacturing, selling and packaging	9,105,342	9,105,342	400,000	100	3,214,909	(1,026,683)	(1,026,683)	Subsidiary
	VisionPower Semiconductor Manufacturing Company Pte. Ltd.	Singapore	Semiconductor manufacturing, selling and packaging	22,379,055 (Note)	6,741,144	523,200	60	21,868,564 (Note)	(139,845)	(83,907)	Subsidiary
	Qromis, Inc.	Delaware, USA	Semiconductor research and development related businesses	347,490	347,490	10,705	27	92,757	(88,728)	(23,833)	Investment accounted for using equity method
	Episil Technologies Inc.	Taiwan	Epitaxy wafer and wafer foundry service of power IC and analog IC	2,480,000	2,480,000	50,000	13	2,380,587	(574,962)	(87,268)	Investment accounted for using equity method
	Episil-Precision Inc.	Taiwan	Semiconductor manufacturing, selling and packaging	454	-	10	-	454	(26,062)	-	Investment accounted for using equity method
VIS Associates Inc.	VIS Investment Holding, Inc.	Delaware, USA	Investments	190,819 (US\$ 6,250)	204,800 (US\$ 6,250)	63	100	116,167 (US\$ 3,805)	6,268 (US\$ 201)	6,268 (US\$ 201)	Subsidiary
VIS Investment Holding, Inc.	VIS Micro, Inc.	California, USA	Marketing services	6,106 (US\$ 200)	6,554 (US\$ 200)	200	100	101,273 (US\$ 3,317)	7,845 (US\$ 253)	7,845 (US\$ 253)	Subsidiary

Note: Including prepaid investment of US\$196,000 thousand.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2025	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2025	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2025	Accumulated Repatriation of Investment Income as of September 30, 2025	Note
					Outflow	Inflow							
VIS Shanghai Company Limited	Marketing services	\$ 4,556 (RMB 1,000 thousand)	Note 1	\$ 4,556 (RMB 1,000 thousand)	\$ -	\$ -	\$ 4,556 (RMB 1,000 thousand)	\$ 396 (RMB 90 thousand)	100	\$ 396 (RMB 90 thousand)	\$ 4,629 (RMB 1,083 thousand)	\$ -	-

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2025	Investment Amount Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$4,556 (RMB1,000 thousand)	\$4,556 (RMB1,000 thousand)	\$42,905,008

Note 1: Directly invested.

Note 2: The amount was recognized based on the subsidiary's financial statements which were reviewed by the certified public account of parent company.

Note 3: The investment amount in mainland China authorized by Investment Commission, MOEA totaled \$523,570 thousand (RMB23,340 thousand and US\$15,000 thousand), of which \$519,014 thousand (RMB22,340 thousand and US\$15,000 thousand) is accounted for financial assets at FVTOCI, please refer to Table 2.

Note 4: Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China, the upper limit on the amount of investment stipulated is calculated based on either 60% of the equity attributable to owners of the Corporation or 60% of the consolidated net worth, including non-controlling interests, the higher prevails.

**Vanguard International Semiconductor
Corporation and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2024 and 2023 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2024 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No.10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

By

LEUH FANG
Chairman

February 24, 2025

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Vanguard International Semiconductor Corporation

Opinion

We have audited the accompanying consolidated financial statements of Vanguard International Semiconductor Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the consolidated financial statements of the Group for the year ended December 31, 2024, are described as follows:

Specific Revenue

1. The sales revenue of the Group is material to the Group. Refer to Note 25. Revenues generated from domestic and foreign shipments which are recognized at the point of ex-factory and are accounted for 100% of total revenue. In the revenue recognition process, sales personnel verify the shipment on the computer system, and the system automatically recognizes the sales revenue and issues an invoice. When the customers or their designated forwarders have withdrawn the goods, the warehouse personnel will sign off on handheld devices and transmit the information to the shipping system. The system automatically checks the goods withdrawn on a daily basis. For goods that are not withdrawn, the system will notify sales personnel for confirmation and delete the goods from the shipping list, and the sales revenue is reversed automatically and the invoice is cancelled.
2. Since the above process also consists of manual controls, there is a risk that revenue before and after the end of the reporting period may not be recognized in the appropriate period.
3. We reviewed the revenue recognition policy of the Group, assessed the reasonableness of the revenue recognition process, obtained an understanding of and tested the effectiveness of the design and implementation of internal controls related to the recognition of operating income, and verified the accuracy of the timing of sales revenue recognition as well as the monetary amount, and evaluated and confirmed that the risk and rewards of goods have been transferred.

Other Matter

We have also audited the parent company only financial statements of Vanguard International Semiconductor Corporation as of and for the years ended December 31, 2024 and 2023 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2024 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Feng Huang and Tung-Hui Yeh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2025

Notice to Readers

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

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

ASSETS	2024		2023		LIABILITIES AND EQUITY	2024		2023	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6 and 34)	\$ 57,819,705	39	\$ 27,698,809	27	Financial liabilities at fair value through profit or loss (Notes 4, 7 and 34)	\$ 1,098	-	\$ -	-
Financial assets at fair value through profit or loss (Notes 4, 7 and 34)	139,989	-	877,569	1	Contract liabilities (Notes 25 and 35)	7,224,787	5	6,167,517	6
Financial assets at amortized cost (Notes 4, 5, 9, 10 and 34)	5,913,812	4	7,329,860	7	Notes and accounts payable (Note 34)	1,416,135	1	972,190	1
Hedging financial assets (Notes 4, 6, 11 and 34)	2,875,507	2	2,143,633	2	Payables to related parties (Notes 34 and 35)	119	-	-	-
Notes and accounts receivable, net (Notes 4, 5, 12, 25 and 34)	5,820,406	4	5,387,197	5	Accrued compensation of employees and remuneration of directors (Notes 26 and 34)	1,826,283	1	1,818,740	2
Receivables from related parties (Notes 4, 5, 25, 34 and 35)	414,444	-	135,392	-	Payables to contractors and equipment suppliers (Note 34)	466,157	-	917,474	1
Other receivables (Notes 4 and 34)	1,656,102	1	501,676	1	Other payables (Notes 20 and 34)	4,287,456	3	4,073,759	4
Other receivables from related parties (Notes 4, 34 and 35)	4,464,640	3	8	-	Other payables to related parties (Notes 34, 35 and 37)	992,328	1	14,120	-
Inventories (Notes 4 and 13)	6,220,568	4	5,672,104	6	Current income tax liabilities (Notes 4 and 27)	1,288,527	1	2,214,455	2
Prepayments	697,918	1	208,025	-	Lease liabilities (Notes 4, 5, 17, 32 and 34)	245,456	-	224,842	-
Other current assets (Notes 19, 34 and 36)	188,088	-	124,382	-	Other current liabilities (Notes 21, 32 and 34)	3,626,896	2	3,704,126	3
Total current assets	86,211,179	58	50,078,655	49	Total current liabilities	21,375,242	14	20,107,223	19
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 34)	2,169,959	1	2,417,080	2	Contract liabilities (Notes 25 and 35)	27,256,837	19	10,444,291	10
Financial assets at amortized cost (Notes 4, 5, 9, 10 and 34)	2,717,337	2	6,464,886	6	Bonds payable (Notes 22, 32 and 34)	20,984,172	14	17,983,425	18
Investments accounted for using equity method (Notes 4, 5 and 15)	2,561,011	2	114,836	-	Deferred income tax liabilities (Notes 4 and 27)	1,454,349	1	1,052,730	1
Property, plant and equipment (Notes 4, 16 and 30)	44,141,376	30	36,603,877	36	Lease liabilities (Notes 4, 5, 17, 32 and 34)	3,426,154	2	2,213,686	2
Right-of-use assets (Notes 4, 5 and 17)	4,065,614	3	2,830,793	3	Net defined benefit liabilities (Notes 4 and 23)	255,863	-	302,690	-
Intangible assets (Notes 4 and 18)	3,234,620	2	265,142	-	Long-term payables to related parties (Notes 34, 35 and 37)	2,211,840	2	-	-
Deferred income tax assets (Notes 4 and 27)	2,105,565	1	1,669,814	2	Guarantee deposits (Notes 32, 34 and 35)	2,972,596	2	4,573,360	5
Refundable deposits (Notes 4 and 34)	5,524	-	4,262	-	Other non-current liabilities (Notes 21 and 34)	101,624	-	59,598	-
Other non-current assets (Notes 4, 19, 34 and 36)	1,493,517	1	2,000,698	2	Total non-current liabilities	58,663,435	40	36,629,780	36
Total non-current assets	62,494,523	42	52,371,388	51	Total liabilities	80,038,677	54	56,737,003	55
TOTAL ASSETS	\$ 148,705,702	100	\$ 102,450,043	100	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 8, 11, 24, 29 and 31)				
					Share capital	18,666,467	12	16,389,823	16
					Capital surplus	18,865,089	13	913,754	1
					Retained earnings				
					Legal reserve	9,782,965	7	9,041,949	9
					Unappropriated earnings	17,826,712	12	18,889,367	18
					Total retained earnings	27,609,677	19	27,931,316	27
					Other equity	(1,036,807)	(1)	478,147	1
					Total equity attributable to owners of the Company	64,104,426	43	45,713,040	45
					NON-CONTROLLING INTERESTS	4,562,599	3	-	-
					Total equity	68,667,025	46	45,713,040	45
					TOTAL LIABILITIES AND EQUITY	\$ 148,705,702	100	\$ 102,450,043	100

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 17, 25 and 35)	\$ 44,054,762	100	\$ 38,272,570	100
COST OF REVENUE (Notes 4, 13, 26, 30, 35 and 38)	<u>32,121,848</u>	<u>73</u>	<u>27,826,556</u>	<u>73</u>
GROSS PROFIT	<u>11,932,914</u>	<u>27</u>	<u>10,446,014</u>	<u>27</u>
OPERATING EXPENSES (Notes 26, 30 and 35)				
Marketing	448,957	1	382,140	1
General and administrative	2,291,399	5	2,138,995	5
Research and development	<u>2,081,171</u>	<u>5</u>	<u>2,150,693</u>	<u>6</u>
Total operating expenses	<u>4,821,527</u>	<u>11</u>	<u>4,671,828</u>	<u>12</u>
OPERATING INCOME	<u>7,111,387</u>	<u>16</u>	<u>5,774,186</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Interest income (Note 26)	2,013,377	5	1,683,371	5
Dividend income (Notes 8 and 26)	34,785	-	28,873	-
Other income (Notes 30 and 35)	19,620	-	27,001	-
Gain on disposal of property, plant and equipment	867	-	23,456	-
Gains on disposal of investments (Note 15)	-	-	1,490,064	4
Net foreign exchange (loss) gain	(28,794)	-	18,275	-
Gain on financial assets and liabilities at fair value through profit or loss (Note 26)	13,166	-	32,429	-
Interest expense (Notes 5 and 26)	(348,113)	(1)	(238,174)	(1)
Share of loss of associates and joint ventures accounted for using equity method (Note 15)	<u>(63,990)</u>	<u>-</u>	<u>(5,708)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,640,918</u>	<u>4</u>	<u>3,059,587</u>	<u>8</u>
INCOME BEFORE INCOME TAX	8,752,305	20	8,833,773	23
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(1,705,097)</u>	<u>(4)</u>	<u>(1,463,699)</u>	<u>(4)</u>
NET INCOME	<u>7,047,208</u>	<u>16</u>	<u>7,370,074</u>	<u>19</u>

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 4 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 23)	\$ 11,858	-	\$ 40,090	-
Unrealized loss (gain) on investments in equity instruments at fair value through other comprehensive income	(247,121)	(1)	113,097	-
(Loss) gain on hedging instruments (Note 11)	(38,414)	-	(11,615)	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 15)	2,295	-	95	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	1,108,265	3	245,172	1
Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 15)	124	-	-	-
Total other comprehensive income	<u>837,007</u>	<u>2</u>	<u>386,839</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 7,884,215</u>	<u>18</u>	<u>\$ 7,756,913</u>	<u>20</u>
NET INCOME ATTRIBUTABLE TO				
Owners of the Corporation	\$ 7,046,424	16	\$ 7,370,074	19
Non-controlling interests	<u>784</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,047,208</u>	<u>16</u>	<u>\$ 7,370,074</u>	<u>19</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owner of the Corporation	\$ 7,809,292	18	\$ 7,756,913	20
Non-controlling interests	<u>74,923</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,884,215</u>	<u>18</u>	<u>\$ 7,756,913</u>	<u>20</u>

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 4.21</u>		<u>\$ 4.50</u>	
Diluted	<u>\$ 4.16</u>		<u>\$ 4.43</u>	

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

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity				Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Unearned Employee Compensation	Non-controlling Interests	
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2023	\$ 16,389,823	\$ 914,062	\$ 7,501,254	\$ 1,987,531	\$ 18,407,787	\$ (27,744)	\$ 122,180	\$ 55,611	\$ -	\$ -	\$ 45,350,504
Appropriation of prior year's earnings											
Legal reserve	-	-	1,540,695	-	(1,540,695)	-	-	-	-	-	-
Cash dividends - 45%	-	-	-	-	(7,375,420)	-	-	-	-	-	(7,375,420)
Reversal of special reserve	-	-	-	(1,987,531)	1,987,531	-	-	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using equity method	-	(4,414)	-	-	-	-	-	-	-	-	(4,414)
Other changes in capital surplus	-	247	-	-	-	-	-	-	-	-	247
Disposal of investments accounted for using equity method	-	3,859	-	-	-	-	-	-	-	-	3,859
Net income for the year ended December 31, 2023	-	-	-	-	7,370,074	-	-	-	-	-	7,370,074
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	40,090	245,172	113,192	(11,615)	-	-	386,839
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	7,410,164	245,172	113,192	(11,615)	-	-	7,756,913
Loss on hedging instruments transferred to initial cost of hedged items	-	-	-	-	-	-	-	(18,649)	-	-	(18,649)
BALANCE AT DECEMBER 31, 2023	16,389,823	913,754	9,041,949	-	18,889,367	217,428	235,372	25,347	-	-	45,713,040
Appropriation of prior year's earnings											
Legal reserve	-	-	741,016	-	(741,016)	-	-	-	-	-	-
Cash dividends - 45%	-	-	-	-	(7,375,420)	-	-	-	-	-	(7,375,420)
Changes in capital surplus from investments in associates and joint ventures accounted for using equity method	-	20,267	-	-	-	-	-	-	-	-	20,267
Other changes in capital surplus	-	241	-	-	-	-	-	-	-	-	241
Capital increase in cash	2,000,000	15,964,208	-	-	-	-	-	-	-	-	17,964,208
Share-based payment	276,644	1,966,619	-	-	-	-	-	-	(2,243,323)	-	(60)
Changes in ownership interest in subsidiaries	-	-	-	-	(6,874)	-	-	-	-	6,874	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	4,474,400	4,474,400
Net income for the year ended December 31, 2024	-	-	-	-	7,046,424	-	-	-	-	784	7,047,208
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	14,231	995,260	(247,199)	576	-	74,139	837,007
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	7,060,655	995,260	(247,199)	576	-	74,923	7,884,215
Loss on hedging instruments transferred to initial cost of hedged items	-	-	-	-	-	-	-	(20,268)	-	6,402	(13,866)
BALANCE AT DECEMBER 31, 2024	\$ 18,666,467	\$ 18,865,089	\$ 9,782,965	\$ -	\$ 17,826,712	\$ 1,212,688	\$ (11,827)	\$ 5,655	\$ (2,243,323)	\$ 4,562,599	\$ 68,667,025

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,752,305	\$ 8,833,773
Adjustments for:		
Depreciation	8,466,843	7,728,903
Amortization	155,178	123,185
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(9,940)	25,846
Interest expense	348,113	238,174
Interest income	(2,013,377)	(1,683,371)
Dividend income	(34,785)	(28,873)
Share - based payment	370,800	-
Share of loss of associates and joint ventures	63,990	5,708
Gain on disposal of property, plant and equipment	(867)	(23,456)
Gain on disposal of investments accounted for using equity method	-	(1,490,064)
Net gain on foreign exchange	(200,370)	(103,582)
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	31,260	(17,678)
Notes and accounts receivable	(1,574,777)	(1,390,025)
Receivables from related parties	(279,052)	201,313
Other receivables	(1,188,839)	7,178
Other receivables from related parties	(394,632)	(8)
Inventories	(548,464)	208,048
Prepayments	37,060	(46,498)
Other current assets	117,950	181
Financial liabilities held for trading	1,098	(2,070)
Contract liabilities	12,861,788	(637,805)
Notes and accounts payable	443,945	(404,622)
Payable to related parties	119	-
Other payables	172,662	(976,519)
Other payables to related parties	240,928	13,161
Other current liabilities	6,682	835,833
Net defined benefit liabilities	(34,969)	(30,023)
Accrued compensation of employees and remuneration of directors	7,543	(1,579,035)
Cash generated from operations	<u>25,798,192</u>	<u>9,807,674</u>
Interest received	1,876,402	1,422,983
Interest paid	(298,975)	(204,729)
Income tax paid	<u>(2,644,558)</u>	<u>(2,394,419)</u>
Net cash generated from operating activities	<u>24,731,061</u>	<u>8,631,509</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	-	(242,952)
Acquisitions of financial assets at amortized cost	(1,558,399)	(4,933,811)
Proceeds from redemption of financial assets at amortized cost	7,679,013	3,149,941
Acquisitions of financial assets at fair value through profit or loss	(710,601)	(1,138,140)
Proceeds from disposal of financial assets at fair value through profit or loss	1,426,861	1,133,782
Acquisition of investments accounted for using equity method	(2,480,000)	-

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
Proceeds from disposal of investments accounted for using equity method	\$ -	\$ 405,181
Acquisitions of property, plant and equipment	(15,908,715)	(6,778,835)
Proceeds from disposal of property, plant and equipment	867	40,040
(Increase) decrease in refundable deposits	(1,262)	662
Acquisitions of intangible assets	(29,210)	(121,257)
Acquisition of right-of-use assets	(1,595)	-
(Increase) decrease in other non-current assets	(150,262)	96,674
Dividends received	<u>34,785</u>	<u>28,873</u>
Net cash used in investing activities	<u>(11,698,518)</u>	<u>(8,359,842)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds	3,000,000	6,000,000
Increase in guarantee deposits	60,422	244,981
Repayment of the principal portion of lease liabilities	(218,931)	(221,145)
Cash dividends	(7,375,420)	(7,375,420)
Capital increase in cash	17,600,000	-
Changes in non-controlling interests	4,474,400	-
Payments for transaction costs attributable to the issuance of ordinary shares	(6,652)	-
Payments for transaction costs attributable to the issuance of bonds	(4,342)	(7,347)
Unclaimed dividends	<u>241</u>	<u>247</u>
Net cash generated from (used in) financing activities	<u>17,529,718</u>	<u>(1,358,684)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>290,509</u>	<u>72,176</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,852,770	(1,014,841)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>29,842,442</u>	<u>30,857,283</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 60,695,212</u>	<u>\$ 29,842,442</u>

RECONCILIATION BETWEEN BALANCE SHEETS AND STATEMENTS OF CASH FLOWS

	<u>December 31</u>	
	2024	2023
Cash and cash equivalents in the consolidated balance sheets	\$ 57,819,705	\$ 27,698,809
Cash and cash equivalents included in hedging financial assets	<u>2,875,507</u>	<u>2,143,633</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u><u>\$ 60,695,212</u></u>	<u><u>\$ 29,842,442</u></u>

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

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Vanguard International Semiconductor Corporation (the “Corporation”) was incorporated in Hsinchu Science Park in December 1994 and commenced business in January 1995. The Corporation engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

The Corporation’s shares have been traded over the counter on the Taipei Exchange since March 25, 1998.

The functional currency of the Corporation is the New Taiwan dollar. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Corporation’s Board of Directors on February 24, 2025.

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

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

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Corporation and entities controlled by the Corporation (collectively referred to as the “Group”).

- b. The IFRS Accounting Standards issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2025

<u>New, Revised and Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note)

Note: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. New IFRS Accounting Standards issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note)</u>
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"	January 1, 2026
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	January 1, 2027

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

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will supersede IAS 1 "Presentation of Financial Statements". The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as "other" only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the other impacts of the above amended standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value.

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 14, Tables 8 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and the Group's entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Corporation and non-controlling interests as appropriate.

f. Inventories

Inventories consist of raw materials, supplies and spare parts, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of investment and is not amortized.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of the equity of associates. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the aggregate of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

j. Impairment of property, plant and equipment, right-of-use asset, and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include derivative financial assets.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 34.

ii. Financial assets at amortized cost

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

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, investment in debt instruments, notes and accounts receivables, other receivables, refundable deposits and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Financial assets are credit impaired when the issuer or debtor experiences significant financial difficulties or default, and the debtor is likely to claim bankruptcy or undergoes financial reorganization, or the active market for financial assets disappears due to financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime ECL for trade receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date.

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

For internal credit risk management purposes, the Group considers financial assets in default when internal or external information shows that the debtor will not be able to repay, without considering the collateral held by the Group.

The Group recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

c) Derecognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 34.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and currency-swap contracts.

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

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

1. Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivative in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments and forecasted transaction are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged items affect profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sales of goods is mainly recognized when a customer obtains control of the promised assets, that is, at which time the goods are delivered to the designated location and the performance obligations are satisfied.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leasing

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

o. Government grants

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

Government grants are recognized as a reduction of the related costs/in other income on a systematic basis over the periods in which the Group recognizes expenses for the related costs that the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting method required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

q. Share-based payment arrangements

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefits.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

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

The grant date of the issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

r. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Group considers the possible impact of the inflation and interest rate fluctuations volatility in markets on the cash flows, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Material Accounting Judgments

a. Significant influence over associates

The Group has significant influence over an investee even though the Group holds less than 20% of the voting rights of the investee.

As stated in Note 15, several companies are associates of the Group although the Group holds less than 20% of the voting rights of each of these companies. The Group has significant influence over these companies by virtue of the right to appoint and remove directors from the board of directors of these companies.

b. Lease terms

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occurs.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions on probability of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 10 and 12. Furthermore, the estimate of the probability of default is subject to greater uncertainties due to the impact on credit risk of financial assets arising from the uncertain impact and volatility in financial markets caused by inflation and interest rate fluctuations.

b. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2024	2023
Bank deposits	\$ 37,273,678	\$ 18,299,971
Cash equivalents		
Commercial paper	15,298,700	6,280,890
Bonds acquired under repurchase agreements	5,247,327	3,071,306
Financial instruments with fixed income matured in 3 months	<u>-</u>	<u>46,642</u>
	<u>\$ 57,819,705</u>	<u>\$ 27,698,809</u>

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

	<u>December 31</u>	
	2024	2023
Bank deposits	0%-4.96%	0%-5.95%
Commercial paper	1.76%-5.15%	1.43%-5.88%
Bonds acquired under repurchase agreements	1.55%-5.00%	1.42%-5.70%
Financial instruments with fixed income matured in 3 months	-	3.93%

As of December 31, 2024 and 2023, the amount of foreign currency bank deposits of \$2,875,507 thousand and \$2,143,633 thousand, respectively, are designated as a hedging instrument to avoid foreign currency risk and are classified as a hedging financial asset, refer to Note 11.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative instruments (not designated for hedging)		
Forward exchange contracts (a)	\$ -	\$ 31,260
Hybrid instruments		
Credit linked notes (b)	<u>139,989</u>	<u>846,309</u>
Financial assets at FVTPL - current	<u>\$ 139,989</u>	<u>\$ 877,569</u>
<u>Financial liabilities held for trading</u>		
Derivative instruments (not designated for hedging)		
Forward exchange contracts (a)	<u>\$ 1,098</u>	<u>\$ -</u>
Financial liabilities at FVTPL - current	<u>\$ 1,098</u>	<u>\$ -</u>

- a. At the end of the reporting period, outstanding forward exchange contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2024</u>			
Sell forward exchange contracts	USD to SGD	2025.03.24	US\$ 3,000
Sell forward exchange contracts	USD to NTD	2025.01.24-2025.02.03	US\$ 20,000
<u>December 31, 2023</u>			
Sell forward exchange contracts	USD to SGD	2024.01.16-2024.03.27	US\$ 28,500
Sell forward exchange contracts	USD to NTD	2024.01.02-2024.02.15	US\$ 11,000

- b. The Group entered into structured investment contracts with the bank in 2024 and 2023, respectively. The structured investment contracts included embedded derivative instruments which were not closely related to the host contracts. The entire contract should be assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity Instruments	December 31	
	2024	2023
Domestic investments		
Listed shares	\$ 44,100	\$ 45,150
Emerging market shares	999,128	1,182,400
Unlisted shares	211,964	192,942
Foreign investments		
Unlisted shares	<u>914,767</u>	<u>996,588</u>
Financial assets at FVTOCI - non-current	<u>\$ 2,169,959</u>	<u>\$ 2,417,080</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Dividends from equity investments held at the reporting date were \$34,785 thousand and \$28,873 thousand for the years ended December 31, 2024 and 2023, respectively.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2024	2023
<u>Current</u>		
Foreign investments		
Corporate bonds	\$ 5,913,812	\$ 6,786,070
Negotiable certificate of deposit	<u>-</u>	<u>543,790</u>
	<u>\$ 5,913,812</u>	<u>\$ 7,329,860</u>
<u>Non-current</u>		
Foreign investments		
Corporate bonds	<u>\$ 2,717,337</u>	<u>\$ 6,464,886</u>

At the end of the date, corporate bonds bought by the Company were as follows:

	December 31	
	2024	2023
Purchase amount (in thousands)	US\$ 266,550	US\$ 439,000
Coupon rate	0.75%-5.90%	0.63%-5.90%
Effective interest rate	4.40%-6.50%	0.60%-6.50%

Please refer to Note 10 for information relating to their credit risk management and assessment of impairment.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost were as follows:

	December 31	
	2024	2023
Gross carrying amount	\$ 8,631,149	\$ 13,794,746
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 8,631,149</u>	<u>\$ 13,794,746</u>

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group continues to review the changes in bond yields and other publicly available information and makes an assessment whether there has been a significant increase in credit risk since the initial recognition to the reporting date.

In determining the 12-months ECLs for debt instrument investments, the Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries.

The Group's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing ECLs
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates were as follows:

	December 31	
	2024	2023
Category	Performing	Performing
Expected loss rate	0%	0%
Gross carrying amount		
At amortized cost	<u>\$ 8,631,149</u>	<u>\$ 13,794,746</u>

11. HEDGING FINANCIAL ASSETS

	December 31	
	2024	2023
<u>Current hedging financial assets</u>		
Cash flow hedge		
Hedging of foreign currency deposits	<u>\$ 2,875,507</u>	<u>\$ 2,143,633</u>

In order to manage the cash flow risk resulting from exchange rate fluctuations of commitment to equipment purchasing, the Group designated the foreign currency deposits as hedging instruments. When forecast purchases actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

As the hedge for commitment of equipment purchasing, the carry amount of the foreign currency deposits is based on the terms of relative hedged items. The Group qualitatively assessed the effectiveness and considered that the value of foreign currency deposits have a negative correlation with the value of the corresponding hedged items in response to the movements of the underlying exchange rates.

The source of hedge ineffectiveness in these hedging relationships is driven by the effect the counterparty's credit risk on the fair value of hedging instruments. This credit risk will not affect the fair value changes hedged transaction due to exchange rate changes and the changes in the timing of the hedged transaction. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables summarize the information relating to the hedges of foreign currency risk:

December 31, 2024

Hedging Instrument/ Hedged Item	Amount (In Thousands)	Line Item in Balance Sheet	Carrying Amount	
			Asset	Liability
Cash flow hedge				
Hedging of foreign currency deposits/committed equipment purchase	JYP 1,755,770	Current hedging financial assets	\$ 367,962	\$ -
	US\$ 31,259	Current hedging financial assets	1,024,302	-
	EUR 26,265	Current hedging financial assets	896,033	-
	SGD 24,350	Current hedging financial assets	587,210	-

Hedging Instrument/ Hedged Item	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
			Continuing Hedges	Discounting Hedges
Cash flow hedge				
Hedging of foreign currency deposits/committed equipment purchase	\$ (38,414)	\$ 38,414	\$ (26,933)	\$ -

For the year ended December 31, 2024

Comprehensive Income	Hedging Gain (Loss) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit and Loss	Line Item of Ineffectiveness	Amount from Equity Reclassified to Profit and Loss	
				Due to Hedged Item Affecting Profit and Loss	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge					
Committed equipment purchase	\$ (38,414)	\$ -	-	\$ -	\$ -

December 31, 2023

Hedging Instrument/ Hedged Item	Amount (In Thousands)	Line Item in Balance Sheet	Carrying Amount	
			Asset	Liability
Cash flow hedge Hedging of foreign currency deposits/committed equipment purchase	US\$ 69,718	Current hedging financial assets	\$ 2,143,633	\$ -

Hedging Instrument/ Hedged Item	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
			Continuing Hedges	Discounting Hedges
Cash flow hedge Hedging of foreign currency deposits/committed equipment purchase	\$ (11,615)	\$ 11,615	\$ 25,347	\$ -

For the year ended December 31, 2023

Comprehensive Income	Hedging Gain (Loss) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit and Loss	Line Item of Ineffectiveness	Amount from Equity Reclassified to Profit and Loss	
				Due to Hedged Item Affecting Profit and Loss	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge Committed equipment purchase	\$ (11,615)	\$ -	-	\$ -	\$ -

12. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2024	2023
<u>Notes and accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 5,821,137	\$ 5,387,928
Less: Allowance for impairment loss	<u>(731)</u>	<u>(731)</u>
	<u>\$ 5,820,406</u>	<u>\$ 5,387,197</u>

At Amortized Cost

The average credit period on sales of goods is 30 to 60 days after month closing. No interest was charged on notes and accounts receivable. Because the discounted effect of accounts receivable was not significant, it was measured by the original invoice amount. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach prescribed by IFRS 9 which permits the use of lifetime ECL as the provision loss of trade receivables. The lifetime ECLs are estimated using a provision matrix approach considering the debtors' past default experience, the debtors' current financial position, economic condition of the industry as well as the forecasted GDP and industry outlook. As the Group's historical experience shows no significant difference on individual customer, the Group's provision matrix does not distinguish different customer base. The expected credit loss rates are estimated based on past due days of the trade receivables.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2024

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 5,800,283	\$ 7,808	\$ 110	\$ 12,936	\$ 5,821,137
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(731)</u>	<u>(731)</u>
Amortized cost	<u>\$ 5,800,283</u>	<u>\$ 7,808</u>	<u>\$ 110</u>	<u>\$ 12,205</u>	<u>\$ 5,820,406</u>

December 31, 2023

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 5,303,458	\$ 60,805	\$ 6,628	\$ 17,037	\$ 5,387,928
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(731)</u>	<u>(731)</u>
Amortized cost	<u>\$ 5,303,458</u>	<u>\$ 60,805</u>	<u>\$ 6,628</u>	<u>\$ 16,306</u>	<u>\$ 5,387,197</u>

The movement of the loss allowance of accounts receivables were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Balance at the beginning and at the end of year	<u>\$ 731</u>	<u>\$ 731</u>

13. INVENTORIES

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Finished goods	\$ 631,393	\$ 1,389,606
Work in process	2,700,218	1,548,279
Raw materials	1,372,120	1,338,283
Supplies and spare parts	<u>1,516,837</u>	<u>1,395,936</u>
	<u>\$ 6,220,568</u>	<u>\$ 5,672,104</u>

Cost of revenue, write-downs of inventory and unallocated manufacturing overhead included in the cost of revenue were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Cost of revenue	<u>\$ 32,121,848</u>	<u>\$ 27,826,556</u>
(Reversal of) provision of inventory valuation and obsolescence loss	<u>\$ (213,096)</u>	<u>\$ 654,579</u>
Unallocated manufacturing overhead	<u>\$ 2,926,490</u>	<u>\$ 4,487,862</u>

Provision of inventory valuation and obsolescence loss were reversed because factors causing net realizable value below cost were improved.

14. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	<u>Proportion of Ownership</u>	
			<u>2024</u>	<u>2023</u>
Vanguard International Semiconductor Corporation	VIS Associates Inc.	Investments	100%	100%
Vanguard International Semiconductor Corporation	VIS Shanghai Company Limited	Marketing services	100%	100%
Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Manufacturing, selling and packaging	100%	100%
Vanguard International Semiconductor Corporation	VisionPower Semiconductor Manufacturing Company Pte. Ltd. (former name: Vanguard Power Electronics Singapore Pte. Ltd.)	Manufacturing, selling and packaging	60%	-
VIS Associates Inc.	VIS Investment Holding, Inc.	Investments	100%	100%
VIS Investment Holding, Inc.	VIS Micro, Inc.	Marketing services	100%	100%

On January 30, 2024, for the purpose of satisfying the demands of business expansion, the Corporation established a subsidiary, Vanguard Power Electronics Singapore Pte. Ltd. (VPES), in Singapore. On June 5, 2024, the Corporation announced the joint venture with NXP Semiconductors and changed VPES's name to VisionPower Semiconductor Pte. Ltd. (VSMC) to build a 300mm semiconductor wafer manufacturing facility. The joint venture fab will support mixed-signal, power management and analog products, targeting the automotive, industrial, consumer and mobile end markets. For the advance application and preparatory works, the Corporation has injected US\$45,000 thousand, owning 100% of the equity on September 4, 2024; the relevant regulatory authorities have been approved; and the joint venture agreement is signed. On December 31, 2024, VSMC's capital was US\$350,000 thousand, and the Company's shareholding ratio was reduced to 60%, and the net investment equity value that was not reduced by the capital increase in proportion to the shareholding ratio was adjusted to reduce the retained surplus.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	<u>December 31</u>	
	2024	2023
<u>Material associate</u>		
Episil Technologies Inc.	\$ 2,456,121	\$ -
<u>Associates individually immaterial</u>		
CMSC, Inc.	-	-
Qromis, Inc.	<u>104,890</u>	<u>114,836</u>
	<u>\$ 2,561,011</u>	<u>\$ 114,836</u>

a. Material associate

Name of Associate	Nature of Activities	Principal Place of P Business	<u>Proportion of Ownership and Voting Rights</u>	
			<u>December 31</u> 2024	<u>December 31</u> 2023
Episil Technologies Inc.	Epitaxy wafer and wafer foundry service of power IC and analog IC	Taiwan	13%	-

The market prices of the associates' ownership held by the Company in publicly traded stocks calculated by the closing price are summarized as follows:

The closing price represents the quoted price in active markets, the level 1 fair value measurement.

Name of Associate	<u>December 31</u>	
	2024	2023
Episil Technologies Inc.	<u>\$ 2,482,500</u>	<u>\$ -</u>

In September 2024, the Group subscribed for 50,000 thousand ordinary shares of Episil Technologies Inc. for a cash fee of \$2,480,000 thousand, with a shareholding ratio of 13% after the private placement, making it the second largest shareholder of the Company and holding a seat on the board of directors, so it has a significant impact on the Company. The ordinary shares are not transferable for a period of three years in accordance with the relevant laws and regulations. Included in the cost of investment in associates is a goodwill of \$1,349,769 thousand recognized from the acquisition of Episil Technologies Inc.

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRS Accounting Standards adjusted by the Group for equity accounting purposes.

Episil Technologies Inc.

	December 31, 2024
Current assets	\$ 8,188,524
Non-current assets	5,726,080
Current liabilities	(3,046,341)
Non-current liabilities	<u>(1,242,342)</u>
Equity	9,625,921
Non-controlling interests	<u>(2,110,860)</u>
	<u>\$ 7,515,061</u>
Proportion of the Group's ownership	13%
Equity attributable to the Group	\$ 980,715
Goodwill	1,349,769
Unamortized expenses	<u>125,637</u>
Carrying amount	<u>\$ 2,456,121</u>
	For the Year Ended December 31 2024
Revenue	<u>\$ 5,816,920</u>
Net loss attributable to owner of the corporation	\$ (525,290)
Other comprehensive income attributable to owner of the corporation	<u>13,962</u>
Total comprehensive income attributable to owner of the corporation	<u>\$ (511,328)</u>
The corporation recognizes investment losses	<u>\$ (26,662)</u>
The corporation recognizes other comprehensive income	<u>\$ 2,418</u>

Please refer to Table 8 "Information on Investees" for the nature of business, principal place of business and country of incorporation of the associates.

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2024	2023
The Corporation's share of		
Net loss from continuing operations	\$ (37,328)	\$ (5,708)
Other comprehensive loss	<u>-</u>	<u>95</u>
Total comprehensive loss for the year ended December 31	<u>\$ (37,328)</u>	<u>\$ (5,613)</u>

In November of 2023, the Group disposed 2,030 thousand shares of CMSC Inc. (“CMSC”) accompanying by the disposal gain of \$382,228 thousand. After the disposal, the Company’s ownership percentage decreased to 12.9% and lost its significant influence over CMSC. The Group derecognized investments accounted for using equity method at carrying amount on that day, and the investment was remeasured at fair value and was recognized in the “financial assets at fair value through other comprehensive income”. Accordingly, the differences were recognized as gain on disposal of investments in the amount of \$1,107,836 thousand.

16. PROPERTY, PLANT AND EQUIPMENT

	December 31					
	2024			2023		
Assets used by the Group	<u>\$ 44,141,376</u>			<u>\$ 36,603,877</u>		
	Assets Used by the Group					
	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Assets Subject to Operating Leases Buildings	Total
Cost						
Balance at January 1, 2024	\$ 22,423,980	\$ 94,037,768	\$ 868,477	\$ 11,064,925	\$ -	\$ 128,395,150
Additions	1,363,848	2,320,727	25,630	11,747,193	-	15,457,398
Disposal	-	(31,939)	(5,752)	-	-	(37,691)
Reclassification	578,143	4,724,660	2,129	(5,443,566)	-	(138,634)
Translation adjustments	26,795	311,944	1,003	299,525	-	639,267
Balance at December 31, 2024	<u>\$ 24,392,766</u>	<u>\$ 101,363,160</u>	<u>\$ 891,487</u>	<u>\$ 17,668,077</u>	<u>\$ -</u>	<u>\$ 144,315,490</u>
Accumulated depreciation						
Balance at January 1, 2024	\$ 16,342,100	\$ 74,686,391	\$ 579,261	\$ -	\$ -	\$ 91,607,752
Depreciation	930,864	7,163,643	85,406	-	-	8,179,913
Disposal	-	(31,939)	(5,752)	-	-	(37,691)
Translation adjustments	7,431	232,496	692	-	-	240,619
Balance at December 31, 2024	<u>\$ 17,280,395</u>	<u>\$ 82,050,591</u>	<u>\$ 659,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,990,593</u>
Accumulated impairment						
Balance at January 1, 2024 and December 31, 2024	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,521</u>
Carrying amount at December 31, 2024	<u>\$ 7,112,371</u>	<u>\$ 19,129,048</u>	<u>\$ 231,880</u>	<u>\$ 17,668,077</u>	<u>\$ -</u>	<u>\$ 44,141,376</u>
Cost						
Balance at January 1, 2023	\$ 20,281,470	\$ 87,980,335	\$ 729,227	\$ 13,047,172	\$ 1,037,160	\$ 123,075,364
Additions	925,134	2,128,768	110,605	2,303,921	-	5,468,428
Disposal	(17,833)	(336,414)	(475)	-	-	(354,722)
Reclassification	1,220,103	4,079,871	28,734	(4,288,911)	(1,037,160)	2,637
Translation adjustments	15,106	185,208	386	2,743	-	203,443
Balance at December 31, 2023	<u>\$ 22,423,980</u>	<u>\$ 94,037,768</u>	<u>\$ 868,477</u>	<u>\$ 11,064,925</u>	<u>\$ -</u>	<u>\$ 128,395,150</u>
Accumulated depreciation						
Balance at January 1, 2023	\$ 14,573,534	\$ 68,430,883	\$ 499,832	\$ -	\$ 883,389	\$ 84,387,638
Depreciation	898,989	6,469,497	79,661	-	-	7,448,147
Disposal	(16,871)	(320,792)	(475)	-	-	(338,138)
Reclassification	883,389	-	-	-	(883,389)	-
Translation adjustments	3,059	106,803	243	-	-	110,105
Balance at December 31, 2023	<u>\$ 16,342,100</u>	<u>\$ 74,686,391</u>	<u>\$ 579,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,607,752</u>
Accumulated impairment						
Balance at January 1, 2023 and December 31, 2023	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,521</u>
Carrying amount at December 31, 2023	<u>\$ 6,081,880</u>	<u>\$ 19,167,856</u>	<u>\$ 289,216</u>	<u>\$ 11,064,925</u>	<u>\$ -</u>	<u>\$ 36,603,877</u>

The Group leases a part of building subject to operating lease from January 2020 to March 2025. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods. The Group terminated the lease contract early on December 31, 2022 due to operational needs and started to self-use the aforementioned building from 2023.

The Group did not recognize or reverse impairment loss for the years ended December 31, 2024 and 2023.

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

Buildings	
Main plants	20 years
Mechanical and electrical power equipment	10 years
Clean rooms	10 years
Machinery and equipment	5 years
Other equipment	5 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2024	\$ 2,055,836	\$ 1,806,463	\$ 586	\$ 18,641	\$ 3,881,526
Additions	1,400,627	25,215	4,289	6,255	1,436,386
Lease expired	(627)	(37,882)	(586)	(1,935)	(41,030)
Lease revised	13,253	8,546	-	-	21,799
Translation adjustments	43,331	34,814	-	141	78,286
Balance at December 31, 2024	<u>\$ 3,512,420</u>	<u>\$ 1,837,156</u>	<u>\$ 4,289</u>	<u>\$ 23,102</u>	<u>\$ 5,376,967</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2024	\$ 674,970	\$ 366,438	\$ 562	\$ 8,763	\$ 1,050,733
Depreciation	159,655	119,959	1,574	5,742	286,930
Capitalization of expenses	3,850	-	-	-	3,850
Lease expired	(627)	(37,882)	(586)	(1,935)	(41,030)
Translation adjustments	4,654	6,132	-	84	10,870
Balance at December 31, 2024	<u>\$ 842,502</u>	<u>\$ 454,647</u>	<u>\$ 1,550</u>	<u>\$ 12,654</u>	<u>\$ 1,311,353</u>
Carrying amount at December 31, 2024	<u>\$ 2,669,918</u>	<u>\$ 1,382,509</u>	<u>\$ 2,739</u>	<u>\$ 10,448</u>	<u>\$ 4,065,614</u>
<u>Cost</u>					
Balance at January 1, 2023	\$ 2,005,257	\$ 1,767,086	\$ 586	\$ 18,499	\$ 3,791,428
Additions	4,321	9,861	-	7,475	21,657
Lease expired	(9,963)	(5,976)	-	(7,440)	(23,379)
Lease revised	42,884	15,007	-	-	57,891
Translation adjustments	13,337	20,485	-	107	33,929
Balance at December 31, 2023	<u>\$ 2,055,836</u>	<u>\$ 1,806,463</u>	<u>\$ 586</u>	<u>\$ 18,641</u>	<u>\$ 3,881,526</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ 527,741	\$ 249,367	\$ 269	\$ 11,069	\$ 788,446
Depreciation	155,049	120,362	293	5,052	280,756
Lease expired	(9,963)	(5,976)	-	(7,440)	(23,379)
Translation adjustments	2,143	2,685	-	82	4,910
Balance at December 31, 2023	<u>\$ 674,970</u>	<u>\$ 366,438</u>	<u>\$ 562</u>	<u>\$ 8,763</u>	<u>\$ 1,050,733</u>
Carrying amount at December 31, 2023	<u>\$ 1,380,866</u>	<u>\$ 1,440,025</u>	<u>\$ 24</u>	<u>\$ 9,878</u>	<u>\$ 2,830,793</u>

The Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2024 and 2023.

b. Lease liabilities

	December 31	
	2024	2023
<u>Carrying amount</u>		
Current	<u>\$ 245,456</u>	<u>\$ 224,842</u>
Non-current	<u>\$ 3,426,154</u>	<u>\$ 2,213,686</u>

Range of discount rates for lease liabilities were as follows:

	December 31	
	2024	2023
Land	1.3%-5.8%	1.3%-4.8%
Buildings	1.3%-6.6%	1.3%-6.6%
Machinery and equipment	2.8%-2.9%	1.6%
Other equipment	1.3%-6.8%	1.3%-6.8%

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants, offices and parking lots with the lease period is 1 to 30 years. During the period of land lease, the rental may be adjusted according to the contract. Upon termination of the lease period, the Group has no right to purchase the leased land and buildings.

d. Subleases

The Group subleases its leasehold land under operating leases with lease term of 3 years. This lease expired on August 26, 2023.

For the year ended 2023, the right-of-use assets for subleases revenue were \$1,260 thousand, presented in other income.

e. Other lease information

	For the Year Ended December 31	
	2024	2023
Expenses relating to short-term leases	<u>\$ 7,314</u>	<u>\$ 18,143</u>
Expenses relating to low-value asset leases	<u>\$ 61</u>	<u>\$ 69</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>	<u>\$ 919</u>
Total cash outflow for leases	<u>\$ 315,981</u>	<u>\$ 328,105</u>

The Group leases certain buildings, machinery and equipment qualify as short-term leases, and certain other equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

18. INTANGIBLE ASSETS

	Computer Software	Technological Assets	Total
<u>Cost</u>			
Balance at January 1, 2024	\$ 1,171,587	\$ 285,926	\$ 1,457,513
Additions	29,129	2,908,341	2,937,470
Reclassification	(1,999)	140,633	138,634
Translation adjustments	<u>3,456</u>	<u>54,141</u>	<u>57,597</u>
Balance at December 31, 2024	<u>\$ 1,202,173</u>	<u>\$ 3,389,041</u>	<u>\$ 4,591,214</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2024	\$ 963,631	\$ 228,740	\$ 1,192,371
Amortization	96,251	58,927	155,178
Translation adjustments	<u>1,052</u>	<u>7,993</u>	<u>9,045</u>
Balance at December 31, 2024	<u>\$ 1,060,934</u>	<u>\$ 295,660</u>	<u>\$ 1,356,594</u>
Carrying amount at December 31, 2024	<u>\$ 141,239</u>	<u>\$ 3,093,381</u>	<u>\$ 3,234,620</u>
<u>Cost</u>			
Balance at January 1, 2023	\$ 1,052,896	\$ 280,139	\$ 1,333,035
Additions	121,257	-	121,257
Reclassification	(2,637)	-	(2,637)
Translation adjustments	<u>71</u>	<u>5,787</u>	<u>5,858</u>
Balance at December 31, 2023	<u>\$ 1,171,587</u>	<u>\$ 285,926</u>	<u>\$ 1,457,513</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 897,038	\$ 168,083	\$ 1,065,121
Amortization	66,301	56,884	123,185
Translation adjustments	<u>292</u>	<u>3,773</u>	<u>4,065</u>
Balance at December 31, 2023	<u>\$ 963,631</u>	<u>\$ 228,740</u>	<u>\$ 1,192,371</u>
Carrying amount at December 31, 2023	<u>\$ 207,956</u>	<u>\$ 57,186</u>	<u>\$ 265,142</u>

Technological assets were the Group's purchase of patents and technology licenses from other companies.

Please refer to Note 37, the Group acquired intangible assets from related parties for the year ended 2024.

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

Computer software	3 years
Technological assets	5 years

19. OTHER ASSETS

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Pledged time deposit	\$ 1,133,946	\$ 1,063,879
Prepayments	529,309	1,056,271
Others	<u>18,350</u>	<u>4,930</u>
	<u>\$ 1,681,605</u>	<u>\$ 2,125,080</u>
Current	\$ 188,088	\$ 124,382
Non-current	<u>1,493,517</u>	<u>2,000,698</u>
	<u>\$ 1,681,605</u>	<u>\$ 2,125,080</u>

In order to maintain a stable supply of raw materials required for production, the Corporation has signed short-term and long-term supply contracts with suppliers.

20. OTHER PAYABLES

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Bonus	\$ 1,413,322	\$ 1,951,377
Maintenance	855,881	518,886
Utilities	428,596	298,675
Others	<u>1,589,657</u>	<u>1,304,821</u>
	<u>\$ 4,287,456</u>	<u>\$ 4,073,759</u>

21. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Current</u>		
Guarantee deposits	\$ 2,194,541	\$ 2,278,453
Refund liabilities (provision of sales returns and allowances)	1,416,074	1,425,673
Others	<u>16,281</u>	<u>-</u>
	<u>\$ 3,626,896</u>	<u>\$ 3,704,126</u>
<u>Non- current</u>		
Decommissioning liabilities	\$ 81,755	\$ 59,598
Deferred revenue	<u>19,869</u>	<u>-</u>
	<u>\$ 101,624</u>	<u>\$ 59,598</u>

The provision of sales returns and allowances was estimated based on historical experience, management's judgments and any other known factors that may affect the returns and allowances. The provision was recognized as a reduction of revenue in the period the related products were sold.

22. BONDS PAYABLE

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Domestic unsecured corporate bonds	<u>\$ 20,984,172</u>	<u>\$ 17,983,425</u>

The major terms of domestic unsecured bonds are as follows:

Issuance	Tranche	Issue Period	Total Amount	Coupon Rate	Repayment and Interest Payment
2021 Issue 1	A	2021.10-2026.10	\$ 4,300,000	0.57%	Repay the principal at maturity and pay interest annually
2021 Issue 1	B	2021.10-2026.10	700,000	0.52%	The same as above
2022 Issue 1	A	2022.03-2027.03	6,000,000	0.90%	The same as above
2022 Issue 1	B	2022.03-2027.03	1,000,000	0.85%	The same as above
2023 Issue 1	A	2023.09-2028.09	2,000,000	1.68%	The same as above
2023 Issue 1	B	2023.09-2030.09	4,000,000	1.75%	The same as above
2024 Issue 1	A	2024.03-2031.03	3,000,000	1.82%	The same as above

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Besides, VIS Micro, Inc., VIS Shanghai Company Limited, Vanguard International Semiconductor Singapore Pte. Ltd. and VisionPower Semiconductor Manufacturing Company Pte. Ltd. are required by local regulations to make monthly contributions at a certain percentage of the basic salary of their employees.

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Act and the pension plan of senior management of the Corporation. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2024	2023
Present value of defined benefit obligation	\$ 1,182,917	\$ 1,153,020
Fair value of plan assets	<u>(927,054)</u>	<u>(850,330)</u>
Net defined benefit liability	<u>\$ 255,863</u>	<u>\$ 302,690</u>

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2023	\$ <u>1,214,726</u>	\$ <u>(841,828)</u>	\$ <u>372,898</u>
Service cost			
Current service cost	9,363	-	9,363
Interest expense (income)	<u>22,981</u>	<u>(15,695)</u>	<u>7,286</u>
Recognized in profit or loss	<u>32,344</u>	<u>(15,695)</u>	<u>16,649</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,237)	(2,237)
Actuarial loss - changes in financial assumptions	36,345	-	36,345
Actuarial gain - experience adjustments	<u>(74,198)</u>	<u>-</u>	<u>(74,198)</u>
Recognized in other comprehensive income	<u>(37,853)</u>	<u>(2,237)</u>	<u>(40,090)</u>
Contributions from the employer	<u>-</u>	<u>(46,767)</u>	<u>(46,767)</u>
Benefits paid	<u>(56,197)</u>	<u>56,197</u>	<u>-</u>
Balance at December 31, 2023	<u>1,153,020</u>	<u>(850,330)</u>	<u>302,690</u>
Service cost			
Current service cost	9,613	-	9,613
Interest expense (income)	<u>16,548</u>	<u>(12,137)</u>	<u>4,411</u>
Recognized in profit or loss	<u>26,161</u>	<u>(12,137)</u>	<u>14,024</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(74,984)	(74,984)
Actuarial loss - changes in financial assumptions	16,023	-	16,023
Actuarial loss - experience adjustments	<u>47,103</u>	<u>-</u>	<u>47,103</u>
Recognized in other comprehensive income	<u>63,126</u>	<u>(74,984)</u>	<u>(11,858)</u>
Contributions from the employer	<u>-</u>	<u>(48,993)</u>	<u>(48,993)</u>
Benefits paid	<u>(59,390)</u>	<u>59,390</u>	<u>-</u>
Balance at December 31, 2024	<u>\$ 1,182,917</u>	<u>\$ (927,054)</u>	<u>\$ 255,863</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	2024	2023
Discount rates	1.50%	1.50%
Expected rates of salary increase	3.25%	3.25%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31</u>	
	2024	2023
Discount rates		
0.50% increase	<u>\$ (49,913)</u>	<u>\$ (36,345)</u>
0.50% decrease	<u>\$ 44,528</u>	<u>\$ 38,449</u>
Expected rates of salary increase		
0.50% increase	<u>\$ 43,562</u>	<u>\$ 37,628</u>
0.50% decrease	<u>\$ (41,442)</u>	<u>\$ (35,944)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2024	2023
Expected contributions to the plans for the next year	<u>\$ 16,982</u>	<u>\$ 17,313</u>
Average duration of the defined benefit obligation	7.4 years	6.5 years

Maturity analysis of pension payment were as follows:

	<u>December 31</u>	
	2024	2023
Maturity analysis of undiscounted pension payment		
No later than 1 year	\$ 95,398	\$ 99,674
Later than 1 year and not later than 5 years	415,172	482,786
Later than 5 years	<u>870,428</u>	<u>742,683</u>
	<u>\$ 1,380,998</u>	<u>\$ 1,325,143</u>

24. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Shares authorized (in thousands of shares)	<u>3,300,000</u>	<u>3,300,000</u>
Capital authorized	<u>\$ 33,000,000</u>	<u>\$ 33,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>1,866,647</u>	<u>1,638,982</u>
Capital issued	<u>\$ 18,666,467</u>	<u>\$ 16,389,823</u>

The authorized shares include 300,000 thousand shares reserved for the exercise of employee share options.

On July 29, 2024, the Corporation's board of directors resolved to issue 200,000 thousand ordinary shares with a par value of \$10 for a consideration of \$88 per share, which increased the share capital issued and fully paid to \$18,389,823 thousand. On September 11, 2024, the above transaction was approved by the FSC and the subscription base date was determined by the board of directors to be October 28, 2024.

On June 14, 2024, the shareholders' meeting of the Company resolved to issue employee restricted stocks awards for its employees in a total of 41,000 thousand shares with a par value of \$10. The total amount that can be issued is NT\$410,000 thousand. On October 30, 2024, the above transaction was approved by the FSC and was determined by the board of directors on November 4, 2024, to be issued at several times. In the year ended 2024, a total of 27,664 thousand employee restricted stocks awards were issued, with an issue price of NT\$0 per share, issued free of charge. The subscription base date was set on November 27, 2024.

b. Capital surplus

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>May be used to offset a deficit, distributed by cash or transferred to capital</u>		
Issuance of ordinary shares	\$ 16,509,092	\$ 544,884
<u>May be used to offset a deficit only</u>		
Employee share options (transferred and inactive)	285,845	285,845
Share of changes in equities of subsidiaries, associates and joint ventures	101,998	81,731
Unclaimed dividends	1,535	1,294
<u>May not be used for any purpose</u>		
Employee restricted shares	<u>1,966,619</u>	<u>-</u>
	<u>\$ 18,865,089</u>	<u>\$ 913,754</u>

The capital surplus from shares issued in excess of par may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed in cash or transferred to capital, which is limited to a certain percentage of the Group's paid-in capital.

c. Retained earnings and dividend policy

Earnings distribution and dividend policy

Under the dividend policy as set forth in the Corporation's Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The policies of the distribution of compensation of employees and remuneration of directors set forth in the Articles, please refer to compensation of employees and remuneration of directors in Note 26-c.

The Corporation's Articles also stipulate that all profits may be distributed after taking into consideration the financial, business and operational factors. Dividends are in cash and/or in the form of shares. Since the Corporation's operation is at the steady growth stage, the cash dividend paid (in any given year) should be at least 60% of the dividends of the current year's appropriation. If there is no profit for distribution, or the profit is far less than the profit actually distributed by the Corporation in the previous year or other reasons so require, all or part of the capital surplus may be distributed in accordance with relevant laws or regulations of the authorities in charge.

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

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2023 and 2022 which have been approved in the shareholders' meetings on June 14, 2024 and June 13, 2023, respectively, were as follows:

	2023	2022
Legal reserve	<u>\$ 741,016</u>	<u>\$ 1,540,695</u>
Reversal of special reserve	<u>\$ -</u>	<u>\$ (1,987,531)</u>
Cash dividends	<u>\$ 7,375,420</u>	<u>\$ 7,375,420</u>
Cash dividends per share (NT\$)	\$ 4.50	\$ 4.50

The appropriation of earnings for 2024 had been proposed by the Corporation's Board of Directors on February 24, 2025. The appropriation and dividends per share were as follows:

	2024
Legal reserve	<u>\$ 705,378</u>
Cash dividends	<u>\$ 8,399,910</u>
Cash dividends per share (NT\$)	\$ 4.50

The appropriation of earnings for 2024 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 27, 2025.

d. Other equity

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2024	2023
Balance at beginning of year	\$ 217,428	\$ (27,744)
Recognized during the year		
Exchange differences on translation of foreign operations	995,136	245,172
Share of other comprehensive income of associates accounted for using equity method	<u>124</u>	<u>-</u>
Recognized in other comprehensive income	<u>995,260</u>	<u>245,172</u>
Balance at end of year	<u>\$ 1,212,688</u>	<u>\$ 217,428</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2024	2023
Balance at beginning of year	\$ 235,372	\$ 122,180
Recognized during the year		
Unrealized (loss) gain - equity instruments	(247,121)	113,097
Share of other comprehensive (loss) income of associates accounted for using equity method	<u>(78)</u>	<u>95</u>
Recognized in other comprehensive income	<u>(247,199)</u>	<u>113,192</u>
Balance at end of year	<u>\$ (11,827)</u>	<u>\$ 235,372</u>

3) Gain (loss) on hedging instrument - cash flow hedges

	For the Year Ended December 31	
	2024	2023
Balance at the beginning of year	\$ 25,347	\$ 55,611
Recognized during year		
Gain (loss) on changes in the fair value of hedging instruments		
Foreign currency risk - foreign currency deposits	576	(11,615)
Transferred to initial cost of hedged items		
Foreign currency risk - foreign currency deposits	<u>(20,268)</u>	<u>(18,649)</u>
Balance at the end of year	<u>\$ 5,655</u>	<u>\$ 25,347</u>

4) Unearned stock-based employee compensation

On June 14, 2024, the shareholders' meeting of the Company resolved to issue new stocks with employee restricted stock awards (RSAs) for employees. Please refer to Note 29.

	For the Year Ended December 31	
	2024	2023
Balance at the beginning of year	\$ -	\$ -
Issuance of shares	<u>(2,243,323)</u>	<u>-</u>
Balance at the end of year	<u>\$ (2,243,323)</u>	<u>\$ -</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2024	2023
Beginning at the beginning of year	\$ -	\$ -
Share in profit for the year	784	-
Other comprehensive income of the current year		
Exchange differences on translating of foreign entities	113,129	-
Loss on hedging instruments	(38,990)	-
Increase in the year	4,474,400	-
Changes in ownership interest in subsidiaries	6,874	-
Loss on hedging instruments transferred to initial cost of hedged items	<u>6,402</u>	<u>-</u>
Balance at the end of year	<u>\$ 4,562,599</u>	<u>\$ -</u>

25. REVENUE

	For the Year Ended December 31	
	2024	2023
Revenue from contracts with customers		
Wafer revenue	\$ 41,703,282	\$ 37,021,196
Others	<u>2,351,480</u>	<u>1,251,374</u>
	<u>\$ 44,054,762</u>	<u>\$ 38,272,570</u>

a. Disaggregation of revenue

1) Disaggregation of revenue by region

	For the Year Ended December 31	
	2024	2023
<u>Regions</u>		
Asia	\$ 36,525,708	\$ 33,573,185
America	6,367,062	2,818,898
Europe	<u>1,161,992</u>	<u>1,880,487</u>
	<u>\$ 44,054,762</u>	<u>\$ 38,272,570</u>

2) Disaggregation of revenue by platform

	For the Year Ended December 31	
	2024	2023
<u>Platforms</u>		
Power Management	\$ 27,710,418	\$ 23,824,234
Large panel driver IC	8,789,707	8,366,868
Small panel driver IC	3,702,698	3,253,860
Other platforms	<u>1,500,459</u>	<u>1,576,234</u>
Wafer revenue	41,703,282	37,021,196
Other revenue	<u>2,351,480</u>	<u>1,251,374</u>
	<u>\$ 44,054,762</u>	<u>\$ 38,272,570</u>

3) Disaggregation of revenue by process

	For the Year Ended December 31	
	2024	2023
<u>Processes</u>		
0.18 micron (and) below	\$ 25,173,078	\$ 18,943,543
0.25 micron	5,367,509	3,952,476
0.35 micron	5,438,013	6,666,754
0.5 micron (and) above	<u>5,724,682</u>	<u>7,458,423</u>
Wafer revenue	41,703,282	37,021,196
Other revenue	<u>2,351,480</u>	<u>1,251,374</u>
	<u>\$ 44,054,762</u>	<u>\$ 38,272,570</u>

b. Contract balances

	December 31, 2024	December 31, 2023	January 1, 2023
Notes and accounts receivable, net (Note 12)	\$ 5,820,406	\$ 5,387,197	\$ 4,625,288
Receivables from related parties (Note 35)	<u>414,444</u>	<u>135,392</u>	<u>336,705</u>
Accounts receivables	<u>\$ 6,234,850</u>	<u>\$ 5,522,589</u>	<u>\$ 4,961,993</u>
Contract liabilities - advanced receipts			
Current	\$ 7,224,787	\$ 6,167,517	\$ 4,116,402
Non-current	<u>27,256,837</u>	<u>10,444,291</u>	<u>13,133,211</u>
	<u>\$ 34,481,624</u>	<u>\$ 16,611,808</u>	<u>\$ 17,249,613</u>

The change of the contract liabilities primarily results from the timing difference between the satisfaction of performance obligation and the customer's payment. Some customers have entered into long-term capacity guarantee agreements with the Corporation to ensure stable production capacity, making advance payments and depositing security funds to ensure the fulfillment of the contracts.

Revenue from the beginning balance of the contract liability and satisfaction during the years ended December 31, 2024 and 2023 were as follows:

	For the Year Ended December 31	
	2024	2023
Revenue from the beginning balance of contract liabilities		
Sales of goods	<u>\$ 5,925,896</u>	<u>\$ 2,886,668</u>

26. OTHER ITEMS IN THE STATEMENTS OF COMPREHENSIVE INCOME

a. Depreciation and amortization

	For the Year Ended December 31	
	2024	2023
Classification of depreciation - by function		
Cost of revenue	\$ 8,337,709	\$ 7,591,076
Operating expenses	<u>132,984</u>	<u>137,827</u>
	8,470,693	7,728,903
Less: Capitalization of right-of-use asset depreciation	<u>(3,850)</u>	<u>-</u>
	<u>\$ 8,466,843</u>	<u>\$ 7,728,903</u>
Classification of amortization - by function		
Cost of revenue	\$ 134,296	\$ 103,753
Operating expenses	<u>20,882</u>	<u>19,432</u>
	<u>\$ 155,178</u>	<u>\$ 123,185</u>

The depreciation of the right-of-use assets for land leased by the company to build the factory is capitalized as part of construction in progress under the property, plant, and equipment category during the factory's construction period. The capitalized amounts for the years ended on December 31, 2024 and 2023 were \$3,850 thousand and \$0 thousand, respectively.

b. Employee benefits expense

	For the Year Ended December 31	
	2024	2023
Post-employment benefits (Note 23)		
Defined contribution plans	\$ 416,018	\$ 388,152
Defined benefit plans	<u>14,024</u>	<u>16,649</u>
	430,042	404,801
Share-based payments		
Equity-settled	370,800	-
Other employee benefits	<u>11,061,358</u>	<u>10,462,105</u>
Total employee benefits expense	<u>\$ 11,862,200</u>	<u>\$ 10,866,906</u>

(Continued)

	For the Year Ended December 31	
	2024	2023
Employee benefits expense summarized by function		
Cost of revenue	\$ 8,950,788	\$ 8,113,909
Operating expenses	<u>2,911,412</u>	<u>2,752,997</u>
	<u>\$ 11,862,200</u>	<u>\$ 10,866,906</u>
		(Concluded)

c. Compensation of employees and remuneration of directors

The Corporation should distribute no less than 10% of the current year's profit as compensation of employees in the form of shares or in cash as resolved by the Board of Directors. The employees include those of subsidiaries meeting some conditions agreed by the Board of Directors. The Corporation should also distribute no higher than 1% of the current year's profit as remuneration of directors. However, the Corporation's accumulated losses shall have been covered. For the years ended December 31, 2024 and 2023, the compensation of employees was \$1,761,606 thousand and \$1,755,300 thousand, respectively. For the years ended December 31, 2024 and 2023, the remuneration of directors was \$64,677 thousand and \$63,440 thousand, respectively. The above calculation was at a certain percentage of the base income.

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

The appropriations of compensation of employees and remuneration of directors for 2024 and 2023 which were resolved by the Board of Directors on February 24, 2025 and February 1, 2024, respectively, were as below:

	For the Year Ended December 31			
	2024		2023	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 1,761,606	\$ -	\$ 1,755,300	\$ -
Remuneration of directors	64,677	-	63,440	-

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

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

d. Net gain and loss of financial instruments

	For the Year Ended December 31	
	2024	2023
Interest income		
Cash and cash equivalents	\$ 1,517,788	\$ 1,093,095
Financial assets at amortized cost	472,517	536,985
Financial assets at FVTPL	<u>23,072</u>	<u>53,291</u>
	<u>\$ 2,013,377</u>	<u>\$ 1,683,371</u>
Dividend income		
Investments in equity instruments at FVTOCI	<u>\$ 34,785</u>	<u>\$ 28,873</u>
Gain on financial assets and liabilities at FVTPL		
Financial assets and liabilities mandatorily classified as at FVTPL		
Forward exchange and currency-swap contracts	\$ 3,226	\$ 58,275
Credit linked notes	<u>9,940</u>	<u>(25,846)</u>
	<u>\$ 13,166</u>	<u>\$ 32,429</u>

e. Interest expense

	For the Year Ended December 31	
	2024	2023
Corporate bonds	\$ 244,365	\$ 121,585
Lease liabilities	85,683	87,625
Bank loans	15,051	26,191
Provision for decommissioning cost	<u>3,014</u>	<u>2,773</u>
	<u>\$ 348,113</u>	<u>\$ 238,174</u>

27. INCOME TAXES

a. Major components of tax expenses recognized in profit or loss:

	For the Year Ended December 31	
	2024	2023
Current tax		
In respect of the current year	\$ 1,799,394	\$ 1,807,438
Income tax on unappropriated earnings	-	212,418
Adjustments for prior years' tax	(80,792)	(229,055)
Others	<u>20,627</u>	<u>4,005</u>
	1,739,229	1,794,806
Deferred income tax		
In respect of the current year	<u>(34,132)</u>	<u>(331,107)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,705,097</u>	<u>\$ 1,463,699</u>

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2024	2023
Income before income tax	<u>\$ 8,752,305</u>	<u>\$ 8,833,773</u>
Income tax expense calculated at the statutory rate	\$ 1,334,441	\$ 1,449,287
Additional items in determining taxable income	(6,709)	(283,050)
The origination and reversal of temporary differences	437,530	310,094
Income tax on unappropriated earnings	-	212,418
Adjustments for prior years' tax	(80,792)	(229,055)
Others	<u>20,627</u>	<u>4,005</u>
Income tax expense recognized in profit or loss	<u>\$ 1,705,097</u>	<u>\$ 1,463,699</u>

In December 2024, the government enacted the Pillar Two income tax legislation effective from January 1, 2025 which may have an impact on Vanguard International Semiconductor Singapore Pte. Ltd. and the newly incorporated VSMC. Since the Pillar Two income tax legislation was not effective at the reporting date, the Group had no related current tax exposure. Under the legislation, respectively, a top-up tax on the profits of Vanguard International Semiconductor Singapore Pte. Ltd. and VSMC will be taxed at an effective tax rate of less than 15 percent. Since this is at the end of the reporting period and not yet in effect, there is no relevant current tax impacts on the Group. Furthermore, based on the evaluation, the enactment of the bill will have no significant impact on the company.

b. Current tax liabilities

	December 31	
	2024	2023
Current tax liabilities		
Income tax payable	<u>\$ 1,288,527</u>	<u>\$ 2,214,455</u>

c. Deferred income tax assets and liabilities

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

2024

Deferred Income Tax Assets	Beginning of Year	Movements	End of Year
Loss carryforwards	\$ 666,281	\$ (184,247)	\$ 482,034
Temporary differences	<u>1,003,533</u>	<u>619,998</u>	<u>1,623,531</u>
	<u>\$ 1,669,814</u>	<u>\$ 435,751</u>	<u>\$ 2,105,565</u>
Deferred Income Tax Liabilities	Beginning of Year	Movements	End of Year
Temporary differences	<u>\$ 1,052,730</u>	<u>\$ 401,619</u>	<u>\$ 1,454,349</u>

2023

Deferred Income Tax Assets	Beginning of Year	Movements	End of Year
Loss carryforwards	\$ 255,537	\$ 410,744	\$ 666,281
Temporary differences	<u>634,575</u>	<u>368,958</u>	<u>1,003,533</u>
	<u>\$ 890,112</u>	<u>\$ 779,702</u>	<u>\$ 1,669,814</u>

Deferred Income Tax Liabilities	Beginning of Year	Movements	End of Year
Temporary differences	<u>\$ 604,135</u>	<u>\$ 448,595</u>	<u>\$ 1,052,730</u>

d. Items for which no deferred income tax assets have been recognized

	December 31	
	2024	2023
Deductible temporary differences	<u>\$ 66,694</u>	<u>\$ 55,516</u>

e. Unrecognized deferred income tax liabilities associated with investments

As of December 31, 2024 and 2023, there were no taxable temporary differences associated with investment in subsidiaries for which no deferred income tax liabilities have been recognized.

f. Income tax assessments

Income tax returns through 2021 had been examined and cleared by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2024	2023
Basic earnings per share	<u>\$ 4.21</u>	<u>\$ 4.50</u>
Diluted earnings per share	<u>\$ 4.16</u>	<u>\$ 4.43</u>

The earnings and weighted average number of ordinary shares used in the computation of earnings per share were as follows:

Earnings

	For the Year Ended December 31	
	2024	2023
Earnings used in computation of basic earnings per share	\$ 7,046,424	\$ 7,370,074
Effect of dilutive potential ordinary shares:		
Compensation of employees	<u> -</u>	<u> -</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 7,046,424</u>	<u>\$ 7,370,074</u>

Shares

	Unit: Shares in Thousands	
	<u>For the Year Ended December 31</u>	
	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,674,501	1,638,982
Effect of dilutive potential ordinary shares:		
Compensation of employees	<u>19,657</u>	<u>26,462</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,694,158</u>	<u>1,665,444</u>

Since the Corporation is allowed to settle compensation paid to employees by cash or shares, the Corporation assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. SHARE-BASED PAYMENT ARRANGEMENTS

Equity-Settled Share-Based Payment - RSAs

On June 14, 2024, the shareholders' meeting of the Corporation resolved to issue employee restricted stocks awards for its employees in a total of \$410,000 thousand and total issue 41,000 thousand with an issue price \$0 per share.

- a. Vesting conditions of the aforementioned arrangement are as follows:
 - 1) The employee remains employed by the Company on the last date of each vesting period;
 - 2) During the vesting period, the employee may not breach any agreement with the Company or violate the Company's work rules; and
 - 3) Certain employee performance metrics are met.
- b. The maximum percentage of granted RSAs that may be vested each year shall be as follows: Two-year anniversary of the grant: 25%; three-year anniversary of the grant: 25%; and four-year anniversary of the grant: 50%.
- c. Restrictions imposed on the employees' rights in the RSAs before the vesting conditions are fulfilled
 - 1) The RSAs should be delivered to the trust custodians upon grant date. The employees cannot request for return in any manner before vesting conditions are met.
 - 2) During the vesting period, the employees cannot sell, pledge, transfer, donate or, in any other way, dispose of these shares.

- 3) Apart from the aforementioned restrictions, before the vesting conditions are fulfilled, any other shareholder rights including but not limited to the entitlement to any distribution regarding dividends, bonuses and capital reserve, and the subscription right of the new shares issued for any capital increase, are the same as those of holders of common shares of the Company.
- 4) During the vesting period, the company conducts a cash reduction of capital or a capital reduction to offset losses (not due to a statutory reduction of capital), the RSAs shall be cancelled according to the reduction ratio. If it is a cash reduction, the cash returned must be placed in trust, and it can only be delivered to the employee once the vesting conditions are met. If the vesting conditions are not met, the company shall reclaim the cash.
- 5) Before the vesting conditions are fulfilled, the attendance, proposal rights, speech rights, voting rights and etc. shall be exercised by the engaged trustee/custodian on the employee's behalf.

The vesting conditions are not fulfilled, the Company will recall or purchase and cancel the employee's restricted shares.

30. GOVERNMENT GRANTS

The Group obtained subsidies from the government for the years ended December 31, 2024 and 2023, which were recorded in the deduction expenses of \$116,514 thousand and \$30,779 thousand, respectively, and deduction of the purchasing costs of property, plant and equipment were \$13,411 thousand and \$0, respectively, and recorded as non-operating income as \$48 thousand and \$0, respectively.

31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In September 2024, the Group subscribed for additional new shares of VSMC Limited at a percentage different from its existing ownership percentage and reduced its continuing interest from 100% to 60%.

The above transactions were accounted for as equity transactions since the Group did not cease to have control over these subsidiaries.

	VSMC
Consideration paid	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(6,874)</u>
Differences recognized from equity transactions	<u>\$ (6,874)</u>
<u>Line items adjusted for equity transactions</u>	
Retained earnings - changes in percentage of ownership interests in subsidiaries	<u>\$ (6,874)</u>

32. CASH FLOWS INFORMATION FOR FINANCING ACTIVITIES

For the year ended December 31, 2024

	January 1	Cash Flows	Non-cash Changes (Note)	December 31
Bonds payable	\$ 17,983,425	\$ 2,995,658	\$ 5,089	\$ 20,984,172
Guarantee deposits	6,851,813	60,422	(1,745,098)	5,167,137
Changes in non-controlling interests	-	4,474,400	88,199	4,562,599
Dividends payable	-	(7,375,420)	7,375,420	-
Capital increase in cash	-	17,593,348	(17,593,348)	-
Lease liabilities	2,438,528	(218,931)	1,452,013	3,671,610
Unclaimed dividends	<u>1,294</u>	<u>241</u>	<u>-</u>	<u>1,535</u>
	<u>\$ 27,275,060</u>	<u>\$ 17,529,718</u>	<u>\$ (10,417,725)</u>	<u>\$ 34,387,053</u>

For the year ended December 31, 2023

	January 1	Cash Flows	Non-cash Changes (Note)	December 31
Bonds payable	\$ 11,987,369	\$ 5,992,653	\$ 3,403	\$ 17,983,425
Guarantee deposits	7,465,604	244,981	(858,772)	6,851,813
Lease liabilities	2,560,861	(221,145)	98,812	2,438,528
Dividends payable	-	(7,375,420)	7,375,420	-
Unclaimed dividends	<u>1,047</u>	<u>247</u>	<u>-</u>	<u>1,294</u>
	<u>\$ 22,014,881</u>	<u>\$ (1,358,684)</u>	<u>\$ 6,618,863</u>	<u>\$ 27,275,060</u>

Note: Non-cash changes comprise changes in leases, changes in exchange rates, guarantee deposits deduction of accounts receivable, changes in non-controlling interests, recognition of cash dividends payable and amortization of bonds payable.

33. CAPITAL MANAGEMENT

The Group manages its capital in a manner to ensure its ability to continue as a going concern while maximizing the return to shareholders. The Group's overall strategy has no significant variations.

The capital structure of the Group consists of net debt (loans offset by cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

34. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2024

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Foreign corporate bonds	\$ 8,631,149	\$ -	\$ 8,650,917	\$ -	\$ 8,650,917
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bonds payable	20,984,172	-	20,665,109	-	20,665,109

December 31, 2023

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Foreign corporate bonds	\$ 13,250,956	\$ -	\$ 13,163,748	\$ -	\$ 13,163,748
Negotiable certificate of deposit	543,790	-	541,720	-	541,720
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bonds payable	17,983,425	-	17,684,623	-	17,684,623

2) Valuation techniques and assumptions applied to Level 2 of fair value measurement

The bond investments at amortized cost, negotiable certificate of deposit and fair value of bonds payable are determined by quoted market prices provided by third party pricing services.

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

1) Fair value hierarchy

December 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Hybrid financial assets	\$ <u> -</u>	\$ <u> 139,989</u>	\$ <u> -</u>	\$ <u> 139,989</u>
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ -	\$ 44,100	\$ 44,100
Domestic emerging market shares	999,128	-	-	999,128
Domestic unlisted shares	-	-	211,964	211,964
Foreign unlisted shares	<u> -</u>	<u> -</u>	<u> 914,767</u>	<u> 914,767</u>
	\$ <u> 999,128</u>	\$ <u> -</u>	\$ <u> 1,170,831</u>	\$ <u> 2,169,959</u>
Financial liabilities at FVTPL				
Derivative instruments	\$ <u> -</u>	\$ <u> 1,098</u>	\$ <u> -</u>	\$ <u> 1,098</u>

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 31,260	\$ -	\$ 31,260
Hybrid financial assets	<u> -</u>	<u> 846,309</u>	<u> -</u>	<u> 846,309</u>
	\$ <u> -</u>	\$ <u> 877,569</u>	\$ <u> -</u>	\$ <u> 877,569</u>
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ -	\$ 45,150	\$ 45,150
Domestic emerging market shares	-	-	1,182,400	1,182,400
Domestic unlisted shares	-	-	192,942	192,942
Foreign unlisted shares	<u> -</u>	<u> -</u>	<u> 996,588</u>	<u> 996,588</u>
	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 2,417,080</u>	\$ <u> 2,417,080</u>

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2024 and 2023, respectively.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets	Financial Assets at FVTOCI	
	2024	2023
Balance at January 1	\$ 2,417,080	\$ 878,631
Recognized in other comprehensive income or loss (included in unrealized valuation (loss) gain on financial assets at FVTOCI)	(247,121)	113,097
Additions	-	242,952
Reclassification	-	1,182,400
Transfers out of Level 3	<u>(999,128)</u>	<u>-</u>
Balance at December 31	\$ <u> 1,170,831</u>	\$ <u> 2,417,080</u>

3) Valuation techniques and assumptions applied to Level 2 of fair value hierarchy

For those derivative instruments with no quoted market prices, their fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair values.

The fair values of forward exchange contracts and currency-swap contracts is determined by using valuation techniques based on forward rates for each contract. The Reuter's quotation system is mainly used as reference for the forward rates.

4) Valuation techniques and assumptions applied to level 3 of fair value hierarchy

The fair value of financial assets and financial liabilities is determined as follows:

- a) For the private placement shares issued by listed companies with no quoted market prices, the fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair values.

The Group used "Black-Scholes model" to determine the fair value.

- b) The fair values of the unlisted shares is estimated by reference to comparable targets and compares investee' assets, liabilities, profit and loss with the observable share prices and give them implicit value multiplier. The "Black-Scholes model" is adopted according to the individual terms of each equity instrument, and it takes the observable share price, share price volatility, risk-free interest rate and exit probability as the parameters, and comprehensively considers the discount of non-controlling rights and liquidity risks.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 139,989	\$ 877,569
Financial assets at amortized cost (Note 1)	82,834,417	50,729,602
Financial assets at FVTOCI		
Equity instruments	2,169,959	2,417,080
<u>Financial liabilities</u>		
FVTPL		
Mandatorily at FVTPL	1,098	-
Financial liabilities at amortized cost (Note 2)	37,351,627	32,631,521

Note 1: The balances of financial assets measured at amortized cost comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, refundable deposits and investment in debt instruments.

Note 2: The balances of financial liabilities measured at amortized cost comprise accounts payable, other payables, bonds payable and guarantee deposits.

d. Objectives and policies of financial risk management

The Group's major financial instruments include equity and bond investments, accounts receivable, borrowings, accounts payable, bonds payable and lease liabilities. The Group's corporate finance department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. The compliance with policies and the control of exposure limits are reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate finance function reports quarterly to the Corporation's Board of Directors and Audit Committee for their overall supervision and control to risks and policy implementation.

1) Market risk

The Group's activities are exposed to the financial risks primarily arising from the changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other prices (see (c) below). The Group enters into a variety of derivative financial instruments, including forward exchange and currency-swap contracts, to manage its exposure to foreign currency risk.

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

a) Foreign currency risk

The Group's operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

The strategy of foreign currency risk management is to regularly review the net position of assets and liabilities exposed to foreign currency risk and manage the risk of the net position. The Group selects the instruments to hedge currency exposure by considering the hedge cost and hedge period. The Group currently utilizes spot exchange transactions, derivative financial instruments, primarily buy/sell forward exchange contracts, purchase foreign currency deposit, and design specific accounts receivable to hedge its currency exposure.

According to the Group's policy, the terms of the hedge derivatives and foreign currency deposits are negotiated to match the terms of the hedged item for maximizing the hedge effectiveness.

Investing in foreign operations is for strategic purposes and is not hedged by the Group.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuation of USD, JPY, EUR and SGD.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items (including cash and cash equivalents, financial assets, accounts receivable, other receivables, refundable deposits, accounts payable, other payables, and guarantee deposits) and hedging instruments, and adjusts their translation at the end of the year for a 5% change in foreign currency rates. The positive/negative number in the following table indicates the amount of profit and loss will increase/decrease the New Taiwan dollars strengthen 5% against the relevant currency.

	Impact on USD Items	
	For the Year Ended December 31	
	2024	2023
Gain	\$ 1,640	\$ 7,268

	Impact on JPY Items	
	For the Year Ended December 31	
	2024	2023
Gain (loss)	\$ 613	\$ (6,724)

	Impact on EUR Items	
	For the Year Ended December 31	
	2024	2023
Loss	\$ (3,022)	\$ (766)

	Impact on SGD Items	
	For the Year Ended December 31	
	2024	2023
Gain (loss)	\$ 2,204	\$ (308)

b) Interest rate risk

The Group's financial assets are exposed to interest rate risk both at fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2024	2023
Fair value interest rate risk		
Financial assets	\$ 58,374,269	\$ 39,169,105
Financial liabilities	24,655,782	20,421,953
Cash flow interest rate risk		
Financial assets	12,239,020	6,378,271

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for the derivative and non-derivative instruments at the end of the reporting period. For the floating rate assets, the analysis is prepared assuming the amount of the asset at the end of the reporting date is outstanding during the reporting year.

If the market interest rate increases/decreases by 0.1% and all other variables remain constant, the pre-tax profit of the Group for the years ended on December 31, 2024 and 2023 will have increase/decrease by \$12,239 thousand and \$6,378 thousand, respectively, resulting from the exposure of the net assets with floating rate.

c) Other price risk

The Group is exposed to price risk arising from its investments in shares. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to security price risks at the end of the reporting period.

If financial assets at FVTOCI share prices had been 5% higher/lower, the other comprehensive income for the years ended December 31, 2024 and 2023 would have increased/decreased of \$108,498 thousand and \$120,854 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations and result in financial loss to the Group. At the end of the reporting period, the Group may have a financial loss due to the default on obligation from a counterparty, and the maximum exposure to credit risk is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to mitigate credit risk, the Group has made the policy of credit management to ensure that appropriate action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each receivable debt at the end of the reporting period to ensure that adequate allowance for impairment losses are made for irrecoverable amounts. In this regard, the Group considers the credit risk is significantly reduced.

The credit risk on operating funds and derivatives is limited as the counterparties are creditworthy banks.

The Group's accounts receivable outstanding arose from trading with its customers spreading across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customer's financial condition.

The Group's credit concentration risk was related to the 5 largest customers. Besides the 5 largest customers, credit concentration risks related to other customers do not exceed 10% of total gross accounts receivable at any time during the period. The 5 largest customers are creditworthy counterparties; therefore, the Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining adequate reserves of cash and cash equivalents to fund the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

December 31, 2024

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities	\$ 8,988,478	\$ 2,211,840	\$ -	\$ -	\$ -	\$ 11,200,318
Lease liabilities	304,156	1,033,008	834,317	675,070	68,477	2,915,028
Bonds payable	248,850	14,689,108	7,115,571	-	-	22,053,529
Guarantee deposits	<u>2,194,541</u>	<u>2,972,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,167,137</u>
	<u>\$ 11,736,025</u>	<u>\$ 20,906,552</u>	<u>\$ 7,949,888</u>	<u>\$ 675,070</u>	<u>\$ 68,477</u>	<u>\$ 41,336,012</u>

December 31, 2023

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities	\$ 7,796,283	\$ -	\$ -	\$ -	\$ -	\$ 7,796,283
Lease liabilities	294,469	1,073,808	860,308	712,486	175,240	3,116,311
Bonds payable	194,250	14,822,075	4,140,000	-	-	19,156,325
Guarantee deposits	<u>2,278,453</u>	<u>4,573,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,851,813</u>
	<u>\$ 10,563,455</u>	<u>\$ 20,469,243</u>	<u>\$ 5,000,308</u>	<u>\$ 712,486</u>	<u>\$ 175,240</u>	<u>\$ 36,920,732</u>

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted net inflows and outflows from those derivatives with gross settlement.

December 31, 2024

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange contracts		
Inflows	\$ 752,565	\$ -
Outflows	<u>(753,663)</u>	<u>-</u>
	<u>\$ 1,098</u>	<u>\$ -</u>

December 31, 2023

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange contracts		
Inflows	\$ 1,245,750	\$ -
Outflows	<u>(1,214,490)</u>	<u>-</u>
	<u>\$ 31,260</u>	<u>\$ -</u>

c) Financial facilities

	<u>December 31</u>	
	2024	2023
Unsecured bank credit facilities (reviewed annually)		
Amount used	\$ 150,000	\$ 6,000
Amount unused	<u>19,438,000</u>	<u>17,137,000</u>
	<u>\$ 19,588,000</u>	<u>\$ 17,143,000</u>
Secured bank credit facilities (reviewed annually)		
Amount used	\$ 677,000	\$ 717,000
Amount unused	<u>292,000</u>	<u>-</u>
	<u>\$ 969,000</u>	<u>\$ 717,000</u>

35. TRANSACTIONS WITH RELATED PARTIES

Intercompany balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Name and relationship of related parties

<u>Name</u>	<u>Relationship with the Group</u>
Taiwan Semiconductor Manufacturing Company Ltd.	Investor with significant influence over the Group
NXP SEMICONDUCTORS SINGAPORE PTE. LTD.	Investor with significant influence over the Group (Investor having significant influence since September 4, 2024)
Global Unichip Corp.	Substantial related party
Shenzhen Winsemi Microelectronics Co., Ltd.	Substantial related party
Wuxi Winsemi Microelectronics Co., Ltd.	Substantial related party
Wuxi Proisemi Technology Company Limited	Substantial related party
Xi An Winsemi Semiconductor Technology Co., Ltd.	Substantial related party

(Continued)

Name	Relationship with the Group
CMSC, Inc.	Substantial related party (CMSC, Inc. was originally Group's associate, in which the Group has no significant influence since November 2023)
NXP Semiconductors Taiwan Ltd.	Substantial related party (substantial related party since September 4, 2024)
Episil-Precision Inc.	Substantial related party (substantial related party since September 24, 2024)
Qromis, Inc.	Associate

(Concluded)

b. Operating transactions

	Revenue from Sales of Goods	
	For the Year Ended December 31	
	2024	2023
Substantial related parties	\$ 788,197	\$ 312,267
Investors with significant influence over the Group	758,624	1,068,170
Associates	<u>14,744</u>	<u>25,741</u>
	<u>\$ 1,561,565</u>	<u>\$ 1,406,178</u>
	Purchases of Goods (Returns)	
	For the Year Ended December 31	
	2024	2023
Investors with significant influence over the Group	\$ 536	\$ -
Substantial related parties	<u>(14)</u>	<u>-</u>
	<u>\$ 522</u>	<u>\$ -</u>
	Manufacturing Expenses	
	For the Year Ended December 31	
	2024	2023
Substantial related parties	\$ 219,004	\$ -
Investors with significant influence over the Group	75,885	52,273
Associates	<u>331</u>	<u>511</u>
	<u>\$ 295,220</u>	<u>\$ 52,784</u>
	General and Administrative	
	For the Year Ended December 31	
	2024	2023
Investors with significant influence over the Group	<u>\$ 100,502</u>	<u>\$ -</u>

	Research and Development Expenses	
	For the Year Ended December 31	
	2024	2023
Investors with significant influence over the Group	\$ 13,780	\$ -

	Non-operating Income and Gains	
	For the Year Ended December 31	
	2024	2023
Associates	\$ -	\$ 1

The following balances were outstanding at the end of the reporting period:

	Receivables from Related Parties	
	December 31	
	2024	2023
Substantial related parties	\$ 299,893	\$ 63,191
Investors with significant influence over the Group	110,224	66,653
Associates	<u>4,327</u>	<u>5,548</u>
	<u>\$ 414,444</u>	<u>\$ 135,392</u>

	Other Receivables from Related Parties	
	December 31	
	2024	2023
Investors with significant influence over the Group	\$ 4,464,640	\$ -
NXP SEMICONDUCTORS SINGAPORE PTE. LTD.	-	8
Associates	<u>-</u>	<u>8</u>
	<u>\$ 4,464,640</u>	<u>\$ 8</u>

	Contract Liabilities	
	December 31	
	2024	2023
Investors with significant influence over the Group	\$ 13,107,200	\$ -
NXP SEMICONDUCTORS SINGAPORE PTE. LTD.	1,380,438	81
Substantial related parties	-	-
Associates	<u>2</u>	<u>-</u>
	<u>\$ 14,487,640</u>	<u>\$ 81</u>
Current	\$ 1,380,440	\$ 81
Non-current	<u>13,107,200</u>	<u>-</u>
	<u>\$ 14,487,640</u>	<u>\$ 81</u>

	Payables to Related Parties	
	December 31	
	2024	2023
Substantial related parties	\$ 119	\$ -

	Other Payables to Related Parties	
	December 31	
	2024	2023
Investors with significant influence over the Group		
Taiwan Semiconductor Manufacturing Company Ltd.	\$ 3,084,238	\$ 13,778
Substantial related parties	119,912	-
Associates	18	342
	<u>\$ 3,204,168</u>	<u>\$ 14,120</u>
Current	\$ 992,328	\$ 14,120
Non-current	2,211,840	-
	<u>\$ 3,204,168</u>	<u>\$ 14,120</u>

	Guarantee Deposits	
	December 31	
	2024	2023
Substantial related parties	\$ 36,700	\$ 34,437

	Intangible Assets	
	For the Year Ended December 31	
	2024	2023
Investors with significant influence over the Group		
Taiwan Semiconductor Manufacturing Company Ltd.	\$ 2,929,140	\$ -

Please refer to Note 37, intangible assets were the Group purchased technology licenses.

The terms of sales or transactions with related parties were not significantly different from those transactions of third parties. However, for other related-party transactions such as licensing fees, outsourcing, research and development expenses, non-operating income, gains, and guarantee deposits, there were no similar transactions in the market. Therefore, the transaction terms were determined based on the related contracts.

For the years ended 2024 and 2023, no impairment loss was recognized for trade receivable from related parties.

c. Compensation of key management personnel

	For the Year Ended December 31	
	2024	2023
Short-term employee benefits	\$ 412,174	\$ 413,506
Post-employment benefits	9,127	6,001
	<u>\$ 421,301</u>	<u>\$ 419,507</u>

The compensation of directors and other key management personnel was determined by the Compensation Committee in accordance with the individual performance and the market trends.

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

Please refer to Note 19, the following assets have been pledged as guarantee for customs duty, bank fulfillment, government grant project and lease of the manufacturing plant from the Hsinchu Science Park Bureau:

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Pledged time deposits	<u>\$ 1,133,946</u>	<u>\$1,063,879</u>

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments of the Group as of December 31, 2024 were as follows:

a. Significant unrecognized commitments

- 1) The Corporation entered into a “Manufacturing, License, and Technology Transfer Agreement” with Taiwan Semiconductor Manufacturing Company Ltd. beginning January 1, 2004; under the agreement, the Corporation pays fees according to the net sales of certain products and reserved portion of its production capacity. In addition, the Company signed a technology licensing agreement with Taiwan Semiconductor Manufacturing Company Ltd. on July 16, 2024, with a total value of US\$150,000 thousand to obtain licensing rights for process technologies. As of December 31, 2024, US\$90,000 thousand has been recognized as an intangible asset, and the corresponding payables are classified based on liquidity as follows: Other payables - related parties of US\$22,500 thousand and long-term payables - related parties of US\$67,500 thousand.
- 2) The Corporation entered into a “Shares Subscription Agreement” with NXP Semiconductors to establish VisionPower Semiconductor Pte. Ltd. to build a 300mm semiconductor wafer manufacturing facility. The agreement begins on June 5, 2024, and is terminated upon the completion of the agreement. In addition, the Company signed an irrevocable capacity reservation agreement with NXP Semiconductors on September 4, 2024. As of December 31, 2024, a prepayment of US\$275,000 thousand has been received.

b. Contingencies

The Corporation received an Ancillary Civil Action Complaint filed by Phoenix Silicon International Corporation (PSI) from Hsinchu District Court in March 2021. PSI stated that its trade secret was reproduced and utilized by Integrated Service Technology Inc. (IST) and the Corporation’s ex-employees without PSI’s authorization and claimed against the above persons and the Corporation for joint and several liability for compensation of PSI’s damages. The Corporation considers that it needs to be verified if the information claimed by PSI involves confidentiality and trade secrets based on current information. In addition, it is ex-employees’ personal behaviors and PSI’s claim is legally groundless. After evaluation, this lawsuit did not lead to a significant impact on the Corporation’s financial business. The Corporation has engaged lawyers to deal with the litigation and will take proactive legal actions to respond against the complaint to protect right of the Corporation and shareholders.

38. SIGNIFICANT LOSSES FROM DISASTERS

The earthquake struck Taiwan on the morning of April 3, 2024, mainly causing damage to some of the Corporation's inventory and equipment. In September 2024, the Company recognized the estimated loss of \$250,000 thousand after deducting insurance claims from the cost of revenue.

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31			
	2024		2023	
	Foreign Currency (In Thousands)	Exchange Rate	Foreign Currency (In Thousands)	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 888,935	32.768	\$ 866,530	30.747
EUR	28,735	34.115	1,397	34.037
JPY	2,024,076	0.2096	740,520	0.2174
SGD	51,813	24.115	265	23.321
RMB	1,199	4.486	1,305	4.315
Non-monetary items				
USD	-	32.768	3,735	30.747
RMB	145,181	4.486	175,586	4.315
<u>Financial liabilities</u>				
Monetary items				
USD	835,677	32.768	762,039	30.747
EUR	698	34.115	946	34.037
JPY	326,785	0.2096	121,937	0.2174
SGD	29,291	24.115	-	-
Derivative instruments				
USD	23,000	32.768	39,500	30.747

Please refer to the consolidated statements of comprehensive income for the total of realized and unrealized foreign exchange gain and loss for the years ended December 31, 2024 and 2023, respectively. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Group, the Group was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact.

40. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

1) Financing provided to others: Table 1 (attached)

2) Endorsements/guarantees provided: None.

- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly ventures): Table 2 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 3 (attached)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
 - 9) Trading in derivative instruments: Note 7.
 - 10) Intercompany relationships and significant intercompany transactions: Table 7 (attached)
 - 11) Locations and related information of investees over which the company exercises significant influence (excluding the information on investment in mainland China): Table 8 (attached)
- c. Information on investment in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 9 (attached)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services

d. Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name, the number of shares owned, and percentage of ownership hold by each shareholder: Table 10 (attached)

41. SEGMENT INFORMATION

a. Segment revenue, results and segment assets

For the purpose of resource allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information on a per plant basis. It focuses on the operating result of each plant. Accordingly, each plant constitutes an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production process and all of products produced are distributed and sold to the same level of customers through a central sales function, the Group's segments are aggregated into a single reportable segment.

The revenue, operating results and financial information on a plant by plant basis presented to the chief operating decision maker are consistent with the information in the consolidated financial statements. The segment revenue and operating results for the years ended December 31, 2024 and 2023 can be referred to the consolidated statements of comprehensive income for the years ended December 31, 2024 and 2023. The segment assets as of December 31, 2024 and 2023 can be referred to the consolidated balance sheets as of December 31, 2024 and 2023.

b. Revenue from major products and services

For the Group's revenue from its major products and services, please refer to Note 25.

c. Geographic information

For revenue by region as of December 31, 2024 and 2023, please refer to Note 25. Non-current assets by region were as follows:

	Non-current Assets	
	December 31	
	2024	2023
Asia	\$ 48,206,982	\$ 39,434,622
America	<u>8</u>	<u>48</u>
	<u>\$ 48,206,990</u>	<u>\$ 39,434,670</u>

Non-current assets exclude the investments accounted for by the equity method, financial instruments, intangible assets, deferred income tax assets, refundable deposits and other assets.

d. Major customers

Sales to customers amounting to at least 10% of total gross revenue:

	For the Year Ended December 31	
Customer	2024	2023
A	\$ 5,291,035	\$ 5,620,317
B	4,951,153	1,639,705

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Gain	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Total Available Amount for Leading (Note 2)
													Item	Value		
0	Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Other receivables from related parties	Yes	\$ 1,644,750	\$ 1,638,400	\$ 819,200	5.45%	For short-term financing	\$ -	Short-term financing needed	\$ -	-	\$ -	\$ 19,231,327	\$ 25,641,770

Note 1: The description of the number column is as follows:

- a. Issuer fills in 0.
- b. The invested company is numbered sequentially according to the company from Arabic number 1.

Note 2: The amount of loan to each borrowing company and the total available amount for all borrowings shall not exceed 30% and 40% of the Corporation's net equity, respectively.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2024				Note
				Shares/Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value	
Vanguard International Semiconductor Corporation	<u>Structured instruments</u> CSBC Corp. Domestic 1st Secured Convertible Bond	-	Financial assets at FVTPL - current	-	\$ 139,989	-	\$ 139,989	-
	<u>Warrant</u> AnDAPT Holdings Ltd.	-	Financial assets at FVTPL - non-current	179	-	-	-	-
	<u>Shares</u> Advanced Microelectronic Products Inc.	Investee	Financial assets at FVTOCI - non-current	7,500	44,100	6	44,100	-
	E-Charging Inc.	Investee	Financial assets at FVTOCI - non-current	-	574,115	4	574,115	-
	United Industrial Gases Co., Ltd.	Investee	Financial assets at FVTOCI - non-current	4,246	211,964	2	211,964	-
	AnDAPT Holdings Ltd.	Investee	Financial assets at FVTOCI - non-current	1,000	-	3	-	-
	Voltafield Technology Corporation (Cayman)	Investee	Financial assets at FVTOCI - non-current	600	-	1	-	-
	Shenzhen Winsemi Microelectronics Co., Ltd.	Investee	Financial assets at FVTOCI - non-current	-	77,166	7	77,166	-
	Efficient Power Conversion Corporation	Investee	Financial assets at FVTOCI - non-current	82	263,486	5	263,486	-
	CMSC, INC.	Investee	Financial assets at FVTOCI - non-current	5,912	999,128	13	999,128	-
	<u>Corporation bonds</u> ABQ Finance Ltd.	-	Financial assets at amortized cost - current	-	160,228	-	160,994	-
	Bank of Nova Scotia	-	Financial assets at amortized cost - current	-	651,477	-	655,725	-
	Commonwealth Bank of Australia, New York	-	Financial assets at amortized cost - current	-	294,944	-	302,043	-
	Credit Agricole S.A. London branch	-	Financial assets at amortized cost - current	-	322,820	-	323,240	-
	Emirates NBD Bank PJSC	-	Financial assets at amortized cost - current	-	32,676	-	32,976	-
	Foxconn (Far East) Limited	-	Financial assets at amortized cost - current	-	158,335	-	159,834	-
	Kookmin Bank	-	Financial assets at amortized cost - current	-	97,980	-	97,943	-
	QNB Finance Ltd	-	Financial assets at amortized cost - current	-	162,581	-	162,903	-
	Societe Generale	-	Financial assets at amortized cost - current	-	321,414	-	323,935	-
	Sumitomo Mitsui Financial Group, Inc.	-	Financial assets at amortized cost - current	-	112,652	-	113,477	-
	Emirates NBD Bank PJSC	-	Financial assets at amortized cost - non-current	-	163,840	-	163,048	-
	QNB Finance Ltd	-	Financial assets at amortized cost - non-current	-	157,955	-	157,399	-
	Sumitomo Mitsui Financial Group, Inc.	-	Financial assets at amortized cost - non-current	-	197,420	-	203,098	-

(Continued)

Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2024				Note
				Shares/Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value	
VIS Associates Inc.	Corporation bonds							
	Bank of America Corporation	-	Financial assets at amortized cost - current	-	\$ 653,385	-	\$ 653,529	-
	Bank of NY Mellon Corp	-	Financial assets at amortized cost - current	-	358,886	-	358,905	-
	Formosa Group Cayman Ltd	-	Financial assets at amortized cost - current	-	325,927	-	325,741	-
	Foxconn (Far East) Limited	-	Financial assets at amortized cost - current	-	158,082	-	159,364	-
	Goldman Sachs Group Inc.	-	Financial assets at amortized cost - current	-	294,251	-	294,300	-
	HSBC Holdings Plc	-	Financial assets at amortized cost - current	-	162,203	-	162,207	-
	JPMorgan Chase&Co.	-	Financial assets at amortized cost - current	-	652,419	-	652,276	-
	Kookmin Bank	-	Financial assets at amortized cost - current	-	163,311	-	163,214	-
	Mizuho Financial Group Inc.	-	Financial assets at amortized cost - current	-	162,112	-	162,034	-
	Morgan Stanley	-	Financial assets at amortized cost - current	-	89,728	-	89,813	-
	TSMC Global Ltd	-	Financial assets at amortized cost - current	-	318,167	-	317,750	-
	UBS Group AG	-	Financial assets at amortized cost - current	-	260,234	-	260,669	-
	Australia and New Zealand Banking Group, NY	-	Financial assets at amortized cost - non-current	-	32,363	-	32,259	-
	Emirates NBD Bank PJSC	-	Financial assets at amortized cost - non-current	-	163,840	-	163,048	-
	Goldman Sachs Bank USA	-	Financial assets at amortized cost - non-current	-	198,672	-	198,037	-
	HSBC Holdings Plc	-	Financial assets at amortized cost - non-current	-	62,020	-	62,550	-
	IBM Corp	-	Financial assets at amortized cost - non-current	-	97,415	-	97,313	-
	Mitsubishi UFJ FIN Group, Inc.	-	Financial assets at amortized cost - non-current	-	96,575	-	96,425	-
	Morgan Stanley Bank NA	-	Financial assets at amortized cost - non-current	-	293,575	-	293,153	-
	Natwest Markets Plc	-	Financial assets at amortized cost - non-current	-	200,067	-	199,325	-
	QNB Finance Ltd.	-	Financial assets at amortized cost - non-current	-	251,250	-	250,222	-
	Sumitomo Mitsui Financial Group, Inc.	-	Financial assets at amortized cost - non-current	-	287,148	-	287,113	-
	TSMC Global Ltd	-	Financial assets at amortized cost - non-current	-	291,595	-	291,056	-
	UBS Group AG	-	Financial assets at amortized cost - non-current	-	223,602	-	223,999	-

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificate and the derivative securities from aforementioned items that fall within the scope of “Financial Instruments in IFRS 9”.

Note 2: As of December 31, 2024, all the securities were not pledged or restricted.

Note 3: With respect to the information of subsidiaries, associates and joint ventures, please see Table 8 and Table 9.

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note)	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Vanguard International Semiconductor Corporation	Share	Investments accounted for using the equity method	Episil Technologies Inc.	Associates	-	\$ -	50,000	\$ 2,480,000	-	\$ -	\$ -	\$ -	50,000	\$ 2,456,121
	Share	Investments accounted for using the equity method	VisionPower Semiconductor Manufacturing Company Pte. Ltd.	Subsidiaries	-	-	210,000	6,741,144	-	-	-	-	210,000	6,843,898

Note: The ending balance includes the realized gain/loss on equity investment.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
VisionPower Semiconductor Manufacturing Company Pte. Ltd.	The land lease committee will build a factory.	2024/8/1 (Note)	\$ 700,000 (SGD 29,000 thousand) (Note)	Based on the terms in the purchase order	L&K Engineering Co., Ltd. (Singapore Branch)	None	N/A	N/A	N/A	N/A	Compare prices and negotiate prices according to market conditions	Due to the needs of the company's business growth	None
	The land lease committee will build a factory.	2024/9/10 (Note)	24,845,000 (Note)	Based on the terms in the purchase order	L & K ENGINEERING CO., LTD. (SINGAPORE BRANCH); Exyte Singapore Pte. Ltd.	None	N/A	N/A	N/A	N/A	Compare prices and negotiate prices according to market conditions	Due to the needs of the company's business growth	None

Note: The disclosures are expected information based on the capital appropriation approved by the board of directors (right-of-use assets are included). The actual information shall be subject to the final purchase order of Vanguard International Semiconductor Corporation.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sales	\$ 758,624	2.0	30 days after closing	\$ -	-	\$ 110,224	2.0	-
	Nxp Semiconductors Taiwan Ltd.	Substantial related party	Sales	538,957	1.0	60 days from the invoice date	-	-	228,016	4.0	-

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Vanguard International Semiconductor Corporation	NXP Semiconductors Taiwan Ltd. Taiwan Semiconductor Manufacturing Company Ltd.	Substantial related party Major shareholder	\$ 228,016	7.09	\$ -	-	\$ 215,862	\$ -
			110,224	8.58	-	-	110,224	-

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Company Name	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note)	Percentage of Consolidated Net Revenue or Total Assets
0	Vanguard International Semiconductor Corporation	VIS Micro, Inc.	Transaction from ultimate parent company to subsidiary	Marketing expenses	\$ 117,054	-	-
		VIS Shanghai Company Limited Vanguard International Semiconductor Singapore Pte. Ltd.	Directly held subsidiary Directly held subsidiary	Other payables to related parties	6,555	-	-
				Marketing expenses	473	-	-
		VisionPower Semiconductor Manufacturing Company Pte. Ltd.	Directly held subsidiary	Sales revenue	258,801	-	1%
				Purchases	14,542	-	-
				Accounts receivable from related parties	44,939	-	-
				Other receivables from related parties	852,550	-	1%
				Payables to related parties	1,573	-	-
				Other payables to related parties	67	-	-
				Interest income	49,253	-	-
		VisionPower Semiconductor Manufacturing Company Pte. Ltd.	Directly held subsidiary	Non-operating income	12,981	-	-
Other receivables from related parties	165,983			-	-		

Note: The trade term of the intercompany transactions were based on the related agreements.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

LOCATIONS AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING THE INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 FOR THE YEAR ENDED DECEMBER 31, 2024
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2024			Net Gain (Loss) of the Investee (Foreign Currencies in Thousands)	Investment Gain (Loss) Recognized (Foreign Currencies in Thousands)	Note
				December 31, 2024 (Foreign Currencies in Thousands)	December 31, 2023 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investments	\$ 5,675,691	\$ 9,528,339	184	100	\$ 7,213,191	\$ 379,324	\$ 379,324	Subsidiary
	Vanguard International Semiconductor Singapore Pte. Ltd.	Singapore	Semiconductor manufacturing, selling and packaging	9,105,342	9,105,342	400,000	100	4,317,061	(2,577,172)	(2,577,172)	Subsidiary
	VisionPower Semiconductor Manufacturing Company Pte. Ltd. (Note)	Singapore	Semiconductor manufacturing, selling and packaging	6,741,144	-	210,000	60	6,843,898	19,406	18,623	Subsidiary
	Qromis, Inc.	Delaware, USA	Semiconductor research and development related businesses	347,490	347,490	10,705	29	104,890	(127,214)	(37,328)	Investment accounted for using equity method
	Episil Technologies Inc.	Taiwan	Epitaxy wafer and wafer foundry service of power IC and analog IC	2,480,000	-	50,000	13	2,456,121	(525,290)	(26,662)	Investment accounted for using equity method
VIS Associates Inc.	VIS Investment Holding, Inc.	Delaware, USA	Investments	204,800 (US\$ 6,250)	192,169 (US\$ 6,250)	63	100	118,081 (US\$ 3,604)	8,680 (US\$ 272)	8,680 (US\$ 272)	Subsidiary
VIS Investment Holding, Inc.	VIS Micro, Inc.	California, USA	Marketing services	6,554 (US\$ 200)	6,149 (US\$ 200)	200	100	100,400 (US\$ 3,064)	9,057 (US\$ 283)	9,057 (US\$ 283)	Subsidiary

Note: On May 31, 2024, Vanguard Power Electronics Singapore Pte. Ltd. changed its name to VisionPower Semiconductor Manufacturing Company Pte. Ltd.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2024
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2024	Accumulated Repatriation of Investment Income as of December 31, 2024	Note
					Outflow	Inflow							
VIS Shanghai Company Limited	Marketing services	\$ 4,556 (RMB 1,000 thousand)	Note 1	\$ 4,556 (RMB 1,000 thousand)	\$ -	\$ -	\$ 4,556 (RMB 1,000 thousand)	\$ (39) (RMB (10) thousand)	100	\$ (39) (RMB (10) thousand)	\$ 4,451 (RMB 992 thousand)	\$ -	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2024	Investment Amount Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
\$4,556 (RMB1,000 thousand)	\$4,556 (RMB1,000 thousand)	\$41,200,215

Note 1: Directly invested.

Note 2: The amount was recognized based on the subsidiary's financial statements which were audited by the certified public account of parent company.

Note 3: The investment amount in mainland China authorized by Investment Commission, MOEA totaled \$523,570 thousand (RMB23,340 thousand and US\$15,000 thousand), of which \$519,014 thousand (RMB22,340 thousand and US\$15,000 thousand) is accounted for financial assets at fair value through other comprehensive income, please refer to Table 2.

Note 4: Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China, the upper limit on the amount of investment stipulated is calculated based on either 60% of the equity attributable to owners of the company or 60% of the consolidated net worth, including non-controlling interests, the higher prevails.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2024**

Name of Major Shareholders	Shares	
	Shares of Ownership (Shares)	% of Ownership
Taiwan Semiconductor Manufacturing Company Ltd.	506,709,324	27.14
National Development Fund, Executive Yuan	299,108,837	16.02
Capital Tip Customized Taiwan Select High Dividend ETF	166,642,441	8.92
Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	129,682,442	6.94

Note: Information of major shareholders shares the list of all shareholders with ownership of 5% or greater.

**Vanguard International Semiconductor
Corporation and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No.10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

By

LEUH FANG
Chairman

February 1, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Vanguard International Semiconductor Corporation

Opinion

We have audited the accompanying consolidated financial statements of Vanguard International Semiconductor Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

The key audit matters identified in the consolidated financial statements of the Group for the year ended December 31, 2023, are described as follows:

Specific Revenue

1. The sales revenue of the Group is material to the Group. Refer to Note 25. Revenues generated from domestic and foreign shipments which are recognized at the point of ex-factory and are accounted for 100% of total revenue. In the revenue recognition process, sales personnel verify the shipment on the computer system, and the system automatically recognizes the sales revenue and issues an invoice. When the customers or their designated forwarders have withdrawn the goods, the warehouse personnel will sign off on handheld devices and transmit the information to the shipping system. The system automatically checks the goods withdrawn on a daily basis. For goods that are not withdrawn, the system will notify sales personnel for confirmation and delete the goods from the shipping list, and the sales revenue is reversed automatically and the invoice is cancelled.
2. Since the above process also consists of manual controls, there is a risk that revenue before and after the end of the reporting period may not be recognized in the appropriate period.
3. We reviewed the revenue recognition policy of the Group, assessed the reasonableness of the revenue recognition process, obtained an understanding of and tested the effectiveness of the design and implementation of internal controls related to the recognition of operating income, and verified the accuracy of the timing of sales revenue recognition as well as the monetary amount, and evaluated and confirmed that the risk and rewards of goods have been transferred.

Other Matter

We have also audited the parent company only financial statements of Vanguard International Semiconductor Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Tung-Hui Yeh and Yu-Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 1, 2024

Notice to Readers

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

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

ASSETS	2023		2022		LIABILITIES AND EQUITY	2023		2022	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 27,698,809	27	\$ 28,667,875	29	Financial liabilities at fair value through profit or loss (Notes 4, 7 and 32)	\$ -	-	\$ 2,070	-
Financial assets at fair value through profit or loss (Notes 4, 7 and 32)	877,569	1	901,040	1	Contract liabilities (Notes 25 and 33)	6,167,517	6	4,116,402	4
Financial assets at amortized cost (Notes 4, 5, 9, 10 and 32)	7,329,860	7	3,084,490	3	Notes and accounts payable (Note 32)	972,190	1	1,376,812	1
Hedging financial assets (Notes 4, 11 and 32)	2,143,633	2	2,189,408	2	Accrued compensation of employees and remuneration of directors (Notes 26 and 32)	1,818,740	2	3,397,775	4
Notes and accounts receivable, net (Notes 4, 5, 11, 12, 25 and 32)	5,387,197	5	4,625,288	5	Payables to contractors and equipment suppliers (Note 32)	917,474	1	2,221,296	2
Receivables from related parties (Notes 4, 5, 25, 32 and 33)	135,392	-	336,705	-	Other payables (Notes 20 and 32)	4,073,759	4	5,022,949	5
Other receivables (Notes 4, 32 and 33)	501,684	1	403,883	-	Other payables to related parties (Notes 32 and 33)	14,120	-	959	-
Inventories (Notes 4 and 13)	5,672,104	6	5,880,152	6	Current income tax liabilities (Notes 4 and 27)	2,214,455	2	2,818,351	3
Prepayments	208,025	-	161,534	-	Lease liabilities (Notes 4, 5, 17, 30 and 32)	224,842	-	219,137	-
Other current assets (Note 19)	124,382	-	5,112	-	Other current liabilities (Notes 21, 30 and 32)	3,704,126	3	1,917,727	2
Total current assets	50,078,655	49	46,255,487	46	Total current liabilities	20,107,223	19	21,093,478	21
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 32)	2,417,080	2	878,631	1	Contract liabilities (Note 25)	10,444,291	10	13,133,211	13
Financial assets at amortized cost (Notes 4, 5, 9, 10 and 32)	6,464,886	6	8,701,741	9	Bonds payable (Notes 22, 30 and 32)	17,983,425	18	11,987,369	12
Investments accounted for using equity method (Notes 4 and 15)	114,836	-	217,893	-	Deferred income tax liabilities (Notes 4 and 27)	1,052,730	1	604,135	1
Property, plant and equipment (Notes 4 and 16)	36,603,877	36	38,504,205	38	Lease liabilities (Notes 4, 5, 17, 30 and 32)	2,213,686	2	2,341,724	2
Right-of-use assets (Notes 4, 5 and 17)	2,830,793	3	3,002,982	3	Net defined benefit liabilities (Notes 4 and 23)	302,690	-	372,898	-
Intangible assets (Notes 4 and 18)	265,142	-	267,914	-	Guarantee deposits (Notes 30, 32 and 33)	4,573,360	5	6,000,939	6
Deferred income tax assets (Notes 4 and 27)	1,669,814	2	890,112	1	Other non-current liabilities (Note 21)	59,598	-	55,661	-
Refundable deposits (Notes 4 and 32)	4,262	-	4,923	-	Total non-current liabilities	36,629,780	36	34,495,937	34
Other non-current assets (Notes 4, 19, 32 and 34)	2,000,698	2	2,216,031	2	Total liabilities	56,737,003	55	55,589,415	55
Total non-current assets	52,371,388	51	54,684,432	54	EQUITY (Notes 4, 8, 11 and 24)				
TOTAL ASSETS	\$ 102,450,043	100	\$ 100,939,919	100	Share capital	16,389,823	16	16,389,823	16
					Capital surplus	913,754	1	914,062	1
					Retained earnings				
					Legal reserve	9,041,949	9	7,501,254	8
					Special reserve	-	-	1,987,531	2
					Unappropriated earnings	18,889,367	18	18,407,787	18
					Total retained earnings	27,931,316	27	27,896,572	28
					Other equity	478,147	1	150,047	-
					Total equity	45,713,040	45	45,350,504	45
					TOTAL LIABILITIES AND EQUITY	\$ 102,450,043	100	\$ 100,939,919	100

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 17, 25 and 33)	\$ 38,272,570	100	\$ 51,694,310	100
COST OF REVENUE (Notes 4, 13, 26 and 33)	<u>27,826,556</u>	<u>73</u>	<u>27,770,570</u>	<u>54</u>
GROSS PROFIT	<u>10,446,014</u>	<u>27</u>	<u>23,923,740</u>	<u>46</u>
OPERATING EXPENSES (Notes 26 and 33)				
Marketing	382,140	1	582,693	1
General and administrative	2,138,995	5	2,792,449	6
Research and development	<u>2,150,693</u>	<u>6</u>	<u>2,741,631</u>	<u>5</u>
Total operating expenses	<u>4,671,828</u>	<u>12</u>	<u>6,116,773</u>	<u>12</u>
OPERATING INCOME	<u>5,774,186</u>	<u>15</u>	<u>17,806,967</u>	<u>34</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Interest income (Note 26)	1,683,371	5	679,774	1
Dividend income (Notes 8 and 26)	28,873	-	32,385	-
Other income (Note 33)	27,001	-	192,060	1
Gain on disposal of property, plant and equipment	23,456	-	616	-
Gains on disposal of investments (Note 15)	1,490,064	4	62,343	-
Net foreign exchange gain	18,275	-	141,225	-
Gain on financial assets and liabilities at fair value through profit or loss (Note 26)	32,429	-	109,634	-
Interest expense (Notes 5 and 26)	(238,174)	(1)	(180,101)	-
Share of profit or loss of associates and joint ventures accounted for using equity method (Note 15)	<u>(5,708)</u>	<u>-</u>	<u>6,269</u>	<u>-</u>
Total non-operating income and expenses	<u>3,059,587</u>	<u>8</u>	<u>1,044,205</u>	<u>2</u>
INCOME BEFORE INCOME TAX	8,833,773	23	18,851,172	36
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(1,463,699)</u>	<u>(4)</u>	<u>(3,570,784)</u>	<u>(7)</u>
NET INCOME	<u>7,370,074</u>	<u>19</u>	<u>15,280,388</u>	<u>29</u>

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 4 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 23)	\$ 40,090	-	\$ 126,558	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	113,097	-	136,735	-
(Loss) gain on hedging instruments (Note 11)	(11,615)	-	269,449	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	245,172	1	1,918,388	4
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method (Note 15)	95	-	(95)	-
Total other comprehensive income	<u>386,839</u>	<u>1</u>	<u>2,451,035</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 7,756,913</u>	<u>20</u>	<u>\$ 17,731,423</u>	<u>34</u>
NET INCOME ATTRIBUTABLE TO				
Owners of the Corporation	\$ 7,370,074	19	\$ 15,280,388	29
Non-controlling interests	-	-	-	-
	<u>\$ 7,370,074</u>	<u>19</u>	<u>\$ 15,280,388</u>	<u>29</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owner of the Corporation	\$ 7,756,913	20	\$ 17,731,423	34
Non-controlling interests	-	-	-	-
	<u>\$ 7,756,913</u>	<u>20</u>	<u>\$ 17,731,423</u>	<u>34</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 4.50</u>		<u>\$ 9.32</u>	
Diluted	<u>\$ 4.43</u>		<u>\$ 9.07</u>	

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

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	
BALANCE AT JANUARY 1, 2022	\$ 16,389,823	\$ 898,066	\$ 6,335,395	\$ 1,657,068	\$ 11,872,583	\$ (1,946,132)	\$ (14,460)	\$ (26,938)	\$ 35,165,405
Appropriation of prior year's earnings									
Legal reserve	-	-	1,165,859	-	(1,165,859)	-	-	-	-
Special reserve	-	-	-	330,463	(330,463)	-	-	-	-
Cash dividends - 45%	-	-	-	-	(7,375,420)	-	-	-	(7,375,420)
Changes in capital surplus from investments in associates and joint ventures accounted for using equity method	-	15,939	-	-	-	-	-	-	15,939
Other changes in capital surplus	-	228	-	-	-	-	-	-	228
Disposal of investments accounted for using equity method	-	(171)	-	-	-	-	-	-	(171)
Net income for the year ended December 31, 2022	-	-	-	-	15,280,388	-	-	-	15,280,388
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	126,558	1,918,388	136,640	269,449	2,451,035
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	15,406,946	1,918,388	136,640	269,449	17,731,423
Loss on hedging instruments transferred to initial cost of hedged items	-	-	-	-	-	-	-	(186,900)	(186,900)
BALANCE AT DECEMBER 31, 2022	16,389,823	914,062	7,501,254	1,987,531	18,407,787	(27,744)	122,180	55,611	45,350,504
Appropriation of prior year's earnings									
Legal reserve	-	-	1,540,695	-	(1,540,695)	-	-	-	-
Cash dividends - 45%	-	-	-	-	(7,375,420)	-	-	-	(7,375,420)
Reversal of special reserve	-	-	-	(1,987,531)	1,987,531	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using equity method	-	(4,414)	-	-	-	-	-	-	(4,414)
Other changes in capital surplus	-	247	-	-	-	-	-	-	247
Disposal of investments accounted for using equity method	-	3,859	-	-	-	-	-	-	3,859
Net income for the year ended December 31, 2023	-	-	-	-	7,370,074	-	-	-	7,370,074
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	40,090	245,172	113,192	(11,615)	386,839
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	7,410,164	245,172	113,192	(11,615)	7,756,913
Loss on hedging instruments transferred to initial cost of hedged items	-	-	-	-	-	-	-	(18,649)	(18,649)
BALANCE AT DECEMBER 31, 2023	\$ 16,389,823	\$ 913,754	\$ 9,041,949	\$ -	\$ 18,889,367	\$ 217,428	\$ 235,372	\$ 25,347	\$ 45,713,040

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,833,773	\$ 18,851,172
Adjustments for:		
Depreciation	7,728,903	5,454,220
Amortization	123,185	87,867
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	25,846	(15,734)
Interest expense	238,174	180,101
Interest income	(1,683,371)	(679,774)
Dividend income	(28,873)	(32,385)
Share of loss (profit) of associates and joint ventures	5,708	(6,269)
Gain on disposal of property, plant and equipment	(23,456)	(616)
Gain on disposal of associates accounted for using equity method	(1,490,064)	(62,343)
Net (gain) loss on foreign exchange	(103,582)	515,768
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	(17,678)	(12,452)
Notes and accounts receivable	(1,390,025)	4,118,885
Receivables from related parties	201,313	76,237
Other receivables	7,170	16,512
Inventories	208,048	(1,850,377)
Prepayments	(46,498)	(985,716)
Other current assets	181	(1,057)
Financial liabilities held for trading	(2,070)	1,873
Contract liabilities	(637,805)	9,809,509
Notes and accounts payable	(404,622)	(60,198)
Other payables	(976,519)	267,474
Other payables to related parties	13,161	(10,196)
Other current liabilities	835,833	(34,789)
Net defined benefit liabilities	(30,023)	(211,558)
Accrued compensation of employees and remuneration of directors	(1,579,035)	942,630
Cash generated from operations	9,807,674	36,358,784
Interest received	1,422,983	601,023
Interest paid	(204,729)	(128,903)
Income tax paid	(2,394,419)	(2,904,308)
Net cash generated from operating activities	<u>8,631,509</u>	<u>33,926,596</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(242,952)	(414,465)
Acquisitions of financial assets at amortized cost	(4,933,811)	(7,296,729)
Proceeds from redemption of financial assets at amortized cost	3,149,941	3,326,925
Acquisitions of financial assets at fair value through profit or loss	(1,138,140)	(1,135,402)
Proceeds from disposal of financial assets at fair value through profit or loss	1,133,782	888,500
Proceeds from disposal of investments accounted for using equity method	405,181	78,165
Acquisitions of property, plant and equipment	(6,778,835)	(18,722,586)
Proceeds from disposal of property, plant and equipment	40,040	616
Decrease (increase) in refundable deposits	662	(2,053)

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Acquisitions of intangible assets	\$ (121,257)	\$ (141,236)
Decrease (increase) in other non-current assets	96,674	(817,693)
Dividends received	<u>28,873</u>	<u>32,385</u>
Net cash used in investing activities	<u>(8,359,842)</u>	<u>(24,203,573)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds	6,000,000	7,000,000
Increase in guarantee deposits	244,981	4,789,607
Repayment of the principal portion of lease liabilities	(221,145)	(233,076)
Cash dividends	(7,375,420)	(7,375,420)
Unclaimed dividends	247	228
Payment for transaction costs attributable to the issuance of bonds	<u>(7,347)</u>	<u>(8,546)</u>
Net cash (used in) generated from financing activities	<u>(1,358,684)</u>	<u>4,172,793</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>72,176</u>	<u>574,900</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,014,841)	14,470,716
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>30,857,283</u>	<u>16,386,567</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 29,842,442</u>	<u>\$ 30,857,283</u>
<u>RECONCILIATION BETWEEN BALANCE SHEETS AND STATEMENTS OF CASH FLOWS</u>		
	2023	2022
Cash and cash equivalents in the consolidated balance sheets	\$ 27,698,809	\$ 28,667,875
Cash and cash equivalents included in hedging financial assets	<u>2,143,633</u>	<u>2,189,408</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 29,842,442</u>	<u>\$ 30,857,283</u>

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

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Vanguard International Semiconductor Corporation (the “Corporation”) was incorporated in Hsinchu Science Park in December 1994 and commenced business in January 1995. The Corporation engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

The Corporation’s shares have been traded over the counter on the Taipei Exchange since March 25, 1998.

The functional currency of the Corporation is the New Taiwan dollar. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Corporation’s Board of Directors on February 1, 2024.

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

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

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Corporation and entities controlled by the Corporation (collectively referred to as the “Group”).

- b. The IFRS Accounting Standards issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2024

<u>New, Revised and Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed the possible impact that the application of the above-stated standards and interpretations will not have a significant impact on the Group's financial position and financial performance.

- c. New IFRS Accounting Standards issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

<u>New, Revised and Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: The Company shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the Company recognizes any effect as an adjustment to the opening balance of retained earnings. When the Company uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of the above-stated standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
 - 3) Level 3 inputs are unobservable inputs for an asset or liability.
- c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

- d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 14, Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

- e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are

recognized directly in other comprehensive income; in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and the Group's entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies and spare parts, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of the equity of associates. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all

amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the aggregate of the expenditures incurred from the date when the intangible asset first meets the recognition criteria

listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

j. Impairment of property, plant and equipment, right-of-use asset, and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

k. Financial instruments

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

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

Financial assets

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

1) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include derivative financial assets.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 32.

b) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, investment in debt instruments, notes and accounts receivables, other receivables, refundable deposits and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Financial assets are credit impaired when the issuer or debtor experiences significant financial difficulties or default, and the debtor is likely to claim bankruptcy or undergoes financial reorganization, or the active market for financial assets disappears due to financial difficulties.

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

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime ECL for trade receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date.

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

For internal credit risk management purposes, the Group considers financial assets in default when internal or external information shows that the debtor will not be able to repay, without considering the collateral held by the Group.

The Group recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

3) Derecognition of financial assets

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

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

Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

Financial liabilities

1) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 32.

2) Derecognition of financial liabilities

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

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and currency-swap contracts.

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

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

1. Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivative in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged items affect profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sales of goods is mainly recognized when a customer obtains control of the promised assets, that is, at which time the goods are delivered to the designated location and the performance obligations are satisfied.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leasing

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

o. Government grants

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

Government grants are recognized as a reduction of the related costs/in other income on a systematic basis over the periods in which the Group recognizes expenses for the related costs that the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

q. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to

allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Group considers the possible impact of the inflation and interest rate fluctuations volatility in markets on the cash flows, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Material accounting judgments

a. Lease terms

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occurs.

Key sources of estimation uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions on probability of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 10 and 12. Furthermore, the estimate of the probability of default is subject to greater uncertainties due to the impact on credit risk of financial assets arising from the uncertain impact and volatility in financial markets caused by inflation and interest rate fluctuations.

b. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2023	2022
Bank deposits	\$ 18,299,971	\$ 16,917,927
Cash equivalents		
Commercial paper	6,280,890	7,411,337
Bonds acquired under repurchase agreements	3,071,306	4,098,696
Financial instruments with fixed income matured in 3 months	<u>46,642</u>	<u>239,915</u>
	<u>\$ 27,698,809</u>	<u>\$ 28,667,875</u>

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

	<u>December 31</u>	
	2023	2022
Bank deposits	0%-5.95%	0%-5.18%
Commercial paper	1.43%-5.88%	1.40%-5.00%
Bonds acquired under repurchase agreements	1.42%-5.70%	1.18%-4.70%
Financial instruments with fixed income matured in 3 months	3.93%	4.21%-4.28%

As of December 31, 2023 and 2022, the amount of foreign currency bank deposits of \$2,143,633 thousand and \$2,189,408 thousand, respectively, are designated as a hedging instrument to avoid foreign currency risk and are classified as a hedging financial asset, refer to Note 11.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2023	2022
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative instruments (not designated for hedging)		
Forward exchange contracts (a)	\$ 31,260	\$ 5,287
Currency-swap contracts (b)	-	8,295
Hybrid instruments		
Credit linked notes (c)	<u>846,309</u>	<u>887,458</u>
Financial assets at FVTPL - current	<u>\$ 877,569</u>	<u>\$ 901,040</u>
<u>Financial liabilities held for trading</u>		
Derivative instruments (not designated for hedging)		
Forward exchange contracts (b)	\$ -	\$ 2,070
Financial liabilities at FVTPL - current	<u>\$ -</u>	<u>\$ 2,070</u>

- a. At the end of the reporting period, outstanding forward exchange contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2023</u>			
Sell forward exchange contracts	USD to SGD	2024.01.16-2024.03.27	USD 28,500
Sell forward exchange contracts	USD to NTD	2024.01.02-2024.02.15	USD 11,000

December 31, 2022

Sell forward exchange contracts	USD to SGD	2023.01.06-2023.02.16	USD 12,000
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- b. At the end of the reporting period, outstanding currency-swap contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2022</u>			
Buy forward exchange contracts	USD to NTD	2023.01.11-2023.03.28	USD 55,000

The Group entered into foreign exchange forward contracts and currency-swap contracts during the years ended December 31, 2023 and 2022 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities.

- c. The Group entered into structured investment contracts with the bank in 2023 and 2022. The structured investment contracts included embedded derivative instruments which were not closely related to the host contracts. The entire contract was assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity Instruments	December 31	
	2023	2022
Domestic investments		
Listed shares	\$ 45,150	\$ 67,275
Unlisted shares	1,375,342	142,668
Foreign investments		
Unlisted shares	<u>996,588</u>	<u>668,688</u>
Financial assets at FVTOCI - non current	<u>\$ 2,417,080</u>	<u>\$ 878,631</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Dividends from equity investments held at the reporting date were \$28,873 thousand and \$32,385 thousand for the years ended December 31, 2023 and 2022, respectively.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Foreign investments		
Corporate bonds	\$ 6,786,070	\$ 3,084,490
Negotiable certificate of deposit	<u>543,790</u>	<u>-</u>
	<u>\$ 7,329,860</u>	<u>\$ 3,084,490</u>
<u>Non-current</u>		
Foreign investments		
Corporate bonds	<u>\$ 6,464,886</u>	<u>\$ 8,701,741</u>

Please refer to Note 10 for information relating to their credit risk management and assessment of impairment.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Gross carrying amount	\$ 13,794,746	\$ 11,786,231
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 13,794,746</u>	<u>\$ 11,786,231</u>

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group continues to review the changes in bond yields and other publicly available information and makes an assessment whether there has been a significant increase in credit risk since the initial recognition to the reporting date.

In determining the 12-months ECLs for debt instrument investments, the Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries.

The Group's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing ECLs
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates were as follows:

	<u>December 31</u>	
	2023	2022
Category	Performing	Performing
Expected Loss Rate	0%	0%
Gross Carrying Amount		
At Amortized Cost	<u>\$ 13,794,746</u>	<u>\$ 11,786,231</u>

11. HEDGING FINANCIAL ASSETS

	<u>December 31</u>	
	2023	2022
<u>Current hedging financial assets</u>		
Cash flow hedge		
Hedging of foreign currency deposits	<u>\$ 2,143,633</u>	<u>\$ 2,189,408</u>

In order to manage the cash flow risk resulting from exchange rate fluctuations of commitment to equipment purchasing, the Group designated the foreign currency deposits and accounts receivables as hedging instruments. When forecast purchases actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

As the hedge for commitment of equipment purchasing, the carry amount of the foreign currency deposits and accounts receivables are based on the terms of relative hedged items. The Group qualitatively assessed the effectiveness and considered that the value of foreign currency deposits and accounts receivables have a negative correlation with the value of the corresponding hedged items in response to the movements of the underlying exchange rates.

The source of hedge ineffectiveness in these hedging relationships is driven by the effect the counterparty's credit risk on the fair value of hedging instruments. This credit risk will not affect the fair value changes hedged transaction due to exchange rate changes and the changes in the timing of the hedged transaction. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables summarize the information relating to the hedges of foreign currency risk:

December 31, 2023

Hedging Instrument/ Hedged Item	Amount (In Thousands)	Line Item in Balance Sheet	<u>Carrying Amount</u>	
			Asset	Liability
Cash flow hedge				
Hedging of foreign currency deposits/committed equipment purchase	USD 69,718	Current hedging financial assets	\$ 2,143,633	\$ -

Hedging Instrument/Hedged Item	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
			Continuing Hedges	Discounting Hedges
Cash flow hedge				
Hedging of foreign currency deposits/committed equipment purchase	\$ (11,615)	\$ 11,615	\$ 25,347	\$ -

For the year ended December 31, 2023

Comprehensive Income	Hedging Gain (Loss) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit and Loss	Line Item of Ineffectiveness	Amount from Equity Reclassified to Profit and Loss	
				Due to Hedged Item Affecting Profit and Loss	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge					
Committed equipment purchase	\$ (11,615)	\$ -	-	\$ -	\$ -

December 31, 2022

Hedging Instrument/Hedged Item	Amount (In Thousands)	Line Item in Balance Sheet	Carrying Amount	
			Asset	Liability
Cash flow hedge				
Hedging of foreign currency deposits/committed equipment purchase	USD 71,286	Current hedging financial assets	\$ 2,189,408	\$ -

Hedging Instrument/Hedged Item	Change in Fair Value of Hedging Instruments Used for Calculating Hedge Ineffectiveness	Change in Value of Hedged Items Used for Calculating Hedge Ineffectiveness	Balance in Other Equity	
			Continuing Hedges	Discounting Hedges
Cash flow hedge				
Hedging of foreign currency deposits/committed equipment purchase	\$ 256,796	\$ (256,796)	\$ 55,611	\$ -
Hedging of accounts receivables/committed equipment purchase	12,653	(12,653)	-	-

For the year ended December 31, 2022

Comprehensive Income	Hedging Gain (Loss) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit and Loss	Line Item of Ineffectiveness	Amount from Equity Reclassified to Profit and Loss	
				Due to Hedged Item Affecting Profit and Loss	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge					
Committed equipment purchase	\$ 269,449	\$ -	-	\$ -	\$ -

12. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2023	2022
<u>Notes and accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 5,387,928	\$ 4,626,019
Less: Allowance for impairment loss	<u>(731)</u>	<u>(731)</u>
	<u>\$ 5,387,197</u>	<u>\$ 4,625,288</u>

At amortized cost

The average credit period on sales of goods is 30 to 60 days after month closing. No interest was charged on notes and accounts receivable. Because the discounted effect of accounts receivable was not significant, it was measured by the original invoice amount. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach prescribed by IFRS 9 which permits the use of lifetime ECL as the provision loss of trade receivables. The lifetime ECLs are estimated using a provision matrix approach considering debtors' past default experience, the debtors' current financial position, economic condition of the industry as well as the forecasted GDP and industry outlook. As the Group's historical experience shows no significant difference on individual customer, the Group's provision matrix does not distinguish different customer base. The expected credit loss rates are estimated based on past due days of the trade receivables.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2023

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 5,303,458	\$ 60,805	\$ 6,628	\$ 17,037	\$ 5,387,928
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(731)</u>	<u>(731)</u>
Amortized cost	<u>\$ 5,303,458</u>	<u>\$ 60,805</u>	<u>\$ 6,628</u>	<u>\$ 16,306</u>	<u>\$ 5,387,197</u>

December 31, 2022

Item	Not Past Due	Past Due Less than 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Gross carrying amount	\$ 4,582,152	\$ 36,453	\$ 1,833	\$ 5,581	\$ 4,626,019
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(731)</u>	<u>(731)</u>
Amortized cost	<u>\$ 4,582,152</u>	<u>\$ 36,453</u>	<u>\$ 1,833</u>	<u>\$ 4,850</u>	<u>\$ 4,625,288</u>

The movement of the loss allowance of trade receivables was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning and at the end of year	<u>\$ 731</u>	<u>\$ 731</u>

13. INVENTORIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Finished goods	\$ 1,389,606	\$ 1,281,223
Work in process	1,548,279	1,747,979
Raw materials	1,338,283	1,330,770
Supplies and spare parts	<u>1,395,936</u>	<u>1,520,180</u>
	<u>\$ 5,672,104</u>	<u>\$ 5,880,152</u>

Cost of revenue, write-downs of inventory and unallocated manufacturing overhead included in the cost of revenue were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Cost of revenue	<u>\$ 27,826,556</u>	<u>\$ 27,770,570</u>
Provision of inventory valuation and obsolescence loss	<u>\$ 654,579</u>	<u>\$ 193,766</u>
Unallocated manufacturing overhead	<u>\$ 4,487,862</u>	<u>\$ 1,732,716</u>

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership	
			December 31	
			2023	2022
Vanguard International Semiconductor Corporation	VIS Associates Inc.	Investments	100%	100%
Vanguard International Semiconductor Corporation	VIS Shanghai Company Limited	Marketing services	100%	100%
Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Manufacturing, selling and packaging	100%	100%
VIS Associates Inc.	VIS Investment Holding, Inc.	Investments	100%	100%
VIS Investment Holding, Inc.	VIS Micro, Inc.	Marketing services	100%	100%

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	December 31	
	2023	2022
<u>Associates individually immaterial</u>		
CMSC, Inc.	\$ -	\$ 66,257
Qromis, Inc.	<u>114,836</u>	<u>151,636</u>
	<u>\$ 114,836</u>	<u>\$ 217,893</u>

In November of 2023, the Group disposed 2,030 thousand shares of CMSC Inc. (“CMSC”) accompanying by the disposal gain of NT\$382,228 thousand. After the disposal, the Company’s ownership percentage decreased to 12.9% and lost its significant influence over CMSC. The Group derecognized investments accounted for using equity method at carrying amount on that day, and the investment was remeasured at fair value and was recognized NT\$1,182,400 thousand in the “financial assets at fair value through other comprehensive income”. Accordingly, the differences were recognized as gain on disposal of investments in the amount of NT\$1,107,836 thousand.

Please refer to Table 5 “Information on Investees” for the nature of business, principal place of business and country of incorporation of the associates.

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2023	2022
The Corporation’s share of		
Net (loss) income from continuing operations	\$ (5,708)	\$ 6,269
Other comprehensive loss	<u>95</u>	<u>(95)</u>
Total comprehensive income (loss) for the year ended December 31	<u>\$ (5,613)</u>	<u>\$ 6,174</u>

The investments in associates accounted for using equity method, the share of net profit or loss and the share of other comprehensive income (loss) from investments were calculated based on the unaudited financial statements. The Group’s management considered that the use of unaudited financial statements of the investees did not have material impact on its consolidated financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Assets used by the Group	\$ 36,603,877	\$ 38,350,434
Assets subject to operating leases	<u>-</u>	<u>153,771</u>
	<u>\$ 36,603,877</u>	<u>\$ 38,504,205</u>

	<u>Assets Used by the Group</u>					
	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Advance Payments and Construction in Progress</u>	<u>Assets Subject to Operating Leases Buildings</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2023	\$ 20,281,470	\$ 87,980,335	\$ 729,227	\$ 13,047,172	\$ 1,037,160	\$ 123,075,364
Additions	925,134	2,128,768	110,605	2,303,921	-	5,468,428
Disposals	(17,833)	(336,414)	(475)	-	-	(354,722)
Reclassified	1,220,103	4,079,871	28,734	(4,288,911)	(1,037,160)	2,637
Translation adjustments	<u>15,106</u>	<u>185,208</u>	<u>386</u>	<u>2,743</u>	<u>-</u>	<u>203,443</u>
Balance at December 31, 2023	<u>\$ 22,423,980</u>	<u>\$ 94,037,768</u>	<u>\$ 868,477</u>	<u>\$ 11,064,925</u>	<u>\$ -</u>	<u>\$ 128,395,150</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ 14,573,534	\$ 68,430,883	\$ 499,832	\$ -	\$ 883,389	\$ 84,387,638
Depreciation	898,989	6,469,497	79,661	-	-	7,448,147
Disposals	(16,871)	(320,792)	(475)	-	-	(338,138)
Reclassified	883,389	-	-	-	(883,389)	-
Translation adjustments	<u>3,059</u>	<u>106,803</u>	<u>243</u>	<u>-</u>	<u>-</u>	<u>110,105</u>
Balance at December 31, 2023	<u>\$ 16,342,100</u>	<u>\$ 74,686,391</u>	<u>\$ 579,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,607,752</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2023 and December 31, 2023	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,521</u>
Carrying amount at December 31, 2023	<u>\$ 6,081,880</u>	<u>\$ 19,167,856</u>	<u>\$ 289,216</u>	<u>\$ 11,064,925</u>	<u>\$ -</u>	<u>\$ 36,603,877</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 16,738,599	\$ 73,078,125	\$ 559,771	\$ 11,109,076	\$ 1,037,160	\$ 102,522,731
Additions	3,477,120	13,996,557	173,058	1,925,555	-	19,572,290
Disposals	-	(3,452)	(5,949)	-	-	(9,401)
Reclassified	-	1,619	-	-	-	1,619
Translation adjustments	<u>65,751</u>	<u>907,486</u>	<u>2,347</u>	<u>12,541</u>	<u>-</u>	<u>988,125</u>
Balance at December 31, 2022	<u>\$ 20,281,470</u>	<u>\$ 87,980,335</u>	<u>\$ 729,227</u>	<u>\$ 13,047,172</u>	<u>\$ 1,037,160</u>	<u>\$ 123,075,364</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ 13,983,596	\$ 63,498,991	\$ 463,387	\$ -	\$ 852,634	\$ 78,798,608
Depreciation	579,432	4,530,627	41,251	-	30,755	5,182,065
Disposals	-	(3,452)	(5,949)	-	-	(9,401)
Translation adjustments	<u>10,506</u>	<u>404,717</u>	<u>1,143</u>	<u>-</u>	<u>-</u>	<u>416,366</u>
Balance at December 31, 2022	<u>\$ 14,573,534</u>	<u>\$ 68,430,883</u>	<u>\$ 499,832</u>	<u>\$ -</u>	<u>\$ 883,389</u>	<u>\$ 84,387,638</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2022 and December 31, 2022	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,521</u>
Carrying amount at December 31, 2022	<u>\$ 5,707,936</u>	<u>\$ 19,365,931</u>	<u>\$ 229,395</u>	<u>\$ 13,047,172</u>	<u>\$ 153,771</u>	<u>\$ 38,504,205</u>

The Group leases a part of building subject to operating lease from January 2020 to March 2025. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods. The Group terminated the lease contract early on December 31, 2022 due to operational needs and started to self-use the aforementioned building from 2023.

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

Buildings	
Main plant	20 years
Mechanical and electrical power equipment	10 years
Clean rooms	10 years
Machinery and equipment	5 years
Other equipment	5 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2023	\$ 2,005,257	\$ 1,767,086	\$ 586	\$ 18,499	\$ 3,791,428
Additions	4,321	9,861	-	7,475	21,657
Lease expired	(9,963)	(5,976)	-	(7,440)	(23,379)
Lease revised	42,884	15,007	-	-	57,891
Translation adjustments	<u>13,337</u>	<u>20,485</u>	<u>-</u>	<u>107</u>	<u>33,929</u>
Balance at December 31, 2023	<u>\$ 2,055,836</u>	<u>\$ 1,806,463</u>	<u>\$ 586</u>	<u>\$ 18,641</u>	<u>\$ 3,881,526</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ 527,741	\$ 249,367	\$ 269	\$ 11,069	\$ 788,446
Depreciation	155,049	120,362	293	5,052	280,756
Lease expired	(9,963)	(5,976)	-	(7,440)	(23,379)
Translation adjustments	<u>2,143</u>	<u>2,685</u>	<u>-</u>	<u>82</u>	<u>4,910</u>
Balance at December 31, 2023	<u>\$ 674,970</u>	<u>\$ 366,438</u>	<u>\$ 562</u>	<u>\$ 8,763</u>	<u>\$ 1,050,733</u>
Carrying amount at December 31, 2023	<u>\$ 1,380,866</u>	<u>\$ 1,440,025</u>	<u>\$ 24</u>	<u>\$ 9,878</u>	<u>\$ 2,830,793</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 1,658,456	\$ 1,515,263	\$ 9,923	\$ 13,220	\$ 3,196,862
Additions	247,996	359,225	586	4,497	612,304
Lease expired	(605)	(215,967)	(9,923)	-	(226,495)
Lease revised	33,376	6,973	-	237	40,586
Translation adjustments	<u>66,034</u>	<u>101,592</u>	<u>-</u>	<u>545</u>	<u>168,171</u>
Balance at December 31, 2022	<u>\$ 2,005,257</u>	<u>\$ 1,767,086</u>	<u>\$ 586</u>	<u>\$ 18,499</u>	<u>\$ 3,791,428</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ 370,663	\$ 338,174	\$ 9,755	\$ 5,968	\$ 724,560
Depreciation	149,325	117,630	437	4,763	272,155
Lease expired	(605)	(215,967)	(9,923)	-	(226,495)
Translation adjustments	<u>8,358</u>	<u>9,530</u>	<u>-</u>	<u>338</u>	<u>18,226</u>
Balance at December 31, 2022	<u>\$ 527,741</u>	<u>\$ 249,367</u>	<u>\$ 269</u>	<u>\$ 11,069</u>	<u>\$ 788,446</u>
Carrying amount at December 31, 2022	<u>\$ 1,477,516</u>	<u>\$ 1,517,719</u>	<u>\$ 317</u>	<u>\$ 7,430</u>	<u>\$ 3,002,982</u>

The Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2023 and 2022.

b. Lease liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Current	\$ <u>224,842</u>	\$ <u>219,137</u>
Non-current	\$ <u>2,213,686</u>	\$ <u>2,341,724</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Land	1.3%-4.8%	1.3%-4.8%
Buildings	1.3%-6.6%	1.3%-5.0%
Machinery and equipment	1.6%	1.6%
Other equipment	1.3%-6.8%	1.3%-3.7%

c. Material lease-in activities and terms

The Group leases land and buildings for plants, offices and parking lots, and the lease period is 2 to 20 years. During the period of land lease, the rental may be adjusted according to the contract. Upon termination of the lease period, the Group has no right to purchase the leased land and buildings.

d. Subleases

The Group subleases its leasehold land under operating leases with lease term of 3 years.

For the years ended December 31, 2023 and 2022, the right-of-use assets for subleases revenue were \$1,260 thousand and \$2,160 thousand, respectively, presented in other income.

The maturity analysis of lease payments receivable under operating subleases was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Year 1	\$ <u>-</u>	\$ <u>1,260</u>

e. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	\$ <u>18,143</u>	\$ <u>13,549</u>
Expenses relating to low-value asset leases	\$ <u>69</u>	\$ <u>52</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>919</u>	\$ <u>2,874</u>
Total cash outflow for leases	\$ <u>328,105</u>	\$ <u>338,298</u>

The Group leases certain buildings, machinery and equipment qualify as short-term leases, and certain other equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

18. INTANGIBLE ASSETS

	Computer Software	Technological Assets	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 1,052,896	\$ 280,139	\$ 1,333,035
Additions	121,257	-	121,257
Reclassified	(2,637)	-	(2,637)
Translation adjustments	<u>71</u>	<u>5,787</u>	<u>5,858</u>
Balance at December 31, 2023	<u>\$ 1,171,587</u>	<u>\$ 285,926</u>	<u>\$ 1,457,513</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 897,038	\$ 168,083	\$ 1,065,121
Amortization	66,301	56,884	123,185
Translation adjustments	<u>292</u>	<u>3,773</u>	<u>4,065</u>
Balance at December 31, 2023	<u>\$ 963,631</u>	<u>\$ 228,740</u>	<u>\$ 1,192,371</u>
Carrying amount at December 31, 2023	<u>\$ 207,956</u>	<u>\$ 57,186</u>	<u>\$ 265,142</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 912,219	\$ 251,008	\$ 1,163,227
Additions	141,236	-	141,236
Disposals	(1,500)	-	(1,500)
Reclassified	(1,619)	-	(1,619)
Translation adjustments	<u>2,560</u>	<u>29,131</u>	<u>31,691</u>
Balance at December 31, 2022	<u>\$ 1,052,896</u>	<u>\$ 280,139</u>	<u>\$ 1,333,035</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 862,258	\$ 100,403	\$ 962,661
Amortization	34,933	52,934	87,867
Disposals	(1,500)	-	(1,500)
Translation adjustments	<u>1,347</u>	<u>14,746</u>	<u>16,093</u>
Balance at December 31, 2022	<u>\$ 897,038</u>	<u>\$ 168,083</u>	<u>\$ 1,065,121</u>
Carrying amount at December 31, 2022	<u>\$ 155,858</u>	<u>\$ 112,056</u>	<u>\$ 267,914</u>

Technological assets were the Group purchased from other companies.

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

Computer software	3 years
Technological assets	5 years

19. OTHER ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Prepayments	\$ 1,056,271	\$ 1,056,271
Restricted assets	716,713	715,920
Pledged time deposit	347,166	443,840
Others	<u>4,930</u>	<u>5,112</u>
	<u>\$ 2,125,080</u>	<u>\$ 2,221,143</u>
Current	\$ 124,382	\$ 5,112
Non-current	<u>2,000,698</u>	<u>2,216,031</u>
	<u>\$ 2,125,080</u>	<u>\$ 2,221,143</u>

20. OTHER PAYABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Bonus	\$ 1,951,377	\$ 2,813,939
Maintenance	518,886	514,678
Utilities	298,675	299,519
Others	<u>1,304,821</u>	<u>1,394,813</u>
	<u>\$ 4,073,759</u>	<u>\$ 5,022,949</u>

21. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Guarantee deposits	\$ 2,278,453	\$ 1,464,665
Refund liabilities (Provision of sales returns and allowances)	1,425,673	450,586
Others	<u>-</u>	<u>2,476</u>
	<u>\$ 3,704,126</u>	<u>\$ 1,917,727</u>
<u>Non- current</u>		
Decommissioning liabilities	<u>\$ 59,598</u>	<u>\$ 55,661</u>

The provision of sales returns and allowances was estimated based on historical experience, management's judgments and any other known factors that may affect the returns and allowances. The provision was recognized as a reduction of revenue in the period the related products were sold.

22. BONDS PAYABLE

	<u>December 31</u>	
	2023	2022
Domestic unsecured corporate bonds	<u>\$ 17,983,425</u>	<u>\$ 11,987,369</u>

The major terms of domestic unsecured bonds are as follows:

Issuance	Tranche	Issue Period	Total Amount	Coupon Rate	Repayment and Interest Payment
2021 Issue 1	A	2021.10-2026.10	\$ 4,300,000	0.57%	Repay the principal at maturity and pay interest annually
2021 Issue 1	B	2021.10-2026.10	700,000	0.52%	The same as above
2022 Issue 1	A	2022.03-2027.03	6,000,000	0.90%	The same as above
2022 Issue 1	B	2022.03-2027.03	1,000,000	0.85%	The same as above
2023 Issue 1	A	2023.09-2028.09	2,000,000	1.68%	The same as above
2023 Issue 1	B	2023.09-2030.09	4,000,000	1.75%	The same as above

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Besides, VIS Micro, Inc., VIS Shanghai Company Limited and Vanguard International Semiconductor Singapore Pte. Ltd. are required by local regulations to make monthly contributions at a certain percentage of the basic salary of their employees.

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Act and the pension plan of senior management of the Corporation. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<u>December 31</u>	
	2023	2022
Present value of defined benefit obligation	\$ 1,153,020	\$ 1,214,726
Fair value of plan assets	<u>(850,330)</u>	<u>(841,828)</u>
Net defined benefit liability	<u>\$ 302,690</u>	<u>\$ 372,898</u>

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2022	\$ <u>1,323,647</u>	\$ <u>(612,633)</u>	\$ <u>711,014</u>
Service cost			
Current service cost	8,620	-	8,620
Interest expense (income)	<u>9,473</u>	<u>(4,205)</u>	<u>5,268</u>
Recognized in profit or loss	<u>18,093</u>	<u>(4,205)</u>	<u>13,888</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(46,563)	(46,563)
Actuarial gain - changes in financial assumptions	(105,869)	-	(105,869)
Actuarial loss - experience adjustments	<u>25,874</u>	<u>-</u>	<u>25,874</u>
Recognized in other comprehensive income	<u>(79,995)</u>	<u>(46,563)</u>	<u>(126,558)</u>
Contributions from the employer	<u>-</u>	<u>(225,446)</u>	<u>(225,446)</u>
Benefits paid	<u>(47,019)</u>	<u>47,019</u>	<u>-</u>
Balance at December 31, 2022	<u>1,214,726</u>	<u>(841,828)</u>	<u>372,898</u>
Service cost			
Current service cost	9,363	-	9,363
Interest expense (income)	<u>22,981</u>	<u>(15,695)</u>	<u>7,286</u>
Recognized in profit or loss	<u>32,344</u>	<u>(15,695)</u>	<u>16,649</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,237)	(2,237)
Actuarial loss - changes in financial assumptions	36,345	-	36,345
Actuarial gain - experience adjustments	<u>(74,198)</u>	<u>-</u>	<u>(74,198)</u>
Recognized in other comprehensive income	<u>(37,853)</u>	<u>(2,237)</u>	<u>(40,090)</u>
Contributions from the employer	<u>-</u>	<u>(46,767)</u>	<u>(46,767)</u>
Benefits paid	<u>(56,197)</u>	<u>56,197</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 1,153,020</u>	<u>\$ (850,330)</u>	<u>\$ 302,690</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rates	1.50%	2.00%
Expected rates of salary increase	3.25%	3.25%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rates		
0.50% increase	<u>\$ (36,345)</u>	<u>\$ (38,258)</u>
0.50% decrease	<u>\$ 38,449</u>	<u>\$ 40,507</u>
Expected rates of salary increase		
0.50% increase	<u>\$ 37,628</u>	<u>\$ 39,843</u>
0.50% decrease	<u>\$ (35,944)</u>	<u>\$ (38,018)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 17,313</u>	<u>\$ 17,247</u>
Average duration of the defined benefit obligation	6.5 years	6.6 years

Maturity analysis of pension payment were as follows:

	December 31	
	2023	2022
Maturity analysis of undiscounted pension payment		
No later than 1 year	\$ 99,674	\$ 131,375
Later than 1 year and not later than 5 years	482,786	480,026
Later than 5 years	<u>742,683</u>	<u>822,188</u>
	<u>\$ 1,325,143</u>	<u>\$ 1,433,589</u>

24. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Shares authorized (in thousands of shares)	<u>3,300,000</u>	<u>3,300,000</u>
Capital authorized	<u>\$ 33,000,000</u>	<u>\$ 33,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>1,638,982</u>	<u>1,638,982</u>
Capital issued	<u>\$ 16,389,823</u>	<u>\$ 16,389,823</u>

The authorized shares include 300,000 thousand shares reserved for the exercise of employee share options.

b. Capital Surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>May be used to offset a deficit, distributed by cash or transferred to capital</u>		
Issuance of ordinary shares	\$ 544,884	\$ 544,884
<u>May be used to offset a deficit only</u>		
Employee share options (transferred and inactive)	285,845	285,845
Share of changes in equities of subsidiaries, associates and joint ventures	81,731	82,286
Unclaimed dividends	<u>1,294</u>	<u>1,047</u>
	<u>\$ 913,754</u>	<u>\$ 914,062</u>

The capital surplus from shares issued in excess of par may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed in cash or transferred to capital, which is limited to a certain percentage of the Group's paid-in capital.

c. Retained earnings and dividend policy

Earnings distribution and dividend policy

Under the dividends policy as set forth in the Corporation's Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The policies of the distribution of compensation of employees and remuneration of directors set forth in the Articles, please refer to compensation of employees and remuneration of directors in Note 26-c.

The Corporation's Articles also stipulate that all profits may be distributed after taking into consideration the financial, business and operational factors. Dividends are in cash and/or in the form of

shares. Since the Corporation's operation is at the steady growth stage, the cash dividend paid (in any given year) should be at least 60% of the dividends of the current year's appropriation. If there is no profit for distribution, or the profit is far less than the profit actually distributed by the Corporation in the previous year or other reasons so require, all or part of the capital surplus may be distributed in accordance with relevant laws or regulations of the authorities in charge.

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

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2022 and 2021 which have been approved in the shareholders' meetings on June 13, 2023 and June 14, 2022, respectively, were as follows:

	2022	2021
Legal reserve	<u>\$ 1,540,695</u>	<u>\$ 1,165,859</u>
(Reversal of) special reserve	<u>\$ (1,987,531)</u>	<u>\$ 330,463</u>
Cash dividends	<u>\$ 7,375,420</u>	<u>\$ 7,375,420</u>
Cash dividends per share (NT\$)	\$ 4.50	\$ 4.50

The appropriation of earnings for 2023 had been proposed by the Corporation's Board of Directors on February 1, 2024. The appropriation and dividends per share were as follows:

	2023
Legal reserve	<u>\$ 741,016</u>
Cash dividends	<u>\$ 7,375,420</u>
Cash dividends per share (NT\$)	\$ 4.50

The appropriation of earnings for 2023 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 14, 2024.

d. Other equity

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at beginning of year	<u>\$ (27,744)</u>	<u>\$ (1,946,132)</u>
Recognized during the year		
Exchange differences on translation of the financial statements of foreign operations	<u>245,172</u>	<u>1,918,388</u>
Recognized in other comprehensive income	<u>245,172</u>	<u>1,918,388</u>
Balance at end of year	<u>\$ 217,428</u>	<u>\$ (27,744)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance at beginning of year	\$ 122,180	\$ (14,460)
Recognized during the year		
Unrealized gain - equity instruments	113,097	136,735
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>95</u>	<u>(95)</u>
Recognized in other comprehensive income	<u>113,192</u>	<u>136,640</u>
Balance at end of year	<u>\$ 235,372</u>	<u>\$ 122,180</u>

3) Gain (loss) on hedging instrument-Cash flow hedges

	For the Year Ended December 31	
	2023	2022
Balance at the beginning of year	\$ 55,611	\$ (26,938)
Recognized during year		
Gain (loss) on changes in the fair value of hedging instruments		
Foreign currency risk - foreign currency deposits	(11,615)	256,796
Foreign currency risk - foreign currency accounts receivable	<u>-</u>	<u>12,653</u>
Recognized in other comprehensive income (loss)	<u>(11,615)</u>	<u>269,449</u>
Transferred to initial cost of hedged items		
Foreign currency risk - foreign currency deposits	(18,649)	(182,849)
Foreign currency risk - foreign currency accounts receivable	<u>-</u>	<u>(4,051)</u>
	<u>(18,649)</u>	<u>(186,900)</u>
Balance at the end of year	<u>\$ 25,347</u>	<u>\$ 55,611</u>

25. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sales of wafers	\$ 37,118,802	\$ 50,634,538
Others	<u>1,115,239</u>	<u>978,260</u>
	<u>38,234,041</u>	<u>51,612,798</u>
Other operating revenue		
Rental income	7,332	40,698
Others	<u>31,197</u>	<u>40,814</u>
	<u>38,529</u>	<u>81,512</u>
	<u>\$ 38,272,570</u>	<u>\$ 51,694,310</u>

a. Disaggregation of revenue

1) Disaggregation of revenue by region

	For the Year Ended December 31	
	2023	2022
<u>Region</u>		
Asia	\$ 33,573,185	\$ 45,966,027
America	2,818,898	3,073,632
Europe	<u>1,880,487</u>	<u>2,654,651</u>
	<u>\$ 38,272,570</u>	<u>\$ 51,694,310</u>

2) Disaggregation of revenue by platform

	For the Year Ended December 31	
	2023	2022
<u>Platforms</u>		
Power Management	\$ 22,457,478	\$ 33,167,310
Large panel driver IC	8,164,407	9,691,419
Small panel driver IC	3,069,366	4,836,075
Other platforms	<u>3,427,551</u>	<u>2,939,734</u>
Revenue from sales of wafers	37,118,802	50,634,538
Other revenue	<u>1,153,768</u>	<u>1,059,772</u>
	<u>\$ 38,272,570</u>	<u>\$ 51,694,310</u>

3) Disaggregation of revenue by process

	For the Year Ended December 31	
	2023	2022
<u>Processes</u>		
0.18 micron (and) below	\$ 17,385,329	\$ 24,155,617
0.25 micron	3,952,476	7,679,109
0.35 micron	6,622,966	8,381,095
0.5 micron (and) above	<u>9,158,031</u>	<u>10,418,717</u>
Revenue from sales of wafers	37,118,802	50,634,538
Other revenue	<u>1,153,768</u>	<u>1,059,772</u>
	<u>\$ 38,272,570</u>	<u>\$ 51,694,310</u>

b. Contract balances

	December 31	
	2023	2022
Notes and accounts receivable, net (Note 12)	\$ 5,387,197	\$ 4,625,288
Receivables from related parties (Note 33)	<u>135,392</u>	<u>336,705</u>
Trade receivables	<u>\$ 5,522,589</u>	<u>\$ 4,961,993</u>

(Continued)

	<u>December 31</u>	
	2023	2022
Contract liabilities - advance receipts		
Current	\$ 6,167,517	\$ 4,116,402
Non-current	<u>10,444,291</u>	<u>13,133,211</u>
	<u>\$ 16,611,808</u>	<u>\$ 17,249,613</u>
		(Concluded)

The change of the contract liabilities primarily results from the timing difference between the satisfaction of performance obligation and the customer's payment.

Revenue from the beginning balance of the contract liability during the years ended December 31, 2022 was as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Revenue from the beginning balance of contract liabilities		
Sales of goods	<u>\$ 2,886,668</u>	<u>\$ 1,715,224</u>

26. OTHER ITEMS IN THE STATEMENTS OF COMPREHENSIVE INCOME

a. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2023	2022
Classification of depreciation - by function		
Cost of revenue	\$ 7,591,076	\$ 5,343,641
Operating expenses	<u>137,827</u>	<u>110,579</u>
	<u>\$ 7,728,903</u>	<u>\$ 5,454,220</u>
Classification of amortization - by function		
Cost of revenue	\$ 103,753	\$ 64,799
Operating expenses	<u>19,432</u>	<u>23,068</u>
	<u>\$ 123,185</u>	<u>\$ 87,867</u>

b. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2023	2022
Post-employment benefits (Note 23)		
Defined contribution plans	\$ 388,152	\$ 399,899
Defined benefit plans	<u>16,649</u>	<u>13,888</u>
	404,801	413,787
Other employee benefits	<u>10,462,105</u>	<u>14,121,847</u>
Total employee benefits expense	<u>\$ 10,866,906</u>	<u>\$ 14,535,634</u>
		(Continued)

	For the Year Ended December 31	
	2023	2022
Employee benefits expense summarized by function		
Cost of revenue	\$ 8,113,909	\$ 10,253,366
Operating expenses	<u>2,752,997</u>	<u>4,282,268</u>
	<u>\$ 10,866,906</u>	<u>\$ 14,535,634</u>
		(Concluded)

c. Compensation of employees and remuneration of directors

The Corporation should distribute no less than 10% of the current year's profit as compensation of employees in the form of shares or in cash as resolved by the Board of Directors. The employees include those of subsidiaries meeting some conditions agreed by the Board of Directors. The Corporation should also distribute no higher than 1% of the current year's profit as remuneration of directors. However, the Corporation's accumulated losses shall have been covered. For the years ended December 31, 2023 and 2022, the compensation of employees was \$1,755,300 thousand and \$3,321,910 thousand, respectively. For the years ended December 31, 2023 and 2022, the remuneration of directors was \$63,440 thousand and \$75,865 thousand, respectively. The above calculation was at a certain percentage of the base income.

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

The appropriations of compensation of employees and remuneration of directors for 2023 and 2022 which were resolved by the Board of Directors on February 1, 2024 and February 20, 2023, respectively, were as below:

	For the Year Ended December 31			
	2023		2022	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 1,755,300	\$ -	\$ 3,321,910	\$ -
Remuneration of directors	63,440	-	75,865	-

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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

d. Net gain and loss of financial instruments

	For the Year Ended December 31	
	2023	2022
Interest income		
Cash and cash equivalents	\$ 1,093,095	\$ 493,789
Financial assets at amortized cost	536,985	175,417
Financial assets at FVTPL	<u>53,291</u>	<u>10,568</u>
	<u>\$ 1,683,371</u>	<u>\$ 679,774</u>
Dividend income		
Investments in equity instruments at FVTOCI	<u>\$ 28,873</u>	<u>\$ 32,385</u>
		(Continued)

	<u>For the Year Ended December 31</u>	
	2023	2022
Gain on financial assets and liabilities at FVTPL		
Financial assets and liabilities mandatorily classified as at FVTPL		
Forward exchange and currency-swap contracts	\$ 58,275	\$ 88,668
Credit linked notes	<u>(25,846)</u>	<u>20,966</u>
	<u>\$ 32,429</u>	<u>\$ 109,634</u>
		(Concluded)
e. Interest expense		
	<u>For the Year Ended December 31</u>	
	2023	2022
Corporate bonds	\$ 121,585	\$ 78,435
Lease liabilities	87,625	85,421
Bank loans	26,191	13,785
Provision for decommissioning cost	<u>2,773</u>	<u>2,460</u>
	<u>\$ 238,174</u>	<u>\$ 180,101</u>

27. INCOME TAXES

a. Major components of tax expenses recognized in profit or loss:

	<u>For the Year Ended December 31</u>	
	2023	2022
Current tax		
In respect of the current year	\$ 1,807,438	\$ 3,948,575
Income tax on unappropriated earnings	212,418	-
Adjustments for prior years' tax	(229,055)	(152,853)
Others	<u>4,005</u>	<u>5,133</u>
	1,794,806	3,800,855
Deferred income tax		
In respect of the current year	<u>(331,107)</u>	<u>(230,071)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,463,699</u>	<u>\$ 3,570,784</u>

A reconciliation of accounting profit and income tax expense was as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Income before income tax	<u>\$ 8,833,773</u>	<u>\$ 18,851,172</u>
Income tax expense calculated at the statutory rate	\$ 1,449,287	\$ 3,795,646
Additional items in determining taxable income	(283,050)	24,787
The origination and reversal of temporary differences	310,094	(52,355)
Income tax on unappropriated earnings	212,418	-
Adjustments for prior years' tax	(229,055)	(152,853)
Others	<u>4,005</u>	<u>5,133</u>
Income tax expense recognized in profit or loss	<u>\$ 1,463,699</u>	<u>\$ 3,570,784</u>

b. Current tax liabilities

	<u>December 31</u>	
	2023	2022
Current tax liabilities		
Income tax payable	<u>\$ 2,214,455</u>	<u>\$ 2,818,351</u>

c. Deferred income tax assets and liabilities

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

2023

Deferred Income Tax Assets	Beginning of Year	Movements	End of Year
Loss carryforwards	\$ 255,537	\$ 410,744	\$ 666,281
Temporary differences	<u>634,575</u>	<u>368,958</u>	<u>1,003,533</u>
	<u>\$ 890,112</u>	<u>\$ 779,702</u>	<u>\$ 1,669,814</u>

Deferred Income Tax Liabilities	Beginning of Year	Movements	End of Year
Temporary differences	<u>\$ 604,135</u>	<u>\$ 448,595</u>	<u>\$ 1,052,730</u>

2022

Deferred Income Tax Assets	Beginning of Year	Movements	End of Year
Loss carryforwards	\$ 139,676	\$ 115,861	\$ 255,537
Temporary differences	<u>203,838</u>	<u>430,737</u>	<u>634,575</u>
	<u>\$ 343,514</u>	<u>\$ 546,598</u>	<u>\$ 890,112</u>

Deferred Income Tax Liabilities	Beginning of Year	Movements	End of Year
Temporary differences	<u>\$ 287,608</u>	<u>\$ 316,527</u>	<u>\$ 604,135</u>

d. Items for which no deferred income tax assets have been recognized

	<u>December 31</u>	
	2023	2022
Deductible temporary differences	<u>\$ 532,388</u>	<u>\$ 222,278</u>

- e. Unrecognized deferred income tax liabilities associated with investments

As of December 31, 2023 and 2022, there were no taxable temporary differences associated with investment in subsidiaries for which no deferred income tax liabilities have been recognized.

- f. Income tax assessments

Income tax returns through 2021 had been examined and cleared by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2023	2022
Basic earnings per share	\$ 4.50	\$ 9.32
Diluted earnings per share	\$ 4.43	\$ 9.07

The earnings and weighted average number of ordinary shares used in the computation of earnings per share were as follows:

Earnings

	For the Year Ended December 31	
	2023	2022
Earnings used in computation of basic earnings per share	\$ 7,370,074	\$ 15,280,388
Effect of dilutive potential ordinary shares:		
Compensation of employees	-	-
Earnings used in the computation of diluted earnings per share	\$ 7,370,074	\$ 15,280,388

Shares

Unit: Shares in Thousands

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,638,982	1,638,982
Effect of dilutive potential ordinary shares:		
Compensation of employees	26,462	44,918
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,665,444	1,683,900

Since the Corporation is allowed to settle compensation paid to employees by cash or shares, the Corporation assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. GOVERNMENT GRANTS

The Group obtained subsidies \$30,779 thousand and \$212,651 thousand, respectively, from government for the years ended December 31, 2023 and 2022, which were recorded in the deduction of purchasing cost of property, plant and equipment and expense.

30. CASH FLOWS INFORMATION FOR FINANCING ACTIVITIES

For the year ended December 31, 2023

	January 1	Cash Flows	Non-cash Changes (Note)	December 31
Bonds payable	\$ 11,987,369	\$ 5,992,653	\$ 3,403	\$ 17,983,425
Guarantee deposits	7,465,604	244,981	(858,772)	6,851,813
Lease liabilities	2,560,861	(221,145)	98,812	2,438,528
Dividends Payable	-	(7,375,420)	7,375,420	-
Unclaimed dividends	<u>1,047</u>	<u>247</u>	<u>-</u>	<u>1,294</u>
	<u>\$ 22,014,881</u>	<u>\$ (1,358,684)</u>	<u>\$ 6,618,863</u>	<u>\$ 27,275,060</u>

For the year ended December 31, 2022

	January 1	Cash Flows	Non-cash Changes (Note)	December 31
Bonds payable	\$ 4,993,233	\$ 6,991,454	\$ 2,682	\$ 11,987,369
Guarantee deposits	2,581,469	4,789,607	94,528	7,465,604
Lease liabilities	2,043,864	(233,076)	750,073	2,560,861
Dividends Payable	-	(7,375,420)	7,375,420	-
Unclaimed dividends	<u>819</u>	<u>228</u>	<u>-</u>	<u>1,047</u>
	<u>\$ 9,619,385</u>	<u>\$ 4,172,793</u>	<u>\$ 8,222,703</u>	<u>\$ 22,014,881</u>

Note: Non-cash changes comprise changes in leases, changes in exchange rates, guarantee deposits deduction of accounts receivable, recognition of cash dividends payable and amortization of bonds payable.

31. CAPITAL MANAGEMENT

The Group manages its capital in a manner to ensure its ability to continue as a going concern while maximizing the return to shareholders. The Group's overall strategy has no significant variations.

The capital structure of the Group consists of net debt (loans offset by cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

32. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2023

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Foreign corporate bonds	\$ 13,250,956	\$ -	\$ 13,163,748	\$ -	\$ 13,163,748
Negotiable certificate of deposit	543,790	-	541,720	-	541,720
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bonds payable	17,983,425	-	17,684,623	-	17,684,623

December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Foreign corporate bonds	\$ 11,786,231	\$ -	\$ 11,510,302	\$ -	\$ 11,510,302
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Bonds payable	11,987,369	-	11,544,670	-	11,544,670

2) Valuation techniques and assumptions applied to Level 2 of fair value measurement

The bond investments at amortized cost, negotiable certificate of deposit and fair value of bonds payable are determined by quoted market prices provided by third party pricing services.

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

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 31,260	\$ -	\$ 31,260
Hybrid financial assets	-	846,309	-	846,309
	<u>\$ -</u>	<u>\$ 877,569</u>	<u>\$ -</u>	<u>\$ 877,569</u>
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ -	\$ 45,150	\$ 45,150
Domestic unlisted shares	-	-	1,375,342	1,375,342
Foreign unlisted shares	-	-	996,588	996,588
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,417,080</u>	<u>\$ 2,417,080</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 13,582	\$ -	\$ 13,582
Hybrid financial assets	-	887,458	-	887,458
	<u>\$ -</u>	<u>\$ 901,040</u>	<u>\$ -</u>	<u>\$ 901,040</u>
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares	\$ -	\$ -	\$ 67,275	\$ 67,275
Domestic unlisted shares	-	-	142,668	142,668
Foreign unlisted shares	-	-	668,688	668,688
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 878,631</u>	<u>\$ 878,631</u>
Financial liabilities at FVTPL				
Derivative instruments	\$ -	\$ 2,070	\$ -	\$ 2,070

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2023 and 2022, respectively.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets	Financial Assets at FVTOCI For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 878,631	\$ 327,431
Recognized in other comprehensive income (included in unrealized valuation gain on financial assets at FVTOCI)	113,097	136,735
Additions	242,952	414,465
Reclassified	<u>1,182,400</u>	<u>-</u>
Balance at December 31	<u>\$ 2,417,080</u>	<u>\$ 878,631</u>

3) Valuation techniques and assumptions applied to Level 2 of fair value hierarchy

For those derivative instruments with no quoted market prices, their fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair values.

The fair values of forward exchange contracts and currency-swap contracts is determined by using valuation techniques based on forward rates for each contract. The Reuter's quotation system is mainly used as reference for the forward rates.

4) Valuation techniques and assumptions applied to level 3 of fair value hierarchy

The fair value of financial assets and financial liabilities is determined as follows:

a) For the private placement shares issued by listed companies with no quoted market prices, the fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair values.

The Group used "Black-Scholes model" to determine the fair value.

b) The fair values of the unlisted shares is estimated by reference to comparable targets and compares investee' assets, liabilities, profit and loss with the observable share prices and give them implicit value multiplier. The "Black-Scholes model" is adopted according to the individual terms of each equity instrument, and it takes the observable share price, share price volatility, risk-free interest rate and exit probability as the parameters, and comprehensively considers the discount of non-controlling rights and liquidity risks.

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 877,569	\$ 901,040
Financial assets at amortized cost (Note 1)	50,727,602	49,174,073
Financial assets at FVTOCI		
Equity instruments	2,417,080	878,631
<u>Financial liabilities</u>		
FVTPL		
Held for trading	-	2,070
Financial liabilities at amortized cost (Note 2)	32,631,521	31,472,764

Note 1: The balances of financial assets measured at amortized cost comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, refundable deposits and investment in debt instruments.

Note 2: The balances of financial liabilities measured at amortized cost comprise accounts payable, other payables, bonds payable and guarantee deposits.

d. Objectives and policies of financial risk management

The Group's major financial instruments include equity and bond investments, accounts receivable, borrowings, accounts payable, bonds payable and lease liabilities. The Group's corporate finance department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. The compliance with policies and the control of exposure limits are reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate finance function reports quarterly to the Corporation's Board of Directors and Audit Committee for their overall supervision and control to risks and policy implementation.

1) Market risk

The Group's activities are exposed to the financial risks primarily arising from the changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other prices (see (c) below). The Group enters into a variety of derivative financial instruments including forward exchange and currency-swap contracts to manage its exposure to foreign currency risk.

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

a) Foreign currency risk

The Group's operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

The strategy of foreign currency risk management is to regularly review the net position of assets and liabilities exposed to foreign currency risk and manage the risk of the net position. The Group selects the instruments to hedge currency exposure by considering the hedge cost and hedge period. The Group currently utilizes spot exchange transactions, derivative financial instruments, primarily buy/sell forward exchange contracts, purchase foreign currency deposit, and design specific accounts receivable to hedge its currency exposure.

According to the Group's policy, the terms of the hedge derivatives and foreign currency deposits are negotiated to match the terms of the hedged item for maximizing the hedge effectiveness.

Investing in foreign operations is for strategic purposes; it is not hedged by the Group.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuation of USD, JPY and EUR.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The

sensitivity analysis included only outstanding foreign currency denominated monetary items (including cash and cash equivalents, financial assets, accounts receivable, other receivables, refundable deposits, accounts payable, other payables, and guarantee deposits) and hedging instruments, and adjusts their translation at the end of the year for a 5% change in foreign currency rates. The positive/negative number in the following table indicates the amount of profit and loss will increase/decrease the New Taiwan dollars strengthen 5% against the relevant currency.

	Impact on USD Items	
	For the Year Ended December 31	
	2023	2022
(Loss) gain	\$ 7,268	\$ (32,866)

	Impact on JPY Items	
	For the Year Ended December 31	
	2023	2022
(Loss) gain	\$ (6,724)	\$ (1,177)

	Impact on EUR Items	
	For the Year Ended December 31	
	2023	2022
(Loss) gain	\$ (766)	\$ (887)

b) Interest rate risk

The Group's financial assets are exposed to interest rate risk both at fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 39,169,105	\$ 38,318,292
Financial liabilities	20,421,953	14,548,230
Cash flow interest rate risk		
Financial assets	6,378,271	6,372,440

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for the derivative and non-derivative instruments at the end of the reporting period. For the floating rate assets, the analysis is prepared assuming the amount of the asset at the end of the reporting date is outstanding during the reporting year.

If the market interest rate increases/decreases by 0.1% and all other variables remain constant, the pre-tax profit of the Group for the years ended on December 31, 2023 and 2022 will increase/decrease by \$6,378 thousand and \$6,372 thousand, respectively, resulting from the exposure of the net assets with floating rate.

c) Other price risk

The Group is exposed to price risk arising from its investments in shares. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to security price risks at the end of the reporting period.

If financial assets at FVTOCI share prices had been 5% higher/lower, the other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/decreased by \$120,854 thousand and \$43,932 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations and result in financial loss to the Group. At the end of the reporting period, the Group may have a financial loss due to the default on obligation from a counterparty, and the maximum exposure to credit risk is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to mitigate credit risk, the Group has made the policy of credit management to ensure that appropriate action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each receivable debt at the end of the reporting period to ensure that adequate allowance for impairment losses are made for irrecoverable amounts. In this regard, the Group considers the credit risk is significantly reduced.

The credit risk on operating funds and derivatives is limited as the counterparties are creditworthy banks.

The Group's accounts receivable outstanding arose from trading with its customers spreading across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customer's financial condition.

The Group's credit concentration risk was related to the 5 largest customers. Besides the 5 largest customers, credit concentration risks related to other customers do not exceed 10% of total gross accounts receivable at any time during the period. The 5 largest customers are creditworthy counterparties; therefore, the Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining adequate reserves of cash and cash equivalents to fund the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

December 31, 2023

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities	\$ 7,796,283	\$ -	\$ -	\$ -	\$ -	\$ 7,796,283
Lease liabilities	294,469	1,073,808	860,308	712,486	175,240	3,116,311
Bonds payable	-	14,000,000	4,000,000	-	-	18,000,000
Guarantee deposits	<u>2,278,453</u>	<u>4,573,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,851,813</u>
	<u>\$ 10,369,205</u>	<u>\$ 19,647,168</u>	<u>\$ 4,860,308</u>	<u>\$ 712,486</u>	<u>\$ 175,240</u>	<u>\$ 35,764,407</u>

December 31, 2022

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities	\$ 12,019,791	\$ -	\$ -	\$ -	\$ -	\$ 12,019,791
Lease liabilities	299,159	1,100,525	892,618	726,397	287,831	3,306,530
Bonds payable	-	12,000,000	-	-	-	12,000,000
Guarantee deposits	<u>1,464,665</u>	<u>6,000,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,465,604</u>
	<u>\$ 13,783,615</u>	<u>\$ 19,101,464</u>	<u>\$ 892,618</u>	<u>\$ 726,397</u>	<u>\$ 287,831</u>	<u>\$ 34,791,925</u>

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted net inflows and outflows from those derivatives with gross settlement.

December 31, 2023

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange and currency swap contracts		
Inflows	\$ 1,245,750	\$ -
Outflows	<u>(1,214,490)</u>	<u>-</u>
	<u>\$ 31,260</u>	<u>\$ -</u>

December 31, 2022

	Less than 1 Year	More than 1 Year
<u>Gross settled</u>		
Forward exchange and currency swap contracts		
Inflows	\$ 2,063,066	\$ -
Outflows	<u>(2,051,554)</u>	<u>-</u>
	<u>\$ 11,512</u>	<u>\$ -</u>

c) Financial facilities

	December 31	
	2023	2022
Unsecured bank credit facilities (Reviewed annually)		
Amount used	\$ 6,000	\$ 120,000
Amount unused	<u>17,137,000</u>	<u>16,961,000</u>
	<u>\$ 17,143,000</u>	<u>\$ 17,081,000</u>
Secured bank credit facilities (Reviewed annually)		
Amount used	\$ 717,000	\$ 716,000
Amount unused	<u>-</u>	<u>51,000</u>
	<u>\$ 717,000</u>	<u>\$ 767,000</u>

33. TRANSACTIONS WITH RELATED PARTIES

Intercompany balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Name and relationship of related parties

<u>Name</u>	<u>Relationship with the Group</u>
Taiwan Semiconductor Manufacturing Company Ltd.	Investor with significant influence over the Group
Shenzhen Winsemi Microelectronics Co., Ltd. CMSC, Inc.	Substantial related party Substantial related party (CMSC, Inc. was originally Group's associate, in which the Group has no significant influence since November 2023)
Global Unichip Corp.	Substantial related party
Wuxi Winsemi Microelectronics Co., Ltd.	Substantial related party
Xi An Winsemi Semiconductor Technology Co., Ltd.	Substantial related party
Xintec Inc.	Substantial related party
Qromis, Inc.	Associate

b. Operating transactions

	Revenue from Sales of Goods	
	For the Year Ended December 31	
	2023	2022
Investors with significant influence over the Group	\$ 1,068,170	\$ 1,837,292
Substantial related parties	312,267	588,083
Associates	<u>25,741</u>	<u>152,903</u>
	<u>\$ 1,406,178</u>	<u>\$ 2,578,278</u>

	Manufacturing Expenses	
	For the Year Ended December 31	
	2023	2022
Investors with significant influence over the Group	\$ 52,273	\$ 23,162
Associates	<u>511</u>	<u>-</u>
	<u>\$ 52,784</u>	<u>\$ 23,162</u>

	Research and Development Expenses	
	For the Year Ended December 31	
	2023	2022
Associate	\$ -	\$ 899
Substantial related parties	-	276
Investors with significant influence over the Group	<u>-</u>	<u>21</u>
	<u>\$ -</u>	<u>\$ 1,196</u>

	Non-operating Income and Gains	
	For the Year Ended December 31	
	2023	2022
Investors with significant influence over the Group	\$ -	\$ 3,266
Substantial related parties	-	8
Associates	<u>1</u>	<u>-</u>
	<u>\$ 1</u>	<u>\$ 3,274</u>

The following balances were outstanding at the end of the reporting period:

	Receivables from Related Parties	
	December 31	
	2023	2022
Investors with significant influence over the Group	\$ 66,653	\$ 190,587
Substantial related parties	63,191	113,164
Associates	<u>5,548</u>	<u>32,954</u>
	<u>\$ 135,392</u>	<u>\$ 336,705</u>

	Other Receivables from Related Parties	
	December 31	
	2023	2022
Associates	<u>\$ 8</u>	<u>\$ -</u>

	Other Payables to Related Parties	
	December 31	
	2023	2022
Investors with significant influence over the Group	\$ 13,778	\$ 669
Associates	342	-
Substantial related parties	<u>-</u>	<u>290</u>
	<u>\$ 14,120</u>	<u>\$ 959</u>

	Contract Liabilities - Current	
	December 31	
	2023	2022
Substantial related parties	<u>\$ 81</u>	<u>\$ 80</u>

	Guarantee Deposits	
	December 31	
	2023	2022
Substantial related parties	<u>\$ 34,437</u>	<u>\$ 34,399</u>

The terms of sales transactions with related parties were not significantly different from those transactions of third parties. However, for other related-party transactions, licensing fees, outsourcing, research and development expenses, non-operating income and gains and guarantee deposits, there were no similar transactions in the market; thus, transaction terms were determined in accordance with related contracts.

c. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 413,506	\$ 742,629
Post-employment benefits	<u>6,001</u>	<u>5,180</u>
	<u>\$ 419,507</u>	<u>\$ 747,809</u>

The compensation of directors and other key management personnel was determined by the Compensation Committee in accordance with the individual performance and the market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged as guarantee for customs duty and lease of the manufacturing plant from the Hsinchu Science Park Bureau:

	December 31	
	2023	2022
Pledged time deposits (presented under other non-current assets)	<u>\$ 347,166</u>	<u>\$ 443,840</u>

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant unrecognized commitments

The Corporation entered into a “Manufacturing, License, and Technology Transfer Agreement” with Taiwan Semiconductor Manufacturing Company Ltd. beginning January 1, 2004; under the agreement, the Corporation pays fees according to the net sales of certain products and reserved portion of its production capacity.

b. Contingencies

The Corporation received an Ancillary Civil Action Complaint filed by Phoenix Silicon International Corporation (PSI) from Hsinchu District Court in March 2021. PSI stated that its trade secret was reproduced and utilized by Integrated Service Technology Inc. (IST) and the Corporation’s ex-employees without PSI’s authorization and claimed against the above persons and the Corporation for joint and several liability for compensation of PSI’s damages. The Corporation considers that it needs to be verified if the information claimed by PSI involves confidentiality and trade secrets based on current information. In addition, it is ex-employees’ personal behaviors and PSI’s claim is legally groundless. After evaluation, this lawsuit did not lead to a significant impact on the Corporation’s financial business. The Corporation has engaged lawyers to deal with the litigation and will take proactive legal actions to respond against the complaint to protect right of the Corporation and shareholders.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31			
	2023		2022	
	Foreign Currency (In Thousands)	Exchange Rate	Foreign Currency (In Thousands)	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 1,210,959	30.747	\$ 1,229,563	30.713
EUR	1,397	34.037	17,991	32.731
JPY	740,520	0.2174	647,953	0.2317
SGD	30,955	23.321	96,698	22.849
RMB	2,287	4.315	1,006	4.398
Non-monetary items				
USD	3,735	30.747	4,937	30.713
RMB	175,586	4.315	145,174	4.398
Derivative instruments				
USD	-	30.747	55,000	30.713

(Continued)

	December 31			
	2023		2022	
	Foreign Currency (In Thousands)	Exchange Rate	Foreign Currency (In Thousands)	Exchange Rate
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 762,417	30.747	\$ 804,399	30.713
EUR	946	34.037	17,450	32.731
JPY	121,937	0.2174	546,397	0.2317
SGD	56,937	23.321	62,202	22.849
Derivative instruments				
USD	39,500	30.747	12,000	30.713
				(Concluded)

Please refer to the consolidated statements of comprehensive income for the total of realized and unrealized foreign exchange gain and loss for the years ended December 31, 2023 and 2022, respectively. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Group, the Group was unable to disclose foreign exchange gain (loss) by each foreign currency with significant impact.

37. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly ventures): Table 1 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 2 (attached)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: Note 7
- 10) Intercompany relationships and significant intercompany transactions: Table 4 (attached)

- b. Information on investees: Table 5 (attached)
- c. Information on investment in mainland China:
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6 (attached)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services
- d. Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name, the number of shares owned, and percentage of ownership hold by each shareholder: Table 7 (attached)

38. SEGMENT INFORMATION

- a. Segment revenue, results and segment assets

For the purpose of resource allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information on a per plant basis. It focuses on the operating result of each plant. Accordingly, each plant constitutes an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production process and all of products produced are distributed and sold to the same level of customers through a central sales function, the Group's segments are aggregated into a single reportable segment.

The revenue, operating results and financial information on a plant by plant basis presented to the chief operating decision maker are consistent with the information in the consolidated financial statements. The segment revenue and operating results for the years ended December 31, 2023 and 2022 can be referred to the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022. The segment assets as of December 31, 2023 and 2022 can be referred to the consolidated balance sheets as of December 31, 2023 and 2022.

b. Revenue from major products and services

For the Group's revenue from its major products and services, please refer to Note 25.

c. Geographic information

For revenue by region as of December 31, 2023 and 2022, please refer to Note 25. Non-current assets by region were as follows:

	Non-current Assets	
	December 31	
	2023	2022
Asia	\$ 39,434,622	\$ 41,507,091
America	<u>48</u>	<u>96</u>
Total	<u>\$ 39,434,670</u>	<u>\$ 41,507,187</u>

Non-current assets exclude the investments accounted for by the equity method, financial instruments, intangible assets, deferred income tax assets, refundable deposits and other assets.

d. Major customers

Sales to customers amounting to at least 10% of total gross revenue:

Customer	For the Year Ended December 31	
	2023	2022
A	\$ 5,588,749	\$ 4,949,999

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2023				Note
				Shares/Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value	
Vanguard International Semiconductor Corporation	<u>Structured Instruments</u>							
	KGIGWCCLN23	-	Financial assets at FVTPL - current	-	\$ 284,292	-	\$ 284,292	-
	KGIIHK HONHAI CLN 05AUG2024	-	Financial assets at FVTPL - current	-	280,910	-	280,910	-
	KGIIHK UMC CLN 07JUL2024	-	Financial assets at FVTPL - current	-	281,107	-	281,107	-
	<u>Warrant</u>							
	AnDAPT Holdings Ltd.	-	Financial assets at FVTPL - non-current	179	-	-	-	-
	<u>Shares</u>							
	Advanced Microelectronic Products Inc.	Investee	Financial assets at FVTOCI - non-current	7,500	45,150	7	45,150	-
	E-Charging Inc.	Investee	Financial assets at FVTOCI - non-current	-	691,667	4	691,667	-
	United Industrial Gases Co., Ltd.	Investee	Financial assets at FVTOCI - non-current	4,246	192,942	2	192,942	-
	AnDAPT Holdings Ltd.	Investee	Financial assets at FVTOCI - non-current	1,000	-	3	-	-
	Voltafield Technology Corporation (Cayman)	Investee	Financial assets at FVTOCI - non-current	600	-	1	-	-
	Shenzhen Winsemi Microelectronics Co., Ltd.	Investee	Financial assets at FVTOCI - non-current	-	65,987	7	65,987	-
	Efficient Power Conversion Corporation	Investee	Financial assets at FVTOCI - non-current	82	238,934	5	238,934	-
	CMSC, INC.	Investee	Financial assets at FVTOCI - non-current	5,912	1,182,400	13	1,182,400	-
	<u>Negotiable certificate of deposit</u>							
	The Toronto-Dominion Bank, London Branch	-	Financial assets at amortized cost - current	-	543,790	-	541,720	-
	<u>Corporation Bonds</u>							
	Bank of Montreal	-	Financial assets at amortized cost - current	-	545,906	-	542,794	-
	ABQ Finance Ltd.	-	Financial assets at amortized cost - non-current	-	145,634	-	144,071	-
	Bank of Nova Scotia	-	Financial assets at amortized cost - non-current	-	594,383	-	593,168	-
	Commonwealth Bank of Australia, New York	-	Financial assets at amortized cost - non-current	-	277,817	-	277,184	-
	Credit Agricole S.A. London branch	-	Financial assets at amortized cost - non-current	-	293,384	-	291,669	-
Emirates NBD Bank PJSC	-	Financial assets at amortized cost - non-current	-	183,769	-	182,169	-	
Foxconn (Far East) Limited	-	Financial assets at amortized cost - non-current	-	142,650	-	143,921	-	
Kookmin Bank	-	Financial assets at amortized cost - non-current	-	89,568	-	89,391	-	
QNB Finance Ltd	-	Financial assets at amortized cost - non-current	-	292,747	-	290,322	-	
Societe Generale	-	Financial assets at amortized cost - non-current	-	290,759	-	290,813	-	
Sumitomo Mitsui Financial Group, Inc.	-	Financial assets at amortized cost - non-current	-	288,123	-	287,856	-	
VIS Associates Inc.	<u>Corporation Bonds</u>							
	ABQ Finance Ltd.	-	Financial assets at amortized cost - current	-	216,289	-	211,964	-
	Bank of America Corporation	-	Financial assets at amortized cost - current	-	149,605	-	147,761	-
	Bank of China Limited, Hong Kong	-	Financial assets at amortized cost - current	-	184,483	-	184,233	-
	Bank of East Asia LTD	-	Financial assets at amortized cost - current	-	307,470	-	305,038	-
	Bank of New York Mellon	-	Financial assets at amortized cost - current	-	123,066	-	122,907	-
	Bank of New Zealand	-	Financial assets at amortized cost - current	-	259,050	-	257,556	-
	BNP Paribas	-	Financial assets at amortized cost - current	-	246,000	-	245,686	-
	BPCE S.A.	-	Financial assets at amortized cost - current	-	117,476	-	116,241	-
	Citigroup Global Markets Holdings Inc.	-	Financial assets at amortized cost - current	-	307,467	-	300,580	-
	Competition Team Technologies Limited	-	Financial assets at amortized cost - current	-	309,260	-	306,529	-
	Credit Agricole S.A., London branch	-	Financial assets at amortized cost - current	-	308,945	-	302,432	-
	Goldman Sachs Group Inc.	-	Financial assets at amortized cost - current	-	184,396	-	183,537	-
	HSBC Holdings Plc	-	Financial assets at amortized cost - current	-	213,810	-	213,129	-
	ING GROEP NV	-	Financial assets at amortized cost - current	-	308,119	-	305,873	-
	JPMorgan Chase&Co.	-	Financial assets at amortized cost - current	-	148,734	-	147,953	-
	Lloyds Banking Group plc.	-	Financial assets at amortized cost - current	-	92,289	-	91,929	-
Mitsubishi UFJ FIN Group, Inc.	-	Financial assets at amortized cost - current	-	367,961	-	366,204	-	

(Continued)

Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2023				Note
				Shares/Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value	
VIS Associates Inc.	Morgan Stanley	-	Financial assets at amortized cost - current	-	\$ 515,358	-	\$ 514,696	-
	MUFG Bank Ltd.	-	Financial assets at amortized cost - current	-	247,303	-	244,944	-
	QIIB SENIOR SUKUK LTD	-	Financial assets at amortized cost - current	-	92,739	-	91,851	-
	QNB Finance Ltd.	-	Financial assets at amortized cost - current	-	307,470	-	300,807	-
	Santander UK plc	-	Financial assets at amortized cost - current	-	216,711	-	212,379	-
	Saudi Arabian Oil Co.	-	Financial assets at amortized cost - current	-	309,361	-	303,235	-
	Sumitomo Mitsui Financial Group, Inc.	-	Financial assets at amortized cost - current	-	308,107	-	303,124	-
	Toyota Tsusho Corporation	-	Financial assets at amortized cost - current	-	122,669	-	120,488	-
	UBS Group AG	-	Financial assets at amortized cost - current	-	276,026	-	274,796	-
	Bank of America Corporation	-	Financial assets at amortized cost - non-current	-	601,872	-	597,620	-
	Bank of NY Mellon Corp	-	Financial assets at amortized cost - non-current	-	333,291	-	332,861	-
	Emirates NBD Bank PJSC	-	Financial assets at amortized cost - non-current	-	153,735	-	152,319	-
	Formosa Group Cayman Ltd	-	Financial assets at amortized cost - non-current	-	300,402	-	300,387	-
	Foxconn (Far East) Limited	-	Financial assets at amortized cost - non-current	-	142,153	-	144,183	-
	Goldman Sachs Group Inc.	-	Financial assets at amortized cost - non-current	-	273,566	-	273,639	-
	HSBC Holdings Plc	-	Financial assets at amortized cost - non-current	-	147,215	-	146,211	-
	IBM Corp	-	Financial assets at amortized cost - non-current	-	90,767	-	90,546	-
	JPMorgan Chase & Co.	-	Financial assets at amortized cost - non-current	-	597,268	-	593,161	-
	Kookmin Bank	-	Financial assets at amortized cost - non-current	-	149,238	-	148,816	-
	Mizuho Financial Group Inc.	-	Financial assets at amortized cost - non-current	-	148,223	-	147,124	-
Morgan Stanley	-	Financial assets at amortized cost - non-current	-	81,558	-	81,820	-	
TSMC Global Ltd	-	Financial assets at amortized cost - non-current	-	551,318	-	550,326	-	
UBS Group AG	-	Financial assets at amortized cost - non-current	-	295,446	-	295,505	-	

Note 1: Marketable securities mentioned in the table include shares, bonds, beneficiary certificate and the derivative securities from aforementioned items that fall within the scope of "Financial Instruments in IFRS 9".

Note 2: As of December 31, 2023, all the securities were not pledged or restricted.

Note 3: With respect to the information of subsidiaries, associates and joint ventures, please see Table 5 and Table 6.

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal (Note 1)				Ending Balance (Note 2)	
					Shares/Units (Thousands of Shares/Thousands of Units)	Amount	Shares/Units (Thousands of Shares/Thousands of Units)	Amount	Shares/Units (Thousands of Shares/Thousands of Units)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units (Thousands of Shares/Thousands of Units)	Amount
Vanguard International Semiconductor Corporation	Unlisted equity investments CMSC, Inc.	Financial assets at FVTOCI - non-current	-	-	7,942	\$ 66,257	-	\$ -	2,030	\$ 405,181	\$ 22,953	\$ 382,228	5,912	\$ 1,182,400

Note 1: Paid-in capital refers to the paid-in capital of the original shareholders this year.

Note 2: In November of 2023, the Group disposed 2,030 thousand shares of CMSC Inc. ("CMSC") accompanying by the disposal gain of NT\$382,228 thousand. After the disposal, the Company's ownership percentage decreased to 12.9% and lost its significant influence over CMSC. The Group derecognized investments accounted for using equity method at carrying amount on that day, and the investment was remeasured at fair value and was recognized NT\$1,182,400 thousand in the "financial assets at fair value through other comprehensive income". Accordingly, the differences were recognized as gain on disposal of investments in the amount of NT\$1,107,836 thousand.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sales	\$ 1,068,170	2.8	30 days after closing	\$ -	-	\$ 66,653	1.2	-
	Xi An Winsemi Semiconductor Technology Co., Ltd.	Substantial related party	Sales	108,775	0.3	30 days after closing	-	-	31,271	0.6	-

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Company Name	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note)	Percentage of Consolidated Net Revenue or Total Assets
0	Vanguard International Semiconductor Corporation	VIS Micro, Inc.	Transaction from ultimate parent company to subsidiary	Marketing expenses	\$ 95,794	-	-
				Other payables to related parties	10,688	-	-
		VIS Shanghai Company Limited	Directly held subsidiary	Marketing expenses	442	-	-
				Sales revenue	87,972	-	-
		Vanguard International Semiconductor Singapore Pte. Ltd.	Directly held subsidiary	Purchases	12,190	-	-
				Accounts receivable from related parties	5,264	-	-
				Other receivables from related parties	25,589	-	-
				Payables to related parties	1,021	-	-

Note: The trade term of the intercompany transactions was based on related agreements.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING THE INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2023			Net Gain (Loss) of the Investee (Foreign Currencies in Thousands)	Investment Gain (Loss) Recognized (Foreign Currencies in Thousands)	Note
				December 31, 2023 (Foreign Currencies in Thousands)	December 31, 2022 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investments	\$ 9,528,339	\$11,227,971	311	100	\$10,309,554	\$ 390,236	\$ 390,236	Subsidiary
	Vanguard International Semiconductor Singapore Pte. Ltd.	Singapore	Semiconductor manufacturing, selling and packaging	9,105,342	9,105,342	400,000	100	6,677,957	(1,959,177)	(1,959,177)	Subsidiary
	CMSC, Inc.	Hsinchu City, Taiwan	Integrated circuit design services and related businesses	-	90,352	-	-	-	174,988	31,955	Note
	Qromis, Inc.	Delaware, USA	Semiconductor research and development related businesses	347,490	347,490	10,705	32	114,836	(119,528)	(37,663)	Investment accounted for using equity method
VIS Associates Inc.	VIS Investment Holding, Inc.	Delaware, USA	Investments	192,169 (USD 6,250)	191,956 (USD 6,250)	63	100	102,488 (USD 3,332)	8,380 (USD 269)	8,380 (USD 269)	Subsidiary
VIS Investment Holding, Inc.	VIS Micro, Inc.	California, USA	Marketing services	6,149 (USD 200)	6,143 (USD 200)	200	100	85,502 (USD 2,781)	8,380 (USD 270)	8,380 (USD 270)	Subsidiary

Note: In November of 2023, the Group disposed 2,030 thousand shares of CMSC Inc. ("CMSC") accompanying by the disposal gain of NT\$382,228 thousand. After the disposal, the Company's ownership percentage decreased to 12.9% and lost its significant influence over CMSC. The Group derecognized investments accounted for using equity method at carrying amount on that day, and the investment was remeasured at fair value and was recognized NT\$1,182,400 thousand in the "financial assets at fair value through other comprehensive income". Accordingly, the differences were recognized as gain on disposal of investments in the amount of NT\$1,107,836 thousand.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outflow	Inflow							
VIS Shanghai Company Limited	Marketing services	\$ 4,556 (RMB 1,000 thousand)	Note 1	\$ 4,556 (RMB 1,000 thousand)	\$ -	\$ -	\$ 4,556 (RMB 1,000 thousand)	\$ 19 (RMB 4 thousand)	100	\$ 19 (RMB 4 thousand)	\$ 4,325 (RMB 1,002 thousand)	\$ -	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amount Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$4,556 (RMB1,000 thousand)	\$4,556 (RMB1,000 thousand)	\$27,427,824

Note 1: Directly invested.

Note 2: The amount was recognized based on the subsidiary's financial statements which were audited by the certified public account of parent company.

Note 3: The investment amount in mainland China authorized by Investment Commission, MOEA totaled \$523,570 thousand (RMB23,340 thousand and USD15,000 thousand), of which \$519,014 thousand (RMB22,340 thousand and USD15,000 thousand) is accounted for financial assets at FVTOCI, please refer to Table 1.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholders	Shares	
	Shares of Ownership (Shares)	% of Ownership
Taiwan Semiconductor Manufacturing Company Ltd.	464,223,493	28.32
National Development Fund, Executive Yuan	274,029,592	16.72

Note: Information of major shareholders shares the list of all shareholders with ownership of 5% or greater.

APPENDIX A – THE SECURITIES MARKET OF THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchasers, or any of our or their respective affiliates or advisors in connection with the offering.

In September 1960, the MOEA established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC Government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC Government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Government established the FSC, the single financial regulator which supervises banking, securities and insurance affairs in the ROC. The ROC Securities and Futures Commission has since then become a bureau under the supervision of the FSC and been renamed the Securities and Futures Bureau.

The TWSE

In 1961, under the instruction of the ROC Government, the TWSE was established to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks, securities companies and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the TWSE actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 1,054 as of September 30, 2025. As of September 30, 2025, the market capitalization of companies listed on the TWSE was approximately NT\$83.5 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the FSC has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by supra-national financial institutions are also listed on the TWSE or traded on the TPEX (which is discussed below). The FSC also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number of shareholders and the distribution of shareholdings among such shareholders;
- the length of time in business;
- the amount of paid-in capital; and
- profitability.

However, special listing criteria apply to certain industries, such as technology companies and key businesses engaging in national economic development.

The following table sets forth, for the periods indicated, information relating to the TWSE.

Period	No. of Listed Companies at Period End	Stock Trading Values (in NT\$ billions)	Index High	Index Low	Index at Period End
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2001	584	18,354.94	6,104.24	3,446.26	5,551.24
2002	638	21,873.95	6,462.30	3,850.04	4,452.45
2003	669	20,333.24	6,142.32	4,139.50	5,890.69
2004	697	23,875.37	7,034.10	5,316.87	6,139.69
2005	691	18,818.90	6,575.53	5,632.97	6,548.34
2006	688	23,900.36	7,823.72	6,257.80	7,823.70
2007	698	33,043.85	9,809.88	7,344.56	8,506.28
2008	718	26,115.41	9,295.20	4,089.93	4,591.22
2009	741	29,680.47	8,188.11	4,242.61	8,188.11
2010	758	28,218.68	8,972.50	7,071.67	8,972.50
2011	790	26,197.41	9,145.35	6,633.33	7,072.08
2012	809	20,238.17	8,144.04	6,894.66	7,699.50
2013	838	18,940.93	8,623.43	7,616.64	8,611.51
2014	854	21,898.54	9,569.17	8,264.48	9,307.26
2015	874	20,191.49	9,973.12	7,410.34	8,338.06
2016	892	16,771.14	9,392.68	7,664.01	9,253.50
2017	907	23,972.24	10,854.57	9,272.88	10,642.86
2018	928	29,608.87	11,253.11	9,478.99	9,727.41
2019	942	26,464.63	12,122.45	9,382.51	11,997.14
2020	948	45,654.29	14,732.53	8,681.34	14,732.53
2021	959	92,289.97	18,248.28	14,902.03	18,218.84
2022	971	56,080.59	18,562.35	12,666.12	14,137.69
2023	997	63,170.25	17,930.81	14,199.13	17,930.81
2024	1,031	92,288.98	24,390.03	17,161.79	23,035.10
2025 (through September 30, 2025)	1,054	62,638.24	26,247.37	17,391.76	25,820.54

Source: TWSE

The TPEX

To complement the TWSE, the GreTai Securities Market was established in November 1994 on the initiative of the MOF to encourage the trading of securities of companies who do not qualify for listing on the TWSE, and later renamed as TPEX. As of September 30, 2025, 855 companies had listed equity securities on the TPEX and the total market capitalization of those companies was NT\$6.9 trillion.

The TPEX has established specific requirements for trading securities on the TPEX based on the history of a company, the number and distribution of a company's shareholders, amount of capital, profitability and capital structure.

The following table sets forth, for the periods indicated, information relating to the TPEX.

Period	No. of Listed Companies at Period End	Stock Trading Values		Index at Period End	
		(in NT\$ billions)	Index High	Index Low	Index High
2007	547	8,537.4	233.25	137.92	154.47
2008	539	3,285.5	163.15	54.85	64.37
2009	546	5,239.0	150.05	60.49	150.05
2010	564	5,633.6	150.75	122.79	143.95
2011	607	3,993.0	146.21	86.21	93.89
2012	638	2,951.9	120.47	92.05	103.29

2013	658	4,030.9	129.57	102.77	129.57
2014	685	6,355.9	154.06	122.71	140.38
2015	712	5,689.2	147.73	99.95	129.05
2016	732	5,050.3	132.91	117.09	125.18
2017	744	7,683.5	151.28	124.01	148.52
2018	766	8,145.5	159.07	109.93	123.54
2019	775	7,607.5	149.36	122.33	149.36
2020	782	12,087.1	184.24	103.25	184.10
2021	788	20,276.0	237.55	179.54	237.55
2022	808	14,878.7	235.53	159.26	180.34
2023	816	16,847.4	234.83	182.53	234.01
2024	838	23,252.4	281.34	228.16	255.84
2025 (through September 30, 2025)	855	17,931.8	266.05	185.14	261.52

Source: TPEX

Price Limits, Commissions, Transaction Tax and Other Matters

The TWSE/TPEX has placed limits on block trading and on the range of daily price movements.

According to the TWSE/TPEX's block trading guidelines, transactions in one class of securities that involve 500 or more trading lots or trading amounts exceeding NT\$15 million, and transactions involving five or more different classes of securities and trading amounts exceeding NT\$15 million must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE/TPEX are currently subject to a restriction of 10% above and below the previous day closing price (or reference price set by the TWSE/TPEX if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the FSC based on market conditions. Brokerage commission can be set at any rate of the transaction price, provided that any rate exceeding 0.1425% shall be reported to the TWSE/TPEX and notified to the client in advance. A securities transaction tax, currently levied at 0.3% of the transaction price, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax.

Sales of shares of companies listed on the TWSE/TPEX are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Regulation and Supervision

The FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The FSC has responsibility for implementing ROC Securities and Exchange Act and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Act specifically empowers the FSC to promulgate necessary rules. ROC Securities and Exchange Act prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the issuer. ROC Securities and Exchange Act prohibits trading by "insiders" based on non-public information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the issuing company's shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material non-public information due to an occupational or controlling relationship with the issuing company;
- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and
- any person who has learned material non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange Law also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other documents related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants who have at least 5 years of practice experience in execution of, or participation and assistance in, financial report auditing works and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Law provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. Although the FSC does not have criminal or civil enforcement powers under the ROC Securities and Exchange Law, the FSC has the quasi-judicial power under the Organization Act Governing the Financial Supervisory Commission to investigate a person who violates the Banking Act, the Securities and Exchange Act, the Insurance Act, and other relevant laws. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TWSE/TPEX reviews applications by ROC issuers to list securities on the TWSE/TPEX. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE/TPEX may, with the approval of the FSC, delist the securities of these issuers.

APPENDIX B – FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchasers or any of our or their respective affiliates or advisors in connection with this Offering.

Foreign Investment

Historically, foreign investment in the ROC securities markets has been restricted. Since 1983, the ROC Government has periodically enacted legislation and adopted regulations to permit foreign investment in the ROC securities market.

Regulations Governing Investment in Securities By Overseas Chinese and Foreign Nationals (the “Foreign Regulations”), which was approved by the ROC Executive Yuan on May 26, 1983 and has been amended from time to time, and the Regulations Governing Mainland Chinese Investors’ Securities Investments and Futures Trading in Taiwan (the “PRC Regulations”), which was announced by the FSC on April 30, 2009, are two of the major regulations governing foreign investment in companies listed on TWSE or TPEX in the ROC.

Under the Foreign Regulations, foreign investors (other than PRC persons) are classified as either “onshore foreign investors” or “offshore foreign investors” according to their respective geographical location. Unless otherwise specified in the laws and regulations, both onshore and offshore foreign investors are allowed to trade securities listed on TWSE after they register with the TWSE; provided, the TWSE may terminate the registration if the application documents submitted by foreign investors are untrue or incomplete or if any material violation of laws or relevant regulations exists. The Foreign Regulations further classify foreign investors into foreign institutional investors and foreign individual investors. “Foreign institutional investors” refer to those investors incorporated and registered in accordance with foreign laws outside of the ROC (i.e., offshore foreign institutional investors) or their branches set up and recognized within the ROC (i.e., onshore foreign institutional investors). Offshore overseas Chinese and foreign individual investors may be subject to a maximum investment ceiling that will be separately determined by the FSC after consultation with the CBC. Currently, there is no maximum investment ceiling for offshore overseas Chinese and foreign individual investors. On the other hand, foreign institutional investors are not subject to any ceiling for investment in the ROC securities market.

In the past, PRC persons were prohibited from investing, whether directly or indirectly, in the ROC. The PRC Regulations promulgated in 2009 (as amended in 2010) allow PRC nationals and institutional investors to make investment in ROC securities, if they are qualified for any of the following categories: (i) qualified domestic institutional investors approved by the PRC government, also known as “QDIIs”; (ii) PRC residents who are employees of a TWSE-listed or TPEX listed company and thereupon granted securities; (iii) companies incorporated under the laws of PRC or PRC residents who are the stockholders of a foreign company whose shares or depositary receipts are listed and traded on the TWSE or TPEX; or (iv) other categories as permitted by the competent authority. Subject to the requirements and restrictions set forth below, a PRC investor may invest in TWSE-listed or TPEX-listed securities, beneficiary certificates issued by securities investment trusts, government bonds, bank debentures, corporate bonds issued by public companies, beneficiary securities or asset-backed securities issued by the special purpose trust or special purpose vehicle, warrants and other securities as permitted by the FSC.

- PRC investors are required to appoint their agent or nominee in Taiwan for opening a securities trading account.
- PRC investors are required to appoint a custodian permitted by the competent authority to handle the custody of funds and certificates related to securities.
- In exercising the voting rights of the shares of a TWSE-listed or TPEX-listed company, unless otherwise permitted by laws and regulations, PRC investors may not substantially control or effect the operation and management of the company.
- The amount of investment remittance for each QDII is capped at US\$100 million, and the total amount remitted into Taiwan by all QDIIs shall not exceed US\$500 million.

- The PRC investor may not exceed the PRC ownership limit imposed by the Taiwan competent authority.

Depositary Receipts

In April 1992, the ROC Securities and Futures Commission (later reformed and known as the Securities and Futures Bureau of the FSC) enacted regulations permitting ROC companies with securities listed on the TWSE, with the prior approval of the FSC, to sponsor the issue and sale to foreign investors of depositary receipts. Depositary receipts represent deposited shares of ROC companies. In December 1994, the MOF further allowed companies whose shares are traded on the TPEX or listed on the TWSE, upon approval of the FSC, to sponsor the issue and sale of depositary receipts.

A holder of depositary receipts may, after the issuance of the depositary receipts representing new shares and upon the listing of the underlying shares and (in practice, typically four to seven business days thereafter), request the depositary to either cause the underlying shares to be sold in the ROC and to distribute the sale proceeds to the holder or to withdraw from the depositary receipt facility the shares represented by the depositary receipts and deliver the shares to the holder. For depositary shares that represent previously issued and existing shares, a holder of the depositary receipts could, immediately after the issuance of the depositary receipts, request the depositary to conduct the foregoing. Currently, a holder of depositary shares who is a PRC person may not withdraw and hold shares unless (i) it is a QDII who will hold less than 10% (or less in certain industries) of the issuer's issued shares, or (ii) if all the businesses of the issuer are in the positive list promulgated by the ROC Executive Yuan, the holder withdraws shares which (together with its existing shareholding in the issuer) accounts for 10% or more (or other threshold required by the regulators) of the issuer's issued shares and it otherwise obtains the approval of the Department of Investment Review of the MOEA. However, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the ROC Executive Yuan and amended from time to time. In addition, there are restrictions on the amount remitted to the ROC for investments by each individual QDII and for QDIIs in the aggregate in certain industries. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of depositary shares who is a PRC person to be unable to withdraw and hold the underlying shares.

Under existing laws and regulations relating to foreign exchange control, a depositary or a holder of depositary receipts may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT dollars into other currencies, including US dollars, in respect of the following: (1) proceeds of the sale of shares represented by depositary receipts, (2) proceeds of the sale of shares received as stock dividends and deposited into the depositary receipt facility and (3) any cash dividends or cash distributions received. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT dollars for purchases of shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. A depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies relating to the sale of subscription rights for new shares if the proceeds are in excess of US\$100,000 per remittance. Proceeds from the sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the TWSE or the TPEX securities, subject to relevant regulations.

Under current ROC laws, a non-ROC holder of depositary receipts, when withdrawing the shares underlying the depositary receipts, will be required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such holder of depositary receipts on behalf of and as an agent for such holder of depositary receipts. Any such holder of depositary receipts is also required to appoint a local bank or securities firm to act as custodian to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such holder of depositary receipts is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting the foregoing requirements, the withdrawing holder of depositary receipts would be unable to hold and subsequently sell or otherwise transfer the underlying shares withdrawn from the depositary receipt facility on the TWSE or otherwise.

Overseas Corporate Bonds

Since 1989, the FSC has approved a series of overseas bonds issued by ROC companies listed on the TWSE in offerings outside the ROC. Under current ROC law, such overseas corporate bonds (i) can be converted by bondholders

into shares of ROC companies or (ii) subject to FSC approval, may be converted into depositary receipts issued by the same ROC company or by the issuing company of the exchange shares, in the case of exchangeable bonds. A PRC holder of convertible bonds may not convert bonds unless (i) it is a QDII who will hold less than 10% (or less in certain industries) of the issuer's issued shares or (ii) if all the businesses of the issuer are in the positive list promulgated by the ROC Executive Yuan, the shares converted from overseas convertible bonds which (together with its existing shareholding in the issuer) accounts for 10% or more (or other threshold required by the regulators) of the issuer's issued shares and it otherwise obtains the approval of the MOEA. However, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. In addition, there are restrictions on the amount remitted to the ROC for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of the corporate bonds who is a PRC person to be unable to convert or exchange the bonds and hold the shares. The relevant regulations also permit public issuing companies to issue corporate debt in offerings outside the ROC. Proceeds from the sale of the shares converted from overseas convertible bonds may be used for reinvestment in securities listed on the TWSE or traded on the TPEX, subject to relevant regulations.

Under current ROC law, a non-ROC converting bondholder, when exercising his conversion right to convert bonds into common shares, is required to register with the TWSE and appoint a local agent to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such converting bondholder on behalf of and as agent for such converting bondholder. Also, any such converting bondholder is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmations, to settle trades and to report all relevant information. In addition, such converting bondholder is required to appoint a tax guarantor for filing tax returns and making tax payments. Without meeting these requirements, the converting holder would not be able to receive, hold, or subsequently sell or otherwise transfer the shares into which the overseas bonds may have been converted on the TWSE or TPEX.

Unless otherwise limited by the CBC, an ROC company may, without obtaining further approvals from the CBC or any other government authority of the ROC, convert NT dollars to other non-ROC currencies, including US dollars, for making payments in respect of redemption of the bonds or repayment of principal of and interest on the bonds. A non-ROC converting bondholder may, through its local agent and without obtaining prior approval from the CBC, convert into foreign currencies net proceeds realized from the sale of converted common shares or any stock dividends relating to such shares, or any cash dividend or other cash distribution in respect of such common shares and, after becoming a shareholder, inward remittances of subscription payments in connection with a rights offering. However, a converting bondholder must obtain prior approval from the CBC on a payment-by-payment basis for conversion from NT dollars into other currencies in respect of the proceeds from the sale of subscription rights for newly issued shares if the proceeds are in excess of US\$100,000 (or its equivalent) per remittance.

Other Foreign Investment

In addition to investments permitted under the Foreign Regulations and PRC Regulations, foreign investors (other than PRC persons) who wish to make (i) direct investments in the shares of ROC private companies or (ii) investment in 10% or more of the equity interest of an ROC company listed on the TWSE or the TPEX in any single transaction and PRC investors who wish to make (i) direct investment in the shares of ROC private companies or (ii) investments, individually or aggregately, in 10% or more (or other threshold required by the regulators) of the equity interest of an ROC company listed on the TWSE or the TPEX in certain industries on the Positive List, as promulgated by the ROC Executive Yuan are required to submit an Investment Approval application to the DIR of the MOEA or other government authority. The DIR or such other government authority reviews Investment Approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the FSC). PRC investors other than QDII are prohibited from making investments in an ROC company listed on the TWSE or the TPEX if the investment is less than 10% (or less in certain industries) of the equity interest of such ROC company.

Under current law, any non-ROC person possessing an Investment Approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment may be repatriated upon submitting certain required documents to the remitting

bank, and investment capital and capital gains attributable to such investment may be repatriated after approvals of the DIR or other authorities have been obtained.

In addition to the general restriction against direct investment by foreign investors in securities of ROC companies, foreign investors (other than PRC persons or except in certain limited cases) are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the ROC Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain other industries are restricted so that foreign investors (except in certain limited cases) may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

On the other hand, in addition to the general restriction against direct investment by PRC investors in securities of ROC companies, PRC investors may only invest in certain industries in the Positive List, as promulgated by the ROC Executive Yuan. In addition, PRC investor who wishes to be elected as an ROC company's director or supervisor shall also submit an Investment Approval application to the DIR of the MOEA or other government authority for approval.

Exchange Controls

The ROC Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated by the FSC and the CBC to handle foreign exchange transactions. Current regulations favor trade-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters. All foreign currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Aside from trade-related foreign exchange transactions, ROC companies and individual residents of the ROC may, without foreign exchange approval, remit to and from the ROC in each calendar year foreign currencies of up to US\$100 million (or its equivalent) and US\$10 million (or its equivalent), respectively, or such other amount as determined by the CBC from time to time at its discretion in consideration of the ROC's economic and financial conditions or the needs to maintain the order of foreign exchange market in the ROC. These limits apply to remittances involving a conversion between NT dollars and US dollars or other foreign currencies. In addition, all private enterprises are required to register all medium- and long-term foreign debt with the CBC.

In addition, a foreign person may, subject to certain requirements but without foreign exchange approval, remit to and from the ROC foreign currencies of up to US\$100,000 (or its equivalent) per remittance if the required documentation is provided to the ROC authorities. This limit applies to remittances involving a conversion between NT dollars and US dollars or other foreign currencies.

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