Stock No.: 6182

Wafer Works Corporation

ANNUAL REPORT 2021

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Free website of this annual report: http://mops.twse.com.tw

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Title: President
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The Company's deputy spokesperson:

Name: Ming-Che, Hsu
Title: Senior Project Manager
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Addresses and telephone numbers of head office and factories:

Head Office address: No. 1, Pingguo Rd., Yangmei Dist., Taoyuan City 326014
Factory address:
Longtan Factory – No. 100, Longyuan 1st Road, Longtan Science Park, Longtan District, Taoyuan City 325002
Yangmei Factory – No. 1, Pingguo Road, Yangmei District, Taoyuan City 326014
TEL: (03) 481-5001

Stock transfer agency:

Name:KGI Securities Co., Ltd
Address: 5F., No. 2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City
TEL:(02)2389-2999
Website: https://www.kgi.com

Certifying CPAs of last year

Accounting firm: Ernst & Young
Name of CPA: Mao-Yi, Hong, Ching-Piao, Cheng
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Name of the trading place where overseas securities are listed for trading and inquiry method of the information of overseas securities: None

Website: www.waferworks.com

Contents

I. Letter to Shareholders

Dear Shareholders:

As COVID-19 variants continued to emerge globally, the case of clustered infections in the local communities has increased; and the decline in consumer consumptions during year 2021 was evident. However, the annual economic growth rate still accelerated to 6.28% as the result of strong export of semiconductors and electronic components.

Due to geopolitical conflicts and the shortage of semiconductor chips, Taiwan became the global hub of semiconductors as world-renowned foundries and IDMS (Integrated Device Manufacturers) continued to increase their demand for silicon wafers.

According to SEMI (Semiconductor Equipment and Materials International), annual silicon shipment reached 14,165 millions of square inches (MSI), an increase of 14% over year 2020; while sales revenue exceeded US$12.6 billion; a record high for both.

Benefiting from the upward trend of the semiconductor industry, Wafer Works experienced a surge in orders leading to full capacity utilization. Our shipment of 200 mm silicon wafers increased by 48% year-over-year, global market share increased to 7.1%, coupled with the shipment of 300 mm heavily doped wafers in the third quarter and an increase in average selling price (ASP); our consolidated revenue in year 2021 was NT$10.34 billion, which is an increase of 39.3% year-over-year. Earning per share was NT$2.01.

Looking ahead to year 2022, applications such as electric vehicles (EV), 5G and metaverse are expected to grow exponentially, and major market researchers and analysts are optimistic about the outlook of the semiconductor industry. Alerted by semiconductor chips shortage and overly concentrated supply source, governments around the world are subsidizing enterprises on a large scale to expand capacity, targeting mass production by year 2023; which will further increase the demand of silicon wafers.

With the continuous increase in market demand, Wafer Works will actively expand production capacity and develop new products to better serve our customers. The outlook for this year's operations is as follows:

1) Technology: Our 300 mm turn-key solution ranging from heavily doped silicon crystal to Epitaxial service have been qualified by global customers. In addition to continue the efforts of strengthening our various technologies for 300 mm N-type, low-resistance heavily doped silicon wafers, we will also actively develop technology for 300 mm lightly doped P-type silicon wafer needed for logic components. We will continue to invest resources with strategic partners to develop third generation compound semiconductor technologies in order to enhance our capabilities by building a comprehensive product portfolio for maintaining our leading position in power semiconductor devices.
2) Production capacity: The utilization of all Wafer Works production sites has remained at full capacity due to the influx of customer orders. Through efforts of de-bottlenecking and process optimization, we will be able to offer additional capacity to our customers. In addition to increasing the 300 mm production capacity at our Zhengzhou, China site, we will also set-up a pilot production line at our Longtan, Taiwan site to develop technology for 300 mm silicon wafer in order to meet market and customer requirements.
3) Quality: We will apply big data analytics methods, automate production, and accelerate digital transformation to increase production efficiency, improve product quality and yield.

4) Business: We will gradually increase the percentage of long-term supply agreements (LTA), and strengthen the strategic partnership with our customers.
5) Sustainable operation: In line with government regulations, we will promote the concept of sustainable management of ESG companies, provision of information regarding Climate-Related Financial Disclosures (TCFD), and implement information disclosure in compliance with the standards set by the Sustainability Accounting Standards Board (SASB).

Wafer Works is a customer-centric company rooted in Taiwan, actively develop new products and technologies, continuously expand our global business footprint, uphold ethical standards, committed to improve the quality of life of our employees and the society, implement specific policies of promoting sustainable development relating to the ESG areas. We would like to express our gratitude to all shareholders for your long-term support to us. Thank you!

Chairman: Ping-Hai, Chiao

Manager: Hsien-Yuan, Chang

II. Company Profile

I. Date of Establishment

(1) Date of Establishment: July 24, 1997

(2) Addresses and contact numbers of the Head office, Branch office and factories:

Head office address: No. 1, Pingguo Road, Yangmei District, Taoyuan City 326014

Branch office address: No. 100, Longyuan 1st Road, Longtan Science Park, Longtan District, Taoyuan City

Office Tel: (03)481-5001

Factory address:

Longtan Factory – No. 100, Longyuan 1st Road, Longtan Science Park, Longtan District, Taoyuan City 325002

Yangmei Factory – No. 1, Pingguo Road, Yangmei District, Taoyuan City 326014

II. Company History

Wafer Works Corporation (the Company) was founded on July 24, 1997. with an initial capital of NT$ 5 million dollars, dedicated to R&D, design, fabrication, import and export, and agency sales of semiconductor products.

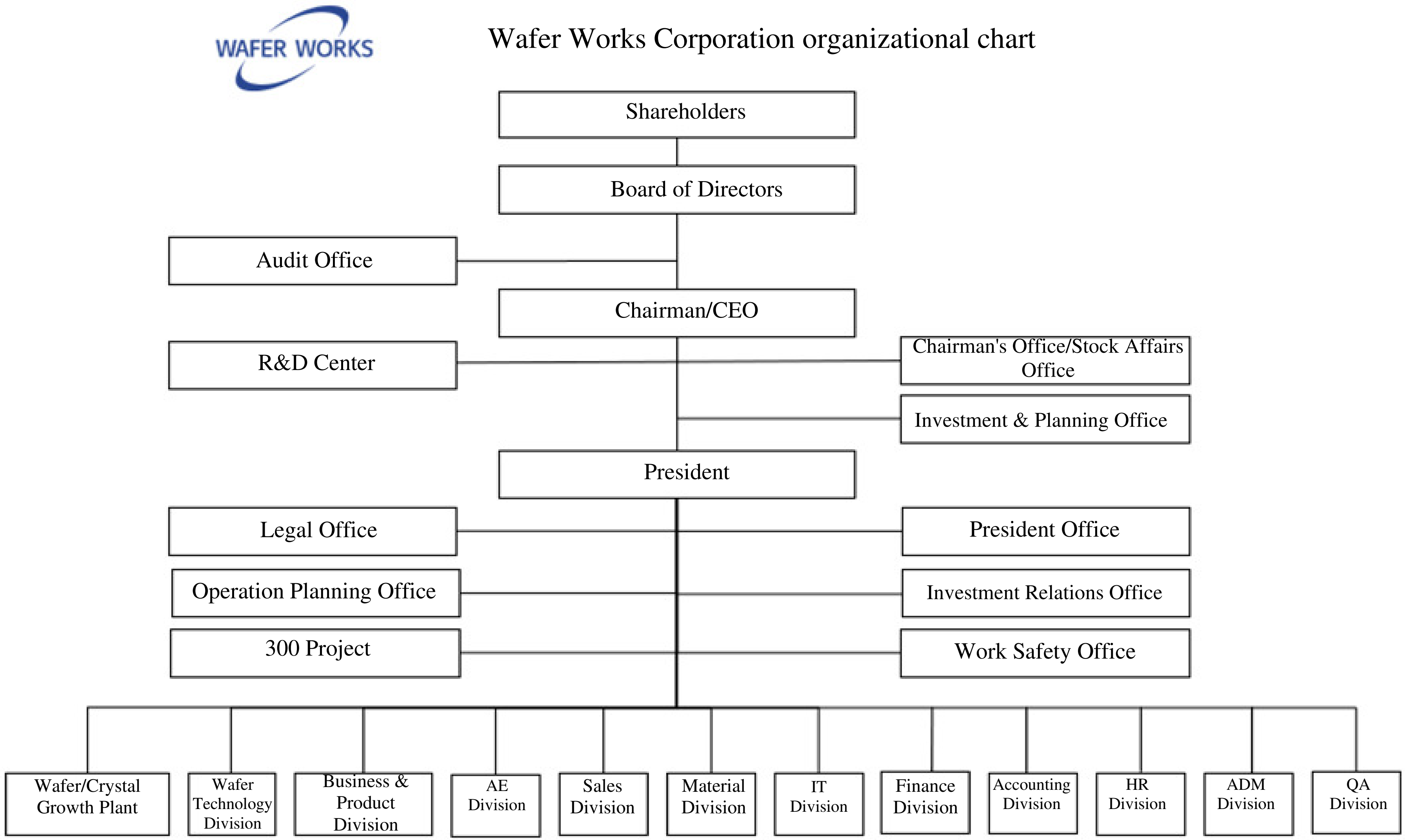
July 1997	The Company was officially founded with NT$ 5 million dollars paid-in capital, and the Chairman was Mr. Nan-Hsiung, Tsai.
November 1997	The Company acquired “Helitek Company Ltd.” in the United States.
May 1999	The construction of Yangmei Plant of the Company was completed and the production was officially launched.
October 2001	Chairman Nan-Hsiung, Tsai resigned, and Mr. Ping-Hai, Chiao was elected as the Chairman of the Board.
May 2002	The Company was publicly listed on OTC.
March 2004	The Company acquired 75% of the equity shares and obtained the right of management of “Wafer Works (Shanghai) Co., Ltd.”.
September 2005	The construction of “Wafer Works Epitaxial Corp.” invested by the Company was started.
October 2006	The construction of “Wafer Works Epitaxial Corp.” invested by the Company was completed, and the production was launched.
June 2007	“Wafer Works Optronics Corp.” was founded to produce sapphire substrates for blue and white LEDs.
June 2007	The epitaxial wafers were qualified by international customers for mass production and shipment.
November 2007	The Company was awarded by Forbes Asia as one of the “Best Under a Billion” companies in Asia.
March 2008	“Solargiga Energy Holdings Ltd.” invested by the Company was publicly listed in Hong Kong.
August 2009	Mass production and shipment of 200 mm heavily doped epitaxial wafers were started.
April 2010	Groundbreaking ceremony of the Company’s Longtan Plant was held.
July 2010	Phase 1.5 expansion of Yangmei Plant was completed.
January 2011	Phase 2 expansion of epitaxial wafer production capacity of “Wafer Works Epitaxial Corp.” invested by the Company was started.
October 2011	The headquarters of the Company was officially inaugurated, and Longtan Plant was

	formally put in operation.
December 2013	Longtan Plant was granted the “Safety and Health Role Model Award” by the Industrial Development Bureau of MOEA.
August 2015	“Wafer Works (Shanghai) Co., Ltd.” acquired 51% of equity shares and officially obtained the right of management of “Wafer Works (Yangzhou) Corp.”.
March 2016	“Wafer Works Optronics Corp.” invested by the Company was merged.
May 2016	Successfully produced the first 300 mm (heavily doped with arsenic) silicon ingot with ultra-low resistance in the Greater China Area.
November 2016	“Wafer Works (Shanghai) Co., Ltd.” invested by the Company merged “Wafer Works Epitaxial Corp.” and “Wafer Works (Yangzhou) Corp.” via capital increase and share exchange and completed the equity restructure.
December 2016	“Wafer Works (Shanghai) Co., Ltd.” invested by the Company signed a strategic cooperation agreement with Zhengzhou Airport Economy Zone where “XingGang (Henan) Sunac Industrial Development Fund” invested RMB 700 million to acquire 37.6% of shares of “Wafer Works (Shanghai) Co., Ltd.”. The raised fund was dedicated to be used exclusively for the construction of a 200 mm wafer plant with a monthy capacity of 200,000 wafers in the Zhengzhou Airport Economy Zone.
February 2017	The registration of “Wafer Works (Zhengzhou) Corp.” invested by the Company was completed.
July 2017	The groundbreaking ceremony of the plant construction of “Wafer Works (Zhengzhou) Corp.” invested by the Company was held.
October 2018	The construction of “Wafer Works (Zhengzhou) Corp.” invested by the Company was completed and the operation started.
November 2018	The Songjiang Plant of “Wafer Works (Shanghai) Co., Ltd.” invested by the Company was relocated and the production was temporarily suspended.
July 2019	The groundbreaking ceremony of the “Phase II Crystal Growth Manufacturing and R&D Center” of the Longtan Plant of the Company was held.
November 2019	The registration of “Zhengzhou Airport Economy Zone Wafer Works Technology Corp.” invested by the Company was completed.
December 2019	“Wafer Works (Shanghai) Co., Ltd.” invested by the Company was restructured to “Wafer Works (Shanghai) Corp.”.
October 2020	The construction of the “Phase II Crystal Growth Manufacturing and R&D Center” of the Longtan Plant of the Company was completed and the operation started.
March 2021	The relocation of the Songjiang Plant of “Wafer Works (Shanghai) Co., Ltd.” invested by the Company was completed and the production resumed.

III. Company Governance Report

I. Organization System

(1) Organizational structure



(2) Responsibilities of each major department

Department	Responsibilities
Chairman/CEO	1. Responsible for the company's visions and objectives, business strategies, and operation policies. 2. Implement the resolutions and action items of the Board meeting. 3. Implement the resolutions of the shareholders' meeting.
President	1. Implement the resolutions and action items of the Board meeting under the command of the Chairman. 2. Formulate the company's business plans and assume all executive responsibilities to the Boards. 3. Establish corporate systems, cultivate talents, and reinforce the foundation for the company's long-term development.
Investment Relations Office	1. Responsible for the disclosure of material information of the company. Establish and maintain relationships with domestic and foreign investors, and maintain media relationships.
Audit Office	1. Assist in the supervision of the operation of the internal control system. 2. Responsible for the operation of internal audits.
Operation Planning Office	1. Implement operational resources analysis for management level to make management decisions. 2. Integrate and improve operational process flow and system, and assist in enhancing operational efficiency.
Investment & Planning Office	1. Assist the management level to formulate the company's future development objectives, strategies, and investment development plans. 2. Provide company executives with strategic and valuable investment advice.
Chairman Office/ Stock Affairs Office	1. Responsible for the stock transaction affairs. 2. Promote company governance. 3. Establish functional committees according to the legal requirements.
R&D Center	1. Responsible for the R&D of fundamental technology of crystal growth and crystalline. 2. Evaluate and introduce new products and new technology. 3. Responsible for the technology development roadmap. 4. Responsible for academic talents cultivation.
300 Project	1. Evaluate and develop 300 mm products and technology. 2. Responsible for the operations related to 300 mm wafer, including production processes, equipment, fabrication, and factory affairs. 3. Talent cultivation and development plan of 300 mm technology. 4. 300 mm capacity expansion.
Wafer Technology Division	1. Wafer production technology development and process integration. 2. Deal with customer complaints regarding technical issues.
Work Safety Office	1. Plan, manage and oversee the implementation of safety and health affairs in the factory. 2. Plan and implement the labor safety and health management system.
Legal Office	1. Responsible for business contracts and legal documents. 2. Responsible for the protection and management of intellectual properties. 3. Assist in compliance with laws and regulations, implement legal risk management, and deal with litigation.
Sales Division	1. Responsible for annual sales plan and product pricing policy. 2. Assist in debt collection and customer credit limit control. 3. Provide customers with product application technical support to increase customer service and customer satisfaction. 4. Create and increase revenue, profit, and business items of the company. 5. Responsible for the distribution channels. 6. Responsible for the company's future development strategies.

Department	Responsibilities
Application Engineering Division	1. Provide professional technical services, product development information and strategies according to product application features to the customers. 2. Provide product planning and marketing for global markets and implementation of new product launches to increase market share.
Business & Product Division	1. Responsible for the development of new markets and new customers. 2. Formulate product development roadmap, marketing strategies, and promotional activities. 3. Coordinate the marketing strategies and activities for the entire group.
Information Technology Division	1. Responsible for the scope of computerization. 2. Responsible for network systems and application systems. 3. Renew and upgrade IT equipment.
Finance and Accounting Division	1. Management of exchange rates, interest rates, and financial risks. 2. Responsible for capital plan and management. 3. Responsible for the establishment, maintenance, and implementation of the accounting system. 4. Responsible for periodical financial reports, cost structure analysis, and business performance analysis. 5. Responsible for budget preparation and management, disclosure of public information and management of tax affairs.
Quality Assurance Division	1. Establish the company's quality policies and operating systems. 2. Establish and implement the system of incoming and shipment quality inspection standards. 3. Establish and manage DCC document control system. 4. Plan, maintain and implement ISO9001and IAFTA16949 management system.
Materials Division	1. Inventory management and procurement of domestic and foreign equipment, raw materials, and components. 2. Assist in establishing alternative resourses of raw materials and equipment components. 3. Assurance of ledger correctness. 4. Establish the computerization, informatization and institutionalization of all units of the Materials Division. 5. Responsible for the formulation, coordination, and implementation of annual customs inventory plan.
Human Resources Division	1. Establish the company's organization system and job description system. 2. Promote the performance review system to establish the performance-oriented salary structure. 3. Formulate the human resource and talent recruitment plan in coordination with the company's development strategies. 4. Formulate talent cultivation and learning development systems, and implementation and management of training plans.
Administration Division	1. Responsible for the company's external affairs and public relationships. 2. Establish and promote administration and general affairs systems. 3. Responsible for the management, supervision, and implementation of plant environment, security, and cleanliness.
Wafer/Crystal Growth Plant	1. Responsible for the management of inventory and procurement of domestic and foreign equipment, raw materials and components. 2. Responsible for the operations of crystal growth, wafering, epitaxy process, equipment, fabrication, and plant affairs. 3. Responsible for process improvement & yield enhancement, equipment maintenance & enhancement of utilization rate, production scheduling, production management, and quality enhancement, and operation of plant affairs system.

II. Information on the Company's Directors, President, Vice Presidents, Assistant Vice Presidents, Division Heads, and Branch Heads

(1) Member of the Board

Information on Member of the Board (1)

April 23, 2022

Job Title	Nationality or place of registration	Name	Gender Age	Election (Appointment) Date	Term of Office	Initial Election Date	Shares at Election: Number of shares	Shares at Election: Rate of shareholding	Current shareholding: Number of shares	Current shareholding: Rate of shareholding	Current shareholding held by spouse & minor children: Number of shares	Current shareholding held by spouse & minor children: Rate of shareholding	Shareholding held through nominees: Number of shares	Shareholding held through nominees: Rate of shareholding	Principal work experience and academic qualifications	Job Title held concurrently in the company and/or in any other company	Other officer, directors or supervisors with a spousal or other 2nd degree of kinship: Job Title	Other officer, directors or supervisors with a spousal or other 2nd degree of kinship: Name	Other officer, directors or supervisors with a spousal or other 2nd degree of kinship: Relation	Remark
Chairman	R.O.C.	Ping-Hai, Chiao	Male 71–80	July 23, 2021	3 years	Nov. 4, 1997	11,500,849	2.25%	12,072,954	2.23%	10,527	0%	—	—	Master of Chemical Engineering, San Jose State University / Helitek Founder and President/ Senior Manager of Lite-on Semiconductor Corp./ PE Manager os Siltec	Note 1	None	None	None	Note 2
Director	R.O.C.	Nan-Yang, Wu	Male 61–70	July 23, 2021	3 years	Mar. 17, 2017	—	—	—	—	—	—	—	—	Stanford University Master of Science/ Team Leader of Optoelectronic Laboratory, ITRI/ Legend Technology Venture Capital Investment Corp., General Manager/ Central Technology Venture Capital, Inc. General Manager	Note 3	None	None	None	—
Director	R.O.C.	Zhen-Tu, Liu	Male 61–70	July 23, 2021	3 years	June 25, 2015	124	0%	124	0%	—	—	—	—	Nova Southeastern University, USA Doctor of Business Administration/ Chief Financial Officer of USI Group/ President of Harbinger Venture Capital/ President of Liancheng Venture Capital/ Director of MITAC Internatonal Corp./ Director of GETAC/ Director of UPC Technology Corporation/ Director of HanTech Venture Capital Corporation/ Supervisor of Synnex Technology International Corporation	Note 4	None	None	None	—
Director	R.O.C.	Hua Eng Wire & Cable Co., Ltd.	—	July 23, 2021	3 years	Nov. 4, 1997	4,493,217	0.88%	4,699,013	0.87%	—	—	—	—	Not applicable	None	None	None	None	—
	R.O.C.	Representative: Min-Shiang, Lin Discharged on Jan. 10, 2022	Male 81–90	July 23, 2021	July 23, 2021–Jan. 10, 2022	Nov. 4, 1997	—	—	—	—	—	—	—	—	Provincial Kaohsiung Vocational High School/ Examination Yuan Grade B Financial Administrator Qualified/ Director / Vice President of Hua Eng Wire & Cable Co., Ltd.	Note 5	None	None	None	—
	R.O.C.	Representative: Hsiu-Mei, Liu Newly appointed on Feb. 1, 2022	Female 61–70	Feb. 1, 2022	Feb. 1, 2022–July 22, 2024	Feb. 1, 2022	—	—	—	—	—	—	—	—	Master of Accounting, Long Island University, New York, U.S.A./ Accounting Manager of Hua Eng Wire & Cable Co., Ltd.	Note 5	None	None	None	—
Director	R.O.C.	Chung-Hou, Tai	Male 71–80	July 23, 2021	3 years	June 23, 2006	1,526,162	0.30%	1,523,162	0.28%	—	—	—	—	Master of Management Science, Tamkang University/ Bachelor of Electric and Control Engineering, NCTU/ Co-founder of Acer Corp./ Chairman of INVESTAR CORPORATION	Note 6	None	None	None	—
Director	British Virgin Islands	Hitech Holding (BVI) Corp.	—	July 23, 2021	3 years	June 30, 2003	3,545,887	0.69%	3,545,887	0.66%	—	—	—	—	Not applicable	None	None	None	None	—
	R.O.C.	Representative: Chun-Lin, Chen	Male 61–70	July 23, 2021	3 years	July 23, 2021	100,983	0.02%	135,608	0.03%	282	0%	—	—	Bachelor of Dept. of Industrial Engineering, Tunghai University/ Production Director/Industrial Engineer, Electronic Laboratories, ITRI/ Production Manager of Motorola, Inc./ Production Manager / QA Manager of TECOM CO., LTD./ President of Taisil Electronic Materials Corp./ President of Wafer Works Corporation	None	None	None	None	—

Job Title	Nationality or place of registration	Name	Gender Age	Election (Appointment) Date	Term of Office	Initial Election Date	Shares at Election		Current shareholding		Current shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications	Job Title held concurrently in the company and/or in any other company	Other officer, directors or supervisors with a spousal or other 2nd degree of kinship			Remark
							Number of shares	Rate of share-holding	Number of shares	Rate of share-holding	Number of shares	Rate of share-holding	Number of shares	Rate of share-holding			Job Title	Name	Relation	
Independent Director	R.O.C.	Yong-Song, Tsai	Male 61–70	July 23, 2021	3 years	June 25, 2015	—	—	—	—	—	—	—	—	MBA of International Business Management, NTU/ M.S. in Materials Science and Engineering, The Ohio State University/ Vice President of Walden International Taiwan Co., Ltd.	Note 7	None	None	None	—
Independent Director	R.O.C.	Feng-I, Lin	Male 61–70	July 23, 2021	3 years	June 27, 2018	—	—	—	—	—	—	—	—	Master of Economics, Nankai University, Tianjin/ Bachelor of Accounting, Soochow University/ Director and Vice President of Want Want China Holdings Limited	Note 8	None	None	None	—
Independent Director	R.O.C.	De-Wai, Chou	Male 51–60	July 23, 2021	3 years	July 23, 2021	—	—	—	—	—	—	—	—	Ph.D. of Finance/Master of Business Administration of Drexel University, Lebow School of Business/ Adjunct Lecturer / foreign visiting scholar of Drexel University, Lebow School of Business, Philadelphia, USA, Assistant Professor of Dept. of Finance, National Chung Cheng University/ Department Director / Associate Professor, Dept. of Finance, Yuan Ze University/ Dean / Professor, Graduate Institute of Management, National Taiwan Normal University/ Science and technology personnel of the Ministry of Science and Technology/ Visiting Scholar at University of Washington/ Executive Director of Double Master's Program in International Business Management/ Independent Director of Nanoplus Limited (Cayman) Taiwan Branch	Note 9	None	None	None	—

Note 1: Concurrently holds the positions of CEO of Wafer Works Corporation, President of Helitek Company Ltd., Chairman of Heli-Vantech Corp., Director of Silicon Technology Investment (Cayman) Corp., Director of Wafer Works (Shanghai) Co., Ltd., Director of Wafer Works Epitaxial Corp., Wafer Works Investment Corp., and Director of Wafermaster Investment Corp..

Note 2: When the Chairman and President or equivalent position (Top Executive) of a company is the same person, or spouse for first degree relative of each other, the reason, rationality, necessity, and responsive measure of this situation shall be specified;

The reason that the Chairman of our company is also the CEO of our company is for the overall operational consideration. With his outstanding business vision, we would like to have our Chairman actually participate in our company's operation in order to implement the operational decision making and to enhance the operation efficiency. So far 2/3 of the members of our board of directors are neither employees or managers. We have also established Audit Committee and Remuneration Committee to strengthen our company governance and to continuously reduce the operational risks via vigorous internal control mechanism.

Note 3: Concurrently holds the positions of Director of EDISON OPTO CORPORATION, Director of Guangdong Jinko Electronics Co., Ltd., and Director of Advanced Photoelectronic Technology Ltd. (Hong Kong).

Note 4: Concurrently holds the positions of Director of China General Plastics Corporation, and Director of China General Terminal & Distribution Corporation.

Note 5: Director Min-Shiang, Lin passed away on January 10, 2022, and the Corporate Director Hua Eng Wire & Cable Co., Ltd. appointed representative Shiu-Mei Liu as the new Director on February 1, 2022. Director Shiu-Mei Liu concurrently holds the positions of Manager of Accounting Division/Acting Spokesperson of Hua Eng Wire & Cable Co., Ltd., Director of China Ecotek Corp., Director of Asia Pacific Telecom CO., LTD., Director of CO-TECH DEVELOPMENT CORP., Director of BIONIME CORPORATION, Supervisor of HUA HO ENGINEERING Co., Ltd., and Supervisor of Chung-Tai Technology Development Engineering Corporation.

Note 6: Concurrently holds the positions of Chairman of INVESTAR CORPORATION, Chairman of DIGITIMES INC., Independent Director of ASUSTEK COMPUTER INCORPORATION, Chairman of PHOTONICS INDUSTRY & TECHNOLOGYDEVELOPMENT ASSOCIATION, Director of CHIEF TELECOM INC., Director of FULLERTON TECHNOLOGY CO., LTD., Director of 21Vianet Group Inc., Director of LUMENS DIGITAL OPTICS INC., Director of GLOBAL TESTING CORPORATION, Director of Wafer Works (Shanghai) Co., Ltd., and Director of IC BROADCASTING CO., LTD.

Note 7: Concurrently holds the positions of Partner of Asia Parker Capital Limited, and Independent Director of Silergy Corporation.

Note 8: Concurrently holds the positions of Independent Director of Grape King Bio Ltd., Independent Director of Digiwin Software CO., LTD., Independent Director of Jouder Precision Industry (Kunshan) CO., LTD., Independent Director of Sunjuice Holdings Co., Limited, and Director of SHANGHAI KARON ECO-VALVE MANUFACTURING CO., LTD.

Note 9: Concurrently holds the positions of Professor of Graduate Institute of Management of National Taiwan Normal University, Director of LUNGTEH SHIPBUILDING CO., LTD., Executive Supervisor of Taiwan Association of Business Schools, Supervisor of Taiwan Association of Board Governance, and Supervisor of Taiwan Institute of Directors.

Major Shareholders of Corporate Shareholders

April 23, 2022

Corporate shareholder Name	Major Shareholders of Corporate Shareholders
Hua Eng Wire & Cable Co., Ltd.	First Cooper Technology Co., Ltd.(32.96%); Hua Hung Investment Co., Ltd. (6.84%); Pi-O, Wang Yang(3.49%); Feng-Shu, Wang (2.55%); Wen-Ling, Wang(2.20%); Hung-Jen, Wang(2.12%); Yu-Fa, Wang(1.75%); Hung-Ming, Wang(1.46%); Kun-Jung, Chen(0.80%); Mei Da Woods Industry Co., Ltd.(0.62%)
Hitech Holding (BVI) Corp.	Ko-Pin, Chu (33.2%); Tai-Yuan, Wang(33.4%); Nan-Hsiung, Tsai (33.4%)

Major shareholder is Corporate and its major shareholders

April 23, 2022

Corporate Name	Major Shareholders of Corporate
First Cooper Technology Co., Ltd.	Hua Eng Wire & Cable Co., Ltd.(39.44%); Yu-Fa, Wang(7.98%); Pi-O, Wang Yang(2.52%); Wen-Ling, Wang(1.82%); Standard Chartered Bank(Taiwan) Limited as custodian of Credit Suisse International(0.55%); International Ship Recycling Enterprises Co., Ltd. (0.50%); HSBC as custodian of Morgan Stanley & Co. International Plc(0.43%); Feng-Shu, Wang(0.43%); Hung-Ming, Wang(0.41%)
Hua Hung Investment Co., Ltd.	Kulsum Industries Limited (Hong Kong)(79.79%); Wen-Ling, Wang(3.19%); Feng-Chuan, Wang(3.19%); Feng-Shu, Wang(3.19%); Hung-Jen, Wang(3.19%); Hung-Ming, Wang(2.87%); Yu-Ting, Wang(2.13%); Yu-Fa, Wang(1.07%); Feng-Chin, Wang(0.85%); Pi-O, Wang Yang(0.53%)
Mei Da Woods Industry Co., Ltd.	Yu-Fa, Wang(25.26%); Wen-Ling, Wang(16.32%); Pi-O, Wang Yang(15.79%); Feng-Chuan, Wang(15.79%); Feng-Shu, Wang(15.79%); Hung-Jen, Wang(5.26%); Hung-Ming, Wang(5.26%); Yu-Ting, Wang(0.53%)

Information on directors（2）

1. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors:

Status / Name	Professional qualification and experience	Status of Independence	Number of public companies where the person concurrently serve as independent director
Chairman Ping-Hai, Chiao	He graduated from San Jose State University with a master’s degree in chemical engineering. He is currently the chairman and CEO of the Company. He has been dedicated to the semiconductor industry for almost 40 years, and equipped with capabilities of professional leadership, marketing, operational management, and strategic planning to lead the company towards sustainable operation as a pioneer of the industry. There is no situations listed in Article 30 of the Company Act.	-	0

Director, Nan-Yang, Wu	He graduated from Stanford University Master of Science. He concurrently holds the positions of Director of EDISON OPTO CORPORATION, Director of Guangdong Jinko Electronics Co., Ltd., and Director of Advanced Photoelectronic Technology Ltd (Hong Kong). He is equipped with experience in finance, commerce, market investment, industry related operational planning, and management practices. There is no situations listed in Article 30 of the Company Act.	-	0
Director, Zhen-Tu, Liu	He graduated from Nova Southeastern University, USA with a Ph.D of Business Management. He is currently the Director of CHINA GENERAL PLASTICS CORPORATION, and the Director of China General Terminal & Distribution Corporation. He was once the CFO of USI Group. He is equipped with the capabilities of corporate governance, accounting information and financial analysis, the insight of industrial development, and the capability of operational management practices. There is no situations listed in Article 30 of the Company Act.	-	0
Hua Eng Wire & Cable Co., Ltd. Representative: Hsiu-Mei, Liu	She graduated from Long Island University with a master’s degree in Accounting, and she currently serves as the accounting manager of Hue Eng Wire & Cable Co., Ltd., Representative of Corporate Directors of China Ecotek Corporation, Asia-Pacific Telecom Co., Ltd., and Co-Tech Development Corporation. And she is equipped with experience and professional qualifications in commerce, finance, and the company’s business. She is specialized in corporate finance and accounting affairs, and is equipped with rich industrial planning experience. There is no situations listed in Article 30 of the Company Act.	-	0

Director, Chung-Hou, Tai	He graduated from Tamkang University with a master's degree in Management Science. He was the co-founder of ACER. He currently serves as the Chairperson of INVESTAR CORPORATION, Chairman of DIGITIMES INC., Independent Director of ASUSTEK COMPUTER INCORPORATION, Chairman of PHOTONICS INDUSTRY & TECHNOLOGYDEVELOPMENT ASSOCIATION, and Director of CHIEF TELECOM INC., Director of FULLERTON TECHNOLOGY CO., LTD. He is equipped with industrial experience, and capabilities in strategic management, marketing, leadership, and academic research. There is no situations listed in Article 30 of the Company Act.	-	1
Hitech Holding (BVI) Corp. Representative: Chun-Lin Chen	He graduated from Tunghai University with a bachelor's degree in Industrial Engineering. He was the President of the company and its subsidiary. He has been dedicated to the semiconductor industry for more than 35 years and is equipped with the capabilities of professional leadership, operational management, and strategic planning. There is no situations listed in Article 30 of the Company Act.	-	0
Independent Director, Yong-Song, Tsai	He graduated from National Taiwan University with a master's degree in International Business Administration and from Ohio State University with aster's degree in Material Science and Engineering. He is the Convenor of the company's Remuneration Committee and the member of the company's Audit Committee. He is also the Partner of Asia Parker Capital Limited, and Independent Director of Silergy Corporation. He is equipped with more than 5 years of experience and professional qualification in commerce, finance, accounting and the company's business. There is no situations listed in Article 30 of the Company Act.	Compliance with independence: 1. The person, his/her spouse, or his/her relatives within the second degree have not served as the director, supervisor, or employee of the company or its affiliated enterprise. 2. The person, his/her spouse, or his/her relatives within the second degree have not personally (or through nominees) held any share of the company. 3. The person has not served as the director, supervisor, or employee of the company with specific relationship with the company. 4. There has not been any amount of remuneration received for providing the company or its affiliated enterprises with commercial, legal, financial, or accounting service in last two years.	1

Independent Director, Feng-I, Lin	He graduated from Tianjin Mankai University with a master's degree in Economics, and from Department of Accounting of Soochow University. He is the Convenor of the company Audit Committee and the member of the company's Remuneration Committee. He also serves as the Independent Director of Grape King Bio Ltd., and the Independent Director of Sunjuice Holdings Co., Limited. He is equipped with more than 5 years of experience and professional qualification in commerce, finance, accounting and the company's business. There is no situations listed in Article 30 of the Company Act.	Compliance with independence: 1. The person, his/her spouse, or his/her relatives within the second degree have not served as the director, supervisor, or employee of the company or its affiliated enterprise. 2. The person, his/her spouse, or his/her relatives within the second degree have not personally (or through nominees) held any share of the company. 3. The person has not served as the director, supervisor, or employee of the company with specific relationship with the company. 4. There has not been any amount of remuneration received for providing the company or its affiliated enterprises with commercial, legal, financial, or accounting service in last two years.	2
Independent Director, De-Wai, Chou	He graduated from Drexel University, LeBow School of Business with a Ph.D. in finance and a master's degree in corporate management. He concurrently serves as a member of Audit Committee and Remuneration Committee of the company, Professor of the Institute of Management, National Taiwan Normal University, Director of LUNGTEH SHIPBUILDING CO., LTD., Executive Supervisor of Taiwan Association of Business School, Supervisor of Taiwan Association of Board Governance, and Supervisor of Taiwan Institute of Directors. And he is equipped with more than 5 years of experience in commerce, finance, accounting, and the professional qualification as a college professor in the department related to the company's business. There is no situations listed in Article 30 of the Company Act.	Compliance with independence: 1. The person, his/her spouse, or his/her relatives within the second degree have not served as the director, supervisor, or employee of the company or its affiliated enterprise. 2. The person, his/her spouse, or his/her relatives within the second degree have not personally (or through nominees) held any share of the company. 3. The person has not served as the director, supervisor, or employee of the company with specific relationship with the company. 4. There has not been any amount of remuneration received for providing the company or its affiliated enterprises with commercial, legal, financial, or accounting service in last two years.	0

2. Diversity and independence of board of directors

(1) Diversity of board of directors:

According to Article 20 of the company's "Corporate Governance Code", the board of directors must be composed of diversified members equipped with required knowledge, skills, and professions for implementing their job duties. In order to achieve the ideal goals of corporate governance, the entire board of directors shall be equipped with the following capabilities: (1) Operational determination capability (2) Accounting and financial analysis capability (3) Management capability (4) Crisis management capability (5) Industrial knowledge (6) International market perspective (7) Leadership (8) Decision making capability

The diversification policy of directors are as shown below:

Name	Job Title	Gender	Age			Tenure of Independent Director			Part-time employees	Diversified Core Capabilities							
			51 - 60	61 - 70	71 - 80	Less than 3 years	3 to 9 years	More than 9 years		Operational determination capability	Accounting and financial analysis capability	Management capability	Crisis management capability	Industrial knowledge	International market perspective	Leadership	Decision making capability
Ping-Hai, Chiao	Chairman	Male			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓
Nan-Yang, Wu	Director	Male		✓						✓	✓	✓	✓	✓	✓	✓	✓
Zhen-Tu, Liu	Director	Male		✓						✓	✓	✓	✓		✓	✓	✓
Hsiu-Mei, Liu	Director	Female		✓						✓	✓	✓	✓		✓	✓	✓
Chung-Hou, Tai	Director	Male			✓					✓		✓	✓	✓	✓	✓	✓
Chun-Lin, Chen	Director	Male		✓						✓		✓	✓	✓	✓	✓	✓
Yong-Song, Tsai	Independent Director	Male		✓			✓			✓	✓	✓	✓	✓	✓	✓	✓
Feng-I, Lin	Independent Director	Male		✓			✓			✓	✓	✓	✓		✓	✓	✓
De-Wai, Chou	Independent Director	Male	✓			✓				✓	✓	✓	✓		✓	✓	✓

Management Goal	Achievement
There shall be a least one female director	Achieved
Independent directors shall serve no more than three consecutive terms	Achieved
Directors who also serve as company managers shall not exceed 1/3 of total number of directors	Achieved

(2)Independence of board of directors:

The current board of directors of the company consists of 9 directors, including 3 independent directors accounting for 33%. The qualifications of all independent directors are in compliance with the statutory regulations, and none of directors are spouses or relatives within the second degree to each other as stipulated in Article 26 Paragraph 3 Item 3 and 4 of the Securities and Exchange Act.

(2) Information on Company's President, Vice Presidents, Assistant Vice Presidents, Division Heads, and Branch Heads

April 23, 2021

Job Title	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in the company and/or in any other company	Manager with a spousal or other 2nd degree of kinship			Remark
					Number of shares	Rate of share-holding	Number of shares	Rate of share-holding	Number of shares	Rate of share-holding			Job Title	Name	Relation-ship	
Chairman and CEO	R.O.C.	Ping-Hai, Chiao	Male	July 24, 1997	12,072,954	2.23%	10,527	0.00%	—	—	Master of Chemical Engineering, San Jose State University / Helitek Founder and President/ Senior Manager of Lite-on Semiconductor Corp./ PE Manager os Siltec	Note 1	None	None	None	Note 2
President	R.O.C.	Hsien-Yuan, Chang	Male	Aug. 5, 2021	355,199	0.07%	—	—	—	—	PhD in Chemical Engineering, University of Leeds, UK/ President of Chip LEDs Technology/ Senior Manager of CMSC, Inc./ Department Manager of UMC/ Section Manager of TSMC	President of Huaxin (Shanghai) Technology Co. Ltd. Independent Director of Mao Cheng Scientific Co., Ltd.	None	None	None	—
Manufacture Vice President (Note 3)	R.O.C.	Yung-Cheng, Sung	Male	Nov. 4, 2021	56,848	0.01%	—	—	—	—	Master of National Central University/ Engineer of Taisil Electronic Materials Corp./ Engineer of Electronic & Optoelectronic System Research Laboratories, ITRI	None	None	None	None	—
300 Project Vice President	R.O.C.	Kuang-Chung, Liao	Male	Nov. 6, 2018	234,213	0.04%	—	—	—	—	Master of National Central University/ Engineer of Gold Circit Electronics Ltd. Engineer of Princeton Precision Industries Co. / Engineer of TXC Corporation	None	None	None	None	—
Vice President of Investment & Planning Office (Note 4)	R.O.C.	Ming-Yi, Chi	Male	Nov. 6, 2018	—	—	—	—	—	—	Master of Finance, School of Management, Ming Chuan University/ Assistant Vice President, Investment Dept., Union Insurance Company/ Consultant of Bigsun-Energy Group/ Vice Chairman of UBS Swiss Bank/ Vice President of Polaris Securities Company	None	None	None	None	—
CTO	R.O.C.	Wen-Chung, Li	Male	Sep. 3, 2018	138,935	0.03%	44,475	0.01%	—	—	Ph. D of University of Kentucky.USA Engineer of Delta Electronics, Inc./ Adjunct lecturer at Chung Yuan Christian University	None	None	None	None	—
Sales Assistant Vice President	R.O.C.	Lung-Chih, Lin	Male	Sep. 3, 2018	266	0.00%	—	—	—	—	Master of Da-Yeh University/ Project Vice Manager of Feeling Technology Corp.	None	None	None	None	—
IT Assistant Vice President	R.O.C.	Shu-Jen, Lo	Female	Oct. 29, 2019	35,232	0.01%	—	—	—	—	Master of Mathematics, Computer Option, University of Massachusetts at Lowell, USA/ IT Manager of Taroko Textiles Corporation/ IT Manager of Carrier Taiwan	None	None	None	None	—
Financial Director	R.O.C.	Wei-Lun, Lin	Male	May 6, 2020	6,000	0.00%	751	0.00%	—	—	Bachelor of Department of Public Finance, Feng Chia University/ Senior Commissioner, Underwriting Department, Fuhua Securities Company/ Director of Audit Department of KPMG	Supervisor of Huaxin (Shanghai) Technology Co. Ltd.	None	None	None	—
Accounting Director	R.O.C.	Chia-Yu, Lu	Female	May 6, 2020	2,000	0.00%	—	—	—	—	Bachelor of Department of Accounting, Chang Jung Christian University/ Vice Manager of Audit Department of EY Deputy Manager of Finance and Accounting Department of EUROPTRONIC(TAIWAN)IND.CORP./ Manager of Finance and Accounting Department of Frog Technology Ltd.	Financial and Accounting Director of Huaxin (Shanghai) Technology Co. Ltd.	None	None	None	—

Note 1: Concurrently holds the positions of CEO of Helitek Company Ltd., Chairman of Heli-Vantech Corp., Director of Silicon Technology Investment (Cayman) Corp., Director of Wafer Works (Shanghai) Co., Ltd., Director of Wafer Works Epitaxial Corp., Director of Wafer Works Investment Corp., and Director of Wafermaster Investment Corp.

Note 2: When the Chairman and President or equivalent position (Top Executive) of a company is the same person, or spouse for first degree relative of each other, the reason, rationality, necessity, and responsive measure of this situation shall be specified;

The reason that the Chairman of our company is also the CEO of our company is for the overall operational consideration. With his outstanding business vision, we would like to have our Chairman actually participate in our company's operation in order to implement the operational decision making and to enhance the operation efficiency. So far 2/3 of the members of our board of directors are neither employees or managers. We have also established Audit Committee and Remuneration Committee to strengthen our company governance and to continuously reduce the operational risks via vigorous internal control mechanism.

Note 3: Manufacture Vice President Yung-Cheng, Sung was appointed based on the resolution of board of direct on November 4, 2021.

Note 4: Vice President of the Investment & Planning Office Ming-Yi, Chi, resigned on March 31, 2022, and the relevant information was disclosed until the date of his resignation.

III. Remuneration paid during the most recent year to general directors, Independent Director, supervisors, president and vice presidents

(1) Remuneration to general directors and independent directors

1. Summary disclosure

December 31, 2021 Unit: NTD thousand

Job Title	Name	Remuneration to Directors								The sum of A, B, C and D and proportion to net income after tax (%)(Note 2)		Remuneration to the capacity as employees								The sum of A, B, C, D, E, F and G and proportion to net income after tax (%) (Note 2)		Remuneration received from an invested company other than the company's subsidiary company
		Remuneration (A)		Pension (B)		Remuneration to directors (C) (Note 1)		Business execution expenses (D)				Salaries, bonus and special disbursement (E)		Pension (F)		Remuneration to employees (G) (Note 1)						
		The Company	All companies mentioned in the financial reports	The Company	All companies mentioned in the financial reports	The Company	All companies mentioned in the financial reports	The Company	All companies mentioned in the financial reports	The Company	All companies mentioned in the financial reports	The Company	All companies mentioned in the financial reports	The Company	All companies mentioned in the financial reports	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial reports	
																Cash	Stock	Cash	Stock			
Director	Ping-Hai, Chiao Nan-Yang, Wu Zhen-Tu, Liu Hua Eng Wire&Cable Co., Ltd. Representative: Min-Shiang, Lin Chung-Hou, Tai Hitech Holding (BVI) Corp. Representative: Chun-Lin, Chen (Newly appointed on July 23, 2021) Representative: Tai-Yuan, Wang (Discharged on July 23, 2021)	720	1,111	-	-	8,400	8,400	-	-	9,120 0.8681%	9,511 0.9053%	3,539	5,076	-	-	1,200	-	1,200	-	13,859 1.3192%	15,786 1.5026%	None
Independent Director	Yong-Song, Tsai Feng-I, Lin De-Wai, Chou (Newly appointed on July 23, 2021) Dong-Sing, Wuu (Discharged on January 28, 2021.)	1,500	1,500	-	-	-	-	-	-	1,500 0.1428%	1,500 0.1428%	-	-	-	-	-	-	-	-	1,500 0.1428%	1,500 0.1428%	None

1. Specify the remuneration payment policy, system, standard, and structure for independent director, and the correlation between the amount of payment in accordance with the factors of job duty, risk, and dedicated time: It is specified in the "Rules of Director Remuneration Payment" of our company that the independent director's duty is to performance business independently and participate in company governance while receiving fixed amount of remuneration monthly, so he/she shall not participate in the director remuneration distribution from our company's annual earnings.

2. The remuneration received by our company's director in the most recent year for providing services (such as serving as a consultant (not an employee) for the parent company/all companies in the financial report/reinvestment company): None.

Note 1: The 2021 remuneration distribution proposal was approved by our company's board of directors on March 23, 2022, but it is not yet submitted to the shareholders' meeting, so the amounts and list of employee remuneration distribution have not yet been determined. So the aforementioned amount is only the estimated amount.

Note 2: The 2021 net income after tax is NTD1,050,573,000.

2. Classification of remuneration

Classification of Remuneration paid to each directors	Name of director			
	Total remuneration in the preceding four items (A+B+C+D)		Total remuneration in the preceding seven items (A+B+C+D+E+F+G)	
	The Company	All companies mentioned in the financial reports	The Company	All companies mentioned in the financial reports
Less than NTD1,000,000	Min-Shiang, Lin, Chun-Lin, Chen, Tai-Yuan, Wang, Yong-Song, Tsai, Feng-I, Lin, De-Wai, Chou, Dong-Sing, Wuu	Min-Shiang, Lin, Chun-Lin, Chen, Tai-Yuan, Wang, Yong-Song, Tsai, Feng-I, Lin, De-Wai, Chou, Dong-Sing, Wuu	Min-Shiang, Lin, Chun-Lin, Chen, Tai-Yuan, Wang, Yong-Song, Tsai, Feng-I, Lin, De-Wai, Chou, Dong-Sing, Wuu	Min-Shiang, Lin, Chun-Lin, Chen, Tai-Yuan, Wang, Yong-Song, Tsai, Feng-I, Lin, De-Wai, Chou, Dong-Sing, Wuu
NTD1,000,000(inclusive) ～ NTD2,000,000(exclusive)	Nan-Yang, Wu, Zhen-Tu, Liu, Hua Eng Wire & Cable Co., Ltd., Chung-Hou, Tai, Hitech Holding (BVI) Corp.	Nan-Yang, Wu, Zhen-Tu, Liu, Hua Eng Wire & Cable Co., Ltd., Chung-Hou, Tai, Hitech Holding (BVI) Corp.	Nan-Yang, Wu, Zhen-Tu, Liu, Hua Eng Wire & Cable Co., Ltd., Chung-Hou, Tai, Hitech Holding (BVI) Corp.	Nan-Yang, Wu, Zhen-Tu, Liu, Hua Eng Wire & Cable Co., Ltd., Chung-Hou, Tai, Hitech Holding (BVI) Corp.
NTD2,000,000(inclusive) ～ NTD3,500,000(exclusive)	Ping-Hai, Chiao	Ping-Hai, Chiao		
NTD3,500,000 (inclusive) ～ NTD5,000,000(exclusive)				
NTD5,000,000(inclusive) ～ NTD10,000,000(exclusive)			Ping-Hai, Chiao	Ping-Hai, Chiao
NTD10,000,000(inclusive) ～ NTD15,000,000(exclusive)				
NTD15,000,000(inclusive) ～ NTD30,000,000(exclusive)				
NTD30,000,000(inclusive) ～ NTD50,000,000(exclusive)				
NTD50,000,000(inclusive)～ NTD100,000,000(exclusive)				
Over NTD100,000,000				
Total	10,620,000	11,011,000	15,359,000	17,287,000

(2) Remuneration to Supervisor: Not applicable

(3) Remuneration to President and Vice Presidents

1. Summary disclosure

December 31, 2021 Unit: NTD thousand

Job Title	Name	Salaries(A)		Pension (B)		Bonus and special disbursement , etc. (C)		Remuneration to employees (D) (Note 1)				The sum of A, B, C, D, E, F and G and proportion to net income after tax (%) (Note 2)		Remuneration received from an invested company other than the company's subsidiary company
		The Company	All companies mentioned in the financial reports	The Company	All companies mentioned in the financial reports	The Company	All companies mentioned in the financial reports	The Company		All companies mentioned in the financial reports		The Company	All companies mentioned in the financial reports	
								Cash	Stock	Cash	Stock			
Chairman and CEO	Ping-Hai, Chiao	16,354	17,890	432	432	-	-	4,011	-	4,011	-	20,797 1.9796%	22,333 2.1258%	None
President (Note 3)	Hsien-Yuan, Chang													
Manufacture Vice President (note 4)	Yung-Cheng, Sung													
300 Project Vice President	Kuang-Chung, Liao													
Vice President of Investment & Planning Office	Ming-Yi, Chi													

Note 1: The 2021 remuneration distribution proposal was approved by our company's board of directors on March 23, 2022, but it is not yet submitted to the shareholders' meeting, so the amounts and list of employee remuneration distribution have not yet been determined. So the aforementioned amount is only the estimated amount.

Note 2: The 2021 net income after tax is NTD1,050,573,000.

Note 3: President Hsien-Yuan, Chang was appointed based on the resolution of board of director on August 5, 2021.

Note 4: Vice President Yung-Cheng, Sung was appointed based on the resolution of board of director on November 4, 2021.

2. Classification of remuneration

Classification of Remuneration paid to each President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies mentioned in the financial reports
Less than NTD1,000,000	-	-
NTD1,000,000(inclusive) ～NTD2,000,000(exclusive)		
NTD2,000,000(inclusive) ～NTD3,500,000(exclusive)	Ming-Yi, Chi, Yung-Cheng, Sung	Ming-Yi, Chi, Yung-Cheng, Sung
NTD3,500,000 (inclusive) ～NTD5,000,000(exclusive)	Kuang-Chung, Liao, Ping-Hai, Chiao	Kuang-Chung, Liao
NTD5,000,000(inclusive) ～NTD10,000,000(exclusive)	Hsien-Yuan, Chang	Ping-Hai, Chiao, Hsien-Yuan, Chang
NTD10,000,000(inclusive) ～NTD15,000,000(exclusive)	-	-
NTD15,000,000(inclusive) ～NTD30,000,000(exclusive)	-	-
NTD30,000,000(inclusive) ～NTD50,000,000(exclusive)	-	-
NTD50,000,000(inclusive)～ NTD100,000,000(exclusive)	-	-
Over NTD100,000,000	-	-
Total	NTD20,797,000	NTD22,333,000

1. Names of managers with remuneration as employees and the status of payment

December 31, 2021 Unit: NTD thousand

	Job Title	Name	Stock	Cash (Note 1)	Total	Ratio of Total amount to net income after tax (%) (Note 2)
Managerial Officer	Chairman and CEO	Ping-Hai, Chiao	-	4,911	4,911	0.4675%
	President	Hsien-Yuan, Chang				
	Manufacture Vice President	Yung-Cheng, Sung				
	300 Project Vice President	Kuang-Chung, Liao				
	Vice President of Investment & Planning Office	Ming-Yi, Chi				
	CTO	Wen-Chung, Li				
	Financial Director	Wei-Lun, Lin				
	Accounting Director	Chia-Yu, Lu				

Note 1: The 2021 remuneration distribution proposal was approved by our company's board of directors on March 23, 2022, but it is not yet submitted to the shareholders' meeting, so the amounts and list of employee remuneration distribution have not yet been determined. So the aforementioned amount is only the estimated amount.

Note 2: The 2021 net income after tax is NTD1,050,573,000.

(4) Compare and analyze the total remuneration to the Directors, President, and Vice Presidents of the Company and all companies included in the consolidated financial statements in the last two years in ratio of total amount to net income. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

1. Analysis of proportion in the last two years:

December 31, 2021

Job Title	Ratio of total remuneration to net income after tax in 2020		Ratio of total remuneration to net income after tax in 2021		Explanation
	The Company (Note 1)	All companies mentioned in the financial reports (Note 1)	The Company (Note 2)	All companies mentioned in the financial reports (Note 2)	
Director	2.7616%	3.1576%	1.4620%	1.6454%	The remuneration for director shall be subject to our company's "Rules of Director Remuneration Payment", and the remuneration for President and Vice President shall be subject to "Rules for Management of Remuneration for Managers". The proportion of remuneration to net income after tax is reasonable. The difference is mainly due to the significant gap between the net income after tax in 2021 at NTD1,050.573 million and the net income after tax in 2020 at NTD518.718 million.
President and Vice Presidents	4.4199%	4.7246%	1.9796%	2.1258%	

(Note 1): The net income after tax in 2020 was NTD518.718 million.

(Note 2): The net income after tax in 2021 was NTD1,050.573 million.

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:
   (1) It is stipulated in Article 29 of "Company Articles of Incorporation" that, if our company makes a profit in the year, it shall set aside no more than 2% of it as director's remuneration. However, if there is still accumulated loss of the company, there shall be a certain amount reserved from the profit in advance to make up for the loss.
   (2) According to Article 25 of "Company Articles of Incorporation", our company shall pay our Chairman and Directors the remuneration for performing their duties, and such remuneration shall be determined in accordance with their participation in and contribution to our company's operation while taking into consideration the payment level in the same industry.
   (3) For the purpose of implementing the spirit of company governance and establishing a basis for distribution of director remuneration, our company has formulated the "Rules of Director Remuneration Payment", which was proposed in the first meeting (August 7, 2018)of the 4th Session of Remuneration Committee and approved in the second meeting (August 7, 2018) of the 9th Session of Board of Directors before promulgation.
   (4) The remuneration of manager shall be subject to our company's "Rules for Management of Remuneration for Managers". The Remuneration Committee shall come up with a proposal in accordance with our company's operational strategy, profit situation, performance, contribution to our company, and the salary level on the market to be submitted to the board of directors to be approved before implementation.
   (5) Correlation between business performance and future risk: the evaluation is based on our company's "Rules for Performance Review of Board of Directors" and "Management Rules for Performance Review". In addition to the operational performance of the company and future business risks and development trends of the industry, the reasonable remuneration will also be granted in accordance with individual performance achievement rate and contribution to our company. And the remuneration system will be timely reviewed based on actual business condition and laws and regulations in order to achieve the balance between sustainable development and risk control of our company.
   (6) The remunerations for directors and managers of our company shall be determined based on the overall consideration of their participation in our company's operation and the performance review. The aspects of consideration are as shown in the table below:

Aspect of Evaluation	Proportion	Description
Implementation of our company's core value and the operational management capability	10%	Integrity, recognition, and commitment are necessary conditions, and there must be the capabilities of implementing business philosophy and corporate culture, and demonstrate leadership and management skills.
Annual operational KPI achievement rate (from the perspectives of finance and sales)	40%	Finance and sales indicators: the performance of finance and sales including profitability, growth rate, product quality, and achievement of sales target. Comprehensive management indicators: creation capability, risk management, and information security.

Promotion and educational training of sustainable management	40%	Directors and managers shall participate in the development and activities of Environment, Social, Governance (ESG)in compliance with laws and regulations of company governance and sustainability, while continuing with future education to learn new knowledge.
Other special contributions or major negative events	10%	Our company is granted special international certificates or special awards. Major negative news, improper internal management, and personnel malpractice.

IV. Implementation of Corporate Governance

(1) The function of the Board

The term of the current board of directors is from July 23, 2021 to July 22, 2024. A total of 8 (A) board meetings were held in 2021. Director attendance is as follows:

Job Title	Name	Number of actual attendance(B)	Number of delegated attendance	Attendance rate (%)【B/A】	Remark
Chairman	Ping-Hai, Chiao	8	0	100%	Re-elected on July 23, 2021.
Director	Nan-Yang, Wu	8	0	100%	
Director	Zhen-Tu, Liu	8	0	100%	
Director	Hua Eng Wire & Cable Co., Ltd. Representative: Min-Shiang, Lin	8	0	100%	
Director	Chung-Hou, Tai	6	2	75%	
Director	Hitech Holding (BVI) Corp. Representative: Chun-Lin, Chen	5	0	100%	Newly assumed on July 23, 2021. Number of times shall be attended: 5
Director	Hitech Holding (BVI) Corp. Representative: Tai-Yuan, Wang	3	0	100%	Assumed on July 23, 2021. Number of times shall be attended: 3
Independent Director	Yong-Song, Tsai	8	0	100%	Re-elected on July 23, 2021.
Independent Director	Feng-I, Lin	8	0	100%	
Independent Director	De-Wai, Chou	5	0	100%	Newly elected on July 23, 2021. Number of times shall be attended: 5
Independent Director	Dong-Sing, Wuu	NA			Resigned on Jan. 28, 2021.

Other matters to be recorded:

1. If any of the following situations applies, the date and session of board meeting, content of proposal, comments of all independent directors, and our company's responses to these comments of independent directors shall be specified:
   (1) Matters listed in Article 14-3 of the Securities and Exchange Act: Our company has established the Audit Committee so Article 14-3 does not apply. For relevant data please refer to the "Implementation Status of Audit Committee" in the annual report.
   (2) Other resolutions by the board meeting which are objected to or have reservations by independent directors with records or written statements except for the aforementioned matters: None.

2. Execution of directors' recusal of proposals of personal interests shall include specification of name of director, content of proposal, reason for recusal, and the participation in voting:

Board Meeting Date/Session	Name of Director	Content of Proposal	Reason for Recusal	Participation in Voting
August 5, 2021 The Second Meeting of The	Ping-Hai, Chiao	2020 Employee Remuneration Distribution Proposal of	The Chairman of recusal is the distribute of this proposal	Not participating in this voting

10th Session		our Company		

3. An OTC company shall disclose the information such as the cycle and period, scope, method, and content of self or peer evaluation of the board of directors, and the attached form of board of director evaluation situation shall be filled.

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
Once per year	January 1, 2021 to December 31, 2021	Board of Directors	Self-evaluation of director	Performance review of board of directors 1. Participation in company's operation 2. Enhancement of decision-making quality of board of directors 3. Composition and structure of board of directors 4. Election and continuous education of directors 5. Internal control
		Individual director	Self-evaluation of director	Performance review of individual director 1. Control over company's targets and tasks 2. Recognition of duties of director 3. Participation in company's operation 4. Internal relationship management and communication 5. Profession and continuous education of director 6. Internal control
		Functional committee	Self-evaluation of member of functional committee	Performance review of Audit Committee 1. Participation in company's operation 2. Recognition of duties of Audit Committee 3. Enhancement of decision-making quality of Audit Committee 4. Composition and member election of Audit Committee 5. Internal control
				Performance review of Remuneration Committee 1. Participation in company's operation 2. Recognition of duties of Remuneration Committee 3. Enhancement of decision-making quality of Remuneration Committee 4. Composition and member election of Remuneration Committee

4. The evaluation of the goals (such as establishment of Audit Committee and enhancement of information transparency) of enhancement of functions of board of directors and their implementation situations:

(1) The Investor Service Zone has been set up on our company's website for online access by investors at any time. Its content includes: company governance, financial information, service information, stock affairs information, new center, Q&A, and contact window. It can effectively enhance information transparency. Our company website is at: http: //www.waferworks.com.

(2) According to the regulations of securities competent authority, our company established Remuneration Committee on December 29, 2011 to help board of directors execute and evaluate our company's overall remuneration and welfare system, and regularly review the appropriateness of remunerations for directors and managers.

(3) Our company has passed the proposal of director election for the 9th session of board of directors during the shareholders' meeting on June 27, 2018. By law the Audit Committee has been formed by all independent directors to supersede the supervisor, and the organizational rules for Audit Committee have been formulated.

(4) The operation of our company's board of directors shall be in compliance with laws and regulations, our company's rules, and the resolutions by the shareholders' meeting. In addition to possessing the professional knowledge, skills and qualities required for business execution, all directors are committed to the principle of loyalty and good faith and a duty of care to create the maximum interests for all shareholders.

(5) The annual training hours of our company's directors must meet the requirements of competent authority, and all directors are encouraged to participate in company governance courses and law advocacy activities.

(6) Our company's board of directors approved the establishment of company Corporate Governance Officer on May 6, 2021 to help directors perform their duties and enhance the effectiveness of board of directors while being in charge of company governance affairs.

(2) Operation of Audit Committee

1. Operation of Audit Committee:

There will be three independent directors elected by our company's general shareholders' meeting to form the Audit Committee. This Committee will at least convene one meeting every quarter to be in charge of fair presentation of our company's financial report, selection (dismissal)/independence/performance of certified public accountants, effective implementation of company internal control, our company's compliance with relevant laws and regulations, and the control over existing or potential risks of our company. Its main responsibilities are:

A. Formulating or amending internal control system according to Article 14-1 of the Securities and Exchange Act.

B. Assessment of effectiveness of internal control system.

C. Formulating or amending the processing procedures of major financial and business behaviors such as acquiring or disposal of assets, engaging in derivative commodity transaction, lending funds to others, and endorsing or providing guarantees for others in accordance with Article 36-1 of the Securities and Exchange Act.

D. Matters involving board directors' own interests.

E. Major exchanges of assets or derivative commodities.

F. Significant capital loan, endorsement, or provision of guarantee.

G. Public offering, issuance, or private placement of securities with equity nature.

H. Appointment, dismissal, or compensation for certified public accountant.

I. Appointment and dismissal of finance, accounting, or internal audit supervisors.

J. Review of annual and semi-annual financial statements with signatures or stamps of Chairman, manager, and accounting supervisor.

K. Accepting the whistle-blowing cases related to job descriptions listed in this Article.

L. Other important matters stipulated by our company or competent authorities.

2. Summary of annual works of Audit Committee:

The audit committee of our company is formed by three independent directors. It serves the purpose of help the board of directors to supervise the quality and integrity of our company with respect to accounting, audit, financial report process flow, and financial control. The matters reviewed by the Audit Committee in recent years include:

A. Annual accounting statement and earnings distribution.

B. Modification of internal control system.

C. Assessment of effectiveness of internal control system.

D. Modification of endorsement and guarantee operating procedures.

E. Issuance of cash capital increase and unsecured convertible corporate bonds.

F. Certified public accountant compensation.

G. Appointment of certified public accountant and assessment of certified public accountants' independence.

H. Audit plan.

Reviewing annual accounting statement and earnings distribution while submitting audit report.

Assessing the effectiveness of internal control system via submission of internal control system statement.

3. The attendance of independent directors during the recent 6 meetings (A) of Audit Committee in 2021 is as shown below:

Job Title	Name	Number of actual attendance (B)	Number of delegated attendance	Actual attendance (%)(B/A)	Remark
Independent director	Feng-I, Lin	6	0	100%	Re-elected on July 23, 2021
Independent director	Yong-Song, Tsai	6	0	100%	
Independent director	De-Wai, Chou	4	0	100%	Newly elected on July 23, 2021 Number of times shall be attended: 4
Independent director	Dong-Sing, Wuu	NA			Resigned on January 28, 2021

Other matters to be recorded:

1. If any of the following situations applies during the operation of Audit Committee, the information such as date of meeting, meeting session, content of proposal, content of objections/reservation/major suggestions of independent directors, resolution of Audit Committee, and our company's actions in response to the comments of Audit Committee shall be specified.

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

Audit Committee	Session	Content of proposals and follow-up actions	Matters listed in Article 14-5 of the Securities and Exchange Act	Matters approved by more than 2/3 of all directors but not yet approved by the Audit Committee
2021.3.24	The 14th meeting of the First Session	1.Our company's 2020 annual business report and financial statement. 2.2020 earnings distribution. 3.Publication of our company's 2020 "Internal Control System Statement". 4.Amendment of our company's "Internal Control System" and "Internal Audit System". 5.Amendment of our company's "Endorsement and Guarantee Operating Procedures".	V V V V V	Approved by all independent directors with no objections
		Resolution of Audit Committee: it was approved by all members of Audit Committee Our company's action in response to the resolution of Audit Committee: it was approved by all present directors.		
2021.5.6	The 15th meeting of the First Session	1.Our company plans to arrange the issuance of 2021 ordinary shares as the cash capital increase and the 7th domestic unsecured convertible corporate bonds 2.Planning to approve the 2021 annual compensation for certified public accountant.	V V	
		Resolution of Audit Committee: it was approved by all members of Audit Committee Our company's action in response to the resolution of Audit Committee: it was approved by all present directors.		

2021.8.5	The 1st meeting of the Second Session	1.Election of the Convenor and chairman of the Second Session of Audit Committee	V	
		Resolution of Audit Committee: it was approved by all present members that committee member Feng-I, Lin was the Convenor and chairman of the committee Our company's action in response to the resolution of Audit Committee: it must be approved by all present directors.		
2021.10.14	The 2nd meeting of the Second Session	1.For promoting our company's development, our company plans to authorize Silicon Technology Investment (Cayman) Corp.to agree the cash capital increase and issuance of new shares by Wafer Works (Shanghai) Co., Ltd	V	
		Resolution of Audit Committee: it was approved by all members of Audit Committee Our company's action in response to the resolution of Audit Committee: it was approved by all present directors.		
2021.11.4	The 3nrd meeting of the Second Session	1.Planning for the change of accountant due to internal job adjustment of Ernst & Young. 2.Formulating our company's 2022 annual audit plan.	V V	
		Resolution of Audit Committee: it was approved by all members of Audit Committee Our company's action in response to the resolution of Audit Committee: it was approved by all present directors.		
2021.12.23	The 4th meeting of the Second Session	1.Our company's 2020 assessment of independence and competence of certified public accountant.	V	
		Resolution of Audit Committee: it was approved by all members of Audit Committee Our company's action in response to the resolution of Audit Committee: it was approved by all present directors.		

(2)Other matters approved by more than 2/3 of all directors but not approved by the Audit Committee except for the aforementioned matters: None.

2. The record of implementation of the recusal of the proposal by an independent director shall include the name of director, the content of proposal, the reasons for the recusal, and the situation of participation in voting: there was no such situation.
3. Communications between independent directors, internal audit supervisors, and certified public accountants (it shall include major events, methods, and results of communication on the company's financial and business situations):

(1)Communications between independent directors, internal audit supervisors, and certified public accountants

1.There shall be at least four meetings arranged annually for the accountant to report to independent directors on our company's financial status, the financial and overall operation situations of domestic and overseas subsidiaries, and internal control audit situation. And there shall be thorough communication on whether or not there is any major adjusting entry or laws amendment and its impact on the account situation.

2.If there is any major issue to be discussed in the board meeting, the certified public accountants will also be invited to provide professional opinions and to increase the interactions between accountants and directors/independent directors.

3.Our company's internal audit unit is an independent unit directly under the board of directors. In addition to attending the regular board meetings to report to directors/independent directors on the implementation situations of audit plans and audit results, the audit supervisor shall also communicate with independent directors regularly or when necessary.

4. A meeting can be convened at any time in case of any major abnormal event.

(2) Abstract of communication between independent directors and internal audit supervisor in 2021

Date	Key points of communication	Suggestions and results
2021.3.24	1. 2020 "Internal Control System Statement" 2. Amendment of our company's "Internal Control System" and "Internal Audit System" 3. Amendment of our company's "Endorsement and Guarantee Operating Procedures" 4. Audit Report of Q1 of 2021	No comments in this meeting
2021.5.6	1. Audit Report of Q2 of 2021	No comments in this meeting
2021.8.5	1. Audit Report of Q3 of 2021	No comments in this meeting

2021.11.4	1. Audit Report of Q4 of 2021 2. Formulation of our company's 2022 Audit Plan	No comments in this meeting

(3) Abstract of communication between independent directors and certified public accountant in 2021

Date	Key points of communication	Suggestions and results
2021.3.24	1.Scope of audit and audit report of 2020 2.Independence of certified public accountant 3.Major audit issues 4.Update of securities related laws and regulations 5. Update of tax related laws and regulations 6.Introduction of modification of the 8th Company Governance Evaluation System	No comments in this meeting
2021.5.6	1.Scope of audit and audit report of Q1 of 2021 2.Independence of certified public accountant 3.Major audit issues	No comments in this meeting
2021.8.5	1. Scope of audit and audit report of Q2 of 2021 2. Independence of certified public accountant 3. Update of securities related laws and regulations	No comments in this meeting
2021.11.4	1. Scope of audit and audit report of Q3 of 2021 2. Independence of certified public accountant 3. Update of securities related laws and regulations 4. Update of tax related laws and regulations	No comments in this meeting

(3) Implementation Status of Corporate Governance as required for company, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/Typed Listed Companies and reasons thereof

Items for evaluation	Implementation Status (Note)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
1. Has the Company established and disclosed its corporate governance practices based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has set up Corporate Governance Best Practice Principles to promote corporate governance operations in accordance with the " Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies " and disclose it on the Company's website.	No significant difference
2. Equity structure and shareholders' equity				No significant difference
(1) Has the Company instituted an internal procedure for handling suggestions, questions, disputes of the shareholders and legal actions, and comply with the procedure properly?	V		(1) Our company has established spokespersons and acting spokesperson, stock affairs unit, and email box to deal with suggestions of disputes of shareholders.	
(2) Has the Company kept track on the major shareholders roster of the Company and the parties controlling these shareholders?	V		(2) Our company has regularly reported the changes in equity of directors and managers via stock transfer agency and internal person to understand the monitor the structure of major shareholders.	
(3) Has the Company established and implemented the risk control mechanism and firewall between the corporate headquarters and the affiliates?	V		(3) In addition to the principles of financial and business independence serving as the basis for our business dealings, our company has also stipulated the "Regulations for Operation Management of Affiliated Enterprise" as the basis for control.	
(4) Has the company adopted internal rules prohibiting company insiders	V		(4) Our company has stipulated "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Procedures for the Prevention of Insider Trading "to prevent personnel	

Items for evaluation	Implementation Status (Note)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
from trading securities using information not disclosed to the market?			inside our company from securities trading based on undisclosed information.	
3. Composition and Responsibilities of the Board of Directors (1) Has the Board established a diversity policy, specific management goals and implemented it accordingly?	V		(1) According to Article 20 of our company's "Corporate Governance Code", the composition of the board of directors shall take into consideration diversity and possession of necessary knowledge, skills and qualities to perform their duties. In order to achieve the ideal objectives of company governance, the board of directors shall be equipped with the following capabilities: 1.Operational judgment capability, 2. Accounting and financial analysis capability, 3.Operational management capability, 4. Crisis management capability, 5.Industrial knowledge, 6.International market perspective, 7.Leadership, and 8.Decision making capability. Our company's current board of directors is formed by 9 directors, including 1 female director and 3 independent directors (one of them is a lecturer in college).The directors are equipped with required experience in commerce, finance, accounting, and company business, and they are not related by spouse or relatives within the second degree. The diversification of members of board of directors is as shown below:	No significant difference

Name	Job Title	Gender	Age			Tenure of Independent Director			Part-time Employee	Diversified Core Capabilities							
			51-60	61-70	71-80	Less than 3 years	3 to 9 years	More than 9 years		Operational determination capability	Accounting and financial analysis	Management capability	Crisis management capability	Industrial knowledge	International market perspective	Leadership	Decision making capability
Ping-Hai, Chiao	Chairman	Male			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓
Nan-Yang, Wu	Director	Male		✓						✓	✓	✓	✓	✓	✓	✓	✓
Zhen-Tu, Liu	Director	Male		✓						✓	✓	✓	✓		✓	✓	✓
Hsiu-Mei, Liu	Director	Female		✓						✓	✓	✓	✓		✓	✓	✓
Chung-Hou, Tai	Director	Male			✓					✓		✓	✓	✓	✓	✓	✓
Chun-Lin, Chen	Director	Male		✓						✓		✓	✓	✓	✓	✓	✓
Yong-Song, Tsai	Independent Director	Male		✓			✓			✓	✓	✓	✓	✓	✓	✓	✓
Feng-I, Lin	Independent Director	Male		✓			✓			✓	✓	✓	✓		✓	✓	✓
De-Wai, Chou	Independent Director	Male	✓			✓				✓	✓	✓	✓		✓	✓	✓

Management Goal	Achievement
There shall be a least one female director	Achieved
Independent directors shall serve no more than three consecutive terms	Achieved
Directors who also serve as company managers shall not exceed 1/3 of total number of directors	Achieved

Items for evaluation	Implementation Status (Note)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(2) Further to the establishment of the Remuneration Committee and the Auditing Committee, has the Company voluntarily established other functional committees?		V	(2) In addition to Remuneration Committee and Audit Committee, our company will evaluate the need for future establishment of other functional committees.	No significant difference
(3) Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of the performance evaluation to the Board, and used such as a reference for individual director remuneration and renomination?	V		(3) Our company's board of directors approved the formulation of "Measures for Performance Review of Board of Directors" on August 6, 2020. The internal performance review of board of directors shall be at least implemented once per year, and this review is for the entire board of directors, individual director, Audit Committee, and Remuneration Committee. The review is implemented based on internal self-review, and self-review of directors and members of functional committees in the form of internal questionnaire. The 2021 annual performance review indicates all good results. It has been reported to the board of directors on March 23, 2022 to serve as the reference for determination of remuneration for individual director and election or nomination of director.	No significant difference
(4) Has the Company evaluated the independence of the commissioned certified public accountants regularly?	V		(4) The Accounting Division of our company carries out self-assessment of independence of Certified Public Accountant once per year. The assessment result of the most recent year was submitted and approved by The 4th meeting of the 2nd Session of Audit Committee on December 23, 2021 and The 5th meeting of the 10th Session of Board of Directors. The assessment by our company's Accounting Division indicates that CPA Mou-Yi Hung and CPA Ching-De Zheng of Ernst & Young are in compliance with our company's standard of assessment of independence. The assessment items of independence of Certified Public Accountant are determined in accordance with Article 47 of the Certified Public Accountants Act and No.10 of The Bulletin of Norm of Professional Ethics for Certified Public Accountant, which include the following items: ● The members of our company's certificate audit service team and their families don't have any direct or indirect material financial interests with our company. ● There is no mutual financing or guarantee behaviors between our company or our company's directors and the members of audit service team and their families (the business behavior of normal lending by financial institution is not subject to this restriction). ● There is no close business relationship between the certified accounting firm or the members of audit service team and our company or our affiliated enterprises. ● Currently there is no potential employment relationship between the members of audit service team and our company.	No significant difference

Items for evaluation	Implementation Status (Note)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			● None of the members of audit service team have served as director of our company or any position with major impact on the audit case in recent most two years. ● The audit fee paid by our company to the CPA is in a fixed amount which is not contingent fee. There is no overdue public fee which affect the independence of audit. ● The non-audit services provided by the accounting firm and its affiliated enterprise did not directly affect the important subjects of the audit case, did not involve in our company's management function, did not make decisions on behalf of our company, and did not affect its independence. ● None of the team members are entrusted to be the defenders of the company's position or opinion, or represent the company's inter-coordination in conflicts with third parties. ● The duration of CPA service does not exceed 7 years after appointment of this year. ● None of the members of audit service team are related to our company's directors, managers, or those who have significant impacts on the audit case. ● Our company's directors and managers did not give any valuable gifts to any member of the audit service team. ● None of our company's directors, managers, or personnel with major impacts on the audit case is a person retired/resigned from the accounting firm within a year. ● None of our company's directors, managers, or personnel with major impacts on the audit case is a person retired/resigned from the accounting firm within a year. ● Our company did not impose any intimidation experience or felt by the members of the audit service team so that they cannot remain objectivity and clarify the professional doubt. The assessment by our company indicates that there is no violation of independence, so all of them are competent to serve as certified public accountants for our company. And the accounting firm has issued a statement to declare that there is no violation of independence.	
4. Does the TWSE/TPEX Listed Company have an appropriate and appropriate number of corporate governance personnel, and has the Company designated a Corporate Governance Senior Officer to deal with corporate governance related affairs (including, but not limited to, providing directors and supervisors with	V		To protect shareholders' rights and interests and strengthen the function of board of directors, it was approved by the resolution of the board of directors on May 6, 2021 to appoint the Accounting Supervisor, Manager Jia-Yu Lu, as our company's Corporate Governance Officer. The main job duties include management of board meeting and shareholders' meeting affairs, composition of meeting minutes for board meetings and shareholders' meetings, assistance in appointment and continuous education of directors, provision of data required by directors for conducting business, assistance in directors' compliance with laws and regulations, and other matters stipulated in our company's Articles of Incorporation or contracts. Key points of business execution in 2021 are as shown below: 1. Arrangement of advanced education courses for each individual director (at least 6 hours each year for each director, and at least 12 hours in the first year of the newly appointed director).	No significant difference

Items for evaluation	Implementation Status (Note)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
information required for the execution of their duties; assisting directors and supervisors in complying with the laws and regulations; conducting board meeting and shareholders' meeting related matters; handling company registration and change registration and preparing the minutes for board meetings and shareholders' meeting in accordance with the law, etc.)?			2. Assisting directors in understanding the laws and regulations to be complied with during business execution as requested by them. 3. Providing directors with the required company information and assisting directors in communication and exchanges with all business related supervisors. 4. Preparing notice and agenda for each board meeting, notifying all directors of the meeting 7 days in advance, and sending out the meeting minutes within 20 days after the meeting. 5. Arranging the pre-registration of the date of shareholders' meeting, and preparing meeting notice, meeting manual, annual report, and meeting minutes. 6. Confirming that the convening, resolution procedures, and meeting minutes of board meeting and shareholders' meeting are in compliance with laws and regulations and our Corporate Governance Code. 7. Carrying out the change registration. 8. Confirming that our company has provided all members of board of directors with the "Directors' and Managerial Officers' Liability Insurance" to be reported during the board meeting. The Corporate Governance Office shall take at least 18 hours of advanced education during the first year of this appointment, and at least 12 hours each year after that. The situations of advanced education of our Corporate Governance Officer in 2022 are as shown below:	

Advanced Education Institution	Period of Advanced Education	Name of Course	Hours of Advanced Education	Total Hours of Advanced Education of the year
Accounting Research and Development Foundation	Jan. 17, 2022	"Financial Report Audit", supervision practices of relevant laws and regulations, and common deficiencies in enterprises	6	30
	Jan. 25, 2022	Analysis of common corporate internal control management deficiencies and practical cases	6	
	Apr. 15, 2022	How Can An Independent Director Properly Exercise His/Her Duty from the Perspective of Responsibility of the Securities and Exchange Act – And the Discussion of Audit Committee	3	
	Apr. 15, 2022	Cast Study of Procedures and Legal Liability of Corporate Fiscal, Taxation and Administrative Remedies	3	
	Apr. 18, 2022	Supervision on the Company's Implementation of ESG by Directors, Supervisors, and Senior Executives	3	
	Apr. 19, 2022	Latest Development of "Sustainable ESG" and "Self-Edited Financial Report" Policies and Practices of Internal Control Management	6	
	Apr. 27, 2022	Read TCFD Report, Master the Key Points of Information	3	

Items for evaluation	Implementation Status (Note)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
5. Has the Company established a communications channel and established a designated zone on its website for stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers), and has the Company properly responded to all CSR issues such stakeholders are concerned with?	V		Our company has set up various channels to provide our company's business and finance related information, such as the spokesperson system and website; and we have set up email boxes and dedicated personnel to properly handle all opinions from stakeholders. Our company has set up special zone for stakeholders in the Corporate Social Responsibility Zone of our company's website, and there is a contact window to keep good communication with all stakeholders (including customers, shareholders, employees, suppliers, contractors, community residents, government agencies, societies, media, and others).	No significant difference
6. Has the Company appointed a professional shareholder services agent to deal with shareholder affairs?	V		Our company has commissioned the professional shareholder services agent of KGI Securities to manage various stock transfer affairs of our company.	No significant difference
7. Disclosures				
(1) Has the Company established a website for the disclosure of Company's financial and business, and corporate governance?	V		(1) Our company website is http: //www.waferworks.com, where the information of finance, business, and corporate governance of our company are disclosed.	No significant difference
(2) Has the Company adopted other means of disclosures (e.g., the installation of a website in English language, appointment of designated persons for the gathering and disclosure of information, the proper implementation of the spokesman system, and the minutes of the investor conference on record posted on the website)?	V		(2) Our company has set up English website and dedicated personnel to be in charge of collection and disclosure of company information, and implemented the spokesperson system.	No significant difference
(3) Does the Company announce and report the annual financial report		V	(3) Our company did not announce and declare the financial report within 2 months after the end of fiscal year. However, we have declared it ahead of schedule in compliance with the regulation, and announced the operation situation of each	Same as summary

Items for evaluation	Implementation Status (Note) Yes	No	Summary	Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEx Listed Companies and reasons
within two months after the end of the fiscal year? Does the Company announce and report the first, second, and third quarter financial reports and the monthly operating conditions well in advance of the required deadlines?			month.	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including, but not limited to, employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, status of directors' and supervisors' continuing education, implementation of risk management policies and risk assessment criteria, implementation of customer related policies, and purchase of liability insurance for directors and supervisors by the Company)?	V		(1) Employees' rights and interests: For details, please refer to the operation overview and labor-management relationship in this annual report. (2) Employee relationship: our labor-management relationship has been harmonious since the founding of our company. All rights and obligations of employer and employees are managed in accordance with various work rules of our company. And the labor-management meetings have been convened regularly with exactly the same number of representatives from either side attending these meeting to discuss and negotiation the adjustment of labor conditions and measures for mutual benefits between labor and management. (3) Investor relationship: our company has set up spokespersons, stock affairs unit, and email box to handle shareholders' suggestions, and assigned dedicated personnel to be in charge of investor relationship affairs. (4) Supplier relationship: our company has maintained good long-term relationships with our major suppliers. (5) Stakeholders' rights: Our company has set up various channels to provide our company's business and finance related information, such as the spokesperson system, stock affairs unit, and website; and we have set up email boxes and dedicated personnel to properly handle all opinions from stakeholders. (6) The situations of advanced education of our company's directors:	No significant difference

The term of the 9th session of directors: June 27, 2018–July 22, 2021 , the 10th session of directors: July 23, 2021–July 22, 2024

Job title	Name	Inauguration date	Date of first appointment	Date of advanced education Start	End	Organizer	Name of course	Hours	Total hours in 2021	Education completed	Comment
Director	Ping-Hai, Chiao	2021/07/23	1997/11/4	2021/10/22	2021/10/22	Taiwan Institute of Directors	Kinematics in the Post-Epidemic Era –Challenging the 6 Heart Chakras of Rapid Enterprise Growth	2	8	✓	Renewal term

Items for evaluation	Implementation Status (Note)														Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary												
							2021/10/08	2021/10/08	Taiwan Institute of Directors	Kinematics in the Post-Epidemic Era –Challenging the 6 Heart Chakras of Rapid Enterprise Growth	2				
							2021/09/01	2021/09/01	Taipei Exchange	2021Online Forum of Sustainable OTC Upgrade	2				
							2021/08/31	2021/08/31	Taipei Exchange	2021Online Forum of Sustainable OTC Upgrade	2				
			Director	Nan-Yang, Wu	2021/07/23	2017/3/17	2021/10/18	2021/10/18	Taipei Exchange	Insider Equity Promotion and Briefing Session of OTC and Emerging Stock Companies	3	7	✓	Renewal term	
							2021/09/01	2021/09/01	Taipei Exchange	2021Online Forum of Sustainable OTC Upgrade	2				
							2021/08/31	2021/08/31	Taipei Exchange	2021Online Forum of Sustainable OTC Upgrade	2				
			Director	Zhen-Tu, Liu	2021/07/23	2015/6/25	2021/12/22	2021/12/22	Taiwan Corporate Governance Association	The 17th (2021) Corporate Governance Summit Forum-Implementation of ESG Governance and Sustainable Development	6	15	✓	Renewal term	
							2021/10/26	2021/10/26	Taiwan Corporate Governance Association	The Distance between Directors and the Responsibility of Misrepresentation of Financial Report	1				
							2021/10/07	2021/10/07	Securities and Futures Institute	Investigation of Insider Trading Cases	3				
							2021/09/01	2021/09/01	Securities and Futures Institute	The Value of Information Security in the Post Epidemic Ear under Sino-US Trade War	3				
							2021/04/28	2021/04/28	Taiwan Corporate Governance Association	Sharing How Issuer Truly Implement ESG from the Perspective and Voting Behaviors of Foreign Shareholders	1				
							2021/02/25	2021/02/25	Taiwan Corporate Governance Association	The Strategic Turning Point of An International Century-Old Enterprise. Learning From the Century-Old Enterprise for Sustainable Growth	1				
			Corporate director representative	Min-Shiang, Lin	2021/07/23	1997/11/4	2021/09/01	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3	6	✓	Renewal term	
							2021/05/07	2021/05/07	Taiwan Corporate Governance Association	Corporate Sustainable Governance from the Perspective of Risk-From Corporate Governance to ESG	3				

Items for evaluation	Implementation Status (Note)			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	

Director	Chung-Hou, Tai	2021/07/23	2006/6/23	2021/11/10	2021/11/10	Taiwan Corporate Governance Association	Analysis of Important Domestic and Foreign Tax Measures and Trends	3	6	✓	Renewal term
				2021/10/27	2021/10/27	Taiwan Corporate Governance Association	Understand Related Party Transactions and Irregular Transactions from Practical Cases	3			
Corporate director representative	Chun-Lin, Chen	2021/07/23	2021/07/23	2021/11/12	2021/11/12	Securities and Futures Institute	The Key to Becoming a Sustainable Enterprise: Specific ESG Practices	3	12	✓	New appointment
				2021/11/11	2021/11/11	Securities and Futures Institute	A Case Study of Fraud in Enterprise Financial Statements	3			
				2021/11/10	2021/11/10	Securities and Futures Institute	Sharing of Corporate M&A Practices-Focusing on Hostile M&A	3			
				2021/10/28	2021/10/28	Securities and Futures Institute	Investigation of Legal Responsibilities of Directors and Supervisors in the Case of Financial Statement Fraud	3			
Independent director	Yong-Song, Tsai	2018/06/27	2015/06/25	2021/05/12	2021/05/12	Taiwan Corporate Governance Association	Strengthening the Function of Board of Directors and Enhancing Corporate Sustainable Value	3	6	✓	Renewal term
				2021/05/12	2021/05/12	Taiwan Corporate Governance Association	Operation Practices of Audit Committee	3			
Independent director	Feng-I, Lin	2021/07/23	2018/06/27	2021/11/03	2021/11/03	Taiwan Institute of Directors	Changed in the 5G Era: Future Business Applications and New Norms in the Post-Epidemic Era	3	6	✓	Renewal term
				2021/08/02	2021/08/02	Taiwan Institute of Directors	Flipping Corporate Sustainability with Digital Technology	3			
Independent director	De-Wai, Chou	2021/07/23	2021/07/23	2021/12/02	2021/12/02	Taiwan Association of Board Governance	Administration of Management Right and Corporate Sustainable Development	3	12	✓	New appointment
				2021/11/15	2021/11/15	Taiwan Institute of Directors	The 10th Annual Chinese Family Business Forum	3			
				2021/11/12	2021/11/12	Securities and Futures Institute	The Key to Becoming a Sustainable Enterprise: Specific ESG Practices	3			
				2021/09/01	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3			

(7) Implementation of risk management policy and risk evaluation standards: our company has always adopted preventive policy for risk management. There is a strict internal control system established in accordance with the law, and irregular audits implemented by internal auditors with audit reports; from the financial perspective, we have also adopted timely hedging measures with respect to exchange rates and derivative financial commodities to reduce the risk. We will review our financial structure at all times to avoid excessive financial risk.

<table>
<tr><th rowspan="2">Items for evaluation</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>(8) Implementation of consumer or customer protection policies: There are full-time employees in our Business Division and Quality Assurance Division to provide customer compliant services and after-sales services; and we have provided our customers with relevant services and guarantees.
(9) The liability insurance purchased by our company for our directors: our company has purchased liability insurance for our directors, which has been disclosed in the “Corporate Governance Zone of Public Information Observatory”.</td><td></td></tr>
<tr><td colspan="5">9. Explain the improvement situation based on the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, or propose the priorities of strengthening measures for those not yet improved (it does not apply to companies not included in such evaluation)
Our company has been listed as the top 5%–20% companies in the results of Corporate Governance Evaluation. The improved matters and those to be further strengthened are as described below:
(1) Does the company formulated Corporate Governance Code and have it approved by the board of directors? (Indicator 2.1)
We did not get the score in 2020. After approval by board of directors on May 6, 2021, we got the score in the evaluation in 2021.
(2) Is the specific and clear dividend policy revealed in our company’s annual report? (Indicator 3.12)
We did not get the score in 2020. Article 29-1 Ratio of Distributable Earnings of our company’s Articles of Incorporation was amended in the General shareholder meeting on 2021/07/23 and it was disclosed, so we got the score in the evaluation in 2021.
(3) Does the company appoint a Corporate Governance Officer to be in charge of corporate governance affairs and specify his/her job duties and advanced education at our company’s website and in our annual report? (Indicator 2.21)
The resolution by our board of directors on May 6, 2021 approved the appointment of our Accounting Supervisor, Manager Jia-Yu Lu, as our Corporate Governance Officer, with the scope of job duties and advanced education specified at our company website and in our annual report. So we expect that we can get the score in the evaluation of 2022.</td></tr>
</table>

Note: There shall be specifications in the summary explanation columns regardless of either “Yes” of “No” was checked in the operation situation column.

(4) If our company has established the Remuneration Committee, its composition, job duty, and operation situations shall be disclosed

1. Information of the members of Remuneration Committee

April 23, 2021

Identity / Name / Condition		Professional Qualification and Experience	Independence	Number of concurrent positions as Remuneration Committee members of other public companies
Independent Director (Convenor)	Yong-Song, Tsai	Please refer to the content of Information on directors (2) on page 10-13.		1
Independent Director	Feng-I, Lin			2
Independent Director	De-Wai, Chou			0

2. Job Duties:
The committee shall perform the following duties faithfully with the attention of good managers, and submit its recommendations to the board of directors for discussion:
(1) Regularly review this code and propose the suggestion for amendment.
(2) Formulate and regularly review annual and long-term performance objectives of our company's directors and managers and the policies, systems, standards, and structures of salaries and remuneration.
(3) Regularly evaluate and determine the remuneration for directors and managers.
3. Operation situation of Remuneration Committee
(1) There are a total of 3 members of our company's Remuneration Committee.
(2) The term of service of this term of committee member: July 23, 2021 to July 22, 2024. There were 3 meetings of Remuneration Committee held during the most recent year (A), and the qualification and attendance of committee members are as shown below:

Job Title	Name	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%)(B/A)	Remark
Convener	Yong-Song, Tsai	3	0	100%	Re-elected on July 23, 2021
Committee	Feng-I, Lin	3	0	100%	
Committee	De-Wai, Chou	2	0	100%	Newly elected on July 23, 2021 Number of times shall be attended: 2
Committee	Dong-Sing, Wuu	NA			Resigned on January 28, 2021
Committee	Chi-Meng, Kuan				The board of directors made an additional appointments in accordance with regulations on March 25, 2021.
Other matters to be recorded: 1. If the board of directors does not adopt or modify the suggestions by the Remuneration Committee, it shall specify the date and session of board of directors, content of proposal, resolution of board meeting, and our company's action in response to the comment of Remuneration Committee (if the remuneration approved by the board of directors is superior to the suggested version by the Remuneration Committee, the difference and the reasons for such difference shall be specified): there is no such situation. 2. If there is any member of Remuneration Committee with objective or reservation with record or					

written statement with respect to the resolution of Remuneration Committee, the date and session of Remuneration Committee, the content of proposal, the comments of all members and the responsive measures shall be specified: There is no such situation.

3. Annual operation of Remuneration Committee:

Session/Date Remuneration Committee	Content of Proposal and Follow-up Actions	Objection or reservation by member of Remuneration Committee
The 7th Meeting of The 4th Session 2021.03.24	2020 Annual Salary and Benefit Summary Report of Managers	
	1. Our company's 2020 Director and Employee Remuneration Distribution Proposal	None
	Comments of Remuneration Committee: None.	
	Resolution by Remuneration Committee: approved by all present members, which shall be submitted to the board of directors for discussion.	
	Our company's action in response to the comment of Remuneration Committee: approved by all present directors.	
The 1stMeeting of The5th Session 2021.08.05	1.Election of the Convenor and chairman of the 5th session of Remuneration Committee	None
	2.The proposal of the appointment and remuneration for the President	None
	3. Our company's 2020 Employee Remuneration Distribution Proposal for Manager	None
	4.Our company's Proposal of 2021 Stock Operations for Managers at Capital Increase in Cash	None
	Comments of Remuneration Committee: None.	
	Resolution by Remuneration Committee: approved by all present members, which shall be submitted to the board of directors for discussion.	
	Our company's action in response to the comment of Remuneration Committee: approved by all present directors.	
The 2ndMeeting of The 5th Session 2021.11.04	1.The proposal of remuneration for Vice President	None
	Comments of Remuneration Committee: None.	
	Resolution by Remuneration Committee: approved by all present members, which shall be submitted to the board of directors for discussion.	
	Our company's action in response to the comment of Remuneration Committee: approved by all present directors.	
The 3rdMeeting of The 5th Session 2022.03.23	2021 Annual Salary and Benefit Summary Report of Managers	
	1.Our company's 2021 Director and Employee Remuneration Distribution Proposal	None
	Comments of Remuneration Committee: None.	
	Resolution by Remuneration Committee: approved by all present members, which shall be submitted to the board of directors for discussion.	
	Our company's action in response to the comment of Remuneration Committee: approved by all present directors.	

Note 1: If there is any member of Remuneration Committee resigned before the end of the year, the date of resignation shall be specified in the remark column, and the actual attendance rate (%) shall be calculated based on the number of meetings of Remuneration Committee during the employment of this member and the actual attendance of this member.

Note 2: If there is any re-election of Remuneration Committee members before the end of the year, the original and new members of Remuneration Committee shall all be listed, and the information of original appointment, new appointment, consecutive appointment, and date of re-election shall all be specified in the remark column. The actual attendance rate (%) shall be calculated based on the number of meetings of Remuneration Committee during the employment of these members and the actual attendance of them.

(5) Differences between the implementation of promoting sustainable development and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	
1. Has the company established a governance structure to promote sustainable development, and set up a dedicated (or non-dedicated) unit to promote sustainable development, relevant affairs of which are handled by senior managerial officer under the Board's authorization and supervision?	V		In compliance with the vision and mission of our company's sustainability policies, our "Corporate Social Responsibility Committee" was established in 2016, which was renamed as "Sustainable Development Committee" in 2021. The Chairman served as the Chairperson, the President served as the management representative, the management executives served as committee members, and the administration unit was in charge of coordinating all works to jointly review our company's core business capabilities, formulating short-term, mid-term, and long-term sustainable development plans, and regularly convene annual management review meetings. The "Sustainable Development Committee" led the promotion of matters related to sustainable development to ensure the effective progress, to identify the sustainability issues related our company's operation and stakeholders' concerns, to formulate relevant strategies and objectives, to prepare budgets related to sustainable development for each organization, to plan and implement the objectives of annual sustainable development plan, and to track the progress of promotional performance in order to ensure the effectiveness of sustainable development. The management representatives of "Sustainable Development Committee" reported to the board of directors on the strategies, objectives, and visions of sustainable development in December 2021.	No major difference
2. Did the company conduct risk assessment of environmental, social and corporate governance issues for its operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (note2)	V		The disclosed data covers the performance of sustainable development from January 2021 to December 2021, and the boundary of risk assessment is mainly about Wafer Works Corp. in Taiwan and Wafer Works Corp. Hsinchu Science Park Branch. The sustainable development committee shall communicate with internal and external stakeholders in accordance with the major principle analysis of sustainability report. In addition to various communication channels, the questionnaire survey shall be used to collect the issues concerning stakeholders in order to evaluate the major issues of sustainable development for comprehensive assessment of sustainable development plan and the impacts of potential operational risks on the corporate sustainable development. As a result, we could adopt specific objectives of sustainable development plan in order to	No major difference

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	
			reduce the impacts of relevant risks. Establishment of a complete corporate risk management mechanism and enhancement of the corporate crisis response capability are necessary basis for corporate sustainable operation and maintenance of corporate competence. The sustainable operation is the final direction for the corporate operation of our company, with adherence to corporate vision and long-term social sustainability responsibility. In order to reduce the impacts and influences of various potential operational risks and hazards (such as fire and earthquake) and to maintain corporate image and protect stakeholders' rights and interests, our company will properly and actively manage the crisis response and pre-crisis prevention and rehearsal, and take immediate responsive measures to minimize the unexpected impacts of disasters starting from risk control and hazard identification. In order to implement the concept of risk management for the entire staff, all functional departments shall carry out detailed risk identification according to professional division of labor while formulating management strategies and responsive plans for reduction, transfer, or avoidance of risk so that the company's operational risk can be effectively reduced: 1. Business risk management: (1)Product diversification: With the continuous expansion of our group, in order to avoid the risk of concentration on a single product, it has always been our company's goal to constantly deepen the development of niche product. In addition to being dedicated to the performance enhancement of key material of power device (discrete) to widen the gap with our competitors, we have also been actively developing P-type and MEMS products. After years of R&D and efforts, our new product of 12-inch epitaxial wafer has also been certified by our customer and put in mass production. (2)Customers' dispersion: with active development of new customers and new applications, our customer groups are dispersed among Europe, American, Japan, Taiwan, China, and Asia Pacific. They are all world renowned IDMs and OEMs. This allows us to avoid concentrating our sources of revenues on just several customers. (3)Suppliers' dispersion and control over main source of raw materials: we have dispersed our sources of procurement to ensure sufficient supply of raw materials with reduced risk of centralized procurement. We have carried out annual supplier	

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	
			evaluation and audit to strengthen our cooperation with suppliers and to effectively control their status. (4) Division of labor of R&D and production: for constant acquisition and provision of new demands, new technologies, and new materials of the market, we separate R&D department from production department in our organization to avoid waste and imbalanced utilization of resources. (5)Development of strategic alliance: in response to market trends and industry change factors, we have been actively seeking strategic and investment partners to develop flexible and diversified strategic alliances in order to develop new technologies and new products while expanding our production capacity. 2. Economic risk management: (1)Risks of exchange rate and interest rate: the primary currency of our company's revenue is US dollar, so we have a recurring net asset in US dollar, and the significant US dollar depreciation can have adverse effect on our company's financial status. Therefore, our company keeps track of foreign currency positions and changes of exchange rates such as USD, JPY at all times. In addition to the natural hedging method via the balance of foreign currency assets and liabilities, appropriate measures have also been taken to reduce the risk of exchange rate. The risk of interest rate mainly comes from the long-term liabilities arising from operating and capital expenditures. Our company has reduced such risk by properly arranging the debt period and fixed or floating interest rate structure. (2)Inflation: it could a concern of rising cost to our company. In light of this issue, in addition to improvement of production process and cost saving, we have signed long-term material supply contract with our primary raw material suppliers to stabilize our production cost. (3)Credit risk: we have carefully selected our counterparty and evaluate our customer's credit limit and contract terms according to our company's credit rules and our customer's financial and business condition in order to reduce the possibilities of default or delayed settlement by our counterparty after payment or contract signing. (a)Claim receivable: we have evaluated and controlled our customer's credit limit, implemented collection and reminders, and regularly assessed allowance for	

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	
			doubtful debts to prevent our customer's credit problem from affecting our normal operation. (b)Financial institution: our bank loans come from financial institutions with good credits so that their problems will not affect our normal operation. (4)Liquidity risk management: timely decentralization of financial channels (flexible utilization of cash capital increase, convertible bonds, and bank loans) can prevent single contingency from causing insufficient short-term asset value to cover the payment of short-term liabilities or unanticipated capital outflow; business exploration can allow us to avoid our counterparties being concentrated on a few major customers, thus reducing the risk of not being able to complete the transaction at an ideal time due to customer factor. (a) Budget planning: our management team is in charge of planning for long-term and short-term budgets with specified future operational policies, guidelines, and detailed operations and with regular analysis of the difference between budget and actual implementation. (b) Capital management: the short-term capital is not for long-term use, and the cash flow is under real-time monitoring to maintain a bank quota no less than monthly revenue to ensure capital liquidity; and we can enhance our net worth ratio and reduce our debt ratio via capital increase and issuance of convertible corporate bonds. (c) Investment management: the long-term investment or strategic investment are focused on long-term development so it does not involve liquidity risk; the use of short-term capital is mainly based on time deposits or fixed-income bonds with high liquidity in order to reduce its liquidity risk. Our company has regularly assessed market capital situation and bank interest rates to prudently decide our fund raising method; we have evaluated the benefits of mid-to-long-term investments, actively cooperated with business units to seek strategic targets, and timely processed non-core investment projects in order to strategically reduce, transfer, or avoid risks. 3. Legal risk management: Our customers are distributed all over the world with scope of business covering all	

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	
			major countries in every continent. Our company has always been paying close attention to any changes in policies and laws and regulations which could affect our company's business or finance, so that we can immediately investigate the level of impact and make operational adjustment in compliance with laws and regulations. In addition, there are specialized legal departments and professionals in coordination with external legal consultants to review various contracts and provide legal consultation and assistance for various departments, and take responsive measures to reduce legal risks. Our company will also arrange relevant internal and external legal compliance educational trainings or courses for our employees to get familiar with the latest laws and regulations. And we will carry out timely update of operational regulation in response to the changes of laws to ensure that all our employees abide by all laws and regulations from top to bottom. 4. Operational risk management: (1)Establishing internal control systems and standard operating procedures for various operations, and verifying them by ISO quality management system and environmental management system. (2)Establishing audit systems such as internal control system, quality management, and environmental management, and implementing audits by internal audit units. (3)Carrying out annual internal control system audit and self-assessment to examine whether or not there is reasonable operating procedure for the control of operation risk. (4)Implementing educational training and advocacy to continuously promote a high-standard business ethics culture. Our company will arrange regular training plans or courses for our employees to allow them to implement the concept of operation risk during daily management. 5. Environment, safety, and health management: For the purpose of corporate sustainable operation, our company has adhered to the concept of fulfilling the responsibility of protecting the environment, energy, and resources and protecting employees' safety and health. We have carried our detailed	

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	
			assessments with respect to all possible emergency situations, natural disasters, environmental impacts, and work risks in order to prepare comprehensive responsive plans and process flows. 6. Information security risk management: (1)Information security risk management architecture: we have set up Information Security Committee to review and amend information and communication security policy management rules and operation rules. The Information Department is in charge of implementing risk assessment and analysis of establishment of information and communication security regulations, studying the system security requirements, developing responsive management and protective measures, carrying out regular and irregular audit review and improvement following our company's internal audit and internal control operations, and regularly reporting to the board of directors. (2)Information security risk awareness: regularly providing all employees with training and advocacy of information and communication security policies, showing information security policy advocacy documents on the computer booting and login screen, formulating employee arrival, change, and departure management procedures and signing the confidentiality agreement with clear notification of confidentiality matters. (3)External intrusion threat: regular detection of security control mechanism of computer network system and e-mail, including the setting and loophole repair of firewall, anti-virus software, anti-phishing, and blocking the malware intrusion. (4)Leakage of confidential information: our company's confidential data is under classified and graded control with process access control according to the authorization mechanism, and there will be system records for any modification of error in important data or any unauthorized access. (5)System security management: establishing system access identity certification, management of portable storage device (such as USB) and physical access, and inventory management of fixed assets of information equipment in order to control the personnel and information access and to prevent unauthorized personnel from accessing system, network, information, and information host.	

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	
			(6)Interruptions of system maintenance and operation: (a)In order to ensure sustainable business operation and to prevent malfunction of system software/hardware and database, the information system backup and disaster rehearsal will be regularly implemented to ensure that critical business activities can be timely resumed. (b)Natural disaster or disaster of force majeure: we have assessed the information security insurance according to the risk sharing principle, but we are not yet insured due to uncertainty of insurance coverage and claims evaluation. However, we have signed the maintenance contract with software/hardware providers to prevent interruption of information system service. (7)Reporting and handling of information security risk event: establishing information security event reporting procedures with irregular emergency response rehearsals for quick control and proper handling of sudden information security event. Each department in our company has carried out risk assessment for its own business, and the assessment process flow is as shown below: (1)Hazard identification: identifying the risk/event which could lead to negative impact on the business objectives. (2)Risk assessment: assessing the degree of risk hazard of each adverse event. (3)Risk response: assessing possible responsive plan with respect to the hazard possibly caused by the risk. In addition, our company has continuously promoted the Business Continuity Management (BCM)with respect to the situations (such as fire disaster, earthquake, notifiable infectious disease, and information security) with higher degree of hazard risk according to the risk assessment results. We have developed responsive measures to avoid production interruption due to any COVID-19 case in our plant in 2021. Our company has also carried out BCM drills with respect to COVID-19 to strengthen our control over infectious diseases. Our company has set up an epidemic prevention team in response to COVID-19 to take measures for uninterrupted production with respect to all domestic and overseas raw	

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	
			materials which could be affected. Our production in 2021 was not interrupted due to the pandemic. We have implemented 5-level management of our company's epidemic prevention measures with reviews on a rolling basis.	
3. Environmental Issues (1) Has the Company established an appropriate environmental management system in accordance with its industrial characteristics?	V		(1) Continuously passing ISO14001, ISO45001validity certification.	No major difference
(2) Has the Company made effort to enhance the resources efficient use and used regenerated materials to mitigate the impact on the environment?	V		(2) Our Work Safety Office has continuously promoted the projects of "Waste Reduction" and "Recycling and Reuse of Cutting Fluid", and passed theBS8001 Circular Economy Certificate in 2021.	No major difference
(3) Has the Company assessed the potential current and future risks and opportunities from climate change for the Company, and has the Company taken measures to address climate-related issues?	V		(3) Wafer Works has identified and analyzed the possible operational risks and potential impacts and proposed responsive strategies. We have established the monitoring and control mechanisms with respect to the confirmed risks. In addition, the new laws and regulations related to climate change could result in significantly increased overall energy costs. Physical climate risks: the climate change could lead to increase of frequency and severity of climate hazards such as storms, floods, and droughts, which could have certain impacts on our operation and supply chain, such as water resources shortage or disruption of raw material supply. Wafer Works believes that the challenges of climate change will be accompanied by opportunities. After being granted ISO50001 Energy Management Certificate, our Yangmei Plant will continue with energy saving and carbon reduction measures for adaptation and mitigation in the face of climate change. Our Longtan Plant was also granted ISO50001 Energy Management Certificate in 2019. It will continue to contribute to the environment via energy saving and carbon reduction measures, and evaluate the establishment of photovoltaic power generation system.	No major difference
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total volume of	V		(4) Our company has adhered to our goal of sustainable development, conducted annual self-examination of greenhouse inventory, and required all departments to continuously formulate energy saving and carbon reduction plans every year. In	No major difference

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	
waste materials for the past two years, and has the Company formulated policies for greenhouse gas reduction, water use reduction, and other waste management?			addition, we have also actively implemented production energy saving and waste reduction measures to move towards green production. Wafer Works have established complete waste disposal and recycling mechanisms. General wastes are moved to incinerators designated by government by qualified garbage removal operators, while industrial wastes (such as sludge and oil sludge) are collected and classified before being delivered to local qualified waste disposal companies. The wastes of Wafer Works can be divided by disposal methods into resources wastes, general industrial wastes for incineration, and general industrial wastes for recycling and reclamation. Our company's dedication to energy saving, carbon reduction, and reduction of greenhouse gas has made Wafer Works the "Top Notch Green Corporation In the World" by achieving the vision of "World Class Electronic Material Supplier".	
4. Social issues (1) Has the Company established related management policy and procedure in accordance with applicable legal rules and international conventions on human rights?	V		(1) Our company has regularly revised or formulated internal management rules and systems in accordance with domestic laws and regulations and international human rights conventions in order to improve our internal management policies and procedures to be in line with the international standards.	No major difference
(2) Has the Company established and implemented reasonable employee benefit measures (including remuneration, leave, and other benefits), and are operational performance and results appropriately reflected in employee compensation?	V		(2) Our company has formulated reasonable salary and remuneration policies according to the Labor Standards Act while taking into consideration the salary levels and welfare measures in the same industry. The remuneration of our employees includes monthly salaries, cash bonuses to employees based on quarterly settlement of business performance, and employee remunerations based on the company's annual profitability.	No major difference
(3) Has the Company provided a safe and health work environment for the employees, and provided education on labor safety and health regularly?	V		(3) Employees are important assets of our company. Wafer Works promises to provide a safe, comfortable and healthy work environment by carrying out risk assessment on our employees' operation environment, and conducting operation environment tests every six months to identify the source of risk and to take proper responsive measures. We have arranged emergency response drills and training courses annually, including emergency response instructions, gear wearing and usage, and	No major difference

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	
			emergency response practices, to allow our employees to understand the emergency response procedure and handling method in case of abnormal condition in order to reduce the possible hazard and loss caused by such abnormal condition. A 3–6-hour new employee educational training course and dangerous and hazardous substances general educational training will be provided to every new employee on his/her first day reporting to work. There is no union in Wafer Works, yet there is the Occupational Safety and Health Committee for each plant to convene quarterly meetings to discuss safety and health related matters and to elect labor representatives to provide official channels for communication between management and employees on safety and health issues and for sharing of safety and health management experiences. In order to enhance our employees' health management awareness, establish the preventive concept of early discovery of body abnormality, and reduce the risk of disease, Wafer Works has been promoting the following activities by working with health agencies: blood donation, preventive health care service (flu shot), cancer screening, health forum: Lecture on Autonomic Nervous Disorder, and AED first responder training.	
(4) Has the Company established the training program for the effective planning of career development for the employees?	V		(4) Our company has established the learning maps for employees at each stage, including basic training for new employee, apprenticeship for new employee, on job training for production process, professional training for each department, cross department/process training, quality training, management training, and self-growth. Our expectation is to allow every employee to receive complete and proper training during his/her career to be applied to their job positions.	No major difference
(5) Does the Company comply with laws, regulations, and international standards when managing customer health and safety, customer privacy, and marketing and labeling of products and services and relevant issues? Has the Company established a policy and complaint procedure to protect consumer rights?	V		(5) Our company and relevant personnel have all complied with laws and regulations and international standards with respect to customers' health and safety and privacy, marketing, and markings so that we can ensure the information transparency and safety of our products and services. We have formulated and announced the rights and interests protection policies for consumers or other stakeholders to be implemented to business activities to prevent our products or services from directly or indirectly damaging rights and interests and health and safety of consumers or other stakeholders. If there is any fact indicating that the product or service may endanger the safety and health of consumers or other stakeholders, in principle that	No major difference

Item of Promotion	Implementation Situation (Note 1) Yes	No	Abstract of Description	The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
(6) Has the Company established a supplier management policy that requires suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights issues? Has the Company established an implementation method for such?	V		batch of products or services shall be recalled immediately. (6) During new supplier evaluation, Wafer Works will require our upstream suppliers to be in compliance with RoHS, national industrial safety qualification, ISO standards, and standards for hazardous substances markings and icons on the products. Our suppliers must properly recycle the container or loading aids and attach non-radioactive pollution certificate to the products. We will specify the requirements for our suppliers to be in compliance with these regulations on the “Inquiry Form” and “Order Notice”, along with our position of adherence to sustainable operation and compliance with the principle of fair trade. We are committed to requiring our business counterparts to meet the requirements of environmental protection, industrial safety, and human rights, otherwise they will be subject to production rejection, which will be recorded in our supplier assessment operation. In addition, in response to the international human rights issue which has been receiving more and more attention in recent years, our suppliers will be required to thoroughly investigate whether or not the metal contents of all purchased materials, parts, or products meet the criteria of “Non-conflict Metal” in order to ensure that these raw materials are acquired lawfully. We will also make sure that our work environment is safe, our employees’ rights and interests are protected and respects, pollution prevention for our products and processes has been implemented, and our corporate social responsibilities are fulfilled. We will conduct annual on-site audit with respect to all waste handlers to make sure that they handle our wastes properly and lawfully.	No major difference
5. Does the Company refer to internationally standards/guidelines in the preparation of its reports, such as Sustainability Report, that disclose non-financial information? Has the Company obtained a third-party verification or assurance opinion on previously-disclosed reports?	V		This report is composed based on the core options of GRI standards of Global Reporting InitiativeandAA1000AP. There is the GRI Standards index on the final page of this report. The information and statistics disclosed in this report are the data of our group, and the time and amount are expressed in Common Era and New Taiwan Dollar. Even though this report has not been externally verified, the data and statistics in it have gone through strict internal review, and the financial figures are approved by Ernst & Young.	No major difference
6.If the company has its own sustainable development best practice principles formulated in accordance with the "Corporate Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe the differences between its operations and the said principles: No major difference				
7. Other important information for the understanding of the Company’s promotion/implementation of sustainable development: 1.Participation in charity events: 1.1 Responding to invoice donation, change donation, and collection of donated goods: the insignificant changes and invoices could be very valuable and				

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	

representing infinite hope. Let's accumulate all our hopes to promote better social welfare services. We have collected a total of 38 invoices and the changes of NTD6,422 to be donated to the Taoyuan-Hsinch Group of Northern District Resources Center of Eden Foundation; and we have donated 9 chairs to the Lohas Nursery Home in Pingzhen District of Taoyuan City.

1.2 Sponsoring community activities: in order to establish good relationship with the community, Wafer Works adheres to the concept of good neighborliness and actively participates in community activities to enhance the interaction among neighbors. For example, we have provided a total of NTD15,000 activity sponsor funds for Bade Village and Ruiping Village, and donated 10 blankets to the winter donation activity of Ruiping Village. We would like to show our care to the neighborhood by supporting the community activities.

1.3 Organizing blood donation activity: based on our enthusiasm of "All Wafer Works employees shall get together to donate blood so that good things come in pairs", we have organized regular blood donation activities and called upon all employees to donate one bag of blood per person. On November 23, 2021 we donated a total of 20,500 CC of blood. We have also contributed to the charity event by providing Children-Are-Us lunch boxes to grant disadvantaged groups some job opportunities.

1.4 Visually impaired massage activities: it was cancelled in 2021 due to COVID-19 pandemic.

1.5 Caring activities for rural elementary schools: the activity of accompanying students of Hua-Yuan Elementary School in schoolwork, games, lives, and problem listening was suspended in 2021 due to COVID-19 pandemic, but we donated a total of 41 Mid-Autumn Gift Boxes to all students and teachers on September 15, 2021 as our continuous offer of care and encouragement.

1.6 Caring for disadvantaged groups: by turning love and care into actual support, we helped Children Are Us Bakery to fulfill our corporate social responsibility. We also donated a total of 59 Mid-Autumn Gift Boxes to Happiness Foundation, Longtan Education Institute for the Mentally-Impaired, Hsiang-Yu Education Institute for the Mentally-Impaired, and Lohas Nursery Home on September 15, 2021 as our offers of care and encouragement.

1.7 Food bank donation: we have participated in 1919 food bank donation activities and regularly provided basic necessities of life to economically disadvantaged families. We purchased suppliers with a total value of NTD34,350 to be donated to 1919 food bank warehouse on August 24, 2021 and December 14, 2021.

1.8 Caring for the elderly living alone in the neighborhood: there were quite a few elderly people in Bade Village of Longtan District who had difficulty in going out, and their children were at work and could not bring them lunches. To fulfill our corporate social responsibility, we began providing 11 lunch boxes from Monday to Friday starting from December 2019 as our offer of care and encouragement.

2.Take care of environment: the tree planting, street sweeping, and beach cleanup activities were suspended in 2021 due to COVID-19 pandemic, yet we continued maintaining plantation in our company and surrounding environment. We will work together to keep environment clean, to cherish the resources on Earth as our dedication to the Earth.

3. Talent cultivation

With the purpose of "Cultivating semiconductor talents", for years we have been dedicated to cultivation and capability enhancement of internal and external talents, and we have further entered the campus to fulfill our responsibility of cultivating seed talents in semiconductor technology. In 2021 we implemented various academia-industry cooperation activities.

Various academia-industry cooperation activities and practical training activities focused on "Seeds of Semiconductor" are implemented based our cooperation with National Central University, Chung Yuan Christian University, ChienHsin University of Science and Technology, Lunghwa University of Science and Technology, and Fan Shu Vocational School. The cultivation of semiconductor seed talents began in these schools so that young students could learn in-depth

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	

semiconductor knowledge and technology to be tightly connected to the subsequent career talent development. We have actively carried out employment matching with dedication to cultivation of semiconductor talents in order to fulfill our corporate social responsibility.

In order to cultivate outstanding technology talents and provide talent learning channels, Wafer Works has participated in R&D alternative services to cultivate professional/R&D talents with focuses on research and application of fundamental science and accumulation of R&D experiences.

2021 Talent Cultivation and Labor Rights and Interests Implementation Results	
Item	Implementation Results
I. Talent cultivation	
1.Semiconductor process technical training	Semiconductor wafer semiconductor material technical training (2021/04-2021/12) Crystal growth technology series, Wafer technology series, and new technology development (twice a year)
2.Semiconductor product quality training	Beginner and advanced quality series courses (twice a year)
3.Semiconductor supervisor management training	HR supervisor management course (once per year), supervisor sensitivity training, ECRS principles
4.Academia-industry cooperation for cultivation of semiconductor talents- academia-industry cooperation students/intern training	Continuous academia-industry cooperation with Chung Yuan Christian University, ChienHsin University of Science and Technology, Lunghwa University of Science and Technology, and Fan Shu Vocational School to cultivate semiconductor talents
5.Promotion of diversified skills- there shall be more than 30% of employees equipped with three professional certificates.	The achievement rate of Q4 was 78.3%, and the target of every quarter in 2021 was achieved (as shown in the figure below)
6. Academia-industry cooperation for cultivation of semiconductor talents- factory visit and teaching	1. On November 15-17, 2021, Field trip of Shin Shing Senior High School 2. On December 10, 2021 Field trip of Department of Material Science and Engineering of NCKU
II. Labor rights and interests	
1.Labor management conference	It is convened quarterly (more than 4 times per year); it was convened 5 times in 2021
2.Employee opinion survey	The survey was conducted during 2021/6/18-7/5, where a total of 488 questionnaires were collected. The survey lottery was completed, and a total of 30 winners were selected (15 winners each for DL/IDL)
3. Rewards and Punishment Review Committee	Employee Evaluation Committee was formed and the management rule was established in May 2021, and a total of 29 reward/punishment cases were reviewed in 2021

Item of Promotion	Implementation Situation (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences
	Yes	No	Abstract of Description	

Year	2019			2020		2021	
School	Chung Yuan Christian University	Shin Shing Senior High School	Shin Shing Senior High School	School	Chung Yuan Christian University	Shin Shing Senior High School	Shin Shing Senior High School
Date of visit	5/16	11/11	11/14	Date of visit	5/16	11/11	11/14
Number of visitors	Around 23 visitors	Around 89 visitors	Around 98 visitors	Number of visitors	Around 23 visitors	Around 89 visitors	Around 98 visitors
	Total: 210 visitors			Total: 36 visitors		Total: 240 visitors	

※Students' field trips were affected due to COVID-19 pandemic

2021 project implementation milestone/quarter	Q1	Q2	Q3	Q4
Number of employees with professional certificates	665	679	706	681
Number of employees with 3 certificates	405	402	504	533
Achievement rate	60.9%	59.2%	71.4%	78.3%

Note 1: If "Yes" is checked on the implementation situation, please specify important policies, strategies, measures and implementation situations; if "No" is checked on the implementation situation, please explain the different and its cause in the column of "The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the causes of these differences", and specify the plan for future adoption of policies, strategies, and measures.

Note 2: Important principles refer to those issues related to environment, society, and company governance with major impacts on our company's investors and other stakeholders.

(6) The Status of Implementation of Ethical Corporate Management and the Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policies and programs (1) Has the Company established an ethical corporate management policy that has been approved by the Board of Directors, and clearly stated the ethical corporate management policy and practices, as well as the commitment of the Board of Directors and the top management to actively implementing the management in the Articles of Incorporation and external documents?	V		(1) Our company has formulated the code of practice for integrity management, integrity management operating procedures, and behavior guidelines, and they have been approved by our board of directors. It is shown on our company's website and profile that "Creation based on Integrity" is the top of our company's business philosophies.	No major difference
(2) Has the Company established a mechanism to assess unethical conduct risks? Does that Company regularly analyze and evaluate the business activities within its scope of business that have a higher risk of unethical conduct? Has the Company accordingly formulated a plan to prevent unethical conduct, covering at a minimum the preventive measures for the acts mentioned in Article 7-2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(2) Our company has formulated the RBA Regulation of Business Ethics including the plan for prevention of dishonest behavior and behavior guidelines; the advocacy of educational training is implemented by the HR Department.	
(3) Whether the Company has stipulated the operating procedures, conduct guidelines, disciplinary actions against violations as well as grievance system in the plan to prevent unethical conducts, implemented the execution thereof, and regularly reviewed and revised the aforementioned plan?	V		(3) Our company has stipulated in the RBA Regulation of Business Ethics that all employees must avoid conflicts of interest, and are prohibited from accepting gifts or entertainment which do not meet the requirements or exceed the limit.	

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
2. The Materialization of Ethical Management				
(1) Has the Company evaluated the record on ethical practices of its counterparties, and has specified the clause of business ethic in the agreements binding the Company and its counterparties?	V		(1) Our company has a dedication clause in our procurement contract to express the intention and determination of integrity management.	No major difference
(2) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management, and to report to the Board of Directors on a regular basis (at least once a year) regarding ethical corporate management policies and plans, in order to prevent unethical conduct and to monitor their implementation?	V		(2) The HR Department of our company is in charge of formulation, advocacy, and supervision of operations of RBA Regulation of Business Ethics in order to implement the concept of integrity management. The supervision of relevant operations will be done by our company's auditors. If there is any dishonest behavior, such behavior, its handling method and follow-up review and improvement measures shall be reported to the board of directors.	
(3) Has the Company mapped out the policy for the avoidance of the conflict of interest and has provided suitable channels for such purpose, and properly pursued the policy?	V		(3) Our company has stipulated in RBA Regulation of Business Ethics that any employee who identifies wrongdoing shall report it to the Chairman, President, Audit Supervisor, or any other appropriate personnel.	
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management? Has the internal auditing unit prepared an audit plan based on the assessment results for unethical conduct risks, and checked compliance with the unethical conduct prevention plan accordingly, or appointed a CPA to conduct the audit?	V		(4) Our company has formulated and announced RBA Regulation of Business Ethics to serve as the basis for audit by the Audit Department.	
(5) Has the Company organized internal and external training on ethical management?	V		(5) It is stipulated in our company's RBA Regulation of Business Ethics that the internal educational training of integrity management shall be arranged regularly.	

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
3. The reporting system of the Company in action (1) Has the Company established a reporting and reward system and the channels for facilitating the report on unethical practices, and has appointed designated personnel to handle the subject of reporting? (2) Has the Company created a standard procedure for the investigation of reported matters, follow-up measures to be taken after the completion of the investigation, and relevant confidentiality mechanisms? (3) Has the Company taken protection measures to protect the informant from improper treatment after reporting on unethical practices?	V V V		The reporting channels have been stipulated in the code of practice of integrity management of our company to require relevant department to review internal control system and operating procedures and to propose improvement measures in order to prevent reoccurrence of the same behavior. Our company has stipulated in RBA Regulation of Business Ethics that any employee who identifies wrongdoing shall report it to the Chairman, President, Audit Supervisor, or any other appropriate personnel.	No major difference
4. Enhancing Information Disclosure (1)Has the Company disclosed the content of Ethical Corporate Management Best Practice Principles and the result at its official website and MOPS?	V		Our company has stipulated the RBA Regulation of Business Ethics and disclosed the regulations of integrity management on our company website.	No major difference
5. For those companies with “Code of Practice for Integrity Management of TWSE/TPEx Listed Companies”, the differences between their operations and their codes of practices shall be specified: Our company has formulated Code of Practice for Integrity Management, Operating Procedures and Behavior Guidelines for Integrity Management, RBA Regulation of Business Ethics, Procedures Governing Board of Directors Meeting, Organizational Regulations for Remuneration/Compensation Committee, Procedures Governing Shareholders’ Meeting, Internal Control System, Internal Audit System, Assets Acquisition or Disposal Procedures, Procedures for Lending Funds to Other Parties, Operating Procedures for Endorsement and Guarantee, and Operating Procedures for Preventing Insider Trading in accordance with the principles and regulations of “Code of Practice for Integrity Management of TWSE/TPEx Listed Companies”.				
6. Other important information for better understanding of our company’s operation of integrity management: (such as our company’s review and amendment of Code of Practice of Integrity Management). It is shown on our company’s website and profile that “Creation based on Integrity” is the top of our company’s business philosophies. Our company has formulated the code of practice for integrity management, integrity management operating procedures, and behavior guidelines, and they have been approved by our board of directors. Our company has formulated and announced the RBA Regulation of Business Ethics, and there is a dedication clause in our procurement contract to express the intention and determination of integrity management.				

(7) Any company which formulated corporate governance code and relevant regulations shall disclose the inquiry method: the part related to the company governance regulations is disclosed in the Investor Relations Zone of our company website (http: //www.waferworks.com).

(8) Other important information for better understanding of company governance operation shall be disclosed: for details please refer to the Investor Relations Zone of our company website(http: //www.waferworks.com).

(9) Implementation Status of Internal Control System

1. Internal Control System Statement

Wafer Works Corporation
Internal Control System Statement

Date: March 23, 2022

With regard to the 2021 internal control system, the Company declares the following based on the self-evaluation findings:

1. The Company is fully aware that establishing, implementing, and maintaining an internal control system are the responsibility of its Board of Directors and managerial officers. The Company has established such a system to provide reasonable assurance for attaining the aims of the effectiveness and efficiency of business operations (including profits, performance, safeguarding of asset security, etc.); reliability, timeliness, transparency of reporting; and compliance with the governing laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system provides assurance to the aforementioned aims only to a reasonable extent. Moreover, due to changes of environments and circumstances, the effectiveness of an internal control system may change accordingly. Nevertheless, the internal control system of the Company is equipped with a self-monitoring mechanism, and the Company takes corrective actions as soon as any fault is identified.
3. The Company determines the design and operating effectiveness of its internal control system in accordance with the determining factors provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the “Regulations”). The internal control system determining factors specified in the Regulations divide an internal control system into five elements based on its management: 1. Control Environment, 2. Risk Assessment, 3. Control Operations, 4. Information and Communications, and 5. Monitoring. Each element further contains several items. Refer to the Regulations for the aforementioned items.
4. The Company has adopted the aforementioned internal control system determining factors to examine the design and operating effectiveness of its internal control system.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company deems that the internal control system as of December 31, 2021 (including supervision and management of subsidiaries), which encompass internal controls for knowledge of the accomplishment degree of operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with the governing laws and regulations, are effectively designed and implemented, and reasonably assure accomplishment of the abovementioned aims.
6. This Statement constitutes the main content of the Company’s annual report and prospectus, and will be made public. Any wrongful act pertaining to falsification or concealment involving the above public declaration will be subjected to legal liabilities under Articles 20, 32, 171, and 174 of, and other regulations relating to, the Securities and Exchange Act.
7. This Statement was approved by the Board Meeting of the Company held on March 23, 2022, where none of the nine attending directors expressed dissenting opinions, and all consented to the content of this Statement.

Wafer Works Corporation

Chairman: Ping-Hai, Chiao

Manager: Hsien-Yuan, Chang

2. If a CPA is appointed to review the internal control system, the review report shall be disclosed:
   Not applicable, there is no such thing as a professional audit of the internal control system by an CPA.

(10) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None

(11) Major resolutions of the Shareholders' Meeting and the Board in the most recent year to the date this report was printed

1. Important Resolutions of Shareholders' Meeting and Execution Status

Date	Content of Proposal	Resolution and Execution
July 23, 2021	Important resolutions of 2021 General shareholder meeting: 1. Matters to be Reported (1) Our company's 2020 business report (2) 2020 Audit Report of Audit Committee (3) Our company's 2020 Directors' and Employee Remuneration Distribution Report (4) Report of Investment in Mainland China (5) Report of External Endorsement and Guarantee Operations (6) Report of Withdrawal of Application for Public Listing of STAR Market of Shanghai Stock Exchange by Our Subsidiary Wafer Works (Shanghai) Corporation.	
	2. Matters to be Recognized (1) Recognition of our company's 2020 Business Report and Financial Statement (2) Recognition of our company's 2020 Earnings Distribution Proposal	2. Matters to be Recognized (1) The resolution was approved. (2) The resolution was approved, and the cash dividends of NTD561,988,280 was distributed on August 27, 2021.
	3. Matters to be Discussed (1) Discussion of revision of our company's "Articles of Incorporation" (2) Discussion of revision of our company's "Procedures for Endorsement and Guarantee" (3) Discussion of revision of our company's "Rules of Procedure for Shareholders Meetings"	3. Matters to be Discussed The resolutions of (1) – (3) were approved and promulgated according to the revised terms. And they were announced on our company website.
	4. Election Election of the directors of the 10th session of our company's board of directors	4. Election 6 directors were elected – Ping-Hai, Chiao, Nan-Yang, Wu, Zhen-

	5. Other proposals Proposal of removing the non-compete restrictions on new directors of our company	Tu, Liu, representatives of HUA ENG WIRE & CABLE CO., LTD. : Min-Shiang, Lin, Chung-Hou, Tai, representative of Hitech Holding (BVI) Corp.: Chun-Lin, Chen. 3 independent directors were elected – Yong-Song, Tsai, Feng-I, Lin, De-Wai, Chou. The term is from July 23, 2021 to July 22, 2024. 5. Other proposals The non-compete restrictions on new directors were removed based on the resolution of the shareholders' meeting.

2. Important Resolutions of the Board of Directors

Date	Important Resolutions
2021.03.25	1.Approval of our company's 2020 Directors and Employee Remuneration Distribution Proposal 2.Approval of our company's 2020 Business Report and Financial Statement 3.Approval of 2020 Earnings Distribution Proposal 4.Approval of Supplementary Appointment of The 4th Session of Remuneration Committee Members 5.Approval of the issuance of our company's 2020 "Internal Control System Statement" 6.Approval of suggestion for the shareholders' meeting to amend our company's Articles of Incorporation 7.Approval of revision of our company's "Internal Control System" and "Internal Control System" 8.Approval of revision of our company's "Procedures for Endorsement and Guarantee" 9.Approval of revision of our company's "Rules of Procedure for Shareholders Meetings" 10.Approval of revision of our company's "Rules of Procedure for Board Meeting" 11.Approval of election of our company's 10th session of board directors 12.Approval of the removal of non-compete restrictions of our company's new directors 13.Approval of matters for convening of General shareholder meeting of this year
2021.05.06	1.Approval of our company's 2021 Issuance of Ordinary Shares by Cash Capital Increase and the Seventh Domestic Unsecured Conversion of Corporate Bonds 2.Approval of 2021 Proposal of Remuneration for Certified Public Accountant 3.Approval of appointment of our company's Corporate Governance Officer 4.Approval of formulation of our company's "Corporate Governance Code" 5.Approval of the list of candidates of directors (including independent directors) nominated by our company's shareholders with more than 1% of shares 6.Approval of removal of non-compete restrictions of our company's new directors 7.Approval of the agenda for the General shareholder meeting of this year
2021.07.05	1.Approval of the change of the date of 2021 General shareholder meeting
2021.07.23	1.Approval of election of the 10thChairman 2.Approval of appointment of the members of the 5th session of Remuneration Committee
2021.08.05	1.Approval of appointment of our President and his remuneration proposal 2.Approval of our company's 2020 Employee Remuneration Distribution Proposal 3.Approval of our company's 2021 Manager Stock Operation at Cash Capital Increase
2021.10.14	1.Approval of our company's authorization for Silicon Technology Investment (Cayman) Corp. to agree the issuance of new shares for cash capital increase by Wafer Works (Shanghai) Co., Ltd.

2021.11.04	1.Approval of the production capacity expansion of Longtan Plant for large-sized polished wafers with an investment no more than NTD800 million in response to the strong market demand for silicon wafers and our company's needs for mid-to-long-term development while considering the longer lead time for equipment procurement 2.Approval of the replacement of CPA due to the position adjustment within Ernst & Young 3.Approval of the appointment and remuneration of Vice President 4.Approval of formulation of our company's 2022 Audit Plan
2021.12.23	1.Approval of our company's 2022 Budget Proposal 2.Approval of our company's 2021 Assessment of Independence and Competency of Certified Public Accountant 3.Approval of our company's 2022 authorization of Audit Committee for reviewing the acquisition or disposal of re-invested enterprises with total amount of equity no more than NTD500 million
2022.03.23	1.Approval of our company's 2021 Director and Employee Remuneration Distribution Proposal 2.Approval of our company's 2021 Business Report and Financial Statement 3.Approval of 2021 Earnings Distribution Proposal 4.Approval of determination of the reference date for our company's 7th domestic unsecured conversion of corporate bonds for issuance of new shares 5.It was approved that our company could acquire no more than 2,600,000 preferred B shares of the sub-subsidiary Silicon Technology Investment (Cayman) Corp. via our subsidiary Wafer Works Investment Corp. with acquisition process of US$4.8 per share and the total transaction amount no more than US$12,480,000. 6.Approval of our company's capital increase of our subsidiary Wafer Works Investment Corp. with cash no more than US$6,680,000 7.Approval of issuance of 2022 Restricted Stock Awards. 8.Approval of private placement of securities 9.Approval of the application for public listing on the Stock Exchange in Mainland China by our subsidiary Wafer Works (Shanghai) Corporation. 10.Approval of the issuance of our company's 2021 "Internal Control System Statement" 11.Approval of the suggestion for amendment of our company's Articles of Incorporation by the shareholders' meeting 12.Approval of revision of our company's "Procedures for Assets Acquisition or Disposal" 13.Approval of revision of our company's "Rules of Procedure for Shareholders Meetings" 14.Approval of revision of our company's "Standard Operating Procedures for Handling Requests from Directors" 15.Approval of removal of non-compete restrictions on incumbent directors and their representatives 16.Approval of removal of non-compete restrictions on managers 17.Approval of matters related to the convening of shareholders' regular meeting of this year

(12) Adverse opinion from directors over important resolution of the Board in the most recent year until the day the Annual Report was printed with records or written declaration, and the contents of such opinion: No such situation

(13) In the most recent year to the date this report was printed, the information on the resignation and discharge to Chairman, President, Accounting Director, Financial Director, chief internal auditor, corporate governance officer and R&D officer :

Job Title	Name	Date assumed	Date discharged	Reason of resignation or discharge
President	Ping-Hai, Chiao	Dec. 26, 2019	Aug. 5, 2021	The position of President concurrently held by Chairman Ping-Hai, Chiao starting from December 26, 2019 was dismissed after the appointment of new President Hsien-Yuan, Chang by board of directors on August 5, 2021

V. Disclosure of the CPAs' fee

Unit: NTD Thousand

Accounting Firm	Names of CPAs		Duration of Audit	Auditing fee	Non-Auditing fee (note 1)	Total	Note
Ernst & Young	Hsiao-Chin, Lo	Mao-Yi, Hong	2021/01/01 –2021/06/30	7,200	817	8,017	
Ernst & Young	Mao-Yi, Hong	Ching-Piao, Cheng	2021/07/01 –2021/12/31				

Note 1: Non-audit fees include fees for business registration NTD180 thousands, tax compliance audit NTD300 thousands, and disbursement fee NTD337 thousands.

(1) If the accounting firm is changed and the audit fee is thereby reduced, the audit fees before and after this change and the reason for this change shall be disclosed: The accounting firm of our company was not changed in 2021 so this term is not applicable.

(2) If the audit fee is reduced by more than 10% from previous year, the amount, ratio, and reason for such reduction shall be disclosed: not applicable.

VI. Information of change of certified public accountants

(1) Former certified public accountants:
In response to the internal re-organization of the certified accounting firm, the certified public accountants were changed from Hsiao-Chin, Lo and Mao-Yi, Hong to Mao-Yi, Hong and Ching-Piao, Cheng starting from Q3 of 2021.

(2) About the successor CPAs:
In response to the internal re-organization of the certified accounting firm, the certified public accountants were changed from Hsiao-Chin, Lo and Mao-Yi, Hong to Mao-Yi, Hong and Ching-Piao, Cheng starting from Q3 of 2021.

(3) Reply letter from former certified public accountants with respect to the matters of Article 10 Paragraph 6 Item 1 and Item 2-3 of this standard: None.

VII. Chairman, President, or manager in charge of finance or accounting affairs of our company who has been employed by the accounting firm of the certified public accountant or its affiliated company: None.

VIII. In the most recent year to the date this report was printed, directors, managerial officers and the shareholders holding more than 10% of the shares in the transfer of shares and pledge of shares under lien, and any change thereof.

(1) Changes in shareholdings and pledge of shares under lien of directors, managerial officers and major shareholders

Job Title	Name	2021		As of April 23, 2022 Share transfer suspension date of this shareholders' meeting)	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Chairman	Ping-Hai, Chiao	572,105	0	0	0
Director	Nan-Yang, Wu	0	0	0	0
Director	Zhen-Tu, Liu	0	0	0	0
Director	Hua Eng Wire & Cable Co., Ltd.	205,796	0	0	0
	Representative: Hsiu-Mei, Liu (Newly appointed on Feb. 1, 2022)	0	0	0	0
	Representative: Min-Shiang, Lin (Discharged on Jan. 10, 2022)	0	0	0	0
Director	Chung-Hou, Tai	(3,000)	0	0	0
Director	Hitech Holding (BVI) Corp.	0	0	0	0
	Representative: Chun-Lin, Chen (Newly appointed on July 23, 2021)	34,625	0	0	0
	Representative: Tai-Yuan, Wang (Discharged on July 23, 2021)	0	0	0	0
Independent Director	Yong-Song, Tsai	0	0	0	0
Independent Director	Feng-I, Lin	0	0	0	0
Independent Director	De-Wai, Chou (Newly appointed on July 23, 2021)	0	0	0	0
Independent Director	Dong-Sing, Wuu (Discharged on Jan. 28, 2021)	0	0	0	0
Managerial Officer	Hsien-Yuan, Chang	111,176	0	0	0
Managerial Officer	Kuang-Chung, Liao	42,184 (173,000)	0	0	0
Managerial Officer	Ming-Yi, Chi	30,000 (60,000)	0	0	0
Managerial Officer	Wen-Chung, Li	15,690 (1,000)	0	0	0
Managerial Officer	Yung-Cheng, Sung (Newly appointed on Nov. 4, 2021)	0	0	0	0
Managerial Officer	Wei-Lun, Lin	15,000	0	(9,000)	0
Managerial Officer	Chia-Yu, Lu	11,000 (10,000)	0	0	0

(2) Where the counterparty in any such transfer of equity interests is a related party: None

(3) Where the counterparty in any such pledge of equity interests is a related party: None

IX. Information on shareholders among the top 10 by proportion of shareholding who are related parties to one another or spouse, kindred within the 2nd degree of kinship

April 23, 2022 Unit: shares; %

<table>
<tr><th rowspan="2">Name</th><th colspan="2">Own shareholdings</th><th colspan="2">Shares Held by Spouse & minor children</th><th colspan="2">Shareholdings through nominees</th><th colspan="2">If there are related parties, spouses, kindred within the 2nd degree of kinship among the top 10 shareholders, give the names and affiliations of such shareholders</th><th>Remark</th></tr>
<tr><th>Number of Shares</th><th>Ratio of share-holding</th><th>Number of Shares</th><th>Ratio of share-holding</th><th>Number of Shares</th><th>Ratio of share-holding</th><th>Job Title (or Name)</th><th>Relation</th><th>None</th></tr>
<tr><td>Ping-Hai, Chiao</td><td>12,072,954</td><td>2.23%</td><td>10,527</td><td>0%</td><td>0</td><td>0%</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Vangard stock index account custody under Taipei, Branch, JPMorgan Chase</td><td>7,385,103</td><td>1.37%</td><td>-</td><td>-</td><td>0</td><td>0%</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Advanced Starlight International Stock Index custody under JPMorgan Chase</td><td>6,647,312</td><td>1.23%</td><td>-</td><td>-</td><td>0</td><td>0%</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>New Labor Retirement Fund</td><td>5,350,627</td><td>0.99%</td><td>-</td><td>-</td><td>0</td><td>0%</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Hua Eng Wire&Cable Co., Ltd.</td><td>4,699,013</td><td>0.87%</td><td>-</td><td>-</td><td>0</td><td>0%</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Hua Eng Wire&Cable Co., Ltd., Representative: Tsung-Jen, Liu</td><td colspan="9">Shareholder did not provide information.</td></tr>
<tr><td>BAYVK A3 - Global Investment Responsibility custody under HSBC</td><td>4,644,481</td><td>0.86%</td><td>-</td><td>-</td><td>0</td><td>0%</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Morgan Limited Investment Account custody under the JPMorgan Chase</td><td>4,228,841</td><td>0.78%</td><td>-</td><td>-</td><td>0</td><td>0%</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>GREEN COVE ENTERPRISES INC.</td><td>3,605,462</td><td>0.67%</td><td>-</td><td>-</td><td>0</td><td>0%</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>GREEN COVE ENTERPRISES INC. , Representative: Mei-Yun, Huang</td><td colspan="9">Shareholder did not provide information.</td></tr>
<tr><td>Hitech Holding (BVI) Corp.</td><td>3,545,887</td><td>0.66%</td><td>-</td><td>-</td><td>0</td><td>0%</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Hitech Holding (BVI) Corp., Representative: Ko-Ping, Chu</td><td colspan="9">Shareholder did not provide information.</td></tr>
<tr><td>Taiwan Life Insurance Co., Ltd.</td><td>3,348,000</td><td>0.62%</td><td>-</td><td>-</td><td>0</td><td>0%</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Taiwan Life Insurance Co., Ltd., Representative: Szu-Kuo, Huang</td><td colspan="9">Shareholder did not provide information.</td></tr>
</table>

Note 1: All top 10 shareholders shall be listed. Those who are corporate shareholders shall have the name of corporate shareholder and the name of its representative listed separately.

Note 2: The shareholding ratio is calculated based on the shares held by the person, his/her spouse or minor children, or through nominees.

Note 3: The relationship among aforementioned shareholders, including legal persons and natural persons, shall be disclosed in accordance with the issuer's financial reporting standards.

X. Quantity of shareholdings of the same investee by the Company and Directors, Managerial Officer, and direct or indirect subsidiaries in proportion to the combined holdings of all, and combined to calculate the proportion of overall shareholding.

Proportion of overall shareholding

Dec. 31, 2021; Unit: Share; %

Investee（Note ）	Investment made by the Company		Investment made by directors, managerial official and direct or indirect subsidiaries		Combined investment	
	Number of Shares	Ratio of share-holding	Number of Shares	Ratio of share-holding	Number of Shares	Ratio of share-holding
Wafer Works Investment Corp.	62,766,226	100%	0	0	62,766,226	100%
Heli-Vantech Corp.	500,000	100%	0	0	500,000	100%
Huaxin (Shanghai) Technology Co., Ltd.	0	100%	0	0	0	100%

Note: it refers to the long-term investment of the company using the equity method .

IV. Capital Overview

1. **Capital and shares**

(1) Sources of Capital Stock

1. Sources of Capital Stock

Unit: shares; NTD Thousand

Period	Price at issuance (NTD)	Authorized shares capital		Paid in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of share capital	Property other than cash is paid by subscribers	Other
July 1997	10	500,000	5,000	500,000	5,000	Registered share capital	None	
December 1997	10	80,000,000	800,000	76,854,335	768,543	Cash capital increase 76,354,335 shares	None	(Note 1)
October 1998	10	200,000,000	2,000,000	126,966,936	1,269,670	Cash capital increase4,000,000 shares Capital surplus converted to capital increase 46,112,601 shares	None	(Note 2)
April 2000	10	200,000,000	2,000,000	150,000,000	1,500,000	Cash capital increase23,033,064 shares	None	(Note 3)
August 2003	–	250,000,000	2,500,000	150,000,000	1,500,000	Increase of authorized capital	None	(Note 4)
October 2004	10	250,000,000	2,500,000	154,500,000	1,545,000	Capital surplus converted to capital increase4,500,000 shares	None	(Note 5)
August 2005	10	250,000,000	2,500,000	155,474,219	1,554,742	Convertible corporate bonds converted to capital increase	None	(Note 6)
September 2005	10	250,000,000	2,500,000	164,077,060	1,640,771	Surplus converted to capital increase 8,602,841 shares	None	(Note 7)
October 2005	10	250,000,000	2,500,000	171,543,698	1,715,437	Convertible corporate bonds converted to capital increase	None	(Note 8)
February 2006	10	250,000,000	2,500,000	172,690,410	1,726,904	Convertible corporate bonds converted to capital increase	None	(Note 9)
April 2006	10	250,000,000	2,500,000	173,222,696	1,732,227	Convertible corporate bonds converted to capital increase	None	(Note 10)
July 2006	10	250,000,000	2,500,000	178,580,288	1,785,803	Convertible corporate bonds converted to capital increase	None	(Note 11)
October 2006	10	250,000,000	2,500,000	190,342,415	1,903,424	Surplus converted to capital increase11,762,127 shares	None	(Note 12)
November 2006	10	250,000,000	2,500,000	194,187,342	1,941,873	Convertible corporate bonds converted to capital increase	None	(Note 13)
December 2006	10	250,000,000	2,500,000	209,853,913	2,098,539	Convertible corporate bonds converted to capital increase and	None	(Note 14)

Period	Price at issuance (NTD)	Authorized shares capital		Paid in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of share capital	Property other than cash is paid by subscribers	Other
						cash capital increase 15,000,000shaers		
April 2007	10	250,000,000	2,500,000	210,601,038	2,106,010	Convertible corporate bonds converted to capital increase	None	(Note 15)
July 2007	10	250,000,000	2,500,000	211,670,560	2,116,706	Convertible corporate bonds converted to capital increase	None	(Note 16)
September 2007	10	300,000,000	3,000,000	218,800,569	2,188,006	Surplus converted to capital increase7,130,009 shares	None	(Note 17)
October 2007	10	300,000,000	3,000,000	221,330,854	2,213,309	Convertible corporate bonds converted to capital increase	None	(Note 18)
February 2008	10	300,000,000	3,000,000	226,330,854	2,263,309	Cash capital increase 5,000,000 shares	None	(Note 19)
February 2008	10	300,000,000	3,000,000	226,674,145	2,266,741	Convertible corporate bonds converted to capital increase	None	(Note 20)
May 2008	10	300,000,000	3,000,000	226,698,791	2,266,988	Convertible corporate bonds converted to capital increase	None	(Note 21)
September 2008	10	300,000,000	3,000,000	234,536,385	2,345,364	Surplus converted to capital increase7,603,446 shares and convertible corporate bonds converted to capital increase	None	(Note 22)
December 2008	10	300,000,000	3,000,000	235,111,566	2,351,116	Convertible corporate bonds converted to capital increase	None	(Note 23)
February 2009	10	300,000,000	3,000,000	234,761,566	2,347,616	Cancellation of treasury shares	None	(Note 24)
September 2009	10	300,000,000	3,000,000	256,542,450	2,565,425	Surplus converted to capital increase21,780,884 shares	None	(Note 25)
December 2009	10	300,000,000	3,000,000	273,542,450	2,735,425	Cash capital increase 17,000,000 shares	None	(Note 26)
September 2011	10	400,000,000	4,000,000	281,748,724	2,817,487	Surplus converted to capital increase8,206,274 shares	None	(Note 27)
August 2012	10	400,000,000	4,000,000	286,795,325	2,867,953	Surplus converted to capital increase5,046,601 shares	None	(Note 28)
September 2013	10	400,000,000	4,000,000	336,795,325	3,367,953	Cash capital increase 50,000,000 shares	None	(Note 29)
October 2014	10	400,000,000	4,000,000	335,413,325	3,354,133	Cancellation of treasury shares	None	(Note 30)
November 2014	10	400,000,000	4,000,000	338,413,325	3,384,133	Free issuance of	None	(Note 31)

Period	Price at issuance (NTD)	Authorized shares capital		Paid in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of share capital	Property other than cash is paid by subscribers	Other
						new restricted employee shares		
January 2015	10	400,000,000	4,000,000	383,413,325	3,834,133	Cash capital increase 45,000,000 shares	None	(Note 32)
August 2015	10	400,000,000	4,000,000	383,173,325	3,831,733	Cancellation of restricted employee shares of NTD2,400,000	None	(Note 33)
March 2016	10	500,000,000	5,000,000	413,173,325	4,131,733	Cash capital increase 30,000,000 shares	None	(Note 34)
September 2016	10	500,000,000	5,000,000	413,085,575	4,130,855	Cancellation of restricted employee shares of NTD877,500	None	(Note 35)
May 2017	10	500,000,000	5,000,000	433,784,527	4,337,845	Convertible corporate bonds converted to capital increase NTD206,989,520	None	(Note 36)
August 2017	10	500,000,000	5,000,000	447,705,419	4,477,054	Convertible corporate bonds converted to capital increase NTD148,073,920 Cancellation of restricted employee shares of NTD8,865,000	None	(Note 37)
November 2017	10	500,000,000	5,000,000	471,615,361	4,716,154	Convertible corporate bonds converted to capital increase NTD239,099,420	None	(Note 38)
March 2018	10	500,000,000	5,000,000	480,898,436	4,808,984	Convertible corporate bonds converted to capital increase NTD92,830,750	None	(Note 39)
June 2018	10	600,000,000	6,000,000	510,898,436	5,108,984	Cash capital increase30,000,000 shares	None	(Note 40)
October 2021	10	600,000,000	6,000,000	540,898,436	5,408,984	Cash capital increase30,000,000 shares	None	(Note 41)
April 2022	10	600,000,000	6,000,000	540,933,730	5,409,337	Convertible corporate bonds converted to capital increase NTD352,940	None	(Note 42)

Note 1: Approval No.: Ching-(86)-shang-tzu-ti-123700

Note 2: Approval No.: Ching-(87)-shang-tzu-ti-087133073

Note 3: Approval No.: (89)Tai-tsai-cheng-(1)-ti-113917

Note 4: Approval No.: Ching-(92)-shang-tzu-ti-09201237800

Note 5: Approval No.: Ching-shou-shang-tzu-ti-09301179830

Note 6: Approval No.: Ching-shou-shang-tzu-ti-09401157440

Note 22: Approval No.: Ching-shou-shang-tzu-ti-09701236380

Note 23: Approval No.: Ching-shou-shang-tzu-ti-09701313820

Note 24: Approval No.: Ching-shou-shang-tzu-ti-09801018900

Note 25: Approval No.: Ching-shou-shang-tzu-ti-09801209250

Note 26: Approval No.: Ching-shou-shang-tzu-ti-09801294820

Note 27: Approval No.: Ching-shou-shang-tzu-ti-10001203510

Note 7: Approval No.: Ching-shou-shang-tzu-ti-09401181520

Note 8: Approval No.: Ching-shou-shang-tzu-ti-09401207960

Note 9: Approval No.: Ching-shou-shang-tzu-ti-09501019030

Note 10: Approval No.: Ching-shou-shang-tzu-ti-09501070270

Note 11: Approval No.: Ching-shou-shang-tzu-ti-09501145790

Note 12: Approval No.: Ching-shou-shang-tzu-ti-09501228590

Note 13: Approval No.: Ching-shou-shang-tzu-ti-09501258760

Note 14: Approval No.: Ching-shou-shang-tzu-ti-09601011260

Note 15: Approval No.: Ching-shou-shang-tzu-ti-09601079820

Note 16: Approval No.: Ching-shou-shang-tzu-ti-09601182680

Note 17: Approval No.: Ching-shou-shang-tzu-ti-09601218610

Note 18: Approval No.: Ching-shou-shang-tzu-ti-09601255260

Note 19: Approval No.: Ching-shou-shang-tzu-ti-09701034660

Note 20: Approval No.: Ching-shou-shang-tzu-ti-09701041500

Note 21: Approval No.: Ching-shou-shang-tzu-ti-09701131930

Note 28: Approval No.: Ching-shou-shang-tzu-ti-10101179620

Note 29: Approval No.: Ching-shou-shang-tzu-ti-10201188190

Note 30: Approval No.: Ching-shou-shang-tzu-ti-10301205210

Note 31: Approval No.: Ching-shou-shang-tzu-ti-10301241970

Note 32: Approval No.: Ching-shou-shang-tzu-ti-10401003970

Note 33: Approval No.: Ching-shou-shang-tzu-ti-10401169160

Note 34: Approval No.: Ching-shou-shang-tzu-ti-10501045020

Note 35: Approval No.: Ching-shou-shang-tzu-ti-10501212820

Note 36: Approval No.: Ching-shou-shang-tzu-ti-10601067090

Note 37: Approval No.: Ching-shou-shang-tzu-ti-10601120240

Note 38: Approval No.: Ching-shou-shang-tzu-ti-10601158840

Note 39: Approval No.: Ching-shou-shang-tzu-ti-10701027890

Note 40: Approval No.: Ching-shou-shang-tzu-ti-10701075970

Note 41: Approval No.: Ching-shou-shang-tzu-ti-11001197650

Note 42: Approval No. Ching-shou-shang-tzu-ti-11101057950

2. Type of Stock

March 31, 2022; Unit: share

Type of Stock	Authorized shares capital			Note
	Outstanding shares	Unissued stock	Total	
Registered ordinary shares	OTC shares / total 540,933,730	59,066,270	600,000,000	

3. Information related to blanket declaration system:
   It is not applicable because our company did not apply for corporate bonds blanket declaration system.

(2) Composition of shareholders

April 23, 2022: Unit: shares, %

Composition of Shareholders / Quantity	Governmental Institution	Financial Institution	Other Juridical person	Individual	Foreign Institution and Foreigner	Total
Number of persons (person)	1	7	436	127,578	233	128,255
Shareholding (Shares)	14	5,250,335	43,837,999	421,447,355	70,398,027	540,933,730
Ratio of Shareholding (%)	0	0.97	8.11	77.91	13.01	100

Note: Publicly listed companies and emerging stock companies shall disclose the ratio of shares held by investors from Mainland China; investors from Mainland China refer to the people, legal persons, organizations, other institutions, or the companies in any third area invested by them as stipulated in Article 3 of Measures Governing Investment Permit to the People of Mainland Area.

(3) Shareholding Distribution Status

1. Shareholding Distribution Status

April 23, 2022; Unit: persons; shares; %

Holding share classification	No. of Shareholders	Shareholding	Ratio of Shareholding
1 to 999	37,905	3,941,966	0.73
1,000 to 5,000	74,608	146,998,972	27.18
5,001 to 10,000	9,125	69,586,475	12.86
10,001 to 15,000	2,612	32,549,308	6.02
15,001 to 20,000	1,360	24,982,951	4.62
20,001 to 30,000	1,082	27,084,045	5.01
30,001 to 40,000	472	16,729,219	3.09
40,001 to 50,000	288	13,317,566	2.46
50,001 to 100,000	483	33,391,221	6.17
100,001 to 200,000	171	23,646,068	4.37
200,001 to 400,000	71	19,975,758	3.69
400,001 to 600,000	21	10,281,807	1.90
600,001 to 800,000	11	7,590,368	1.40
800,001 to 1,000,000	8	7,431,117	1.37
1,000,001 and above	38	103,426,889	19.13
Total	128,255	540,933,730	100.00

2. Preferred stock: not applicable

(4) List of Major Shareholders (Names, numbers of shares and ratio of shareholders whose shareholding ratio is more than 5% or whose shareholding ratio ranks in the top ten)

April 23, 2022; Unit: shares; %

Name of major shareholder \ Shares	Number of shares	Shareholding ratio
Ping-Hai, Chiao	12,072,954	2.23
Vangard stock index account custody under Taipei, Branch, JPMorgan Chase	7,385,103	1.37
Advanced Starlight International Stock Index custody under JPMorgan Chase	6,647,312	1.23
New Labor Retirement Fund	5,350,627	0.99
Hua Eng Wire&Cable Co., Ltd.	4,699,013	0.87
BAYVK A3 - Global Investment Responsibility custody under HSBC	4,644,481	0.86
Morgan Limited Investment Account custody under the JPMorgan Chase	4,228,841	0.78
GREEN COVE ENTERPRISES INC.	3,605,462	0.67
Hitech Holding (BVI) Corp.	3,545,887	0.66
Taiwan Life Insurance Co., Ltd.	3,348,000	0.62

(5) Information on market price, net value, earnings and dividends per share in the most two year

Unit: NTD; thousand shares

Item \ Year			2020	2021	As of April 30, 2022
Market Price Per Share	The Highest		49.50	89.50	87.80
	The Lowest		22.45	37.60	50.90
	Average		37.25	62.64	73.37
Net Value Per Share (Note 3)	Before distribution		17.78	21.19	Not applicable
	After distribution		16.68	(Note 5)	Not applicable
Earnings per share	Weighted average shares (thousand shares)		510,898	519,592	Not applicable
	Before retroactive adjustment		1.02	2.02	Not applicable
	After retroactive adjustment		1.01	2.01	Not applicable
Dividend Per Share	Cash dividends		1.1	1.35 (Note 5)	Not applicable
	Free-Gratis Dividends	—	—	—	Not applicable
		—	—	—	Not applicable
	Unpaid-for dividends		—	—	Not applicable
Return on Investment Analysis	Price-to-Earnings Ratio		36.52	31.01	Not applicable
	Price to dividend ratio		33.86	46.41	Not applicable
	Cash dividend yield (%)		2.95	2.15	Not applicable

Note 1: data source is the OTC website.

Note 2: P/E ratio＝average closing price per share of the year/earnings per share; price to dividend ratio ＝average closing price per share of the year/cash dividend per share; cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 3: it is calculated based on the equity attributable to the owner of parent company.

Note 4: the earning per share of this year is negative, so it is not calculated.

Note 5: the earnings distribution proposal of 2021 was approved by our company's board of directors on March 23, 2022, but it is not yet approved by the shareholders' meeting.

(6) Our company's dividend policies and implementation status

1. Dividend policy

Our company's remuneration policy is stipulated based on our company's Articles of Incorporation as:

It is stipulated in Article 29 that, if our company makes a profit in the year, it shall set aside no less than 5% of it as employee remuneration and no more than 2% of it as director's remuneration. However, if there is still accumulated loss of the company, there shall be a certain amount reserved from the profit in advance to make up for the loss.

Employee remuneration may be in stock or cash, and the recipients of the stock or cash may include employees of affiliated companies who meet certain conditions.

It is stipulated in Article 29-1 that, if there is any surplus in the annual final account, it shall be used to pay taxes and to make up for the loss of the previous year, and then 10% of this surplus shall be set aside as the legal reserve and the special reserve or reversal special reserve as required by the competent authority. And then the remaining surplus plus the surplus accumulated from previous years can serve as the distributable surplus. A certain amount of this distributable surplus may be preserved according to the business situation, and the rest shall be subject to the earnings distribution proposal formulated by the board of directors according to this dividend policy to be reported to the shareholders' meeting.

Our company's dividend policy is formulated by the board of directors according to business plan, investment plan, capital budget, and the changes of internal and external environments. The shareholder's dividend shall be no less than 30% of the annual distributable surplus, and the distribution can be in cash or stock. However, the cash dividend must not be less than 10% of the total annual bonus for shareholder.

2. The proposal of dividend distribution in this shareholders' meeting

Our company's 2021 earnings distribution was approved on March 23, 2022 by the board of directors, where a total of cash dividend of NTD730,260,536(NTD1.35 per share) should be distributed to shareholders. It is to be reported to the General shareholder meeting on June 21, 2022 for approval.

(7) The impacts of stock grants proposed in this shareholders' meeting on our company's business performance and earnings per share:

Item \ Year		2022 (Estimated)
Paid-in capital at the beginning of period (NTD thousand)		5,408,984
Annual cash and stock dividend distribution (Note 1)	Cash dividend per share (NTD)	1.35
	Stock dividend per share of capital increase out of earning (share)	0
	Stock dividend per share of capital increase out of Capital surplus (share)	0
Change in business performance	Operating profit	Not applicable (Note 2)
	YoY operating profit	
	Net income after tax	

<table>
<tr><td colspan="4">Item / Year</td><td>2022 (Estimated)</td></tr>
<tr><td rowspan="4"></td><td colspan="3">YoY ratio of net income after tax</td><td rowspan="4"></td></tr>
<tr><td colspan="3">Earnings per share</td></tr>
<tr><td colspan="3">YoY ratio of earning per share</td></tr>
<tr><td colspan="3">Average annual return on investment (inverse of annual average P/E ratio)</td></tr>
<tr><td rowspan="6">Proposed EPS and Price-to-Earnings Ratio</td><td rowspan="2">If the capital increase out of earning is totally changed to cash dividend</td><td colspan="2">Proposed EPS</td><td rowspan="2">Not applicable (Note 2)</td></tr>
<tr><td colspan="2">Proposed average annual return on investment</td></tr>
<tr><td rowspan="2">If the Capital surplus is not converted to capital increase</td><td colspan="2">Proposed EPS</td><td rowspan="2">Not applicable (Note 2)</td></tr>
<tr><td colspan="2">Proposed average annual return on investment</td></tr>
<tr><td rowspan="2">If the Capital surplus is not processed and the capital increase out of earning is changed to cash dividend</td><td colspan="2">Proposed EPS</td><td rowspan="2">Not applicable (Note 2)</td></tr>
<tr><td colspan="2">Proposed average annual return on investment</td></tr>
</table>

Note 1: it is not yet approved by the general shareholder meeting.

Note 2: According to the "Implementation Guidelines for Financial Forecast Information Disclosure System of Public Company", our company does not need to disclose the 2022 financial forecast information, so it is not applicable.

(8) Remuneration of employees and directors

1. Percentage or range of remuneration of employees and directors stipulated in our company's Articles of Incorporation:

If our company makes a profit in the year, it shall set aside no less than 5% of it as employee remuneration and no more than 2% of it as director's remuneration. However, if there is still accumulated loss of the company, there shall be a certain amount reserved from the profit in advance to make up for the loss.

Employee remuneration may be in stock or cash, and the recipients of the stock or cash may include employees of affiliated companies who meet certain conditions.

2. The basis for estimation of remuneration of employees and directors in this period, the share calculation basis of employee remuneration in the form of stock distribution, and the accounting treatment when there is difference between the actual distributed amount and the estimated amount:

(1) The basis for estimation of remuneration of employees and directors: The distribution is based on our company's Articles of Incorporation and the amount of distribution according to prior experience.

(2) Number of shares as stock dividend: None.

(3) The accounting treatment when there is difference between the actual distributed amount and the estimated amount:

If there is any change of employee and director remuneration in the earnings distribution proposal reported in the shareholders' meeting, the amount difference shall be subject to the change of accounting estimation and listed in the profit and loss of the following year without affecting the approved financial report.

3. The remuneration distribution approval by the board of directors

(1) If there is any difference between the remuneration of employee and directors in cash or stock and the estimated amount of the year of recognized expense, the amount of difference, the cause of such different, and the treatment shall be disclosed:

The board meeting on March 23, 2022 approved that the employee remuneration of NTD75 million and the director remuneration of NTD8.4 million of 2021 were to be distributed in cash, which was consistent with the estimated amount in the 2021 financial statement.

(2) The ratio of the amount of employee remuneration distributed in stock to the after-tax net profit of individual financial statement of this period and the total amount of employee remuneration: not applicable.

4. The situation and result of remuneration distribution reported in shareholders' meeting

Our company's 2021 remuneration distribution proposal is to be reported in the shareholders' meeting on June 21, 2022.

5. The actual distribution of employee and director remuneration of the previous year (including the number, amount, and price of distributed shares). If it is different from the recognized remuneration of employee and director, the number of difference, the cause of difference, and the treatment shall be specified:

(1)Actual distribution:

Director remuneration: NTD6.3 million,

Employee remuneration: NTD45 million.

(2)The original distributed remuneration approved by the board of directors and the difference:

Director remuneration: NTD6.3 million,

Employee remuneration: NTD45 million.

(9) Repurchase of Company shares: None

2. Status of Corporate bond

(1) Status of Corporate bond:

Type of Corporate bond		The 7th domestic unsecured conversion of corporate bonds
Issue (Execution) Date		July 27, 2021
Par value		NTD100,000
Issuance and Trading Location		Taiwan
Issuance Price		Issued by par value
Total Price		NTD300,000,000
Interest rate		coupon rate 0%
Period		5 years Date matured: July 27, 2026
Guarantee agency		None
Trustee		Land Bank of Taiwan
Underwriting Institute		960T Fubon Securities Co., Ltd.
Lawyer		Handsome Attorneys-at-Law Lawyer Ya-Wen, Chiou
CPA		Ernst & Young CPA Mao-Yi, Hong; CPA Hsiao-Chin, Lo
Type of Repayment		Except for conversion according to the conversion method or redemption, the principal shall be repaid in cash in a one-off payment upon maturity.
Outstanding principal		NTD300,000,000
Terms of redemption or prepayment		Omit
Restrictions		Omit
Name of credit rating agency, rating date, corporate bond rating results		None
Additional rights	The amount of ordinary shares, overseas depositary receipts or other marketable securities converted (exchanged or subscribed) as of the date of publication of the annual report.	NTD2,400,000
	Issuance and conversion (exchange or subscription) methods	Omit
Possible dilution of equity resulted from issuance and conversion, exchange or share subscription method, and issuance conditions, and their impacts on existing shareholders' rights and interest		None
Name of the custodian institution for the subject of exchange		None

(2) Information of Convertible Bond

Information of Convertible Bond

Type of Convertible Bond		The 7th domestic secured conversion of corporate bonds	
Item / Year		2021	As of April 30, 2022
Convert corporate bond market value	Highest	154.00	154.00
	Lowest	117.70	125.00
	Average	126.77	136.87
Conversion price		68	68
Date of issuance (transaction) and the conversion price at the time of issuance		Date of issuance: July 27, 2021 Conversion price at the time of issuance: NTD70	Date of issuance: July 27, 2021 Conversion price at the time of issuance: NTD70
Way of performing conversion obligation		Issuance of new shares	Issuance of new shares

(3) Data of exchange of corporate bonds: None.

(4) Blanket declaration of issuance of corporate bonds: None.

(5) Data of corporate bonds with attached warrant: None.

3. Status of preferred share: None

4. Status of overseas depository receipt: None

5. Status of employee stock options: None

(1) Status of employee stock options: None

(2) Names, acquisition and subscription of the managers who obtained the employee stock option certificates and the top ten employees with the most shares of employee stock option certificates: None.

6. New restricted employee share status: None

7. Status regarding issuance of new shares in connection with mergers or acquisitions of other companies' shares: None.

8. Execution of capital utilization plan

(1) Content of plan

The previous issuance or private placement of securities which has not yet been completed, or completed within the last three years but the benefits of the plan have not yet materialized as of the date of publication of annual report: None.

(2) Execution status

Not applicable

V. Operation Overview

1. Business activities

(1) Business scope

1. Main business content

(1) R&D, design, fabrication, import, and direct and re-direct sales of semiconductor and its materials.

(2) Design, processing, import/export, and after-sales services of semiconductor silicon wafer materials and wafer processing equipment and components.

(3) Technology transfer and consulting business with respect to all aforementioned products.

(4) All business activities that are not prohibited or restricted by laws, except those that are subject to special approval.

2. Proportion of operation

Unit: NTD thousand

Product/ Year	Proportion of operation of 2021	
	Amount	Proportion (%)
Semiconductor products	10,339,415	99.98
Others	1,861	0.02
Total	10,341,276	100.00

3. Products

(1) Semiconductor silicon ingot

(2) Semiconductor silicon wafers (single-side polished wafer and double-side polished wafer)

(3) SOI wafer

4. New products and services in development

(1) 12-inch low resistivity silicon wafer technology

(2) 12-inch low COP silicon wafer technology

(3) 8-inch ultra-low resistivity silicon polished wafer technology

(4) 8-inch ultra-low resistivity crystal growth technology

(5) Development of AI/AOI BigData automatic measurement system

(2) Industry Overview

1. Macroeconomy and development

(1) International economy

In 2021 the international economy experienced repeated COVID-19 outbreaks, the reduction of bond purchases by the US Federal Reserve, the surge in global raw material prices, the rise in real estate prices in major countries, and the chip shortage. After the introduction of various vaccines and the increased vaccination rate effectively reduced the severe cases and fatalities, most countries all over the world have no longer adopted strict lockdown measures, and the impacts on global economy have been relatively reduced. With the low base period in 2020, the global economy performance in 2021 was better than expected. According to the report of World Bank, the global economic growth rate rebounded to 5.5%in 2021.

The observation of the recent international economic situation reveals that the entire world is facing the labor shortage, an unstable supply chain, and constantly rising inflation pressure due to the Omicron virus, which are expected to have a continuous impact on the global economic performance. Along with the advancement of test capacity and the increase of vaccine coverage, the number of patients with severe infections and deaths have been greatly reduced. Therefore, major countries gradually loosen epidemic prevention measures, and the global economy is expected to keep the pace of recovery. However, the significant fluctuation of the global financial market and the tightening of the monetary environment may lead to sharply tightening financial conditions and a downward reversal in asset prices, which is expected to affect the macroeconomy negatively. In November 2021 US Fed announced the end unlimited quantitative easing implemented during the pandemic and the beginning of reduced bond purchases. In light of rising inflation pressure and in order to improve the labor market, the reduction in the monthly amount of bond purchases has been accelerated since mid-January of 2022. Major economies have begun to modify monetary policy to combat rising inflationary pressures. The US Fed may raise the interest rate several times in 2022 according to the forecast of Fed Funds Rate. The European Central Bank also keeps the three major benchmark interest rates unchanged while gradually slow down the asset purchase speed; the People's Bank of China has reduced the required reserve ratio and lowered the borrowing cost to support its economic growth; South Korea, New Zealand, Chile, Singapore and other countries have also started adjusting monetary policy, including raising interest rates. It is believed that along with rising price, more and more emerging markets and developing countries will change their monetary policies.

In terms of China’s economy, affected by rising commodity prices, real estate debt crisis, dual control of energy consumption, and industry regulation, there was significantly weaker performance since the second half of 2021. The Chinese government maintains a zero-tolerance policy for the pandemic in order to maintain stability. Based on all aforementioned reasons, major forecast institutions have all cut its growth forecast. Meanwhile, the physical economic statistics of all aspects have been showing downward trend every quarter, indicating significant pressure of economic downturn in China in the short term.

According to the latest forecast by IHS Markit in December, 2021, the global economic growth in 2021 is 5.59 %, which is greater than the -3.39% in 2020. The economic growth in 2022 is expected to be 4.28%.

Global economic growth rate (GDP) and CPI

Unit: %

		IHS Markit			IMF		
		2020	2021(f)	2022(f)	2020	2021(f)	2022(f)
Global	GDP	-3.39	5.59	4.28	-3.1	5.9	4.9
	CPI	2.17	3.84	3.85			
US	GDP	-3.4	5.66	4.28	-3.4	6	5.2
	CPI	1.25	4. 16	3.74	1.2	4.3	3.5
Eurozone	GDP	-6.45	5.19	3.66	-6.3	5	4.3
	CPI	0.29	2.57	2.84	0.3	2.2	1.7
Japan	GDP	-4.54	1.88	3.55	-4.6	2.4	3.2
	CPI	-0.01	-0.27	0.81	0	-0.2	0.5
R.O.C.	GDP	3.36	6	3.16	3.1	5.9	3.3
	CPI	-0.24	1.99	1.92	-0.2	1.6	1.5
Mainland China	GDP	2.31	8.08	5.47	2.3	8	5.6
	CPI	2.48	1.12	2	2.4	1.2	1.9
Singapore	GDP	-5.38	6.61	3.87	-5.4	6	3.2
	CPI	-0.18	2.1	1.22	-0.2	1.6	1.5
Korea	GDP	-0.85	3.97	3.03	-0.9	4.3	3.3
	CPI	0.54	2.38	1.81	0.5	2.2	1.6
Hong Kong	GDP	-6.18	6.61	3.16	-6.1	6.4	3.5
	CPI	0.25	1.57	2.02	0.3	1.9	2.1

Note: (f) is the forecast value.
Data source: 1.IHS Markit, World Overview, December 2021
2.IMF, World Economic Outlook, October 2021

In addition, the IMF projects the growth rate of international trade volume; due to the economy's gradual recovery, growth in 2022 is likely to be slower than in 2021, with a rate of 4.7% to 6.7%.

Growth rate of world trade volume

Unit: %

	2020	2021(f)	2022(f)
IMF	-8.2	9.7	6.7
UN	-8.1	9.4	5.7
OECD	-8.4	9.3	4.9
World Bank	-8.3	8.3	6.3
WTO	-5.3	10.8	4.7

Note: (f) is the forecast value.
Data source: 1.IMF, World Economic Outlook, October 2021
2.UN, World Economic Situation and Prospects, May 2021
3.OECD, Economic Outlook, December 2021
4.World Bank, Global Economic Prospects, Jun 2021
5.WTO, PRESS RELEASE, October 2021

The current international economy still faces many risks and variables worthy of continuous attention. The global pandemic development, the subsequent development of US-China trade war and technology disputes, the rising prices of crude oil and commodities, rising pressure of inflation, the rising global public debt risk deepening the financial vulnerabilities, geopolitics, and climate change can all affect the outlook of international economy.

(2) Domestic economy

Along with the increase vaccination rate and gradual proper epidemic control measures, plus the multiple revitalization measures implemented by the government, the consumption momentum continues to recover in 2021. In such environment of global supply chain restructuring, domestic semiconductor manufacturers continue to promote the world's best to drive the entire supply chain to deepen local investment greatly contributing to the export sales. In November last year, Directorate-General of Budget, Accounting and Statistics, Executive Yuan predicted that the economic growth rate in 2021 could reach 6.09%, which would be the record high in 11 years since 2011. And the economic growth rate in 2022 was predicted to be 4.15%.

The pandemic has heated up again at the beginning of this year, which impacted the performance of the domestic demand service industry in the first quarter. Founately, the domestic epidemic is effectively controlled. The lower base period in 2021, the increases of basic living expenses, basic wages, and wages of military/public/teaching personnel, and the increased willingness to pay bonuses due to better corporate profits can all contribute to the increase of disposable income and drive the steady growth of private consumption. Therefore, the economic growth in Taiwan in 2022 is expected to be supported mostly by private consumption. Even though the export sales and private investment remain strong, the contribution to the economic growth is expected to be reduced due to higher base period in 2021.

Predictions of Taiwan's Economic Growth Rate by Domestic and Abroad Major Institutions

Unit: %

Year / Prediction institution	2021 (f)	2022 (f)
IHS Markit (December 2021)	6	3.16
ADB (December 2021)	6.2	3
IMF (October 2021)	5.9	3.3
Chung-Hua Institution for Economic Research (December 2021)	6.05	3.67
Taiwan Research Institute (December 2021)	6.07	4.05
Academia Sinica (December 2021)	6.04	3.85
Directorate General of Budget, Accounting and Statistics, Executive Yuan (November 2021)	6.09	4.15
Taiwan Institute of Economic Research (November 2021)	6.1	4.1

Data source: various institutions

2. Current status and development of semiconductor industry

In 2021 the semiconductor market was driven by the remote communication business opportunities, thus leading to supply shortage of Notebook PC, Tablet, and video camera. The strong consumer demand has driven the double digit growths of all major product categories. Meanwhile, the rapid development of emerging applications such as 5G and high performance computing (HPC) has significantly enhanced the semiconductor demands. World Semiconductor Trade Statistics (WSTS) estimated that the growth of global semiconductor market in 2021 would be rising to 25.6% from the 6.8% in 2020, which was a market scale of US$553 billion. This is the largest growth in 11 years, every since the 31.8% in 2010. At the same time, World Semiconductor Trade Statistics (WSTS) estimated that the growth in 2022 was estimated to be 8.8%..

Forecast of Revenues and YoY Growths of Global Semiconductor Markets

Fall 2021	Amounts in US$M			Year on Year Growth in %		
	2020	2021	2022	2020	2021	2022
Americas	95,366	**118,835**	**131,084**	21.3	24.6	10.3
Europe	37,520	**47,126**	**50,467**	-5.8	25.6	7.1
Japan	36,471	**43,581**	**47,621**	1.3	19.5	9.3
Asia Pacific	271,032	**343,419**	**372,317**	5.1	26.7	8.4
Total World - $M	440,389	**552,961**	**601,490**	6.8	25.6	8.8
Discrete Semiconductors	23,804	**30,100**	**32,280**	-0.3	26.4	7.2
Optoelectronics	40,397	**43,229**	**45,990**	-2.8	7.0	6.4
Sensors	14,962	**18,791**	**20,913**	10.7	25.6	11.3
Integrated Circuits	361,226	**460,841**	**502,307**	8.4	27.6	9.0
Analog	55,658	72,842	79,249	3.2	30.9	8.8
Micro	69,678	79,102	83,980	4.9	13.5	6.2
Logic	118,408	150,736	167,396	11.1	27.3	11.1
Memory	117,482	158,161	171,682	10.4	34.6	8.5
Total Products - $M	440,389	**552,961**	**601,490**	6.8	25.6	8.8

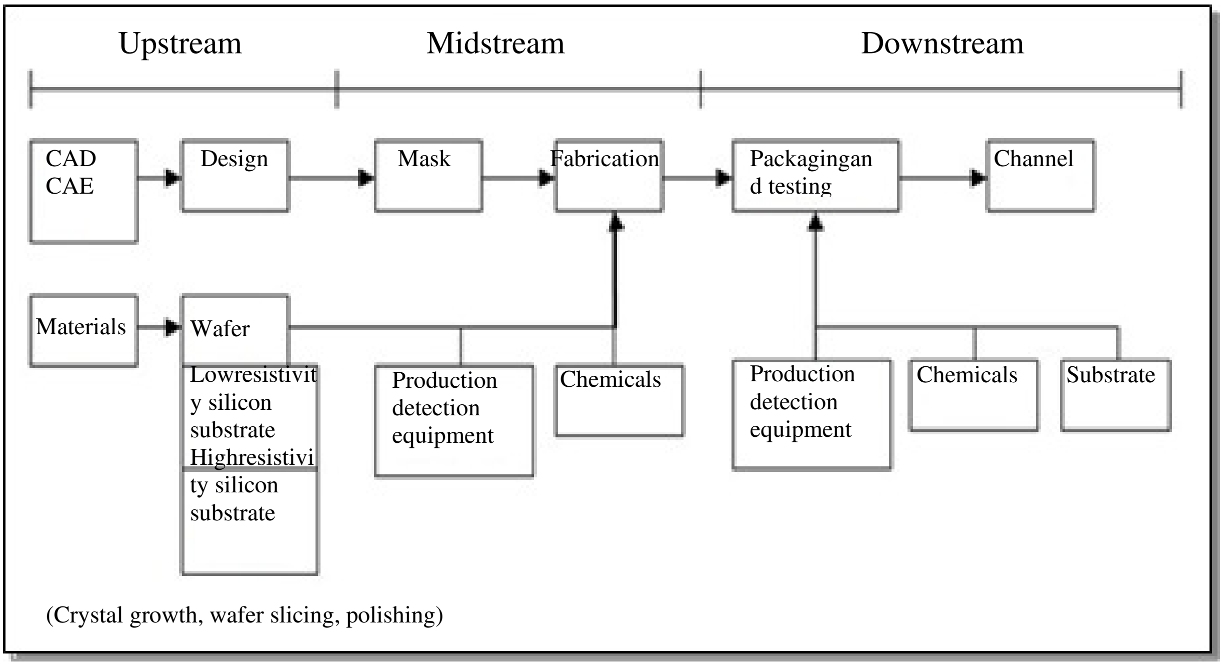
Data source: World Semiconductor Trade Statistics (WSTS) 11/2021

In terms of auto chip, the global automotive industry continues to develop towards the two major trends of electrification and intelligence. The global automotive market in the first half of 2021 was recovering from the bottom. The auto chip shortage continued to worsen starting from the second quarter. It is indicated by the research institute IC Insights that the main cause of severe auto chip shortage in 2021 is the surge in demand rather than the inability of semiconductor suppliers to ramp up production volume. The statistics of IC Insights reveal that the total shipment of auto chip in 2021 reaches 52.4 billion chips with YoY growth of 30%, which is far greater than the growth of overall semiconductor shipment at 22%. It is the highest growth of auto chip shipment since 2011. Despite the weakness caused by supply chain in the global auto market, the global sales of electric vehicles are still growing significantly. According to the statistics, the global sales of electric vehicles (including pure electric vehicles and plug-in hybrids) in 2020 is 3.239 million vehicles with an YoY growth of 46.6%. The research institute Canalys published the report indicating that the total global sales of electric vehicles (EVs) in 2021 is 6.5 million vehicles with a YoY growth of 109%.Major automakers have increased their investment in launching electric vehicles which drives the rapid growth of global penetration rate of electric vehicles. It is estimated by DIGITIMES Research that the global penetration rate of electric vehicles will surpass 32.8% in 2025.

Taiwan's control over advanced semiconductor processes technology has enhanced its geopolitical importance in recent year. Semiconductor has been recognized as the "Silicon Shield (Silicon refers to semiconductor)" protecting Taiwan. At the geopolitical level, China is eager to accomplish the national strategy of localization of semiconductors. The US government has restricted the imports of semiconductor and AI technologies to China, thus stalling its development of advanced semiconductor fabrication technology. On the other hand, due to the long-term semiconductor shortage all over the world, US, EU, and Japan are worried about the semiconductor production capacity being overly concentrated in Taiwan. Therefore, they have begun attracting investment based on the strong support of enterprises in order to diversify and strengthen the resilience of the semiconductor supply chain, which could weaken the advantages of Taiwan's semiconductor industry and compromise the effectiveness of "Semiconductor Shield". The sustainable competitiveness of Taiwan's semiconductor industry relies on leak prevention of its advanced semiconductor technologies.

The degree of future market recovery will to some extent depend on the effectiveness of governments' economic revitalization plans for stabilizing global economy, and the change of consumer behavior resulted from the speed and extent of consumer confidence rebuilding in the post-pandemic era. So far it is foreseeable that certain markets are still growing, including cloud data center, 5G, and automotive market, which are critical to the recovery of semiconductor business in 2022.

3. Correlation among upstream, midstream, and downstream of semiconductor industry



Data source: ITRI IT IS project; summarized by Wafer Works (3/2016)

4. Trends of end applications and product development

Even since 2020, “Epidemic Prevention at Home” has become the new hot topic of living all over the world. The growths of all relevant products are surrounding the end applications such as remote office, digital education, and e-sports entertainment at home. For example, the annual demand of NB market has grown from 150 million units in the past to a new level of 230 million units, thus leading to the tight supply of power management chips, display driver chips, Netcom chips, and audio chips.

Global 5G telecom operation services have been launched one after another, and the large-scale commercial use of 5G will drive the development of emerging applications in the fields of 5G mobile phones, base stations, VR/AR equipment, Industry 4.0, autonomous driving, and medical care. The three major 5G technology developments (enhanced mobile broadband, massive machine type communication, and ultra-reliable low latency communications) will help drive the large-scale commercial deployment of 5G network in the fields of AI, BigData, and cloud computing, which include the application scenarios such as emerging video games, VR/AR, AIoT, autonomous driving, smart cities, Industry 4.0 and medical imaging. The shortcomings of easy signal attenuation and short transmission distance of 5G base stations have forced operators to install at least three times the number of 4G base stations to achieve full coverage, which is bound to drive the demands for RF From End Module, RF devices for antenna module, and RF-SOI wafer. In addition, the 5G base station is based on the Antenna Massive MIMO(Multi-Input Multi-Output) architecture, and its power consumption of 2–3 times greater than 4G base station, so the power supply system architecture needs to be strengthened. And the AC-DC/DC-DC converter of the newly added Edge Cloud Server will required an exponentially increased number of LV/MV Power MOSFETs. The demand for these newly added silicon based power devices will be reflected in the demand for heavily doped silicon wafers.

The fusion of MEMS/sensor combined with AI and edge computing will make cell phones, automobiles, factories, cities, and families smarter. The market will demand smarter sensors with higher precision, lower power consumption, smaller dimension, higher reliability, and higher energy efficiency. It will create a huge demand for double-side polished (DSP) wafer and SOI wafer.

The development of global automotive industry continues to head towards the two major trends of electrification and intelligence. The policy of banning the sale of fuel vehicles urges international car manufacturers to actively switch to the development and production of electric vehicles. The most critical core technologies of electric vehicles are the three electricity (battery, motor, and electronic control) systems, which will lead to rather significant business opportunities. In terms of automotive and industrial control electronics, with the overall trends of safe driving, pure electric vehicles, and AIoT plus the continuously rising popularization rate of ADAS(Advanced Driver Assistance Systems)and the expectation of complete transition to fully autonomous driving, the share of automotive electronic devices in the semiconductor industry will continue to rise. The global sales of electric vehicles in 2021 grew by 109%. With major automakers stepping up their investment in electric vehicles, it is expected to drive the global penetration rate of electric vehicles to quickly exceed 32.8% by 2025, thus making battery materials, battery management systems (BMS), motors, charging guns/piles, central control systems, and all required electronic components and semiconductor devices (including MOSFET, IGBT, SiC MOSFET, and Power module) the favorite products for all market sectors. These gradually rising demands are closely related to the market status of supply shortage of heavily doped wafers.

In addition, the deepening and widening of consumer end product applications have expanded the scope of applications of power management chips, panel driver chips, and image and recognition chips, and resulted in the steady growth of demands for semiconductor devices and the corresponding silicon wafers. Ever since Q4 of 2019, 8-inch wafer foundries all over the world have been benefitted from the dramatically increased orders for large-scale panel driver ICs, power management chips, Time-of-Flight (ToF)sensing chips, imaging and recognition chips, and microcontrollers, and their production capacity utilization rates have been over 95% for an extended period of time; the shortage of new and second-handed 8-inch equipment on the market has become the bottleneck of 8-inch production capacity. This tight supply of the entire semiconductor supply chain has triggered the demands for various 8-inch lightly/heavily doped silicon wafers.

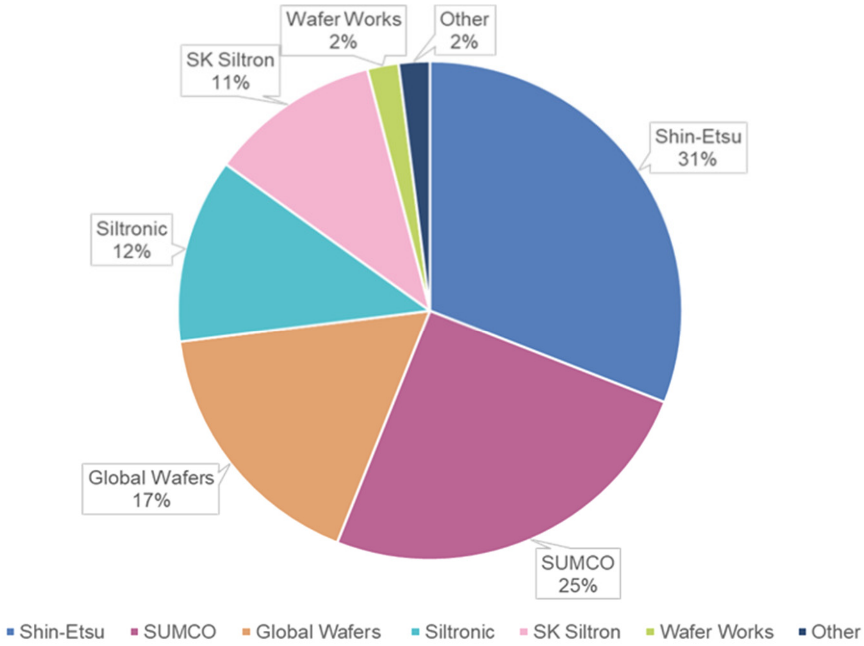
The development of diversified end applications relies on the iterative development of emerging technologies. The iterative promotion of emerging technologies such as AI, network communication, and edge computing allows much faster progress of recent technologies as compared to the conventional ICT technologies, so that they can sooner reach the level of commercial application. These new end product development trends will positively trigger new demands for electronic devices and further increase of demand for production capacity of silicon wafer plant, and boost the consumption of silicon wafers to stimulate the positive benefits of silicon industry development.

5. Horizontal competition

According to the statistics of Statista, the global market share of silicon wafer makers in 2021 remains unchanged, with Shin-Etsu(Japan), Sumco (Japan), Global Wafers (Taiwan), and Siltronic AG (Germany) ranked at the top. Wafer Works is ranked 6th in global market.

As for the shipment of ultra-low resistance heavily doped silicon wafers for power semiconductor devices, Wafer Works is ranked 2nd in the world, maintaining its position as the No. 1 maker of 8-inch red phosphorus doped wafers in the world. This is an indication of superior competitiveness and leading position of Wafer Works in this field. In addition to speed up the debottlenecking of production capacity, our Zhengzhou Plant and Shanghai Songjiang Plant were put in mass production in 2019 and 2021 respectively, so the total production output is expected to be increased after all our production capacities are fully launched, which shall increase the market share of the company.

Global Market Share of Silicon Wafer Makers in 2021



Data source: Omdia (Q1/2021)

(3)Technology and R&D overview

1. R&D expenses in the most recent year and up to the date of publication of annual report

Unit: NTD Thousand

Item/Year	2021	2022Q1
R&D expenses	687,152	206,430
Net operating income	10,341,276	3,037,670
R&D expenses as a percentage of net revenue (%)	6.64%	6.80%

2. Technologies or products successfully developed in the most recent year and up to the date of publication of annual report

   (1) 8-inch ultra-low resistivity silicon wafer (P-type and N-type)

   (2) 8-inch lightly doped low COP silicon wafer

   (3) 6-inch/8-inch double-side polished silicon wafer

   (4) 8-inch multi-element doped silicon wafer

(5) 6-inch/8-inch SOI wafer

(6) 8-inch ultra-low COP polished silicon wafer technology

(7) 12-inch epitaxy technology

3. Annual R&D plan, current progress, R&D expenses to be invested, and expected time of mass production

Unit: NTD thousand

Product or Technology	Expected completion of technology development	Current progress	Expected expenses to be invested
(1)12-inch low resistivity silicon wafer technology	December 2022	90% complete	19,800
(2)12-inch low COP silicon wafer technology	December 2022	70% complete	76,500
(3)8-inch ultra-low resistivity polished silicon wafer technology	June 2022	95% complete	7,500
(4)Project development related to the application of image sensing device CIS epitaxy material	December 2022	80% complete	55,000
(5)SOI epitaxy technology	December 2022	90% complete	7,600
(6)8-inch ultra-low resistivity crystal growth technology	December 2022	60% complete	53,000
(7)Development of AI/AO BigData automatic measurement system	December 2022	60% complete	26,000
(8)Development of silicon wafer suitable for GaN epitaxy	December 2022	55% complete	51,500

4. Major factors affecting the future success of R&D

(1) Establishment of R&D basic knowledge and protection of core technology capability

(2) Cultivation of talents with critical technologies and retention of talents with unique expertise

(3) Judgment of mid-to-long-term market and persistence of technology development roadmap

(4) Technological improvement and collaboration of R&D strategic partners

(5) Competitors gain a head start through merger and acquisition or technology purchase

(6) Accumulation and inheritance of R&D results and critical knowledge

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

1. Short-term development plan

(1) Objective: To become the world's leading maker of silicon wafer material of the products of focus (Power Discrete, Power Management IC, Analog IC & MEMS, SOI).

(2) Development strategies:

A. Active deployment of production capacity. The 8-inch production capacity of Longtan Plant will be enhanced by debottlenecking, and the production capacities of Zhengzhou Plant and new Shanghai Plant will continue to be enhanced to meet our customers' demands and to improve our market share.

B. Investment in the R&D and mass production of 12-inch ultra-low resistivity technology on the basis on 8-inch technology.

C. Active exploration of market share of P-type products to meet our customers' demands.

D. Securing the field of discrete device with continuous development of major international customers in the markets of Europe, US, Japan, and China.

E. Development of high-end silicon substrate and penetration into BSI CIS niche market to create products with high added values.

F. Urging customers to complete the certification in all plants of our group for the purpose of flexible scheduling of production capacity so that we can arrange the optimal production to reduce production cost.

2. Long-term development plan

(1) Objective: To become the customer-oriented silicon wafer supplier with total solution.

(2) Development strategies:

A. Achieving the objective of process optimization via unique production process flow and quality management system in order to improve production yield and quality stability.

B. Development of wafer materials and technologies with high energy efficiency in response to the trend of energy saving and environmental protection.

C. Enhancement of technology and R&D, and deep cultivation and mass production of high quality products.

D. Leading the development of market in China in conjunction with local resources and high market growth potential in order to seize business opportunities of local supply chain.

E. Close cooperation with world-class manufacturers to become their strategic partners and to increase our global market share.

F. Continuous focus on market trends and development of products for RF applications to strengthen our product lines.

2. Market and production/sales overview

(1) Market analysis

1. Sales (supply) areas of major commodities (services)

Unit: NTD thousand

Region	2020		2021	
	Amount	Proportion %	Amount	Proportion %
Taiwan	2,472,563	33.3%	3,002,631	29.0%
Mainland China (Including Hong Kong)	2,422,015	32.6%	3,544,739	34.3%
USA	658,692	8.9%	1,251,464	12.1%
Other country	1,868,259	25.2%	2,542,442	24.6%
Total	7,421,529	100.0%	10,341,276	100.0%

Data resource: Wafer Works Corporation 2022/03

2. Market share

According to global shipment of silicon wafers in 2021 provided by SEMI, among all shipments of polished wafers by Wafer Works in 2021, 4-inch wafers account for 25.7% of global market, 5-inch wafers account for 38.4% of global market, 6-inch wafers account for 11.4% of global market, and 8-inch wafers account for 6.5% of global market, indicating stable or growing trends of the market shares of various products.

Market Shares of the Products of Wafer Works in 2021

Unit: 1000 wafers/year

	4-inch	5-inch	6-inch	8-inch
Global shipment of polished wafers	1,960	3,664	26,093	52,445
Shipment of polished wafers by Wafer Works	504	1,405	2,979	3,435
Market share of global polished wafers accounted for by Wafer Works (%)	25.71%	38.35%	11.42%	6.55%

Note: the data source of “Global shipment of wafers” is SEMI, and the scope of statistics covers all major silicon wafer producers listed on SMG (Silicon Manufacturers' Group), so it may not totally reflect the actual market status of wafers of 6 inches or less.

3. Future supply-demand status and growth potential of the market

According to the statistics of SEMI, the total global shipment area of semiconductor silicon wafers in 2021 has exceeded that of 2020 and reached 14,165million square inch (MSI), indicating strong demands for 12-inch (300mm), 8-inch (200mm), and 6-inch (150mm) wafers. The total revenue reaches US$12.617 billion with a YoY growth of 14%, breaking the record of US$12.129 billion set in 2007. The global shipment of silicon wafers in 2022 is expected to grow by 5.1% as compared to 2021, and we can expect a new record every year for the next 3 years. Under this circumstance of increasing demand and limited supply, the silicon wafer industry will enter a golden growth period which will last several years.

Driven by the demands for new end applications such as electric vehicles, 5G, and server products and the increased stocking momentum of supply chain caused by the COVID-19 pandemic, the strong demand for 8-inch wafers in 2021 has resulted in a severe imbalance of supply and demand. The main stream products produced by 8-inch wafers include large-scale panel driver IC, image sensor (CIS), microcontroller unit (MCU), power management IC

(PMIC), power discrete devices (MOSFET, IGBT), and audio codec. In light of the shortage of 8-inch wafer, some IC designers began adjusting their designs to migrate some of their products to 12-inch in 2021. This trend had become more obvious after audio codec and PMIC with severe shortage switched to the 12-inch process.

TrendForce points out that, except for some PMICs which are made of 12-inch wafers, most main stream production processes still rely on 8-inch wafers. Currently some IC design houses have planned to gradually shift some products to the production based on 12-inch 90/55nm process. However, the production process conversion, development, and verification can be rather time consuming. With the limited total production capacities at current stage, this trend will not provide much help to relieve the short-term shortage of 8-inch wafer production capacity. It is expected to be effectively relieved after 2024.

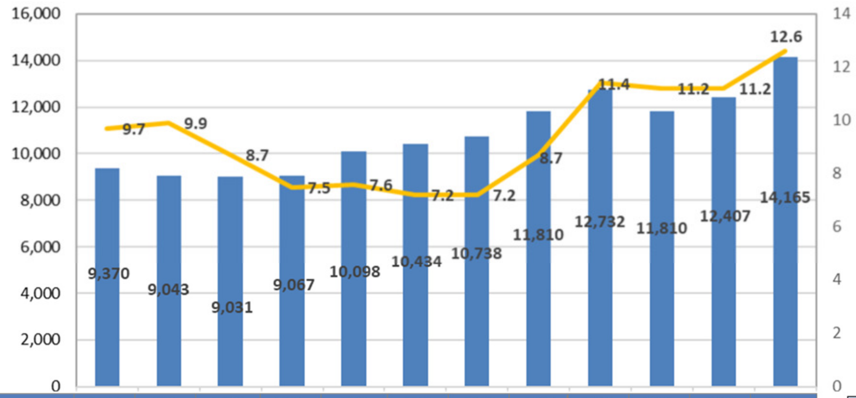
The CAGR of 12-inch equivalent production capacity of top 10 wafer foundries in the world is around 10% by 2025, and most of such growth is focused on the expansion of 12-inch wafer plant. In terms of 8-inch production capacity, the difficulty in equipment acquisition and the high expansion cost have limited most wafer foundries to production capacity optimization and small scale production expansion, so that the estimated CAGR is only 3.3%. As a result, the market status of 8-inch production capacity has been in a severe imbalance between supply and demand starting from the second half of 2019 until today.

Looking ahead to 2022, the semiconductor industry will benefit from the trend of emerging technology applications of 5G, HPC and electric vehicles. Gartner has predicted a 8% CAGR of global semiconductor market scale during 2020～25 and been optimistic about the super cycle of semiconductor silicon wafer industry. The overall supply shortage is expected to continue until 2024. A rise in 2022–2024 cumulative quotation of 12-inch silicon wafer is also expected, which shall support the long-term profit outlook for silicon wafer makers.

After experiencing the severe supply shortage in 2021, the global silicon wafer industry will launch large scale plant expansion plans. This wave of production capacity expansion is expected to be commissioned at the end of 2023 and in 2024. The global 12-inch wafer production capacities in 2022 and 2023 are expected to grow by 3.1％ and 3.5％ respectively, and it is expected to grow significantly by 9.7％ in 2024. By 2025 the total monthly production capacity of 12-inch silicon wafer is expected to reach 9.4 million wafers, which is 28% and 2.05 million wafers more than the monthly production capacity in 2021.

In addition to price increase, the results of recent negotiations of long term agreements (LTA) in silicon wafer industry also indicate longer periods of newly signed contracts, some of which are even longer than 5 years. In addition, the stronger demand has led to increased ratio of long-term supply, and the scope of long-term contract has been spread from 12-inch wafers to mid-to-small-size products. Analysts have been optimistic on the financial prospects of global silicon wafer industry in this super cycle. The performances of revenue and CAGR in 2021–23 are expected to surpass the mid-to-down-stream semiconductor industry chain.

Statistics and Future Forecast of 2021 Global Silicon Wafer Shipment Area



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Area Shipments (MSI)	9,370	9,043	9,031	9,067	10,098	10,434	10,738	11,810	12,732	11,810	12,407	14,165
Revenues ($Billion)	9.7	9.9	8.7	7.5	7.6	7.2	7.2	8.7	11.4	11.2	11.2	12.6
MSI Annual Growth(%)		-3.49%	-0.13%	0.40%	11.37%	3.33%	2.91%	9.98%	7.81%	-7.24%	5.06%	14.17%

Actual

	2022F	2023F	2024F
Area shipment (MSI)	14895.6	15587	16037.2
YOY (%)	6.4%	4.6%	2.9%

Estimated

Data source: SEMI, summarized by Wafer Works (2021/11)

4.Competitive niche

(1) Localization advantage

Wafer Works is equipped with superior localization advantage in the competition among silicon wafer suppliers all over the world. The total output value of professional wafer foundries of semiconductor industries in Taiwan and Mainland China has accounted for more than 70% of global market share. The two major production sites (Yangmei Plant and Longtan Plant) of Wafer Works in Taoyuan, Taiwan are less than 1 hour away from professional wafer foundries or other IDM plants, so we can be the excellent partners for our customers by quickly delivering the silicon wafer products to our customers. In Mainland China, there are several subsidiaries of Wafer Works, such as Wafer Works (Shanghai) Co., Ltd. and Wafer Works Epitaxial Corp., to quickly provide semiconductor manufacturers in Mainland China with various services; take Zhengzhou Plant as an example, after it was put in production in 2019, it has truly demonstrated the benefit of "local production and local supply" and timely seized the business opportunity of local supply chain of semiconductor industry in China, and it has continued to expand the market share of Wafer Works.

(2) Independent R&D and market development capabilities

Along with the trend of lighter, thinner, shorter, and smaller end consumer electronic products, manufacturers continue to introduce products featuring better power saving, low power, and fast data transmission to meet consumer needs. And semiconductor material providers must also provide silicon substrates meeting future trends to help device makers achieve optimal performance. Wafer Works Group is equipped with unique and independent production capability and over 20 years of production and management experience to meet our customers' needs.

In addition to the dedication to enhancing technology and quality of low resistivity silicon wafer product, since 2014 Wafer Works began providing our customers with P-type substrates for Logic/Analog IC and PMIC with quality and technology comparable to international manufacturers, making us one of the major suppliers of P-type substrate. In addition, the self-developed SOI chip introduced in 2017 was well-received among our customers, thus laying a solid foundation for entering MEMS market and taking an official step towards the RF market. In recent years we have been dedicated to the development of high end P-type substrates for CIS (CMOS Image Sensor) optical sensing devices and high end power management devices (PMIC). This product has been qualified by the certification and trial mass production by several customers.

(3) Global product service

Wafer Works has maintained good partnership with international top notch wafer foundries and IDMs. With the rapid changes in global silicon wafer end product applications, Wafer Works has been devoted to the cultivation of customer relationship since its founding in 1997 in order to develop new silicon wafer products in response to different customers' needs. So far Wafer Works has become one of the major silicon wafer product suppliers for international first class wafer foundries and IDMs. The end product applications of Wafer Works silicon wafer material range from discrete devices, power management devices, analog ICs, to MEMS, proving that Wafer Works is capable of meeting product needs of different customers. The customers of Wafer Works group are distributed all over the world, and we have professional sales teams in US, Europe, Asia, and Greater China to serve customers in different fields. Currently our company has established close strategic partnership with our international customers so that the shipment and technology enhancement of our group can grow with our customers to achieve a win-win situation.

5. Favorable, unfavorable factors, and responsive measures of development prospect

(1) Favorable factors

A. The main product of Wafer Works is the low resistivity heavily doped silicon wafer for power management IC and discrete power devices, which is the essential and critical material for this energy saving trend. Power management IC is capable of enhancing power conversion efficiency and increasing the service life of end device. The emergence of hand-held devices and wearable devices will drive the demand for power management devices.

B. Wafer Works owns the independent technologies of producing N-type ultra-low resistivity silicon wafer and P-type silicon wafer to meet the future development trends of power management IC, discrete power device, and CIS (CMOS Image Sensor).

C. Long-term cooperation with international first class IDMs in US and Europe, being in line with international standards, understanding the design of most advanced semiconductor in the world, and worldwide marketing with its own brand of "Wafer Works".

D. The semiconductor industry will continue to grow in the future, so the demand for 8-inch wafer is expected to remain strong. And the strengthening of subsidies for high-tech industries such as semiconductor industry in China's 14th Five-Year Plan is bound to further boost the demand for silicon wafers.

E. The center of global semiconductor product is located in Asia, and the significance of wafer foundries in Greater China continues to grow. The

HQ of Wafer Works is located in Taiwan, and we have the most advanced production bases on both sides of Taiwan Strait, granting us the excellent geographical advantage.

(2) Unfavorable factors and responsive measures

A. Rapid change of market demand and shortened delivery required by the customer

Responsive measures:

① Full awareness of customer demand and weekly production-sales coordination for adjustment of production capacity to meet the customer's delivery requirement.

② Process improvement for enhancing quality and yield.

B. Turbulent international situation, development of COVID-19 epidemic, and regional trade conflict resulted from geopolitics

Responsive measures:

① Global customer and business layout to reduce the impacts of regional trade frictions.

② Setting up production sites in multiple regions for flexible production scheduling to reduce possible epidemic impact.

C. For the product of small-volume large variety, the enhancement of production efficiency can be limited

Responsive measures:

① Automation of production management, strengthening of production-sales coordination, and flexible production adjustment.

② Concentrated production in batches to improve the delivery rate to meet customer needs.

D. Gross margin performance is limited by the factors of product combination, interest rate trend, and production cost

Responsive measures:

① Proper price adjustment according to the market supply-demand status to implement the market mechanism.

② Development of cost-effective polysilicon material sources.

③ Continuous process improvement and expansion of large-scale production lines to reduce production costs.

④ Development of niche product to enhance the added value.

E. New competitors from Mainland China

Responsive measures:

① Continuous improvement of technology R&D and patent layout to raise the technology barrier.

② Continuous enhancement of quality and yield to secure market position.

③ Maintaining cooperation with major international manufacturers to improve our technology.

④ Development of new generation power semiconductor materials (SiC, GaN)

(2) Important applications and production processes of the main product

1. Important applications of the main product

Product Name	Important Applications
Semiconductor grade silicon wafer and silicon ingot	Silicon wafer is the most important raw material for semiconductor industry. Through proper design and processing (such as diffusion, etching, and developing), it can be made into various electronic devices, including various memories, analog IC, power devices, and MEMS devices. These electronic devices are widely used in daily life, such as microprocessor, power management IC, LED Driver IC,CCD, and CIS.

2. Production process
   Semiconductor product
   Crystal Growth roductmost important raw material for semiconductor industry.
   Through proper design and processing (such as diffusion, etching, and developing

(3) Supply status of main raw materials

Main raw material	Supplier	Supply status
Polysilicon	World renowned maker	Good
Grinding powder and slurry	World renowned maker	Good
Crucible	World renowned maker	Good

(4) Names of customers with more than 10% of total purchase (sales) in either of the last two years, the ratios of these purchase (sales) amounts, and the reasons for changes in them

1. The information of major suppliers accounting for more than 10% of total purchase in either of the recent most two years

Unit: NTD thousand

Item	2020				2021				As of Q1 of 2022			
	Name	amount	Percentage to annual net purchases (%)	Relationship with the issuer	Name	amount	Percentage to annual net purchases (%)	Relationship with the issuer	Name	amount	Percentage of net purchased as of Q1 of the current year (%)	Relationship with the issuer
1	A	380,199	14.35%	None	A	473,989	13.46%	None	A	81,998	14.25%	None
2	Other	2,269,035	85.65%	None	Other	3,046,486	86.54%	None	Other	493,416	85.75%	None
	Net purchase	2,649,234	100.00%	—	Net purchase	3,520,475	100.00%	—	Net purchase	575,414	100.00%	—

2. The information of major customers accounting for more than 10% of total sales in either of the recent most two years

Unit: NTD thousand

Item	2020				2021				As of Q1 of 2022			
	Name	Amount	Percentage to annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage to annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage to annual net sales (%)	Relationship with the issuer
1	B	885,481	11.93	None	B	1,106,825	10.70	None	-	-	-	None
2	Other	6,536,048	88.07	None	Other	9,234,451	89.30	None	Other	3,037,670	100.00	None
	Net sales	7,421,529	100.00	–	Net sales	10,341,276	100.00	–	Net sales	3,037,670	100.00	–

(5) Production volume and value in the recent most two years

Unit: NTD thousand; 1,000 pieces

Year / Production volume and value / Main products	2020			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Semiconductor products	12,498	9,330	5,963,292	14,941	14,081	7,300,394
Other	-	-	-	-	-	-
Total	-	-	5,963,292	-	-	7,300,394

Note 1: The production capacity refers to the total production volume under normal operation based on existing production equipment after evaluation of all factors such as necessary operation suspension and holidays.

Note 2: If the production of each product is substitutable, the production capacity may be calculated on a consolidated basis with explanation in the attachment.

Note 3: The production capacity and production volume of semiconductor products are equivalent to those of 6-inch products.

The production volumes and production capacities of our company and subsidiaries have been showing the growing trend mainly due to the factors of production process optimization and skilled personnel operation.

(6) Sales volumes and value over the recent most two years

Unit: NTD thousand, 1,000 pieces

Year / Sales volume and value / Main product	2020				2021			
	Domestic sales		International sales		Domestic sales		International sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Semiconductor products	3,579	2,471,498	7,336	4,948,966	7,080	4,685,951	7,987	5,653,464
Other	–	1,065	–	–	–	1,861	–	–
Total	–	2,472,563	–	4,948,966	–	4,687,812	–	5,653,464

Note 1: The sales volume of semiconductor products is equivalent to the sales volume of 6-inch products.

Note 2: Other types of products include sapphire ingot.

The changes in the product specific sales volumes and value of our company and subsidiaries are resulted from the changes in market demand. The increase in sales volume in recent years is mainly due to proper domestic and international marketing strategies.

3. Information of employees in the last two years and up to the date of publication of the annual report

Year		2020	2021	March 31, 2022
Number of employees	Managerial personnel	563	572	545
	R&D technical personnel	483	533	552
	Operators	938	1,102	1,153
	Total	1,984	2,207	2,250
Average age		36.6	36.4	36.4
Average seniority		4.6	4.4	4.4
Proportion by educational level (%)	PhD	1.1	0.3	1.5
	Master's degree	6.5	5.6	5.5
	College and university	47.0	51.4	50.6
	Senior high school	28.9	24.2	24.1
	Below senior high school	16.5	18.5	18.3

4. Environmental protection expenditures information

(1) Losses (including compensation and the violation of environmental protection laws and regulations indicated in the environmental protection audit) suffered by our company due to environmental pollution in the recent year and up to the date of publication of the annual report, the total amount of penalty fine, and the future responsive measures (including improvement measures) and possible expenditures (including the possible loss due to failure in taking responsive measure, the estimated amount of penalty fine and compensation. If it cannot be reasonably estimated, the fact of failure in reasonable estimation shall be explained): in 2021 Wafer Works did not suffer any loss due to environmental pollution or the violation of environmental protection laws and regulations indicated in the environmental protection audit.

(2) Environmental management and occupational safety and health

1. Environmental management

Our company emphasizes various pollution prevention and control works. In order to reduce the environmental impact, we have invested a huge amount of budget in pollution prevention and control facilities and dedicated personnel while providing external trainings for acquisition of relevant licenses so that they can be in charge of various pollution prevention and control facilities. Our company will continue to be certified by ISO-14001 and the environmental management system every year as our management foundation to grant our company more systematic and sustainable management and improvement.

(1) Based on fulfillment of the responsibility of sustainable environmental protection, our company carried out ISO14064 greenhouse gas inventory every year, including a series of activities of scoping, identification of emission sources, quality management of activity data, inventory of emissions, and internal audit. The verification is completed via third party verification institution, and the registration on the greenhouse gas registration platform of EPA is completed every year.

(2) Supported by the management level, our company continues to set annual environmental protection targets of energy saving, resources saving, and emission reduction to constantly move towards the visions of environmental protection, continuous improvement, and sustainable operation.

2. Occupational safety and health

Based on ISO45001 occupational safety and health management system, we have further strengthened system administration work place safety mechanism, established good communication channels, and enhanced the interactions among stakeholders such as employees and contractors. The specific implementation measures as shown below:

(1) General safety and health training and hazardous substances general educational training will be implemented in advance for new employees and employees of job transfer.

(2) Personal safety protection equipment shall be prepared according to the characteristics of operation site, and the wearing of such equipment shall be mandatory for our employees. And there shall be enhanced audit on this requirement.

(3) Enhancement of emergency response educational training and drills for our employees and continuous improvement and implementation of emergency response drills, including quick response to accidents, disaster recovery, and the emergence response procedures for potential disaster.

(4) Implementation of management, safety and health educational training, construction application, application for dangerous operation, and pre-manipulation hazard notice for contractors with irregular construction audits in order to ensure operation safety.

(5) The operation environment test will be implemented once every six months, and the result must be in compliance with laws and regulations to ensure the health of our employees.

(6) Annual occupational disaster prevention plan shall be formulated along with the detailed implementation plan, and it shall be surely implemented according to the schedule and content of such plan. And there shall be audit system to figure out the implementation deficiency for plan modification.

(7) The automatic inspection shall be implemented to discover potential hazards and to carry out improvement.

(8) The environment, safety and health risks of all new chemical substances shall be evaluated before use, and it must be ensured that these risks are under effective control via construction protection, personal protective gear, and safe operation educational training.

3. Track record of environment, safety and health management system certification

Name of Certificate	Certification Company
ISO 14001	UL
ISO 45001	UL
ISO 50001	SGS

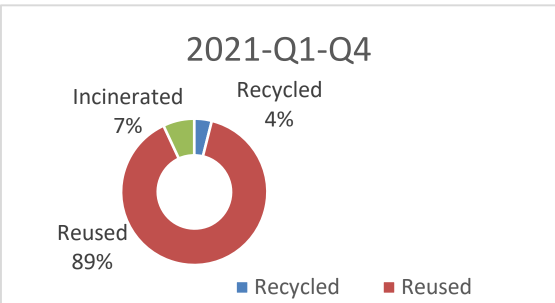
(3) Waste management

Our company adheres to the recycling model of circular economy. For the purpose of reduction of waste management source and circular economy, our company carried out BS8001 circular economy certification in 2021 and achieved the business model maturity: optimization (Certification institute: SGS). We will continue to dedicate our effort to the waste reduction and recycle.

Wafer Works already has a complete waste disposal and recycle mechanism in place. General wastes are moved by qualified garbage collectors to the incinerators designated by government. The industrial wastes, such as sludge and oil sludge, are classified and collected before handed over to local qualified waste disposal service providers. The waste disposal methods of Wafer Works can be divided into resource waste, general industrial waste to be incinerated, and general industrial waste to be recycled. The generation of various wastes in2020–2021 is as shown in the table below:

Year	Total generation of wastes in 2020	Total generation of wastes in 2021
Type	Weight (ton/year)	Weight (ton/year)
Resource waste	153.58	135.62
General industrial waste (to be incinerated)	258.62	244.56
General industrial waste (to be recycled)	3,031.67	3,258.66
Hazardous industrial waste	41.52	50.69
Total	3,485.39	3,689.53

Wafer Works is oriented to the recycling action of pollution reduction and waste reclamation. The main source of hazardous industrial wastes of Wafer Works is the empty tank previously filled with chemicals during the production process. In 2021, all hazardous industrial wastes were disposed based on the cooperation with waste disposal service provide via the recycling and reclamation procedure of cleaning→ neutralization→ testing→ qualification→ shattering→plastics before getting approval of individual case of recycling by competent authority; as shown in the figure below, the recycled and reused wastes of Wafer Works account for 89% of all general industrial wastes.



5. Labor-management relationship

(1) Various welfare measures, further education, training, and retirement system for our employees and the implementation situations, labor management agreements, and various employee rights and interests maintenance measures of our company:

1. Complete and diversified welfare system

Adhering to the belief that employees are our important assets, Wafer Works has planned complete and diversified benefits to attract and retain outstanding talents.

(1) Flexible working hours

(2) Annual leave for new employee

(3) Stock option for employee

(4) Festival bonus

(5) Distribution of cash remuneration for employees (employee bonus)

(6) Rewards for long-term employees

(7) Gift certificates

(8) Employee medical room

(9) Meal allowance

(10)Comprehensive welfare:

(11) Year-end party

(12) Free group insurance for employees (life insurance, injury insurance, accident insurance, medical insurance, hospitalization, cancer insurance, and occupational disaster)/dependents' preferential self-pay insurance

(13) Employee activity facilitie

2. Advanced study and training

The company attaches great importance to talent training and regards talents as important assets of the company. In order to enable employees at all levels to fully understand the content and professional knowledge of the tasks undertaken and to continue absorbing new knowledge, enriching skills, improving work performance and quality, and then increasing production capacity and strengthening the ability to prevent occupational disasters, the Group has established training management measures and language proficiency training management measures, so as to achieve the goal of continuously improving the competitiveness of the company. The training expenses in 2021 totaled NT$2,065,240.

The training types are divided into:
A.Newcomer cultivation
B.Core technology
C.Professional capabilities by department
D.OJT practice training
E.Certification/multiple skills
F.Quality and efficiency
G.Good leadership
H.Language training
I.Core general knowledge.

The 2021 training results are as follows:

Name of course	Number of courses	Total participants	Total hours	Total expenses (NTD thousand)
Cultivation of new employee	18	719	1,985	2,065
Core technology	67	3,576	5,241.5	
Professional job function of department	86	507	1,122.5	
OJT practical training	44	222	919.5	
Certified/multi-tasker	280	2,868	12,849	
Quality efficiency	56	2,216	2,535	
Leadership	6	276	455	
Language training	11	219	430	
Core general education	10	1,894	2,287.5	
Total	578	12,497	27,825	

3. Retirement system

Our company has formulated the pension scheme according to the Labor Standards Act, and set up Labor Pension Reserve Supervisory Committee in 1999 based on the approval by Letter 88-Fu-lao-tung-tzu-ti-055925 of Taoyuan County Government to allocate labor pension fund to the special account of Bank of Taiwan every month from 1999 to be saved and to arrange employee retirement matters; starting from July 1, 2005, our company allocated 6% of monthly salary to labor personal account of Bureau of Labor Insurance according to the Regulations of New Labor Pension System. The retirement scheme for employees of foreign subsidiaries shall be subject to local laws and regulations.

4. Labor management agreement and various measures for maintenance of employees rights and interests

Since the founding of our company, the labor management relationship has always been harmonious, and the rights and interests and obligations of both parties have been subject to our company’s work rules and implementation and management rules for labor management meeting. The labor management meeting has been convened every quarter to ensure the rights and interests of our employees. A total of 5 labor management meetings were convened in 2021for discussion of major labor issues and the election for annual model labor, and a total of 15 model labors were elected in 2021.

Even though there is no union in our company, our labor and management representatives have been actively participating, discussing, and negotiating adjustment of overall labor conditions, system advocacy, and mutual benefits of labor and management of our company, so there has not been any labor management dispute. However, if there is any major operational change which could affect our employees, a prior notice will be issued to all our employees in accordance with the Labor Standards Act.

(2) The losses suffered from labor management dispute in the most recent year and up to the date of publication of annual report (including the violation of Labor Standards Act during labor inspection, where the date of punishment, code of punishment, clause of violated law or regulation, content of violation, and content of punishment), and the disclosure of current and future possible estimated amount and responsive measures. If

it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained:

Our company has established complete management system and open communication channels so that our labor management relationship has been harmonious without any major labor management dispute.

(3) Employee code of conduct or ethics

1. Our company has formulated "RBA Regulation of Business Ethics" to serve as the criteria for the conducts of managers and employees of Wafer Works. We are committed to promote company governance with high ethical standards, engage in business activities in accordance with the principles of fairness, honesty, trustworthiness and transparency, improve the behavioral quality of all employees, regulate employees' professional capabilities and moral judgment during business performance in order to maintain our company's assets, rights and interests, and image; it is also required that our employees are obliged to create maximum benefits for our company within the legal scope, and also responsible for damage or loss. They shall jointly maintain our company's reputation in order to win over the respect and trust of customers, suppliers, and industry in order to ensure our company's sustainable operation and development. The main content of this regulation includes:
   (1) Principle of good faith: faithfully performing the tasks assigned by our company with integrity as the highest ethical standard.
   (2) Respect for individuals and customers: respect and strict protection of individual and customers' privacy, and fair treatment for our customers.
   (3) Avoidance of conflicts of interest: details of involvement of activities with potential conflicts of company's interest shall be disclosed to Chairman and President for approval and reported to the Audit Department in advance.
   (4) Gifts and business hospitality: all our employees and their families are not allowed to accept gifts (except for wedding and funerals)or kickbacks or other unlawful interests from our customers and suppliers.
   (5) Facilitation payment: our company must not offer or promise any facilitation payment.
   (6) Complete, proper, correct, timely, and understandable disclosure of information.
   (7) Reporting, Protection and Immunity: Any violation of government laws and regulations, code of ethics or fraud should be reported to the appropriate person by name and email.
   (8) Corporate social responsibility: our company shall fulfill our corporate social responsibility and protect the rights and interests of our employees.
2. In addition to official announcement in the ISO document of our group, RBA Regulation of Business Ethics will also be actively advocated to all our employees so that they can all comply with these measures and clearly understand the code of conduct.
3. In addition to making our employees aware of and comply with this regulation, any behavior worthy of encouragement or punishment shall be subject to our company's reward and punishment management measures.

(4) Human right policy

For the purposes of fulfilling corporate social responsibility, protecting basic human rights of our entire staff, customers, and stakeholders, being compliance with the principles promulgated in the international human rights conventions such as “United Nations Universal Declaration of Human Rights”, “United Nations Guiding Principles on Business and Human Right”, “United Nations Global Compact”, “United Nations International Labour Organization”, and “Code of Conduct of Responsible Business Alliance”, and respecting internationally recognized basic human rights (including freedom of association, caring for disadvantaged groups, banning child labor, eliminating all forms of forced labor, and eliminating employment discrimination), we have formulated the “Employee Appointment Management Measures”, complied with local labor laws and regulations, and implemented relevant training courses for all our employees in order to enhance their awareness of human rights.

In 2021, our company proposed the “RBA Management Policy” with respect to “Human Rights” of “Including Workplace”. Under the core value of “Commitment”, we regard employees as our most important assets and we provide meaningful work, safety and health workplace, and superior salaries and welfare; meanwhile, we organize regular “Sexual Harassment and Bullying Prevention” courses. In the future we will further implement our company’s “Human Rights Policy” in accordance with aforementioned international human rights standards.

1. Compliance with domestic labor laws and regulation, international human rights and labor standards, and RBA code of conduct to protect the rights and interests of our employees.
2. Banning the use of child labor and establishing protective measures against misuse of child labor.
3. Meeting the regulations on working hours and wages: providing wages and welfare meeting the laws and regulations while sticking to the working hour management standards. All overtime work must be voluntary.
4. Providing our employees with safe, healthy, and comfortable workplace to promote healthy physical and mental development.
5. No forced labor. All laborers retain the right to resign or terminate their labor contracts at any time. They must be treated humanely, instead of being punished harshly.
6. There must not be any discrimination or harassment or discriminatory treatment due to race, color, class, language, ideology, religion, party affiliation, group background, veteran status, place or origin, place of birth, gender, sexual orientation, gender identity and expression, age, marriage, appearance, facial features, pregnancy, disability status, or protected genes.
7. Respect for our employees’ rights of collective negotiation, free association, and participation in various peaceful assemblies.
8. Providing professional knowledge and skills required by all job positions in order to strengthen organizational competitiveness and to improve career planning.

6. Information and communication security management

(1) Our company’s information and communication security management architecture, information and communication security policy, specific management plans and resources invested in information and communication security management

1.Information and communication security risk management architecture

Our company has established the Information Security Committee chaired by our President. Top supervisors of all departments are convened to serve as the members of this committee, including production, technology, sales, materials, human resources, industrial safety, quality assurance, accounting, administration, and information supervisors, to jointly review and promote various action plans for enhancing information security protection, to convene information security committee meeting regularly or upon occurrence of major abnormality, to carry out internal audit and external assessment and monitoring, and to regularly report to the Audit Committee and the board of directors.

2.Information and communication security policy

Our company has formulated the Information and Communication Security Policy Management Measures and relevant operation rules in accordance with the regulation of Information Security Management System (ISMS). The Information Department is in charge of implementing the risk assessment and analysis of the establishment of information and communication security regulations, research on system security requirements, and response for management and protection. It shall also work with Sales Department for review, improvement, and enhancement, and organize educational training courses and information security policy advocacy on computer login screen to improve our employees' awareness of information security.

3.Specific management plans

(1)Active review and amendment of our company's information and communication security policy and information security management measures, including emergency reporting and emergence response procedures.

(2)Incorporation of information security defense technology and enhancement of information security control mechanisms, including:

A. Regular information assets inventory and information security vulnerability risk assessment.

B. Using the next generation firewall to strengthen the access control and to prevent virus from spreading across internal and external networks and across factories and regions.

C. Strengthening update of anti-virus software and computer virus scan mechanism.

D. Incorporation of confidential information leakage protection tools for classified control of our company's data and documents and enhancement of mail transmission security.

E. Incorporation of the defense mechanism against malicious attack from email social engineering and phishing website.

F. Establishing equipment entry virus scan mechanism to prevent the intrusion of software containing malicious virus.

G. Establishing critical system backup and dual-backup mechanism to reduce the risk and threat of operation interruption.

(3) Assurance of confidentiality, integrity and availability of our company's core business and important information assets, including strengthening our company's protection of trade secrets, customers' confidential information,

supplier contract terms, and personal information of employees and shareholders, and continuous enhancement of our company's information security and confidential information protective measures and management mechanisms.

(4)Utilizing PDCA method to continuously carry out review and improvement of various information security defenses while regularly reporting to the Information Security Committee on the implementation effectiveness and enhancement and improvement plans

P(Plan): formulation of information security risk assessment and improvement plan.

D(Do): strengthening of defense technology, including network, system, account permission, confidential and personal information, and data center access control and physical security.

C(Check): carrying our various drills of attack simulations to test our employees' information security alertness, and to monitor, assess, and inspect information security weakness for improvement.

A(Action): information security advocacy, reporting and handling of violation of information security, implementation of various improvement action plans, and evaluation of continuous improvement.

4.Resources invested in information and communication security management

(1)Preparation of information security special budget, expansion of dedicated information security manpower, professional skill training, assessment of purchase of innovative technical tools, information security consultation, health examination and risk assessment by professional consultant, and enhancement of information security protective capability.

(2)Planning for acquiring ISO/IEC 27001 international information security management system certification, and establishing a complete Information Security Management System (ISMS) in accordance with "Information and Communication Security Control Guidelines for Publicly Listed Company" and "SEMI Wafer Equipment Information Security Standard".

(3)Applying for the membership of Taiwan Computer Emergency Response Team/Coordination Center(TWCERT/CC) and Science Park - Information Sharing and Analysis Center (SP-ISAC)for effectively reception and transmission of information security information, consultation and coordination of information security, and enhancement of resources supporting the crisis management of abnormal event.

(2) The losses, possible impacts, and responsive measures resulted from major information and communication security event in the most recent year and up to the date of publication of annual report shall be specified. If they cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained.

There has not been any major information and communication security event in the most recent year and up to the date of publication of annual report. However, we still prepare proper budget to strengthen information security technology and to enhance protective capability in order to reduce the risk of attack by malicious software.

7. Important contracts: supply and sales contract, technical cooperation contract, construction contract, long-term loan contract, and other important contracts which could affect shareholders' rights and interests which are valid up to the date of publication of annual report and expired in the most recent year.

Contract nature	Litigant	Contract start/end date	Main content	Restriction term
Supplier contract	E	2018.07.03–2022.06.30	On-site gas supply	None
Sales contract	D	2018.01.01–2023.12.31	Product sales	None
Long-term loan contract	Land Bank of Taiwan	2019.12.25–2024.12.24	Joint bank credit granting	(Note)

Note: (1) Our company signed the joint credit extension contract with Land Bank of Taiwan and 7 other banks on December 25, 2019 to acquire the loan commitment of NTD3,000,000 thousand; according to the contract, our company shall maintain a specific current ratio, debt ratio, interest coverage ratio and a certain amount of net worth in the annual consolidated financial statement during the loan period.

(2) The use periods of various credits of such credit extension: the credit extension A starts from the date of signing of credit extension contract and ends three months later, and the credit extension B is valid 5 years from the date of first use.

VI. Financial Status

1. Condensed Financial Information for the Most Recent five Years

(1) Adoption of IFRS Financial Information

1. Condensed Balance Sheet －IFRS(Consolidated)

Unit: NTD thousand

Item / Year		Financial information for the most recent five years					Financial information of March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		7,871,873	9,114,948	9,575,144	8,474,544	11,746,265	12,123,311
Property, plant and equipment		6,266,890	8,345,116	10,066,137	13,184,391	13,402,062	13,799,669
Intangible assets		22,187	6,689	25,078	51,542	49,357	50,419
Other assets		1,847,654	2,017,350	2,600,905	1,783,415	2,160,013	2,409,991
Total assets		16,008,604	19,484,103	22,267,264	23,493,892	27,357,697	28,383,390
Current liabilities	Before distribution	5,185,495	3,207,686	3,991,229	4,794,576	4,943,226	4,962,827
	After distribution	5,377,854	4,484,932	4,910,846	5,356,564	(Note 1)	(Note 2)
Non-current liabilities		984,057	3,438,563	5,298,085	5,645,808	5,733,269	5,653,754
Total liabilities	Before distribution	6,169,552	6,646,249	9,289,314	10,440,384	10,676,495	10,616,581
	After distribution	6,361,911	7,923,495	10,208,931	11,002,372	(Note 1)	(Note 2)
Equity attributable to owners of the parent		6,682,873	9,396,825	9,281,016	9,085,451	11,460,030	12,123,435
Share capital		4,803,563	5,108,984	5,108,984	5,108,984	5,409,336	5,409,336
Capital surplus		1,651,579	2,541,916	2,641,147	2,641,147	4,147,189	4,147,189
Retained earnings	Before distribution	452,718	2,174,242	2,124,465	1,719,213	2,229,962	2,716,835
	After distribution	260,359	896,996	1,204,848	1,157,225	(Note 1)	(Note 2)
Other Equity		(224,987)	(428,317)	(593,580)	(383,893)	(326,457)	(149,925)
Treasury share		—	—	—	—	—	—
Non-controlling interest		3,156,179	3,441,029	3,696,934	3,968,057	5,221,172	5,643,374
Total Equity	Before distribution	9,839,052	12,837,854	12,977,950	13,053,508	16,681,202	17,766,809
	After distribution	9,646,693	11,560,608	12,058,333	12,491,520	(Note 1)	(Note 2)

Data Source: Financial reports audited and attested or reviewed by CPAs.

Note 1: The aforementioned figures after distribution are filled in according to the resolution of the shareholders’ meeting. The 2021 earnings distribution has not yet been approved by the shareholders’ meeting.

Note 2: The aforementioned figures after distribution are filled in according to the resolution of the shareholders' meeting. The 2022 earnings distribution has not yet been approved by the shareholders’ meeting.

2. Condensed Statement of Comprehensive Income－IFRS (Consolidated)

Unit: NTD thousand

Item \ Year	Financial information for the most recent five years					Financial information of March 31, 2022
	2017	2018	2019	2020	2021	
Operating revenue	6,376,511	9,205,258	7,676,573	7,421,529	10,341,276	3,037,670
Operating gross profit(Note 1)	1,529,273	3,415,471	2,662,347	2,013,886	3,618,280	1,315,790
Operating profit or loss	632,179	2,239,147	1,304,994	734,327	1,989,504	860,463
Non-operating income and expenses	(157,828)	137,313	244,767	197,224	(120,592)	16,462
Profit (loss) before tax	474,351	2,376,460	1,549,761	931,551	1,868,912	876,925
Net profit (loss) of continued operations for the year	456,332	2,274,235	1,316,154	690,966	1,541,477	698,019
Loss of discontinued operations	—	—	—	—	—	—
Net profit (loss) for the year	456,332	2,274,235	1,316,154	690,966	1,541,477	698,019
Other comprehensive income for the year (income after tax)	71,267	(278,832)	(317,702)	267,237	58,520	382,707
Total comprehensive income for the year	527,599	1,995,403	998,452	958,203	1,599,997	1,080,726
Net profit attributable to owners of the parent	300,791	1,908,851	1,232,201	518,718	1,050,572	486,873
Net profit attributable to non-controlling interest	155,541	365,384	83,953	172,248	490,905	211,146
Comprehensive income attributable to owners of the parent	332,227	1,710,553	1,062,206	724,052	1,130,173	663,405
Comprehensive income attributable to non-controlling interest	195,372	284,850	(63,754)	234,151	469,824	417,321
Earnings Per Share (NTD) (Note 2)	0.67	3.80	2.41	1.02	2.02	0.90

Data Source: Financial reports audited and attested or reviewed by CPAs.

3. Condensed Balance Sheet－IFRS(Parent company only)

Unit: NTD thousand

Item \ Year		Financial information for the most recent five years					As of March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		3,488,383	5,814,924	5,458,871	4,607,758	6,779,543	—
Property, plant and equipment		3,730,244	3,920,719	3,812,595	3,845,943	3,885,107	—
Intangible assets		3,998	352	6,393	6,667	6,098	—
Other assets		4,591,920	4,446,160	4,251,760	4,501,721	5,404,431	—
Total assets		11,814,545	14,182,155	13,529,619	12,962,089	16,075,179	—
Current liabilities	Before distribution	4,161,970	2,341,460	2,129,682	1,609,889	1,915,048	—
	After distribution	4,354,329	3,618,706	3,049,299	2,171,877	(Note)	Not applicable —
Non-current liabilities		969,702	2,443,870	2,118,921	2,266,749	2,700,101	—
Total liabilities	Before distribution	5,131,672	4,785,330	4,248,603	3,876,638	4,615,149	—
	After distribution	5,324,031	6,062,576	5,168,220	4,438,626	(Note)	—
Equity attributable to owners of the parent		6,682,873	9,396,825	9,281,016	9,085,451	11,460,030	—
Share capital		4,803,5563	5,108,984	5,108,984	5,108,984	5,409,336	—
Capital surplus		1,651,579	2,541,916	2,641,147	2,641,147	4,147,189	—
Retained earnings	Before distribution	452,718	2,174,242	2,124,465	1,719,213	2,229,962	—
	After distribution	260,359	896,996	1,204,848	1,157,225	(Note)	—
Other Equity		(224,987)	(428,317)	(593,580)	(383,893)	(326,457)	—
Treasury share		—	—	—	—	—	—
Non-controlling interest		—	—	—	—	—	—
Total Equity	Before distribution	6,682,873	9,396,825	9,281,016	9,085,451	11,460,030	—
	After distribution	6,490,514	8,119,579	8,361,399	8,523,463	(Note)	—

Data Source: Financial reports audited and attested by CPAs.

Note: The aforementioned figures after distribution are filled in according to the resolution of the shareholders' meeting. The 2021 earnings distribution has not yet been approved by the shareholders' meeting.

4. Condensed Statements of Comprehensive Income－IFRS(Parent company only)

Unit: NTD thousand

Item \ Year	Financial information for the most recent five years					Financial information of March 31, 2022
	2017	2018	2019	2020	2021	
Operating revenue	5,110,952	7,597,267	6,820,930	5,135,703	5,910,694	—
Operating gross profit(Note 1)	679,951	2,185,143	1,975,672	987,801	1,405,960	—
Operating profit or loss	313,553	1,731,063	1,517,153	479,119	762,999	—
Non-operating income and expenses	(12,762)	203,681	(150,477)	138,398	441,573	—
Profit (loss) before tax	300,791	1,934,744	1,366,676	617,517	1,204,572	—
Net profit (loss) of continued operations for the year	300,791	1,908,851	1,232,201	518,718	1,050,572	—
Loss of discontinued operations	—	—	—	—	—	—
Net profit (loss) for the year	300,791	1,908,851	1,232,201	518,718	1,050,572	Not applicable —
Other comprehensive income for the year (income after tax)	31,436	(198,298)	(169,995)	205,334	79,601	—
Total comprehensive income for the year	332,227	1,710,553	1,062,206	724,052	1,130,173	—
Net profit attributable to owners of the parent	300,791	1,908,851	1,232,201	518,718	1,050,572	—
Net profit attributable to non-controlling interest	—	—	—	—	—	—
Comprehensive income attributable to owners of the parent	332,227	1,710,553	1,062,206	724,052	1,130,173	—
Comprehensive income attributable to non-controlling interest	—	—	—	—	—	—
Earnings Per Share (NTD)	0.67	3.80	2.41	1.02	2.02	—

Data Source: Financial reports audited and attested by CPAs.

Note 1: Operating gross profit is the amount including realized (unrealized) sales profit and loss

(2) Financial information adopting R.O.C. Enterprise Accounting Standard

1. Condensed Balance Sheets－R.O.C. Enterprise Accounting Standard (Consolidated): Not applicable
2. Condensed Statements of Comprehensive Income－R.O.C. Enterprise Accounting Standard (Consolidated): Not applicable
3. Condensed Balance Sheets－R.O.C. Enterprise Accounting Standard (Parent company only): Not applicable
4. Condensed Statements of Comprehensive Income－R.O.C. Enterprise Accounting Standard (Parent company only): Not applicable

(3) The names of CPA conducting financial audits in the Most Recent five Years and their audit opinions

Year	Accounting Firm	Names of CPAs	Audit opinions
2017	Ernst & Young	Hsiao-Chin, Lo; Mao-Yi, Hong	Unqualified opinion-adopting the audit reports of other CPAs with distinguished responsibilities
2018	Ernst & Young	Hsiao-Chin, Lo; Mao-Yi, Hong	Unqualified opinion-adopting the audit reports of other CPAs with distinguished responsibilities
2019	Ernst & Young	Hsiao-Chin, Lo; Mao-Yi, Hong	Unqualified opinion-adopting the audit reports of other CPAs with distinguished responsibilities
2020	Ernst & Young	Hsiao-Chin, Lo; Mao-Yi, Hong	Unqualified opinion-adopting the audit reports of other CPAs with distinguished responsibilities
2021	Ernst & Young	Mao-Yi, Hong; Ching-Piao, Cheng	Unqualified opinion-adopting the audit reports of other CPAs with distinguished responsibilities

2. Financial Analysis for the Most Recent Five Years

(1) Adoption of International Financial Accounting Standards

1. Financial Analysis -IFRS (Consolidated)

Year / Analytical items (note 2)		Financial analysis for the most recent five years(Note 1)					As of March 31, 2022
		2017	2018	2019	2020	2021	
Financial Structure	Debt-asset Ratio (%)	38.54	34.11	41.72	44.44	39.03	37.40
	Ratio of Long-term Capital to Property, Plant and Equipment(%)	172.70	195.04	181.56	141.83	167.25	169.72
Solvency	Current Ratio (%)	151.81	284.16	239.90	176.75	237.62	244.28
	Quick Ratio (%)	117.47	212.02	180.64	123.60	182.78	188.71
	Interest Coverage Ratio	3.94	21.93	13.27	5.95	11.45	16.99
Operating Ability	Receivables Turnover Rate (times)	3.98	4.57	3.84	3.99	4.44	4.38
	Average Collection Days for Receivables	92	80	95	91	82	83
	Inventory Turnover Rate (times)	2.53	3.27	2.44	2.44	2.54	2.54
	Account payable turnover ratio (times)	7.49	7.42	6.70	9.30	11.02	11.03
	Average Days of Sale	144	112	150	150	144	144
	Property, Plant and Equipment Turnover Rate (times)	1.04	1.26	0.83	0.64	0.78	0.89
	Total Asset Turnover Rate (times)	0.44	0.52	0.37	0.32	0.41	0.44
Profitability	Return on Assets (%)	4.07	13.33	6.79	3.68	6.63	10.65
	Return on Equity (%)	6.07	20.06	10.20	5.31	10.37	16.21
	Net profit before tax as a ratio of paid-in capital(%)	10.06	46.52	30.33	18.23	34.55	64.85
	Net profit margin(%)	7.16	24.71	17.15	9.31	14.91	22.98
	Earnings per share(NTD)	0.67	3.80	2.41	1.02	2.02	0.90
Cash Flow	Cash Flow Ratio(%)	35.09	78.60	56.38	35.57	54.26	67.73
	Cash Flow Adequacy Ratio (%)	137.17	107.47	76.74	62.86	62.41	58.02
	Cash Reinvestment Ratio (%)	10.44	9.16	3.51	2.70	6.31	9.58
Leveraging	Operating Leverage	2.44	1.46	1.79	2.56	1.68	1.42
	Financial Leverage	1.34	1.05	1.11	1.34	1.10	1.07

Specify reasons for financial ratio differences for most recent two fiscal years(not required if difference does not exceed 20%):

The changes in various financial ratios of more than 20% in the last two years as explained below:

1. Current ratio, quick ratio: the increase of cash or cash equivalents in 2021 has led to the increased current ratio and quick ratio as compared to 2020.
2. Interest coverage ratio: the rising net income before tax of semiconductor industry in 2021 has led to increased interest coverage ratio in 2021 as compared to 2020.
3. Property, factory, and equipment turnover ratio (times), return on total assets: the rising revenues of semiconductor industry in 2021 has led to the increase of all ratios in 2021 as compared to 2020.
4. Return on assets, return on equity, net profit margin, and earnings per share (NTD): the rising net income of semiconductor industry in 2021 has led to the increase of all ratios in 2021 as compared to 2020.
5. Net profit before tax as a ratio of paid-in-capital: the rising net income before tax of semiconductor industry in 2021 has led to the increase of all ratios in 2021 as compared to 2020.
6. Cash flow ratio and Cash reinvestment ratio : all ratios are increased as compared to 2020 because the net cash inflow from business activities in 2021 is increased from 2020.
7. Operating leverage: the increase of operating profit in 2021 as compared to 2020 has led to reduced leverage ratio.

Note 1: Financial information audited and attested or reviewed by CPAs.

Note 2: The formulas for the financial analysis are as follows:

1. Financial Structure:

(1) Debt-asset Ratio = Total Liabilities / Total Assets

(2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity+ Non-Current Liabilities) / Net Worth of Property, Plant and Equipment

2. Solvency:

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets – Inventory – Prepaid Expenses) / Current Liabilities

(3) Interest Coverage Ratio = Income Before Income Tax and Interest Expenses / Interest Expenses for the Period

3. Operating Ability:

(1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover Rate = Net Sales / Average Receivables (including accounts receivable and notes receivable arising from business operation) for Each Period

(2) Average Collection Days for Receivables = 365 / Receivables Turnover Rate

(3) Inventory Turnover Rate = Cost of Goods Sold / Average Inventory

(4) Payables (including accounts payable and notes payable arising from business operations) Turnover Rate = Cost of Goods Sold / Average Payables (including accounts payable and notes payable arising from business operations) for Each Period

(5) Average Days of Sale = 365 / Inventory Turnover Rate

(6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Worth of Property, Plant and Equipment

(7) Total Asset Turnover Rate = Net Sales / Average Total Assets

4. Profitability:

(1) Return on Assets = [Net Income + Interest Expenses × (1 – Tax Rate)] / Average Total Assets

(2) Return on Equity = Net Income / Average Total Equity

(3) Net profit margin = Net Income / Net Sales

(4) Earnings per Share = (Profit and Loss Attributable to Owners of the Parent – Dividends on Preferred Shares) / Weighted Average Number of Issued Shares

5. Cash Flow:

(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Most Recent Five Fiscal Years / (Capital Expenditures + Inventory Increase + Cash Dividend) for the Most Recent Five Years

(3) Cash Flow Reinvestment Ratio = (Net Cash Flow from Operating Activities – Cash Dividend) / (Gross Value of Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Working Capital)

6. Leveraging:

(1) Operating Leverage = (Net Operating Revenue – Variable Operating Costs and Expenses) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income – Interest Expenses)

2. Financial Analysis -IFRS(Parent company only)

Analytical items (note 2) / Year		Financial analysis for the most recent five years(Note 1)				
		2017	2018	2019	2020	2021
Financial Structure	Debt-asset Ratio (%)	43.44	33.74	31.40	29.91	28.71
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	205.15	302.00	299.01	295.17	364.47
Solvency	Current Ratio (%)	83.82	248.35	256.32	286.22	354.01
	Quick Ratio (%)	58.85	198.58	187.40	200.28	280.23
	Interest Coverage Ratio	2.13	37.20	23.46	16.60	34.51
Operating Ability	Receivables Turnover Rate (times)	4.51	4.71	4.18	3.90	4.26
	Average Collection Days for Receivables	81	77	87	94	86
	Inventory Turnover Rate (times)	4.08	5.69	4.15	3.36	3.27
	Account payable turnover ratio (times)	5.19	4.89	4.67	6.55	9.12
	Average Days of Sale	89	64	88	109	112
	Property, Plant and Equipment Turnover Rate (times)	1.34	1.99	1.76	1.34	1.53
	Total Asset Turnover Rate (times)	0.45	0.58	0.49	0.39	0.41
Profitability	Return on Assets (%)	3.34	15.01	9.24	4.16	7.43
	Return on Equity (%)	5.32	23.74	13.19	5.65	10.23
	Net profit before tax as a ratio of paid-in capital(%)	6.26	37.87	26.75	12.09	22.27
	Net profit margin(%)	5.89	25.13	18.06	10.10	17.77
	Earnings per share(NTD)	0.67	3.80	2.41	1.02	2.02
Cash Flow	Cash Flow Ratio(%)	25.93	69.92	103.94	66.24	75.32
	Cash Flow Adequacy Ratio (%)	146.15	187.08	138.09	126.02	118.55
	Cash Reinvestment Ratio (%)	6.36	8.04	5.18	0.79	3.36
Leveraging	Operating Leverage	2.63	1.30	1.40	2.16	1.79
	Financial Leverage	1.27	1.03	1.04	1.09	1.05

Explain the reasons for the changes in various financial ratios in the last two years (the analysis can be waived if the change is less than 20%)

The changes in various financial ratios of more than 20% in the last two years as explained below:

1. Ratio of Long-term Capital to Property, Plant and Equipment: the capital increase in cash in 2021 has resulted in the increase of Ratio of Long-term Capital to Property, Plant and Equipment as compared to 2020.
2. Current ratio, quick ratio: the increase of cash or cash equivalents in 2021 has led to the increased current ratio and quick ratio as compared to 2020.
3. Interest coverage ratio: the rising net income before tax of semiconductor industry in 2021 has led to increased interest coverage ratio in 2021 as compared to 2020.
4. Account payable turnover ratio (times) : it is mainly due to the increase of costs of goods sold in 2021.
5. Return on assets, return on equity, net profit margin and earnings per share (NTD): all ratios are increased as compare to 2021 mainly due to the rising net income of semiconductor industry in 2020.
6. Net profit before tax as a ratio of paid-in capital: all ratios are increased as compare to 2021 mainly due to the rising net income before tax of semiconductor industry in 2020.
7. Cash reinvestment ratio : the increased net cash inform from business activities and working capital in 2021 have resulted in increased cash reinvestment ratio as compared to 2020.

Note 1: Financial information audited and attested by CPAs.

Note 2: The formulas for the financial analysis are as follows:

1. Financial Structure:

(1) Debt-asset Ratio = Total Liabilities / Total Assets

(2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-Current Liabilities) / Net Worth of Property, Plant and Equipment

2. Solvency:

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets – Inventory – Prepaid Expenses) / Current Liabilities

(3) Interest Coverage Ratio = Income Before Income Tax and Interest Expenses / Interest Expenses for the Period

3. Operating Ability:

(1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover Rate = Net Sales / Average Receivables (including accounts receivable and notes receivable arising from business operation) for Each Period

(2) Average Collection Days for Receivables = 365 / Receivables Turnover Rate

(3) Inventory Turnover Rate = Cost of Goods Sold / Average Inventory

(4) Payables (including accounts payable and notes payable arising from business operations) Turnover Rate = Cost of Goods Sold / Average Payables (including accounts payable and notes payable arising from business operations) for Each Period

(5) Average Days of Sale = 365 / Inventory Turnover Rate

(6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Worth of Property, Plant and Equipment

(7) Total Asset Turnover Rate = Net Sales / Average Total Assets

4. Profitability:

(1) Return on Assets = [Net Income + Interest Expenses × (1 – Tax Rate)] / Average Total Assets

(2) Return on Equity = Net Income / Average Total Equity

(3) Net profit margin = Net Income / Net Sales

(4) Earnings per Share = (Profit and Loss Attributable to Owners of the Parent – Dividends on Preferred Shares) / Weighted Average Number of Issued Shares

5. Cash Flow:

(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Most Recent Five Fiscal Years / (Capital Expenditures + Inventory Increase + Cash Dividend) for the Most Recent Five Years

(3) Cash Flow Reinvestment Ratio = (Net Cash Flow from Operating Activities – Cash Dividend) / (Gross Value of Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Working Capital)

6. Leveraging:

(1) Operating Leverage = (Net Operating Revenue – Variable Operating Costs and Expenses) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income – Interest Expenses)

(2) Adopting R.O.C. Enterprise Accounting Standard

1. Financial Analysis -R.O.C. Enterprise Accounting Standard (Consolidated): Not applicable
2. Financial Analysis -R.O.C. Enterprise Accounting Standard (Parent company only): Not applicable

3. Audit Committee's Review Report of the Financial Report of the Most Recent Year

Wafer Works Corporation
Audit Committee's Review Report

The 2021 Business Report, the financial report (including individual financial report and consolidated financial report) certified by certified public accountants Mao-Yi, Hong and Ching-Piao, Cheng of Ernst & Young, and the earnings distribution proposal prepared by our board of directors have been audited by our Audit Committee to be in compliance with laws and regulations. Thus, a report is hereby prepared according to Article 14-4 of the Securities and Exchange Act and our company's relevant regulations.

This report will be effective under the approval of your excellency

to

2022 Annual shareholder meeting of Wafer Works Corporation

Audit Committee of Wafer Works Corporation

Convener: Feng-I, Lin

March 23, 2022

4. Recent Year's Financial Report

English Translation of Financial Statements and a Report Originally Issued in Chinese

AUDIT REPORT OF INDEPENDENT AUDITORS

To: The Board of Directors and Shareholders of
Wafer Works Corp.

Opinion

We have audited the accompanying parent-company-only balance sheets of Wafer Works Corp. (the "Company") as of December 31, 2021 and 2020, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together "the parent-company-only financial statements").

In our opinion, based on the results of our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2021 and 2020, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 parent-company-only financial statements for the year ended December 31, 2021.

These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other non-current assets – valuation on prepayment for purchasing materials

As of December 31, 2021, prepayment for purchasing materials in amount of NT$276,707 thousand was accounted for under the caption of other non-current assets, representing 2% of total assets. The prepayment was executed under purchasing agreement entered into with certain material suppliers for the purpose to stabilize the sources of multi-Si materials. However, due to rapid change in related industry and economy, significant drop in material price, and long-term unbalance in demand and supply, the management estimates that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. This estimation involved the significant judgement from management. We decide it to be one of our key audit matters and our audit procedures therefore have been prescribed to include, but not limit to, obtaining an understanding regarding the management's procedure to assess the impairment loss (including how to identify the unavoidable cost and the economic benefits to be received), review purchase agreements and any amendments or additions related, verifying the actual execution of the contracts for confirming the reasonableness of the management's accrual, and re-calculating the loss amounts for its accuracy. Meanwhile, we have evaluated the appropriateness of the related disclosure in Note 5 and 9 to the parent-company-only financial statements.

Provision against inventory

We determine that provision against inventory is also one of the key audit matters. The Company's inventory in amount of NT$1,197,880 thousand, representing 7% of parent-company-only total assets, as of December 31, 2021 is significant to the Company's financial statements. Due to material price being influenced by market demand and supply, the prices of inventory tend to change rapidly. The determination of inventory's net realizable value involved the significant judgement from management. We decide it to be one of our key audit matters and our audit procedures therefore have been prescribed to include, but not limit to, assessing the appropriateness of the Company's inventory provision policy (including how the management estimates the net realizable value of inventory in considering of expecting demand and market values), testing the effectiveness of internal control system and execution regarding inventory management, evaluating the accuracy of the inventory's net realizable value applied by management (including sale price), test samples, etc. Also, we have evaluated the appropriateness of the related disclosure in Notes 5 and 6 to the parent-company-only financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of Helitek Company Ltd., an indirectly invested associate accounted for under the equity method by the Company. The financial statements of Helitek Company Ltd. as of December 31, 2021 and 2020, and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT$156,379 thousand and NT$147,515 thousand as of December 31, 2021 and 2020 representing 0.97% and 1.14% of the Company's total assets, the related shares of income before tax from the associate under the equity method for the years then ended amounting to NT$13,169 thousand and NT$(1,704) thousand representing 1.09% and (0.28)% of the Company's income before tax, are based solely on the audit reports of other auditors.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in 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 parent-company-only financial statements.

As part of an audit in accordance with auditing standards generally accepted in 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 parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 internal control of the Company.

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the 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 2021 parent-company-only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Hong, Mao-Yi Hong, Mao-Yi

Cheng, Ching-Piao Cheng, Ching-Piao.

Ernst & Young
March 23, 2022
Taipei, Taiwan,
Republic of China

Notices to Readers

The accompanying parent-company-only financial statements are intended only to present the parent-company-only financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China on Taiwan.

Accordingly, the accompanying parent-company-only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Wafer Works Corp.

Parent-Company-Only Balance Sheets

As of December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2021		2020	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$3,862,033	25	$1,859,490	15
1110	Financial assets at fair value through profit or loss	4, 6(2)	-	-	9,171	-
1136	Financial assets measured at amortized cost	4, 6(3),8	7,006	-	7,003	-
1170	Accounts receivable, net	4, 6(4)	781,606	5	554,349	4
1180	Accounts receivable - related parties, net	4, 6(4), 7	620,522	4	643,520	5
1200	Other receivables		22,754	-	25,205	-
1210	Other receivables - related parties	7	70,930	-	122,380	1
1310	Inventories, net	4, 6(5)	1,197,880	7	1,197,507	9
1410	Prepayments		215,131	1	185,996	2
1470	Other current assets		1,681	-	3,137	-
11XX	Total current assets		6,779,543	42	4,607,758	36
	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2),6(12)	2,113	-	-	-
1536	Financial assets carried at amortized cost	4, 6(3),8	9,967	-	9,967	-
1550	Investment accounted for under equity method	4, 6(6)	4,767,126	31	3,995,680	31
1600	Property, plant and equipment, net	4, 6(7),7,8,9	3,885,107	24	3,845,943	30
1755	Right-of-use asset	4, 6(19)	48,469	-	54,527	-
1780	Intangible assets, net	4, 6(8)	6,098	-	6,667	-
1840	Deferred tax assets	4, 6(23)	37,873	-	37,873	-
1915	Prepayment for equipment		215,565	1	99,995	1
1920	Refundable deposits	8	26,845	-	26,972	-
1990	Other non-current assets	7,9	296,473	2	276,707	2
15XX	Total non-current assets		9,295,636	58	8,354,331	64
1XXX	Total Assets		$16,075,179	100	$12,962,089	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Wafer Works Corp.

Parent-Company-Only Balance Sheets (Continued)

As of December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2021		2020	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(9)	$291,083	2	$504,339	4
2130	Contract liability	4, 6(17)	4,483	-	593	-
2170	Accounts payable		361,704	2	358,259	3
2180	Accounts payable - related parties	7	142,564	1	127,419	1
2200	Other payables	6(10)	729,749	5	517,267	4
2220	Other payables - related parties	7	3,282	-	451	-
2230	Current income tax liabilities	4	189,489	1	88,298	1
2281	Lease liabilities	4, 6(19)	5,681	-	5,542	-
2322	Current portion of long-term loans	6(13),8	184,794	1	5,242	-
2399	Other current liabilities	6(11)	2,219	-	2,479	-
21XX	Total current liabilities		1,915,048	12	1,609,889	13
	Non-current liabilities					
2527	Contract liability	4, 6(17)	699,478	4	527,989	4
2530	Bonds payable	4, 6(12)	284,385	2	-	-
2540	Long-term loans	6(13),8	1,522,917	10	1,611,704	13
2581	Lease liabilities	4, 6(19)	43,956	-	49,637	-
2630	Long-term deferred revenue	6(11)	3,098	-	2,055	-
2640	Accrued pension liabilities	4, 6(14)	50,276	-	58,888	-
2645	Deposits received		95,991	1	16,476	-
25XX	Total non-current liabilities		2,700,101	17	2,266,749	17
2XXX	Total liabilities		4,615,149	29	3,876,638	30
3100	Capital	6(15)				
3110	Common stock		5,408,984	34	5,108,984	39
3140	Capital collected in advance		352	-	-	-
3200	Capital surplus	6(15)	4,147,189	26	2,641,147	20
3300	Retained earnings	6(15)				
3310	Legal reserve		393,239	2	341,802	3
3320	Special reserve		383,893	2	593,580	5
3350	Unappropriated earnings		1,452,830	9	783,831	6
3400	Other components of equity		(326,457)	(2)	(383,893)	(3)
3XXX	Total equity		11,460,030	71	9,085,451	70
	Total liabilities and equity		$16,075,179	100	$12,962,089	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Wafer Works Corp.

Parent-Company-Only Statements of Comprehensive Income

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(17), 7	$5,910,694	100	$5,135,703	100
5000	Operating costs	7	(4,514,734)	(76)	(4,179,902)	(81)
5900	Gross profit from operations		1,395,960	24	955,801	19
5910	Unrealized gross profit (loss) from sales		10,000	-	32,000	1
5950	Gross profit from operations		1,405,960	24	987,801	20
6000	Operating expenses					
6100	Selling		(195,055)	(3)	(156,738)	(4)
6200	General and administrative		(293,109)	(5)	(229,610)	(4)
6300	Research and development		(154,797)	(3)	(122,334)	(2)
6450	Expected credit gains (losses)	4, 6(18)	-	-	-	-
	Operating expenses total		(642,961)	(11)	(508,682)	(10)
6900	Operating income		762,999	13	479,119	10
7000	Non-operating income and expenses					
7100	Interest income	6(21)	5,214	-	7,131	-
7010	Other income	6(21)	13,933	-	41,088	1
7020	Other gains and losses	6(21), 7	(15,640)	-	(37,017)	(1)
7050	Finance costs	6(21)	(35,946)	(1)	(39,589)	(1)
7070	Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(6)	474,012	8	166,785	3
	Non-operating income and expense total		441,573	7	138,398	2
7900	Income before income tax		1,204,572	20	617,517	12
7950	Income tax benefit	4, 6(23)	(154,000)	(2)	(98,799)	(2)
8200	Net income		1,050,572	18	518,718	10
8300	Other comprehensive income (loss)	6(22)				
8310	Item that not be reclassified subsequently to profit or loss					
8311	Actuarial gain (loss) on defined benefit plans		4,613	-	(4,353)	-
8320	Unrealized gains or losses on financial assets at fair value through other comprehensive income		105,861	2	172,834	3
8360	Items that may be reclassified subsequently to profit or loss					
8370	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		(30,873)	(1)	36,853	1
	Total other comprehensive income, net of tax		79,601	1	205,334	4
8500	Total comprehensive income (loss)		$1,130,173	19	$724,052	14
9750	Earnings per share - basic (in NT$)	6(24)	$2.02		$1.02	
9850	Earnings per share - diluted (in NT$)	6(24)	$2.01		$1.01	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Wafer Works Corp.

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

		Capital			Retained Earnings			Other Components of equity		
		Common stock	Capital collected in advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income (loss)	Total Equity
Code	Items	3100	3140	3200	3310	3320	3350	3410	3420	3XXX
A1	Balance as of January 1, 2020	$5,108,984	$-	$2,641,147	$218,582	$428,317	$1,477,566	$(309,225)	$(284,355)	$9,281,016
	Appropriation and distribution of 2019 earnings:									
B1	Legal reserve				123,220		(123,220)			-
B3	Special reserve					165,263	(165,263)			-
B5	Cash dividends - common shares						(919,617)			(919,617)
D1	Net income for 2020						518,718			518,718
D3	Other comprehensive income (loss) for 2020						(4,353)	36,853	172,834	205,334
D5	Total comprehensive income (loss)	-	-	-	-	-	514,365	36,853	172,834	724,052
Z1	Balance as of December 31, 2020	5,108,984	-	2,641,147	341,802	593,580	783,831	(272,372)	(111,521)	9,085,451
	Appropriation and distribution of 2020 earnings:									
B1	Legal reserve				51,437		(51,437)			-
B3	Special reserve					(209,687)	209,687			-
B5	Cash dividends - common shares						(561,988)			(561,988)
C5	Equity component of convertible bonds issued by the Company			12,787						12,787
C7	Changes in subsidiaries, associates, and joint ventures accounted for under equity method			212,446						212,446
D1	Net income for 2021						1,050,572			1,050,572
D3	Other comprehensive income (loss) for 2021						4,613	(30,873)	105,861	79,601
D5	Total comprehensive income (loss)	-	-	-	-	-	1,055,185	(30,873)	105,861	1,130,173
E1	Issuance of common stock for cash	300,000		1,255,255						1,555,255
I1	Conversion of convertible bonds		352	1,938						2,290
N1	Share-based payment transaction			23,616						23,616
Q1	Proceeds from disposal of equity instruments measured at fair value through other comprehensive income						17,552		(17,552)	-
Z1	Balance as of December 31, 2021	$5,408,984	$352	$4,147,189	$393,239	$383,893	$1,452,830	$(303,245)	$(23,212)	$11,460,030

(The accompanying notes are an integral part of the parent-company-only financial statements.)

Wafer Works Corp.

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2021	2020
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$1,204,572	$617,517
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(682)	(801)
A21200	Interest income	(5,214)	(7,131)
A20900	Interest expense	35,946	39,589
A20100	Depreciation	605,406	580,749
A20200	Amortization	5,615	5,966
A21900	Cost of share based payment	23,616	-
A22400	Share of profit or loss of subsidiaries, associates and joint ventures	(474,012)	(166,785)
A22500	Gain on disposal of property, plant and equipment	126,820	(1,378)
A22600	Reclassification of property, plant and equipment to expense	-	270
A23100	Gain from disposal of investments	(618)	-
A23700	Impairment loss on non-financial assets	(129,993)	4,000
A24000	Unrealized (gains) losses	(10,000)	(32,000)
A29900	Loss (gain) on government grants	(550)	(144)
A29900	Loss (gain) on lease modification	-	(1,365)
A30000	Changes in operating assets and liabilities:		
A31115	Financial assets at fair value through profit or loss	9,618	-
A31150	Accounts receivable	(227,257)	257,353
A31160	Accounts receivable - related parties	22,998	(193,798)
A31180	Other receivable	2,956	313,804
A31190	Other receivable - related parties	51,450	(60,685)
A31200	Inventories	(373)	95,266
A31230	Prepayment	(48,901)	64,671
A31240	Other current assets	1,456	35,166
A32125	Contract liabilities	175,379	(61,212)
A32150	Accounts payable	3,445	(155,856)
A32160	Accounts payable - related parties	15,145	(148,537)
A32180	Other payable	137,949	(22,290)
A32190	Other payable - related parties	2,831	202
A32230	Other current liabilities	(582)	(1,494)
A32240	Net defined benefit liability	(3,999)	(3,376)
A33000	Cash generated from operations	1,523,021	1,157,701
A33200	Interest received	4,709	7,203
A33300	Interest paid	(32,548)	(39,082)
A33500	Income tax paid	(52,809)	(59,488)
AAAA	Net cash provided by (used in) operating activities	1,442,373	1,066,334

Code	Items	2021	2020
BBBB	Cash flows from investing activities:		
B00040	Disposal (acquisition) of financial assets at amortised cost	(3)	(7,003)
B01800	Acquisition of investment accounted for under equity method	-	(30,211)
B02700	Acquisition of property, plant and equipment	(683,810)	(553,888)
B02800	Proceeds from disposal of property, plant and equipment	7,888	26,674
B03700	Decrease (increase) in refundable deposits	127	35,294
B04500	Acquisition of intangible assets	(5,046)	(6,240)
BBBB	Net cash provided by (used in) investing activities	(680,844)	(535,374)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	(213,256)	(75,267)
C01200	Issuance of convertible bonds	296,434	-
C01600	Increase in long-term loans	97,700	120,300
C01700	Repayment of long-term loans	(5,800)	(50,967)
C03000	Increase in guarantee deposits received	79,515	(21,590)
C04020	Payments of lease liabilities	(6,846)	(6,390)
C04500	Payment of cash dividends	(561,988)	(919,617)
C04600	Capital increase by cash	1,555,255	-
CCCC	Net cash provided by (used in) financing activities	1,241,014	(953,531)
EEEE	Net Increase (decrease) in cash and cash equivalents	2,002,543	(422,571)
E00100	Cash and cash equivalents at beginning of period	1,859,490	2,282,061
E00200	Cash and cash equivalents at end of period	$3,862,033	$1,859,490

(The accompanying notes are an integral part of the parent-company-only financial statements.)

1. History and organization

Wafer Works Corp. (the "Company") was incorporated on July 24, 1997. The Company's major business activities are as follows:

(1)R&D, design, manufacturing, trading or the distribution of semiconductor materials;
(2)R&D, design, manufacturing, trading, and the processing of semiconductor wafer and one-step service;
(3)Technique transfer and consulting business for above items.

The Company's common shares were publicly listed on the Taiwan Gre Tai Securities Market on May 13, 2002. The Company's registered office is at No.1, Pingguo Rd., Yang Mei Dist, Taoyuan City, Taiwan, R.O.C. The Company's main business address is at No.100, Longyuan 1st Rd., Longtan Science Park, Taoyuan City, Taiwan, R.O.C.

2. Date and procedures of authorization of financial statements for issue

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors' meeting on March 23, 2022.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2021. The adoption of these new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

(A) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

(a) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

(b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

(c) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

(d) Annual Improvements to IFRS Standards 2018 – 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual period beginning on or after January 1, 2022. The Company assesses all standards and interpretations have no material impact on the Company.

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

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(A) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(B) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(C) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(D) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(E) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(F) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assesses all standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1)Statement of compliance

The Company's parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulations).

(2)Basis of preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent-company-only financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

(3)Foreign currency transactions

The Company’s parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a)Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b)Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.

(c)Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4)Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(5)Current and non-current distinction for assets and liabilities

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Company holds the asset primarily for the purpose of trading
(c) The Company expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6)Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7)Financial instruments

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

The Company determines the classification of its financial assets at initial recognition. In accordance with IFRS 9 and the Regulations, financial assets of the Company are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and notes, accounts and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

A. Financial assets: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) The Company's business model for managing the financial assets and
(b) The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

I. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

II. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) The time value of money; and
(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

(d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, theCompany needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

Financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component.   Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) It eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8)Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9)Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials –By actual purchase cost with weighted average method.
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5~55 years
Machinery	1~15 years
Transportation	5 years
Office equipment	2~7 years
Other equipment	2~20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment’s residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(12) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
C. amounts expected to be payable by the lessee under residual value guarantees;
D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A.the amount of the initial measurement of the lease liability;
B.any lease payments made at or before the commencement date, less any lease incentives received;
C.any initial direct costs incurred by the lessee; and
D.an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Company applied the practical expedient to all rent concessions that meet the conditions for it.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (2 to 3 years).

A summary of the policies applied to the Company's intangible assets is as follows:

	Computer software
Useful lives	Limited
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15)Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Company mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is Poly-Silicon and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Company's sale of goods is from 60 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers therefore there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(16) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(17)Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(18) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company’s consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(20) Income taxes

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized according.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Company’s parent-company-only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a)Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b)Accounts receivables–estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(c)Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

(d)Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(e)Onerous contract

An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Company makes provisions for onerous contracts based on the unavoidable costs under a contract. Any changes in the contracts may influence the provision.

(f)Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

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

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of significant accounts

(1)Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand	$265	$258
Checking and savings	1,551,768	673,046
Time deposits	2,200,000	1,136,186
Resale agreements collateralized by corporate bonds	110,000	50,000
Total	$3,862,033	$1,859,490

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

(2)Financial assets at fair value through profit or loss

	As of December 31,	
	2021	2020
Mandatorily measured at fair value through profit or loss:		
Embedded derivatives	$2,113	$-
Corporate bonds	-	9,171
Total	$2,113	$9,171
Current	$-	$9,171
Non-current	2,113	-
Total	$2,113	$9,171

Financial assets at fair value through profit or loss were not pledged.

(3)Financial assets measured at amortized cost

	As of December 31,	
	2021	2020
Certificate of deposit – restricted	$16,973	$16,970
Current	$7,006	$7,003
Non-current	9,967	9,967
Total	$16,973	$16,970

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

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

(4)Accounts receivable and accounts receivable - related parties, net

(a)Accounts receivable, net:

	As of December 31,	
	2021	2020
Accounts receivable, gross	$870,279	$643,022
Less: loss allowance	(88,673)	(88,673)
Net of allowances	781,606	554,349
Accounts receivable - related parties, gross	620,522	643,520
Less: loss allowance	-	-
Net of allowances	620,522	643,520
Total accounts receivable, net	$1,402,128	$1,197,869

(b)Accounts receivable were not pledged.

(c)Accounts receivable are generally on 60 to 90 day terms. The total carrying amount for the years ended December 31, 2021 and 2020, are NT$1,490,801 thousand and NT$1,286,542 thousand, respectively. Please refer to Note 6(18) for more details on loss allowance of accounts receivable for year ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(5)Inventories

(a)Inventories consist of the following:

	As of December 31,	
	2021	2020
Raw materials	$300,422	$259,455
Supplies & parts	244,082	165,885
Work in progress	552,163	553,161
Finished goods	101,213	219,006
Total	$1,197,880	$1,197,507

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

(b)The cost of inventories recognized in expenses amounted to NT$4,514,734 thousand and NT$4,179,902 thousand for the years ended December 31, 2021 and 2020 respectively. The following losses were included in cost of sales :

	For the year ended December 31,	
Item	2021	2020
Loss (gain) from inventory market decline	$(13,415)	$10,530
Loss from inventory write-off obsolescence	4,099	185
Total	$(9,316)	$10,715

The Company recognized gains on recovery of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed.

(c)Inventories were not pledged.

(6)Investments accounted for under the equity method

	As of December 31,			
	2021		2020	
Investee companies	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
Wafer Works Investment Corp.	$4,716,573	100%	$3,951,113	100%
Heli-Vantech Corp.	4,325	100%	4,717	100%
Huaxin (Shanghai) Technology Co. Ltd	46,228	100%	39,850	100%
Total	$4,767,126		$3,995,680	

A. Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method or credit for investment accounted for the equity method. Valuation adjustment is made if deemed necessary.

B. The Company’s investments accounted for under the equity method were not pledged.

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

(7)Property, plant and equipment

	As of December 31, 2021	As of December 31, 2020
Owner occupied property, plant and equipment	$3,885,107	$3,845,943

A. Property, plant and equipment for own-use

	Land	Buildings	Machinery	Transportation	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2021	$259,131	$1,478,801	$8,421,132	$10,407	$185,061	$197,717	$417,457	$10,969,706
Additions	-	-	-	-	-	-	643,227	643,227
Disposals	-	-	(417,538)	-	(25,259)	(32,924)	(2,000)	(477,721)
Other changes	-	298	569,312	340	4,729	80,916	(655,595)	-
As of December 31, 2021	$259,131	$1,479,099	$8,572,906	$10,747	$164,531	$245,709	$403,089	$11,135,212
Depreciation and impairment:								
As of January 1, 2021	$-	$383,466	$6,387,006	$9,881	$155,557	$187,853	$-	$7,123,763
Depreciation	-	40,166	541,381	227	12,075	5,499	-	599,348
Reversal of impairment losses	-	-	(129,993)	-	-	-	-	(129,993)
Disposals	-	-	(285,918)	-	(25,259)	(31,836)	-	(343,013)
As of December 31, 2021	$-	$423,632	$6,512,476	$10,108	$142,373	$161,516	$-	$7,250,105
Cost:								
As of January 1, 2020	$259,131	$1,320,845	$8,322,314	$10,952	$174,458	$222,385	$178,181	$10,488,266
Additions	-	-	-	-	-	-	637,604	637,604
Disposals	-	-	(94,360)	(545)	(7,113)	(24,958)	(28,918)	(155,894)
Other changes	-	157,956	193,178	-	17,716	290	(369,410)	(270)
As of December 31, 2020	$259,131	$1,478,801	$8,421,132	$10,407	$185,061	$197,717	$417,457	$10,969,706

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

Depreciation and impairment:								
As of January 1, 2020	$-	$346,386	$5,957,253	$10,117	$152,908	$209,007	$-	$6,675,671
Depreciation	-	37,080	523,741	309	9,756	3,804	-	574,690
Impairment losses	-	-	4,000	-	-	-	-	4,000
Disposals	-	-	(97,988)	(545)	(7,107)	(24,958)	-	(130,598)
As of December 31, 2020	$-	$383,466	$6,387,006	$9,881	$155,557	$187,853	$-	$7,123,763
Net carrying amount as of:								
December 31, 2021	$259,131	$1,055,467	$2,060,430	$639	$22,158	$84,193	$403,089	$3,885,107
December 31, 2020	$259,131	$1,095,335	$2,034,126	$526	$29,504	$9,864	$417,457	$3,845,943

B. For the year ended December 31, 2021, the NT$129,993 thousand gain on reversal of impairment loss represented the sold of certain property, plant and equipment in the company. This has been recognized in the statement of comprehensive incomes.

C. The Company recognized an impairment loss amounting to NT$4,000 thousand on certain real estate to an extent of the recoverable value in 2020. The impairment loss has been recorded the Company's statement of comprehensive incomes.

D. Please refer to Note 8 for more details on property, plant and equipment under pledge.

E. Significant components of PPE are depreciation over their useful lives.

(8)Intangible assets

	Computer software
Cost:	
As of January 1, 2021	$15,082
Additions – acquired separately	5,046
Derecognized upon retirement	(9,567)
As of December 31, 2021	$10,561
As of January 1, 2020	$9,298
Additions – acquired separately	6,240
Derecognized upon retirement	(456)
As of December 31, 2020	$15,082

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

Amortization and Impairment:	
As of January 1, 2021	$8,415
Amortization	5,615
Derecognized upon retirement	(9,567)
As of December 31, 2021	$4,463
As of January 1, 2020	$2,905
Amortization	5,966
Derecognized upon retirement	(456)
As of December 31, 2020	$8,415
Carrying amount, net:	
As of December 31, 2021	$6,098
As of December 31, 2020	$6,667

Amortization expense of intangible assets under the statement of comprehensive income:

	For the year ended December 31,	
	2021	2020
Operating costs	$765	$481
General and administrative	4,585	5,264
Research and development	265	221
Total	$5,615	$5,966

(9)Short-term loans

		As of December 31,	
	Interest Rate (%)	2021	2020
Unsecured financial structure loans	0.6095%~0.7174%	$291,083	$504,339

The Company’s unused short-term lines of credits amounted to NT$3,338,917 thousand and NT$2,775,662 thousand as of December 31, 2021 and 2020 respectively.

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

(10)Other payables

	As of December 31,	
	2021	2020
Accrued expense	$523,534	$385,585
Payable on equipment	205,375	130,388
Accrued interest payable	840	1,294
Total	$729,749	$517,267

(11)Other current liabilities

A. Details of other current liabilities

	As of December 31,	
	2021	2020
Other current liabilities	$1,506	$2,088
Deferred government grants income	713	391
Total	$2,219	$2,479

B. The changes in the Company’s balances of deferred government grants income for the year ended December 31, 2021 and 2020 are as follows:

	For the year ended December 31,	
	2021	2020
Beginning balance	$2,446	$-
Received during the period	1,915	2,590
Released to the statement of comprehensive income	(550)	(144)
Ending Balance	$3,811	$2,446
Current	$713	$391
Non-current	$3,098	$2,055

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

C. Please refer to Note 6(13) for more details on interest rate of deferred government grants income.

(12)Bonds payable

A. The Company had no balance of the bonds payable as of December 31, 2020. The details of the bonds payable as of December 31, 2021 is as follows:

	As of December 31, 2021
Liability component:	
Principal amount	$297,600
Less: discounts on bonds payable	(13,215)
Subtotal	284,385
Less: current portion	-
Net	$284,385
Embedded derivative - redemption, put options	$2,113
Equity component - conversion right	$12,685

For the details of the gain or loss from valuation through profit or loss on embedded derivative - redemption, put options and the interest expense on the convertible bonds payable, please refer to Notes 6 (24) to the consolidated financial statement.

B. On July 27, 2021, the Company issued the 7 th unsecured domestic convertible bonds. The terms of the bonds are as follows:

(A)Issue amount:	NT$300,000 thousand
(B)Issue date:	July 27, 2021
(C)Issue price:	Issued at par value
(D)Coupon rate:	0%
(E)Period:	July 27, 2021 to July 27, 2026
(F)Settlement:	The convertible bonds' holder (hereinafter referred to as "bondholders") can convert the bond into the Company's common stock in accordance with Article 10 of the Company's

conversion rules. The Company can also recall the bonds before maturity and buy back the cancellation from bonds dealer in accordance with Article 18 of the Company's conversion rules. Otherwise, the Company will repay the convertible bonds held by the bondholder in cash at 102.016% of the par value of the bonds (the actual annual yield is 0.4%) within 15 business days after maturity date of the convertible bonds.

(G)Conversion period: The bondholders will have the right to convert their bonds at any time during the conversion period commencing on October 28, 2021 (the 90th day following the closing date) and ending at the close of business on July 27, 2026 (the maturity date), provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date on (and including) such record; (iii) the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction； (iv) no request for conversion other than the starting date of the stop of the conversion for the change of stock denomination to the day before the trading day before the start of the new stock exchange.

(H)Conversion price and adjustment: The conversion price was originally at NT$70 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

Due to the distribution of cash dividends at NT$1.1 per ordinary share in 2021, the Company adjusted the conversion price in accordance with the Company's 7th domestic unsecured conversion corporate bond issuance and conversion measures. Therefore, the conversion price was adjusted to NT$68.9 since August 15, 2021.

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

(I)Redemption clauses:	(i)The Company may redeem the convertible bonds from the next day (October 28, 2021) following a three-month period after the bonds are issued to 40 days before the maturity date (June 17, 2026) if the following terms are met: when the closing price of the Company's common shares is 30% above the convertible price for 30 consecutive trading days, the Company may, within the following 30 business days (the aforesaid period shall start from the day the letter is delivered by the Company, and the expiry date of the period shall be the measurement date for bond recovery, and the aforesaid period shall not fall in the period of conversion suspension stated in Article 9 of the Regulation), send a bond redemption notification letter via registered mail to the bondholders. (The bondholders list shall be based on the updated list five business days before sending the bond redemption notification letter to the bondholders. Public announcements will be made for bondholders who acquire the convertible bonds subsequently from transactions or other reasons). The redemption price would be set at the face value and the bond is purchased by cash, which would be announced over the Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within eight business days after the bond recovery measurement date. (ii) The Company may redeem the convertible bonds from the next day (October 28, 2021) following a three-month period after the bonds are issued to 40 days before the maturity date (June 17, 2026) if the following terms are met: when the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Company may, within the following 30 business days (the aforesaid period shall start from the day the letter is delivered by the Company, and the expiry date of the period shall be the measurement date for bond recovery, and the aforesaid period shall not fall in the period of conversion suspension stated in Article 9 of the Regulation), send a bond redemption notification letter via registered mail to the bondholders. (The bondholders list shall be based on the updated list five business days before sending the bond redemption notification letter to the

bondholders. Public announcements will be made for bondholders who acquire the convertible bonds subsequently from transactions or other reasons). The redemption price would be set at the face value and the bond is purchased by cash, which would be announced over the Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within eight business days after the bond recovery measurement date.

(iii) The business day following the base date for the recovery of the convertible bonds is the Taipei Exchange termination date for the convertible bonds, and the deadline for the bondholders to request conversion is the second business day after the Taipei Exchange termination date, but the bondholders shall apply to the original trading broker to convert the convertible bonds into ordinary shares of the Company one business day after the date of termination of listing of the convertible bonds. If the bondholder does not apply for conversion within the aforesaid period, the Company will redeem the convertible bonds held by such bondholder at the bond face value.The converted bonds will be recovered in cash within eight days after the bond recovery base date. If the aforementioned date is the day when the Taipei Stock Exchange Market is closed, it will be postponed to the next business day.

C. The 7th secured convertible bonds in the amount of NT$2,400 thousand have been converted to 35 thousand common shares as of December 31, 2021. The surplus due to the conversion amounted to NT$1,938 thousand, recorded under additional paid-in capital.

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

(13)Long-term loans

Details of long-term loan as of December 31 2021 and 2020 are as follows:

Debtor	As of December 31, 2021	Maturity and Terms
Secured Long-Term Joint guarantee Loan from Land Bank of Taiwan and others	$1,500,000	Effective March 23, 2020 to March 23, 2025. Grace period is 2 years from the initial draw-down date. The initial draw-down date is considered the 1st term and the following terms are defined as every 3 months since then. The remaining principal is repaid in installments of equal amount for 13 terms. Interest shall be paid monthly. The 1st to 4th payments will repay 3% of the principal each, 5th to 8th payments will be 5% each, 9th to 12th payments will be 7% each and the remaining principal will be repaid up at maturity.
Secured Long-Term Loan from Land Bank of Taiwan	89,721	Effective July 9, 2020 to June 15, 2027. Interest payments are due monthly for the first three years. Principal is prepaid form the fourth year monthly on the 15th of each month. Interest will be paid on the 15th of each month.
Secured Long-Term Loan from Land Bank of Taiwan	95,972	Effective June 9, 2021 to June 15, 2027. Interest payments are due monthly for the first two years. Principal is prepaid form the third year monthly on the 15th of each month. Interest will be paid on the 15th of each month.
Credit Long-Term Loan from Taiwan Cooperative Bank	22,018	Effective October 19, 2020 to October 19, 2025. The principal will be paid monthly on the 15th of each month and interest shall be paid monthly.
Total	1,707,711	
Less: current portion	(184,794)	
Non-current portion	$1,522,917	

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

Debtor	As of December 31, 2020	Maturity and Terms
Secured Long-Term Joint guarantee Loan from Land Bank of Taiwan and others	$1,500,000	Effective March 23, 2020 to March 23, 2025. Grace period is 2 years from the initial draw-down date. The initial draw-down date is considered the 1st term and the following terms are defined as every 3 months since then. The remaining principal is repaid in installments of equal amount for 13 terms. Interest shall be paid monthly. The 1st to 4th payments will each repay 3% of the principal, 5th to 8th payments will be 5% each, 9th to 12th payments will be 7% each and the remaining principal will be repaid up at maturity.
Credit Long-Term Loan from Land Bank of Taiwan	89,251	Effective July 9, 2020 to July 9, 2027. Interest payments are due monthly for the first three years. Principal is prepaid form the fourth year monthly on the 15th of each month. Interest will be paid on the 15th of each month.
Credit Long-Term Loan from Taiwan Cooperative Bank	27,695	Effective October 19, 2020 to October 19, 2025. The principal will be paid monthly on the 15th of each month and interest shall be paid monthly.
Total	1,616,946	
Less: current portion	(5,242)	
Non-current portion	$1,611,704	

(a) Please refer to Note 8 for more detail of assets pledged as collaterals.

(b) As of December 31, 2021 and 2020, the interest rate intervals for long-term loans were 0.70%~1.80% and 0.70%~1.80%, respectively.

(c) The Company received a low-interest government loan from the Ministry of Economic Affairs in the amounting NT$218,000 thousand with a term of 5~7 years and annual interest rates of 0.70% payable monthly on the 15th of each month. The government grant of the low-interest government loan was recorded under other liabilities-deferred government grants income. The Company shall recognize the government grant income when it is reasonably assured that the Company meets all the terms of the government grant agreement.

(d) On December 25, 2019, the Company has entered into a 5-year agreement of syndicated loans in credit line of NT$3,000,000 thousand, with Land Bank of Taiwan and 7 other banks for the purpose of settling the unpaid loan balance mentioned above and replenishing operating capital.

In the event that the Company's financial statements do not meet with any of the criteria or restrictions specified, the Company shall improve it in five months starting from April 1 of the following year on the audited financial fiscal year. The improvement documentation proposed by the Company shall also be audited by certified public accountants. The Company will not be treated as a breach of the loan agreement during the period of improvement.

(14)Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 are NT$35,211 thousand and NT$33,418 thousand, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$4,384 thousand to its defined benefit plan during the 12 months beginning after 31 December 2021.

As of December 31, 2021 and 2020, the maturities of the Company's defined benefit plan were expected in 2036 and 2037.

Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
Current period service costs	$132	$131
Net interest of defined benefit	253	481
Previous period service cost	-	-
Settlement	-	-
Total	$385	$612

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

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	Dec. 31, 2021	Dec. 31, 2020	Jan. 1, 2020
Defined benefit obligation	$86,160	$90,364	$88,214
Plan assets at fair value	(35,884)	(31,476)	(30,303)
Other non-current liabilities – net defined benefit liability on the consolidated balance sheets	$50,276	$58,888	$57,911

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2020	$88,214	$(30,303)	$57,911
Current period service costs	131	-	131
Net interest expense (revenue)	732	(251)	481
Past service cost, gain/loss arising from settlements	-	-	-
Subtotal	863	(251)	612
Remeasurement of net defined benefit liability/asset			
Actuarial gains and losses arising from changes in demographic assumptions	7	-	7
Actuarial gains and losses arising from changes in financial assumptions	5,744	-	5,744
Experience adjustments	(398)	-	(398)
Re-measurement on defined benefit assets	-	(1,000)	(1,000)
Subtotal	5,353	(1,000)	4,353
Payments from the plan	(4,066)	4,066	-
Contributions by employer	-	(3,988)	(3,988)
Effect of exchange rates	-	-	-
As of December 31, 2020	90,364	(31,476)	58,888
Current period service costs	132	-	132
Net interest of defined benefit	388	(135)	253
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	520	(135)	385

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

Remeasurement of net defined benefit liability(asset):			
Actuarial gains and losses arising from changes in demographic assumptions	437	-	437
Actuarial gains and losses arising from changes in financial assumptions	(4,630)	-	(4,630)
Experience adjustments	10	-	10
Re-measurement on defined benefit assets	-	(430)	(430)
Subtotal	(4,183)	(430)	(4,613)
Payments from the plan	(541)	541	-
Contributions by employer	-	(4,384)	(4,384)
Effect of exchange rates	-	-	-
As of December 31, 2021	$86,160	$(35,884)	$50,276

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2021	2020
Discount rate	0.77%	0.43%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis:

	Effect on the defined benefit obligation			
	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$6,333	$-	$-	$343
Discount rate decrease by 0.5%	-	6,946	410	-
Future salary increase by 0.5%	6,754	-	69	-
Future salary decrease by 0.5%	-	6,231	-	63

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

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(15)Equity

(a)Common stock

As of December 31, 2021 and 2020, the Company's authorized capital were both NT$6,000,000 thousand, each share at par of NT$10. The Company's paid-in capital were NT$5,408,984 thousand and NT$5,108,984 thousand respectively, divided into 540,898 thousand shares and 510,898 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

On May 6, 2021, the Company's board meeting resolved to increase the capital through an issuance of 30,000 thousand new shares at a price of NT$52. The application has been approved by the FSC with Order No. Jin-Guan-Cheng-Fa-Zi-1100352533. The base date for the cash capital increase was Octobor 13, 2021.

For the year ended December 31, 2021, the 7^{th} unsecured convertible bonds in amount of NT$2,400 thousand were converted into 35 thousand shares. The Board of Directors have not resolved the date of capital increase that these 35 thousand shares were recorded under the account of capital collected in advance as of December 31, 2021.

(b)Additional paid-in capital

	As of December 31,	
	2021	2020
Additional paid - in capital	$3,065,181	$1,784,270
All changes in interests in subsidiaries	1,038,084	825,638
Stock options – convertible rights	12,685	-

Others	31,239	31,239
Total	$4,147,189	$2,641,147

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made either in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c)Retained earnings and dividend policies

(1)Distribution of earnings

The Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

i Payment of all taxes and dues;
ii Offset prior years' operation losses;
iii Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
iv The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(2)Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets, as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting for final approval. And by the Company's policy, the portion of cash dividend shall not be less than 10% of total shareholders' bonus.

(3)Legal reserve

According to the Company Act, the Company has to set aside an amount for legal reserve from current year's earnings until such legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital either by shares or by cash.

(4)Special reserve

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

As of December 31, 2021 and 2020, special reserve set aside for the first-time adoption of T-IFRS amounted to NT$175,749 thousand.

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

The appropriations of earnings for the years 2022 and 2021 were approved through the Board of Directors' meetings and shareholders' meetings held on March 23, 2022 and July 23, 2021, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2021	2020	2021	2020
Legal reserve	$107,274	$51,437		
Special reserve	(57,436)	(209,687)		
Common stock－cash dividend	730,261	561,988	1.35	1.1
Total	$780,099	$403,738		

Please refer to 6(20) for detail on employees' compensation and remuneration to directors and supervisors.

(16)Share-based payment

Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(a)On May 6, 2021, the Company's board of directors meetings resolved to increase cash capital. The measurement date was at Octobor 13, 2021 and except for part of new shares for employees to subscribe it.

(1)The following table contains further details on the aforementioned share-based payment plan:

	For the year ended December 31, 2021	
	Number of share outstanding (in thousand)	Weighted average Exercise price per Share (NT$)
Outstanding at beginning of period	-	$-
Granted	3,600	52

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

Exercised	(3,600)	52
Outstanding at end of period	-	
Weighted-average fair value of options granted during the period (in NT$)	$6.56	

(2)The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. Assumptions used in calculating the fair value are disclosed as follows:

	2021.08.17
Stock market price	$56
Exercise price	$52
Expected volatility (%)	54.85%
Expected life (Years)	0.13 years
Expected dividend yield (%)	0%
Risk-free interest rate (%)	0.099%

The stock market price on the grant date is evaluated by the income method and the market method.

The expected volatility is based on the Company's stock price over 48 trading days.

(b)In 2021, the compensation cost recognized for the cash increase reserved for employees to subscribe is NT$23,616 thousand.

(17)Operating revenue

	For the year ended December 31,	
Revenue from customer contracts	2021	2020
Sale of goods	$5,910,694	$5,115,451
Revenue arising from rendering of services	-	20,252
Total	$5,910,694	$5,135,703

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

Analysis of revenue from contracts with customers during the years ended December 31, 2021 and 2020 are as follows:

(a)Disaggregation of revenue

Analysis of revenue from contracts with customers during the years ended December 31, 2021 are as follows:

	Semi-conductor business	Solar business	Total
Sale of goods	$5,910,694	$-	$5,910,694
Rendering of services	-	-	-
Total	$5,910,694	$-	$5,910,694
The timing for revenue recognition：			
At a point in time	$5,910,694	$-	$5,910,694

Analysis of revenue from contracts with customers during the years ended December 31, 2020 are as follows:

	Semi-conductor business	Solar business	Total
Sale of goods	$5,115,451	$-	$5,115,451
Rendering of services	20,252	-	20,252
Total	$5,135,703	$-	$5,135,703
The timing for revenue recognition：			
At a point in time	$5,135,703	$-	$5,135,703

(b)Contract balances

A. Contract liabilities

As of	2021.12.31	2020.12.31	2020.01.01
Sales of goods	$703,961	$528,582	$589,794

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

The changes in the Company's balances of contract liabilities for the year ended 31 December 2021 are as follows:

	Sales of goods
The opening balance transferred to revenue	$(54,870)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	230,249

The changes in the Company's balances of contract liabilities for the year ended December 31, 2020 are as follows:

	Sales of goods
The opening balance transferred to revenue	$(71,206)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	9,994

(18)Expected credit losses (gains)

	For the year ended December 31,	
	2021	2020
Operating expenses – Expected credit losses (gains)		
Account receivables	$-	$-

Please refer to Note 12 for more details on credit risk.

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

The Company measures the loss allowance of its accounts receivable at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2021 and 2020 are as follow:

A. The Company needs to consider the grouping of trade receivables by counter-parties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

2021.12.31

		Past due					
	Neither past due	<=90 days	91-120 days	121-180 days	181-365 days	>=365 days	Total
Gross carrying amount	$1,357,324	$45,798	$-	$-	$-	$87,679	$1,490,801
Loss ratio	0.04%	1%	5%	-%	-%	100%	
Lifetime expected credit losses	(536)	(458)	-	-	-	(87,679)	(88,673)
Carrying amount of trade receivables	$1,356,788	$45,340	$-	$-	$-	$-	$1,402,128

2020.12.31

		Past due					
	Neither past due	<=90 days	91-120 days	121-180 days	181-365 days	>=365 days	Total
Gross carrying amount	$1,184,951	$10,608	$3,382	$-	$-	$87,601	$1,286,542
Loss ratio	0.07%	1%	5%	-%	-%	100%	
Lifetime expected credit losses	(797)	(106)	(169)	-	-	(87,601)	(88,673)
Carrying amount of trade receivables	$1,184,154	$10,502	$3,213	$-	$-	$-	$1,197,869

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

B. The movement in the provision for impairment of notes receivable and accounts receivable for the years ended December 31, 2021 and 2020 are as follows:

	Account receivables
Beginning balance as of January 1, 2021	$88,673
Addition (reversal) for the current period	-
Ending balance as of December 31, 2021	$88,673

	Account receivables
Beginning balance as of January 1, 2020	$88,673
Addition (reversal) for the current period	-
Ending balance as of December 31, 2020	$88,673

(19)Leases

(a)Company as a lessee

The Company leases various properties, including real estate such as land. The lease terms range from 20 years. The Company is not allowed to loan, sublease or sell without obtaining the consent from the lessors.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(i)Right-of-use assets

	Land
Cost:	
2021.01.01	$68,226
Additions	-
Transfer	-

Disposals	-
2021.12.31	$68,226
2020.01.01	$84,043
Additions	-
Transfer	-
Disposals	(15,817)
2020.12.31	$68,226
Depreciation and impairment:	
2021.01.01	$13,699
Depreciation	6,058
Transfer	-
Disposals	-
2021.12.31	$19,757
2020.01.01	$7,640
Depreciation	6,059
Transfer	-
Disposals	-
2020.12.31	$13,699
Net carrying amount:	
2021.12.31	$48,469
2020.12.31	$54,527

(ii)Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	$49,637	$55,179
Current	$5,681	$5,542
Non-current	43,956	49,637
Total	$49,637	$55,179

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

Please refer to Note 6(21)(d) for the interest on lease liabilities recognized during the year ended 31 December 2021 and 2020 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2021 and 2020.

B. Income and costs relating to leasing activities

	For the year ended December 31,	
	2021	2020
Short-term leased expense (rental expense)	$16,153	$16,948

The portfolio of short-term leases of the Company to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above, and the amount of its lease commitments is NT$0.

For the year ended December 31, 2020, the Company recognized NT$456 thousand as income to account the rent concession arising as a direct consequence of the covid-19 pandemic as a variable lease payment.

C. Cash outflow relating to leasing activities

	For the year ended December 31,	
	2021	2020
Cash outflow relating to leases amount	$22,999	$23,338

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

(20)Summary of employee benefits, depreciation and amortization by function is as follows:

	For the year ended December 31,					
	2021			2020		
	Cost of goods sold costs	Operating expense	Total	Cost of goods sold costs	Operating expenses	Total
Employee benefits						
Salaries & wages	$526,717	$183,959	$710,676	$491,078	$122,170	$613,248
Labor and health insurance	70,331	13,179	83,510	63,594	11,288	74,882
Pension	28,366	7,230	35,596	27,421	6,609	34,030
Directors' remuneration	-	8,400	8,400	-	6,300	6,300
Other employee benefits	193,575	26,435	220,010	168,882	18,893	187,775
Depreciation	563,444	41,962	605,406	541,990	38,759	580,749
Amortization	764	4,851	5,615	481	5,485	5,966

Note:

1.The headcounts of the Company amounted to 1,150 and 1,139, respectively, as of December 31, 2021 and 2020. Among the Company's directors, there were 8 who were not the employees.

2.Companies who have been listed on Taiwan Stock Exchange or Taiwan Over-The Counter Securities Exchange should disclose the following information:

(1) Average employee benefits of 2021 and 2020 are NT$919 thousand and NT$805 thousand respectively.
(2) Average salaries of 2021 and 2020 are NT$622 thousand and NT$542 thousand respectively.
(3) Changes in average salaries are 15%.
(4) In accordance with the regulations, the Company has established an audit committee to replace the supervisor, so the supervisor's remuneration has not been recognized.
(5) The salary and remuneration policy of the Company:
According to Articles 29 of the Company's Articles of Incorporation, not lower than 5% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to

directors. In addition to the basic salaries, employees' annual salaries are also adjusted based on the Company's performance to motivate and retain outstanding employees. In addition, according to Articles 25 of the Company's Articles of Incorporation, the Company pays remuneration to directors for performing duties whether the Company makes profit or not. The Company authorizes the Board of Directors to determine the remunerations which are allocated according to directors performance, level of contribution referencing the industry standards. In accordance with the regulations, the compensation committee will make recommendations on directors' remuneration and the salaries of managers, then submit the proposal to the Board of Directors for approval.

According to the resolution, no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors and no lower than 5% of profit of the current year is distributable as employees' compensation. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended 31 December 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 to be 5.82% of profit of the current year and 0.65% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December, 2021 amounted to NT$ 75,000 thousand and NT$ 8,400 thousand, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December, 2020 to be 6.73% of profit of the current year and 0.94% of profit of the current year, respectively, recognized as employee benefits expense. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 amount to NT$45,000 thousand and NT$6,300 thousand, respectively.

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

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT$75,000 thousand and NT$8,400 thousand, respectively, in a meeting held on March 23, 2022. No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2021.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2020 amount to NT$45,000 thousand and NT$6,300 thousand, respectively. No differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2020.

(21)Non-operating income and expenses

(a)Interest income

	For the year ended December 31,	
	2021	2020
Financial assets measured at amortized cost		
Interest income	$5,214	$7,131

(b)Other income

	For the year ended December 31,	
	2021	2020
Other income – others	$13,933	$41,088

(c)Other gains and losses

	For the year ended December 31,	
	2021	2020
Gains (losses) on disposal of property, plant and equipment	$(126,820)	$1,378
Gains on disposal of investments	618	-

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

Foreign exchange gains (losses), net	(13,873)	(22,256)
Others	(40,855)	(14,305)
Gains (losses) on financial assets at fair value through profit or loss	682	801
Gains on lease modification	-	1,365
Reversal of impairment losses on property, plant and equipment	129,993	-
Impairment losses on property, plant and equipment	-	(4,000)
Reversal of impairment losses on long-term prepayments for materials	34,615	-
Total	$(15,640)	$(37,017)

(d)Finance costs

	For the year ended December 31,	
	2021	2020
Interest on borrowings from bank	$32,874	$38,150
Interests on lease liabilities	1,304	1,439
Interests on bonds payable	1,768	-
Total	$35,946	$39,589

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

(22)Components of other comprehensive income

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Other comprehensive income, pre-tax	Tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurement of defined benefit plans	$4,613	$-	$4,613	$-	$4,613
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	105,861	-	105,861	-	105,861
May be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for under equity method	(30,873)	-	(30,873)	-	(30,873)
Total of other comprehensive income	$79,601	$-	$79,601	$-	$79,601

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

For the year ended December 31, 2020

	Arising during the period	Reclassification during the period	Other comprehensive income, pre-tax	Tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurement of defined benefit plans	$(4,353)	$-	$(4,353)	$-	$(4,353)
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	172,834	-	172,834	-	172,834
May be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for under equity method	36,853	-	36,853	-	36,853
Total of other comprehensive income	$205,334	$-	$205,334	$-	$205,334

(23)Income tax

(a)The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2021	2020
Current income tax expense (income):		
Current income tax charge	$154,000	$98,799
Adjustments in respect of current income tax of prior periods	-	-

Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	-	-
Total income tax expense	$154,000	$98,799

(b)A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2021	2020
Accounting income before tax from continuing operations	$1,204,572	$617,517
Tax payable at the enacted tax rates	$240,915	$123,503
Tax effect of revenues exempt from taxation	(95,062)	(33,517)
Tax effect of expenses not deductible for tax purposes	38,765	31,442
Tax effect of deferred tax assets/liabilities	(36,149)	(23,597)
Surtax on undistributed earnings	5,531	968
Total income tax expense recognized in profit or loss	$154,000	$98,799

(c)Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance as Jan. 1, 2021	Deferred tax income (expense) recognized in P/L	Effect of tax rate change	Ending balance as of Dec. 31, 2021
Temporary differences				
Unrealized loss on inventory valuation	$22,719	$544	$-	$23,263
Unrealized exchange loss(gain)	765	1,456	-	2,221
Pension expense gain	1,967	-	-	1,967
Unrealized intragroup profits and losses	9,400	(2,000)	-	7,400
Unpaid liability transferred to revenue	275	-	-	275

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

Accumulated compensated absences expense	2,747	-	-	2,747
Deferred tax income/ (expense)		$-	$-	
Net deferred tax assets/(liabilities)	$37,873			$37,873
Reflected in balance sheet as follows:				
Deferred tax assets	$37,873			$37,873
Deferred tax liabilities	$-			$-

For the year ended December 31, 2020

	Beginning balance as Jan. 1, 2020	Deferred tax income (expense) recognized in P/L	Effect of tax rate change	Ending balance as of Dec. 31, 2020
Temporary differences				
Unrealized loss on inventory valuation	$23,720	$(1,001)	$-	$22,719
Unrealized exchange loss(gain)	1,764	(999)	-	765
Pension expense gain	1,967	-	-	1,967
Unrealized intragroup profits and losses	7,400	2,000	-	9,400
Unpaid liability transferred to revenue	275	-	-	275
Accumulated compensated absences expense	2,747	-	-	2,747
Deferred tax income/ (expense)		$-	$-	
Net deferred tax assets/(liabilities)	$37,873			$37,873
Reflected in balance sheet as follows:				
Deferred tax assets	$37,873			$37,873
Deferred tax liabilities	$-			$-

(d)Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets that have not been recognized as they may not be used to offset future taxable profits amount to NT$103,786 thousand and NT$157,675 thousand, respectively.

(e)Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at December 31, 2021 and 2020, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, aggregate to NT$353,685 thousand and NT$262,823 thousand, respectively.

(f)The assessment of income tax returns

As at December 31, 2021, the status of tax authority's assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2019

(24)Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31, 2021	For the year ended December 31, 2020
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,050,572	$518,718
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	519,592	510,898
Basic earnings per share (in NT$)	$2.02	$1.02
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,050,572	$518,718
Gain or loss on valuation of redemption	(682)	-
Interest expense from convertible bonds	1,414	-
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$1,051,304	$518,718
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	519,592	510,898
Effect of dilution:		
Employee bonus－stock (in thousand shares)	1,130	1,815
Convertible bonds (in thousands shares)	1,902	-
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	522,624	512,713
Diluted earnings per share (in NT$)	$2.01	$1.01

There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

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

7. Related party transactions

(1)Deal with related parties as of the end of the reporting period

Related parties and Relationship

Related parties	Relationship
Wafer Works Investment Corp.	Subsidiary
Heli-Vantech Corp.	Subsidiary
Huaxin (Shanghai) Technology Co. Ltd.	Subsidiary
Silicon Technology Investment (Cayman) Corp.	Subsidiary
Wafer Works (Shanghai) Co., Ltd.	Subsidiary
Wafer Works Epitaxial Corp.	Subsidiary
Wafer Works (Yangzhou) Corp.	Subsidiary
Wafer Works (Zhengzhou) Corp.	Subsidiary
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Subsidiary
Sharp Right Limited	Subsidiary
Wafermaster Investment Corp.	Subsidiary
Helitek Company Ltd.	Subsidiary

(2)Significant transactions with related parties

A.Operating revenue

	For the year ended December 31,	
	2021	2020
Helitek Company Ltd.	$1,373,021	$1,042,749
Wafer Works Epitaxial Corp.	757,370	799,385
Huaxin (Shanghai) Technology Co. Ltd.	299,305	373,691
Subsidiaries	23,122	90,650
Total	$2,452,818	$2,306,475

The sales price to related parties was determined through mutual agreement based on market condition. The collection terms for related parties were 60 days from delivery by telegraphic transfer, similar to those for third parties.

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For the years ended December 31, 2021 and 2020, the Company purchased raw materials on behalf of its subsidiaries totalling NT$203,771 thousand and NT$162,199 thousand, respectively.

B.Purchases

	For the year ended December 31,	
	2021	2020
Wafer Works Epitaxial Corp.	$-	$289,975
Wafer Works (Shanghai) Co., Ltd.	428	21,055
Huaxin (Shanghai) Technology Co. Ltd.	513,867	275,173
Wafer Works (Yangzhou) Corp.	263,586	286,329
Subsidiaries	14,567	83,756
Total	$792,448	$956,288

The purchase price to related parties was determined through mutual agreement based on market condition. The payment terms to related parties were 30~60 days from delivery by telegraphic transfer, similar to those for third parties.

C.Accounts receivable - related parties

	As of December 31,	
	2021	2020
Wafer Works Epitaxial Corp.	$151,960	$134,004
Helitek Company Ltd.	267,883	165,620
Sharp Right Limited	39,179	40,312
Wafer Works (Shanghai) Co., Ltd.	(49)	(51)
Wafer Works (Yangzhou) Corp.	73	-
Wafer Works (Zhengzhou) Corp.	-	1,944
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	12,129	-
Huaxin (Shanghai) Technology Co. Ltd.	149,347	301,691
Total	620,522	643,520
Less: loss allowance	-	-
Net	$620,522	$643,520

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

D.Other receivables

	As of December 31,	
	2021	2020
Sharp Right Limited	$45,432	$46,453
Wafer Works (Shanghai) Co., Ltd.	299	36
Wafer Works (Yangzhou) Corp.	-	7
Wafer Works Epitaxial Corp.	-	506
Helitek Company Ltd.	133	132
Wafer Works (Zhengzhou) Corp.	-	984
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	-	23,695
Huaxin (Shanghai) Technology Co. Ltd.	25,066	50,567
Total	$70,930	$122,380

E.Accounts payable - related parties

	As of December 31,	
	2021	2020
Wafer Works (Yangzhou) Corp.	$41,536	$42,084
Helitek Company Ltd.	3,402	162
Huaxin (Shanghai) Technology Co. Ltd.	97,626	85,173
Total	$142,564	$127,419

F.Other payable

	As of December 31,	
	2021	2020
Helitek Company Ltd.	$688	$369
Wafer Works (Shanghai) Co., Ltd.	2,594	-
Huaxin (Shanghai) Technology Co. Ltd.	-	82
Total	$3,282	$451

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

G.Purchase of property, plant and equipment

Asset	Related parties	Purchase price	Reference basis for price decision
2021			
Machinery	Subsidiaries	$2,594	negotiation
2020			
Machinery	Subsidiaries	$1,263	negotiation

H.As of December 31, 2021 and 2020, the Company provided endorsement/guarantee to its Subsidiary in total of NT$0 and NT$405,020 thousand, respectively.

I.Key management personnel compensation

	For the year ended December 31,	
	2021	2020
Short-term employee benefit	$28,612	$31,753
Post-employment benefit	659	651
Total	$29,271	$32,404

8. Assets pledged as collateral

	Carrying amount As of Dec. 31,		
Assets pledged for security	2021	2020	Secured liabilities
Refundable deposits	$3,872	$3,872	Litigation deposit
Financial assets measured at amortized cost-curren	7,006	7,003	Long-term loans
Financial assets measured at amortized cost-noncurrent	9,967	9,967	Land leased
Property, plant and equipment – land	259,131	259,131	Long-term loans
Property, plant and equipment – buildings	1,158,060	937,379	Long-term loans
Total	$1,438,036	$1,217,352	

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

9. Significant contingencies and unrecognized contract commitments

(a)As of December 31, 2021, outstanding contracts related to the purchased property, plant and equipment were as follows:

Type of Asset	Total Amount	Amount paid to date	Amount outstanding
Equipment	$749,211	$374,664	$374,547
Construction	169,652	74,300	95,352
Total	$918,863	$448,964	$469,899

(b)The Company signed a 8-year and a 7-year purchase contracts with Supplier A for the period from January 1, 2009 through December 31, 2016 and January 1, 2008 through December 31, 2016 for stabilizing the material sources and to enhance the relationship with the supplier. On July 31, 2015, the agreements have been effectively extended for the maturities at December 31, 2020 and December 31, 2022, respectively. Under the agreements, installment prepayments which are to be offset by the Company’s future purchase orders were agreed and paid by the Company.

The total balance of prepayment for supplier A as of December 31, 2021 was NT$479,044 thousand. However, the Company, in assessing their future economy, has provided an impairment in amount of NT$202,337 thousand as of December 31, 2021 against the prepayment.

Supplier B filed a lawsuit against the Company and claimed NT$44,903 thousand for the damage alleging the Company failed to fulfill its obligation. On August 20, 2015, the Taiwan High Court decided that the Company shall pay supplier B NT$9,600 thousand plus interest calculated at 5% annual interest rate for the period from October 9, 2013 to the settlement date. However, both the Company and supplier B appealed. On January 10, 2018, the Taiwan High Court decided that the Company shall pay supplier B NT$7,680 thousand plus interest calculated at 5% annual interest rate for the period from October 9, 2013 to the settlement date. The Company has further filed an appeal to the Supreme Court on February 2, 2018. Meanwhile, supplier B has also filed a third instance appeal and claimed that the Company shall pay NT$27,132 thousand plus the statutory interest. On September 18, 2020, the Supreme Court decided that the Company shall pay supplier B NT$7,680 thousand plus interest calculated at 5% annual interest rate for the period from October 9, 2013 to the settlement date. The Company paid in full as of December 31, 2021.

(c)To extend long-term business, the Company co-operated with its customers via strategic alliances. During 2018, the Company signed a long-term sale contract with its customers A. The Company will provide the silicon wafer solar to its customers from October 1, 2018 to August 31, 2021. The contract regulated the obligations that customers should fulfill orders and the Company could receive advance payment by installment. As customers fulfill an obligation of orders, and the Company could offset against sales by advance sales receipts. As of December 31, 2021, the outstanding balance of NT$11,787 thousand was showed as the contract liability.

To extend long-term business, the Company co-operated with its customers via strategic alliances. During 2008, the Company signed a long-term sale contract with its customers B. The Company will provide the silicon wafer solar to its customers from January 1, 2011 to December 31, 2016. The contract regulated the obligations that customers should fulfill orders and the Company could receive advance payment by installment. As customers fulfill an obligation of orders, and the Company could offset against sales by advance sales receipts. As of December 31, 2021, the outstanding balance of NT$457,865 thousand was showed as advance sales receipts.

However, during the contract period, customer B did not fulfill its obligation in accordance with the terms of the contract. On January 13, 2016, the Company therefore filed a damages claim to the Hsinchu District Court. On October 13, 2017, the Hsinchu District Court decided in favor of the Company that customer B shall pay to the Company NT$500,000 thousand plus the interest calculated at 5% annual interest rate for the period from December 23, 2015 to the settlement date in addition to a prepayment of US$16,240 thousand to be confiscated by the Company. Customer B appealed to the Taiwan High Court on October 31, 2017. On January 27, 2021, the Taiwan High Court dismissed the appeal. Customer B appealed to the Supreme Court on February 23, 2021. On November 3, 2021, the Supreme Court set aside the original judgment, and returned the case to the Taiwan High Court. The case is still pending in the Taiwan High Court as of the reporting date of the financial statements.

The Company has entered into a long-term sale agreement with its customer C in the term from July 1, 2018 to December 31, 2023 for developing long-term business and establishing long-term strategic alliances relation with downstream suppliers. The Company is entitled to receive in advance specific payments in an installment basis while customer C shall put its purchase orders in compliance with the regulation within the agreement by using its prepayment.

The Company has entered into a long-term sale agreement with its customer D in the term from January 1, 2022 to December 31, 2024 for developing long-term business and establishing long-term strategic alliances relation with downstream suppliers. The Company is entitled to receive in advance specific payments in an installment basis while customer D shall put its purchase orders in compliance with the regulation within the agreement by using its prepayment. As of December 31, 2021, the Company's contract liabilities receipts amounted to NT$ 185,781 thousand.

The Company has entered into a long-term sale agreement with its customer E in the term from October 1, 2021 to September 30, 2023 for developing long-term business and establishing long-term strategic alliances relation with downstream suppliers. The Company is entitled to receive in advance specific payments in an installment basis while customer E shall put its purchase orders in compliance with the regulation within the agreement by using its prepayment. As of December 31, 2021, the Company's contract liabilities receipts amounted to NT$ 37,239 thousand.

The Company has entered into a long-term sale agreement with its customer F in the term from October 1, 2018 to September 30, 2021 for developing long-term business and establishing long-term strategic alliances relation with downstream suppliers. The Company is entitled to receive in advance specific payments in an installment basis while customer F shall put its purchase orders in compliance with the regulation within the agreement by using its prepayment. As of December 31, 2021, the Company's contract liabilities receipts amounted to NT$6,806 thousand.

(d) As of December 31, 2021, the Company issued a tariff guarantee of NT$22,500 thousand to the bank for the purpose of importing goods.

10. Losses due to major disasters

None.

11. Significant subsequent events

A. On March 23, 2022, in response to the Company's long-term strategic developing layout, the Company's board of directors resolved to acquire no more than 2,600,000 shares of Class B preference shares of its sub-subsidiary, Silicon Technology Investment (Cayman) Corp through its subsidiary Wafer Work Investment Corp. The acquisition price per share shall not exceed USD4.8, and the total acquisition amount shall not exceed USD12,480,000. The percentage of ownership interests of acquisition is approximately 5.05%. The Company’s ownership interest of the subsidiary, Silicon Technology Investment (Cayman) Corp, will not exceed 90.43% after acquisition.

B. On March 23, 2022, in response to the Company's long-term strategic developing layout, the Company’s board of directors resolved to increase the capital of a wholly-owned subsidiary, Wafer Works Investment Corp., in the amount of no more than USD6,680,000 in order to acquire no more than 2,600,000 shares of Class B shares preference shares of the sub-subsidiary, Silicon Technology Investment (Cayman) Corp.

C. On March 23, 2022, the Company’s board of directors resolved to issue restricted stock for employees. The number of shares to be issued shall not exceed 1,000,000 shares, and the actual terms of issuance and subscription are subject to the approval of the shareholders' meeting.

D. On March 23, 2022, to improve working capital and to repay bank loans, the Company’s board of directors resolved to conduct private placement of common stock and/or private placement of convertible bonds or a combination of both. The privately placed common stock is expected to issue not more than 50,000 thousand shares. The privately placed convertible bonds, of which the upper limit of total amounts are set to be NT$2.5 billion for the time being, shall be conducted once or twice within one year from the resolution date of the shareholders' meeting.

E. On March 23, 2022, the Company’s board of directors resolved to have Wafer Works (Shanghai) Co., Ltd. go for an initial public offering of RMB ordinary shares (Class A shares) and apply to be listed on Shanghai Stock Exchange’s Sci-Tech Innovation Board. As of the financial report date, the application was not yet submitted.

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

12. Others

(1)Categories of financial instruments

	As of December 31,	
	2021	2020
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$2,113	$9,171
Financial assets measured at amortized cost		
Cash and cash equivalents	3,862,033	1,859,490
Certificate of deposit – restricted	16,973	16,970
Accounts receivables	781,606	554,349
Accounts receivables – related party	620,522	643,520
Other receivables	22,754	25,205
Other receivables – related party	70,930	122,380
Total	$5,376,931	$3,231,085

	As of December 31,	
	2021	2020
Financial liabilities measured at amortized cost:		
Short-term borrowings	$291,083	$504,339
Payable	1,237,299	1,003,396
Long-term borrowings (including current portion with maturity less than 1 year)	1,707,711	1,616,946
Bonds payable	284,385	-
Lease liabilities (including current portion with maturity less than 1 year)	49,637	55,179
Total	$3,570,115	$3,179,860

(2)Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk.

(3)Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rare that a single risk variable will change independently from other risk variable, i.e. there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Therefore, hedge accounting is not adopted.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Company's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. The information of the sensitivity analyses is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by NT$12,694 thousand and NT$5,347 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and bank borrowings with fixed interest rates and variable interest rates, which are all categorized as bank borrowings and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2021 and 2020 to decreased/increased by NT$1,999 thousand and NT$2,121 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities, including fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

(4)Credit risk management

Credit risk is the risk that the counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

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

As of December 31, 2021 and 2020, receivables from the top ten customers were accounted for 71.95% and 74.42% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively not significant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5)Liquidity risk management

The Company maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over than 5 years	Total
As of Dec. 31, 2021							
Borrowings	$509,905	$357,663	$494,873	$665,632	$72,742	$-	$2,100,815
Payables	1,237,299	-	-	-	-	-	1,237,299
Lease Liabilities	6,846	6,846	6,846	6,846	6,846	20,538	54,768

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

As of Dec. 31, 2020							
Borrowings	$541,067	$215,359	$335,389	$456,564	$695,644	$-	$2,244,023
Payables	1,003,396	-	-	-	-	-	1,003,396
Lease Liabilities	6,846	6,846	6,846	6,846	6,846	27,384	61,614

(6)Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Bonds Payable	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	$504,339	$-	$1,616,946	$16,476	$55,179	$2,192,940
Cash flows	(213,256)	296,434	91,900	79,515	(6,846)	247,747
Non-cash changes						
Lease modification	-	-	-	-	-	-
Interest of lease liabilities	-	-	-	-	1,304	1,304
Other	-	(13,817)	-	-	-	(13,817)
Interest expense	-	1,768	(1,135)	-	-	633
As of December 31, 2021	$291,083	$284,385	$1,707,711	$95,991	$49,637	$2,428,807

Movement schedule of liabilities for the year ended December 31, 2020:

	Short-term borrowings	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	$579,606	$1,550,000	$38,066	$77,312	$2,244,984
Cash flows	(75,267)	69,333	(21,590)	(6,390)	(33,914)
Non-cash changes					
Lease modification	-	-	-	(17,182)	(17,182)
Interest of lease liabilities	-	-	-	1,439	1,439
Interest expense	-	(2,387)	-	-	(2,387)
As of December 31, 2020	$504,339	$1,616,946	$16,476	$55,179	$2,192,940

(7)Fair values of financial instruments

(a)The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their faire value.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

iii. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

iv. The fair value of other financial assets and liabilities is determined using discounted cash flow analysis. The interest rate and discount rate are selected with reference to those of similar financial instruments.

(b)Fair value of financial instruments measured at amortized cost

Other than the item is listed in the table below, the carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

	Carrying amount	
	Dec. 31, 2021	Dec. 31, 2020
Financial liabilities		
Bonds payable	$284,385	$-

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

	Fair value	
	Dec. 31, 2021	Dec. 31, 2020
Financial liabilities		
Bonds payable	$284,714	$-

(c)Fair value measurement hierarchy for financial instruments

Please refer to Note 12.9 for fair value measurement hierarchy for financial instruments of the Company.

(8)Derivative financial instruments

As of December 31, 2020, there was no derivative financial instruments for the Company. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2021 is as follows:

As of 12/31/2021

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6 for further information on this transaction.

(9)Fair value measurement hierarchy

(a)Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b)Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Embedded derivatives	$-	$-	$2,113	$2,113

As of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Embedded derivatives	$9,171	$-	$-	$9,171

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

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

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Liabilities
	At fair value through profit or loss
As of January 1, 2021	$-
Acquistion/issues for the period	1,260
Total gains recognized	
Amount recognized in profit or loss (presented in "other gains and losses")	853
As of December 31, 2021	$2,113

Total gains and losses recognized in profit or loss in the table above contain gains and losses related to assets or liabilities on hand as of December 31, 2021 and 2020 in the amount of NT$853 and NT$0, respectively.

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

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial liabilities:					
At fair value through profit or loss					
Embedded derivatives	Binary tree-based model for valuation of convertible bonds	Volatility	54.38%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Company's profit or loss by NT$150 thousand

As of December 31, 2020: None.

(c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables (Please refer to the Note 6 (12))	$-	$-	$284,714	$284,714

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

As of December 31, 2020: None.

(10)Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$61,821	27.68	$1,711,199
Non Monetary items:			
USD	$171,999	27.68	$4,760,941
Financial liabilities			
Monetary items:			
USD	$15,960	27.68	$441,783

	As of December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$40,106	28.48	$1,142,210
Non Monetary items:			
USD	$140,642	28.48	$4,005,481
Financial liabilities			
Monetary items:			
USD	$21,329	28.48	$607,459

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Company's functional currency is variety. It is impossible to disclose the foreign exchange gains or losses on monetary financial assets and financial liabilities with significant influence by each functional currency. The Foreign exchange gains or losses of the Company amounted to NT$(13,873) thousand and NT$(22,256) thousand respectively for the years ended December 31, 2021 and 2020.

(11) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Commission:

a. Financing provided to others for the year ended December 31, 2021: None.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2021: Please refer to Attachment 1.

c. Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint ventures): None.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2021: Please refer to Attachment 2.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2021: Please refer to Attachment 3.

i. Financial instruments and derivative transactions: None.

(2) Information on investees:

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to Attachment 4.

B. Investeeover which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others for the year ended December 31, 2021: Please refer to Attachment 5.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2021: Please refer to Attachment 1.

(c) Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint ventures): Please refer to Attachment 6.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2021: Please refer to Attachment 7.

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2021: Please refer to Attachment 8.

(i) Financial instruments and derivative transactions: None.

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

(3) Information on investments in Mainland China:

A. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), book value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Amount in thousand; Currency denomination in NTD unless otherwise specified

Investee company	Main Business and Product	Total Amount of Pain-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2021	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2021	Accumulated Inward Remittance of Earnings as of Dec. 31, 2021
					Outflow	Inflow						
Wafer Works (Shanghai) Co., Ltd. (Note10)	Wafer manufacturing industry	$2,586,900 (Note1&3)	-	$510,951	$-	$-	$510,951	$934,967	45.80%	$449,875 (Note3&4)	$4,337,779 (Note3&4)	$-
Wafer Works Epitaxial Corp.	Wafer manufacturing industry	$2,118,865 (Note3&6)	-	$516,782	$-	$-	$516,782	$717,509	45.80%	$717,509 (Note3&4)	$1,346,783 (Note3&4)	$-
Wafer Works (Yangzhou) Corp.	Wafer manufacturing industry	$473,224 (Note3&7)	Note 2	$-	$-	$-	$-	$41,107	45.80%	$38,470 (Note3&4)	$220,862 (Note3&4)	$-

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

Wafer Works (Zhengzhou) Corp.	Wafer manufacturing industry	$3,039,048 (Note3&8)	Note 8	$-	$-	$-	$-	$510,847	45.80%	$422,694 (Note3&4)	$1,503,877 (Note3&4)	$-
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Wafer manufacturing industry	$1,389,279 (Note3&9)	Note 9	$-	$-	$-	$-	$(37,648)	45.80%	$(37,648) (Note3&4)	$616,610 (Note3&4)	$-
Huaxin (Shanghai) Technology Co. Ltd	Selling semiconductor materials	$30,211 (Note11)	Note 12	$30,211	$-	$-	$30,211	$6,598	100.00%	$6,598 (Note3&4)	$46,228 (Note3&4)	$-

Investee company	Accumulated Investment in Mainland China as of Dec. 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Wafer Works (Shanghai) Co., Ltd.	$510,951	$681,037	Note 5
Wafer Works Epitaxial Corp.	$516,782	$1,484,699	Note 5
Wafer Works (Yangzhou) Corp.	$-	$-	Note 5
Wafer Works (Zhengzhou) Corp.	$-	$-	Note 5
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	$-	$-	Note 5
Huaxin (Shanghai) Technology Co. Ltd.	$30,211	$30,211	Note 5

Note 1: 53.64% shares of Wafer Works (Shanghai) Co., Ltd. owned by Silicon Technology Investment (Cayman) Corp. But 85.38% shares of Silicon Technology Investment (Cayman) Corp. owned by Wafer Works Investment Corp. Therefore, Wafer Works (Shanghai) Co., Ltd. indirectly invested by Wafer Works Corp.

Note 2: Wafer Works (Shanghai) Co., Ltd. invested directly to Wafer Works (Yangzhou) Corp.

Note 3: Foreign currencies were converted into New Taiwan dollars based on exchanged rate on December 31, 2021.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: The Company qualified and approved by Taiwan, R.O.C. government to be operation headquarter in Taiwan, thus there are no limitation of investee in mainland China.

Note 6: It was a wholly-owned subsidiary by the Company’s indirect subsidiary, Silicon Technology Investment (Cayman) Corp. The Company’s board in a meeting held on November 10, 2016 has resolved that Silicon Technology Investment (Cayman) Corp. participates in a cash addition conducted by Wafer Works (Shanghai) Co., Ltd. by using all ownership interest on Wafer Works Epitaxial Corp. As a result of the capital addition, Wafer Works (Shanghai) Co., Ltd. owns 100% interest of Wafer Works Epitaxial Corp.

Note 7: The Company’s board in a meeting held on November 10, 2016 resolved that Wafer Works (Shanghai) Co., Ltd. participates in a cash addition conducted by Wafer Works (Yangzhou) Corp. for 30% ownership interest.

Note 8: The Company’s board has resolved on February 16, 2017 Wafer Works (Zhengzhou) Corp. to be established through Wafer Works (Shanghai) Co., Ltd.’s investment.

Note 9: Zhengzhou Airport Economy Zone WaferWorks Technology Corp. has been established by Wafer Works (Shanghai) Co., Ltd. in November 2019.

Note 10: Wafer Works (Shanghai) Co., Ltd. applied for a shareholding restructuring to become a company limited by shares in September 2019. The registration procedures were completed on December 17, 2019.

Note 11: The paid-in capital is USD1,000 thousand, equivalent to NT$30,211 thousand.

Note 12: The Company invested directly to Huaxin (Shanghai) Technology Co. Ltd.

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

B. Significant transactions with the investees in mainland China:

(a)Purchase and accounts payable with the related parties:

	Purchase		Accounts payable	
	Amount	%	Amount	%
Wafer Works (Shanghai) Co., Ltd.	$428	0.02%	$-	-%
Huaxin (Shanghai) Technology Co. Ltd.	513,867	19.93	97,626	19.36
Wafer Works (YangZhou) Corp.	263,586	10.22	41,536	8.24
Total	$777,881	30.17%	$139,162	27.60%

Purchasing prices of the Company to related parties have the same product prices as purchase to non-related parties. Payment terms are also similar to the ones for non-related parties, which is 30 to 60 days from delivery by telegraphic transfer.

(b)Sales and receivables with the related parties:

	Operating revenue		Accounts receivable	
	Amount	%	Amount	%
Wafer Works Epitaxial Corp.	$757,370	12.81%	$151,960	10.19%
Wafer Works (Shanghai) Co., Ltd.	-	-	(49)	-
Huaxin (Shanghai) Technology Co. Ltd.	299,305	5.06	149,347	10.02
Wafer Works (YangZhou) Corp.	308	0.01	73	-
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	22,814	0.39	12,129	0.81
Total	$1,079,797	18.27%	$313,460	21.02%

Sales of the Company to related parties have the same product prices as sales to non-related parties. Collection terms are also similar to the ones for non-related parties, which is 60 days from delivery by telegraphic transfer.

For the years ended December 31, 2021, the Company purchased raw materials on behalf of Huaxin (Shanghai) Technology Co. Ltd. and Wafer Works (Zhengzhou) Corp. totalling NT$201,620 thousand and NT$2,134 thousand, respectively.

(c)The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 1.

(d)The amount of maximum financing, the balance interest rates, and lump sum interest expense: Please refer to Attachment 5.

(e)The other events' impact over current profit or loss or the significant influence of transaction events over the financial conditions:

a.For the year ended December 31,2021, the Company purchased raw materials on behalf of Wafer Works (Shanghai) Co., Ltd. and Huaxin (Shanghai) Technology Co. Ltd. in the amount of NT$299 thousand and NT$25,066 thousand, respectively, which were recorded under other receivables.

b.As of December 31,2021, Wafer Works (Shanghai) Co., Ltd. made the advance for the Company in theamount of NT$2,594 thousand, which was recorded under other payable.

(4) Information on major shareholders:

None.

14. Segment information

The Company has provided the operating segments disclosure in the consolidated financial statements.

ATTACHMENT 1（Endorsement/Guarantee provided to others for the year ended December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP.

No. (Note1)	Endorser/Guarantor	Receiving party: Company name	Receiving party: Relationship (Note2)	Limit of guarantee/endorsement amount for receiving party (Note3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount (Note3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	$4,584,012	$57,070	$-	$-	$-	-%	$4,584,012	Y	N	Y
0	Wafer Works Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Affiliated Company	$4,584,012	$263,040	$-	$-	$-	-%	$4,584,012	Y	N	Y
1	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	Affiliated Company	$4,584,012	$2,354,208	$1,898,328	$1,369,708	$-	16.56%	$4,584,012	N	N	Y
1	Wafer Works (Shanghai) Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Affiliated Company	$4,584,012	$394,560	$-	$-	$-	-%	$4,584,012	N	N	Y

Note1：Wafer Works Corp. and its subsidiaries are coded as follows:

1.Wafer Works Corp. is coded "0".

2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the above table.

Note2：The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

1.The company with business contacts.

2.The company directly and indirectly holds more than 50% of the shares with voting rights.

3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.

4.The company directly and indirectly holds more than 90% of the shares with voting rights.

5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.

6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.

7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note3：According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed 40% of the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed 10% of the current net value of Company, but the limitation of endorsement or guarantee for the Company shall be up to 40% of the current net value of one of subsidiaries.

ATTACHMENT 2（Related party transactions for purchases and sales amounts exceeding the lower of 100 million dollars or 20 percent of capital stock for the year ended December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP.

				Transactions			Details of non-arm's length transaction		Notes and accounts receivables(payable)		
Company	Related party	Relationship	Purchases (Sales)	Amount	Percentage of total purchases (sales)(%)	Term	Unit Price	Term	Balance	Percentage of total receivables(%)	Note
Wafer Works Corp.	Helitek Company Ltd.	Affiliated Company	Sales	$1,373,021	23.23%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$267,883	17.96%	
Wafer Works Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	$757,370	12.81%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$151,960	10.19%	
Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Sales	$299,305	5.06%	Received at 150 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$149,347	10.02%	
Wafer Works Corp.	Wafer Works (YangZhou) Corp.	Affiliated Company	Purchases	$263,586	10.22%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(41,536)	(8.24)%	
Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Purchases	$513,867	19.93%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(97,626)	(19.36)%	

ATTACHMENT 3（ Receivables from related parties with amounts exceeding the lower of 100 million dollars or 20 percent of capital stock as of December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP.

Company	Related party	Relationship with the Company	Ending Balance	Turnover rate(times)	Overdue receivables		Amounts received in subsequent period	Allowance for doubtful accounts
					Amount	Collection status		
Wafer Works Corp.	Helitek Company Ltd.	Affiliated Company	Accounts receivable $267,883	6.33	$-	-	$204,003	$-
Wafer Works Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Accounts receivable $151,960	5.30	$-	-	$144,638	$-
Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Accounts receivable $149,347	1.33	$-	-	$45,499	$-

ATTACHMENT 4（If an investor has the ability to exercise significant influence on investee or has material controlling power on investee）（Not including investment in Mainland China）

（All the currencies are denominated in Thousands of New Taiwan Dollars, HKD, and USD unless otherwise specified）

WAFER WORKS CORP.

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment: Ending balance	Initial Investment: Beginning balance	Investments as of 31 December 2021: Number of shares		Percentage of ownership (%)	Book Value	Net income (loss)of investee company	Investment income (loss) recognized	Note
Wafer Works Corp.	Wafer Works Investment Corp.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	Investment Holding Company	USD 62,766	USD 62,766		62,766,226	100.00%	$4,716,573	$467,414	$467,414	
Wafer Works Corp.	Heli-Vantech Corp.	No.1, Ln. 445, Sec. 2, Meishih Rd., Yangmei Township, Taoyuan County, Taiwan	Design, trading and manufacturing of semiconductor materials.	5,000	5,000		500,000	100.00%	4,325	-	-	
Wafer Works Investment Corp.	Silicon Technology Investment (Cayman) Corp.	Grand Pavilion, Hibiscus Way, P.O. Box 31119, Grand Cayman, KY1-1205, Cayman Islands.	Investment Holding Company	USD 43,541	USD 43,541	Common stock Preferred stockA Preferred stockB	1 6,970,327 36,991,198	85.38%	4,287,291	532,044	454,245	
Wafer Works Investment Corp.	Wafermaster Investment Corp.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	Investment Holding Company	USD 5,084	USD 5,084		5,083,900	100.00%	156,393	13,169	13,169	
Silicon Technology Investment (Cayman) Corp.	Sharp Right Limited Co., Ltd.	Rooms 2006-8.20/F., Two Chinachem Exchange Square, 338 King's Road	Trading Company	HKD 10	HKD 10		-	100.00%	(85,569)	-	-	
Wafermaster Investment Corp.	Helitek Company Ltd.	4033 Clipper CT Fremint, CA 94538-6540	Manufacturing and trading of semiconductor materials.	USD 2,200	USD 2,200	 (Preferred stock	3,400,000 2,000,000)	100.00%	156,379	13,169	13,169	

ATTACHMENT 5（Financing provided to others for the year ended December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP.

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Wafer Works Epitaxial Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Other receivables -related parties	Yes	$174,400	$173,760	$-	4.35%	2	$-	Business turnover	$-	-	$-	$588,857 (Note 3)	$588,857 (Note 3)
1	Wafer Works Epitaxial Corp.	Wafer Works (Shanghai) Corp.	Other receivables -related parties	Yes	$174,400	$173,760	$-	4.35%	2	$-	Business turnover	$-	-	$-	$588,857 (Note 3)	$588,857 (Note 3)
2	Silicon Technology Investment (Cayman) Corp.	Wafer Works (Shanghai) Corp.	Other receivables -related parties	Yes	$39,240	$39,096	$-	4.35%	2	$-	Business turnover	$-	-	$-	$1,006,811 (Note 4)	$1,006,811 (Note 4)

Note 1: WAFER WORKS CO., Ltd. and subsidiaries are coded as follows:

1.WAFER WORKS CO., Ltd. is coded "0".

2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1.Need for operating is coded "1".

2.Need for short term financing is coded "2".

Note 3: Wafer Works Epitaxial Corp. limit of total financing amount shall not exceed 20% of net assets of value as of December 31, 2021.

Limit of financing amount for individual counter-party shall not exceed 10% of net assets and not exceed 20% of the lender's net assets value as of December 31.

Note 4: Silicon Technology Investment (Cayman) Corp. limit of total financing amount shall not exceed 20% of net assets of value as of December 31, 2021.

Limit of financing amount for individual counter-party shall not exceed 10% of net assets and not exceed 20% of the lender's net assets value as of December 31.

ATTACHMENT 6 (Securities held as of December 31, 2021) (excluding subsidiaries, associates and joint ventures)

(All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified)

WAFER WORKS CORP.

				As of December 31, 2021			
Holding Company	Securities Type and Name	Relationship	Financial Statement Account	Shares/Units	Book Value	Percentage of ownership (%)	Fair value
Wafer Works Investment Corp.	Can Yang Investments Limited	-	Financial asset at fair value through OCI,noncurrent	153,488	$16,608	0.20%	$4,566
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(12,042)		
	Net				$4,566		
Wafer Works Investment Corp.	Solargiga Energy Holdings Limited	-	Financial asset at fair value through OCI,noncurrent	96,227,822	$149,498	2.8951%	$141,727
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(7,771)		
	Net				$141,727		
Heli-Vantech Corp.	New Solar Power Corp.	-	Financial asset at fair value through OCI,noncurrent	138,747	$5,622	0.01%	$3,032
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(2,590)		
	Net				$3,032		

ATTACHMENT 7（Related party transactions for purchases and sales amount exceeding the lower of 100 million dollars or 20 percent of capital stock for the year ended December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP.

				Transactions			Details of non-arm's length transaction		Notes and accounts receivables(payable)		
Purchase (sales) company	Counterparty	Relationship	Purchases (Sales)	Amount	Percentage of total purchases (sales) (%)	Term	Unit Price	Term	Balance	Percentage of total receivables(%)	Note
HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works Corp.	Affiliated Company	Sales	$513,867	40.22%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$97,626	19.23%	
Wafer Works (YangZhou) Corp.	Wafer Works Corp.	Affiliated Company	Sales	$263,586	70.64%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$41,536	49.14%	
Wafer Works (Shanghai) Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Sales	$207,470	62.25%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$116,166	48.10%	
Wafer Works (Zhengzhou) Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	$1,941,208	80.70%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$336,910	65.71%	
Wafer Works (Zhengzhou) Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Sales	$445,271	18.51%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$164,960	32.18%	
Wafer Works Epitaxial Corp.	Wafer Works Corp.	Affiliated Company	Purchases	$757,370	23.49%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(151,960)	(22.49)%	
Helitek Company Ltd.	Wafer Works Corp.	Affiliated Company	Purchases	$1,373,021	98.70%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(267,883)	(99.84)%	
HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works Corp.	Affiliated Company	Purchases	$299,305	65.14%	Paid at 150 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(149,347)	(31.65)%	

ATTACHMENT 8（Receivable from related parties with amounts exceeding the lower of 100 million dollars or 20 percent of capital stock as of December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP.

Company	Counterparty	Relationship	Ending Balance	Turnover Rate (times)	Overdue Receivables		Subsequent collection	Allowance for doubtful accounts
					Amount	Actions taken		
Wafer Works (Shanghai) Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Accounts receivable $116,166	3.57	$-	-	$19,595	$-
Wafer Works (Zhengzhou) Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Accounts receivable $164,960	3.04	$-	-	$99,866	$-
Wafer Works (Zhengzhou) Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Accounts receivable $336,910	6.77	$-	-	$282,086	$-

5. The parent-subsidiary consolidated statement of the most recent year that has been audited and certified by the CPAs

English Translation of Financial Statements and a Report Originally Issued in Chinese

AUDIT REPORT OF INDEPENDENT AUDITORS

To: The Board of Directors and Shareholders of
Wafer Works Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Wafer Works Corp. (the "Company") and its subsidiaries as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 auditing standards generally accepted in 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 Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Other non-current assets – valuation on prepayment for purchasing materials</u>

As of December 31, 2021, prepayment for purchasing materials in amount of NT$276,707 thousand was accounted for under the caption of other non-current assets, representing 1% of total assets. The prepayment was executed under purchasing agreement entered into with certain material suppliers for the purpose to stabilize the sources of multi-Si materials. However, due to rapid change in related industry and economy, significant drop in material price, and long-term unbalance in demand and supply, the management estimates that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. This estimation involved the significant judgement from management. We decide it to be one of our key audit matters and our audit procedures therefore have been prescribed to include, but not limit to, obtaining an understanding regarding the management's procedure to assess the impairment loss (including how to identify the unavoidable cost and the economic benefits to be received), review purchase agreements and any amendments or additions related, verifying the actual execution of the contracts for confirming the reasonableness of the management's accrual, and re-calculating the loss amounts for its accuracy. Meanwhile, we have evaluated the appropriateness of the related disclosure in Notes 5 and 9 to the consolidated financial statements.

<u>Provision against inventory</u>

We determine that provision against inventory is also one of the key audit matters. The Company and its subsidiaries' inventory in amount of NT$2,359,750 thousand, representing 9% of consolidated total assets, as of December 31, 2021 is significant to the Company's consolidated financial statements. Due to material price being influenced by market demand and supply, the prices of inventory tend to change rapidly. The determination of inventory's net realizable value involved the significant judgement from management. We decide it to be one of our key audit matters and our audit procedures therefore have been prescribed to include, but not limit to, assessing the appropriateness of the Company's inventory provision policy (including how the management estimates the net realizable value of inventory in considering of expecting demand and market values), testing the effectiveness of internal control system and execution regarding inventory management, evaluating the accuracy of the inventory's net realizable value applied by management (including sale price), test samples, etc. Also, we have evaluated the appropriateness of the related disclosure in Notes 5 and 6 to the consolidated financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of Helitek Company Ltd. as of December 31, 2021 and 2020. Those financial statements were audited by other auditors whose reports have been furnished to us. The amounts related to Helitek Company Ltd. were based on the other auditors' reports. The related total assets were NT$445,562 thousand and NT$329,842 thousand, representing 1.63% and 1.41% of the total consolidated assets, as of December 31, 2021 and 2020 respectively. And the related net revenues of NT$1,471,149 thousand and NT$1,108,175 thousand, representing 14.23% and 14.93%of the consolidated net revenue for the years then ended, respectively.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in 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 auditing standards generally accepted in 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 internal control of the Company and its subsidiaries.

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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries 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 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent-company-only financial statements of the Company as of December 31, 2021 and 2020 and for the years then ended.

Hong, Mao-Yi   Hong, Mao-Yi

Cheng, Ching-Piao   Cheng, Ching-Piao.

Ernst & Young
March 23, 2022
Taipei, Taiwan,
Republic of China

<u>*Notices to Readers*</u>

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Wafer Works Corp. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2021 and 2020

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2021		As of December 31, 2020	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$5,736,575	21	$3,256,837	14
1110	Financial assets at fair value through profit or loss	4, 6(2)	-	-	9,171	-
1136	Financial assets measured at amortized cost	4, 6(4), 8	75,614	-	151,113	1
1150	Notes receivable, net	4, 6(5), 8	219,801	1	159,735	1
1170	Accounts receivable, net	4, 6(6)	2,401,995	9	1,685,585	7
1200	Other receivables		37,427	-	31,441	-
1310	Inventories, net	4, 6(7)	2,359,750	9	2,303,904	10
1410	Prepayments	6(8)	351,185	1	244,708	1
1470	Other current assets		563,918	2	632,050	3
11xx	Total current assets		11,746,265	43	8,474,544	37
	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2), 6(15)	2,113	-	-	-
1517	Financial asset at fair value through OCI	4, 6(3)	149,325	1	223,068	1
1536	Financial assets measured at amortized cost	4, 6(4), 8	9,967	-	9,967	-
1600	Property, plant and equipment, net	4, 6(9), 8, 9	13,402,062	49	13,184,391	56
1755	Right-of-use assets, net	4, 6(22), 8	592,240	2	615,354	3
1780	Intangible assets, net	4, 6(10)	49,357	-	51,542	-
1840	Deferred tax assets	4, 6(26)	40,918	-	41,545	-
1915	Prepayment for equipment	9	1,034,928	4	578,508	2
1920	Refundable deposits	8	34,049	-	38,266	-
1990	Other non-current assets	9	296,473	1	276,707	1
15xx	Total non-current assets		15,611,432	57	15,019,348	63
1xxx	Total Assets		$27,357,697	100	$23,493,892	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Wafer Works Corp. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of December 31, 2021 and 2020

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2021		As of December 31, 2020	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(11), 8	$1,976,531	7	$2,205,581	9
2130	Contract liability	6(20)	132,431	-	25,622	-
2170	Accounts payable		671,247	3	549,361	2
2200	Other payables	6(12)	1,277,593	5	1,261,929	5
2230	Current income tax liabilities	4	241,934	1	175,151	1
2322	Current portion of long-term loans	6(16), 8	633,865	2	567,532	3
2280	Lease liability	4, 6(22)	5,681	-	5,542	-
2300	Other current liabilities	4, 6(13)	3,944	-	3,858	-
21xx	Total current liabilities		4,943,226	18	4,794,576	20
	Non-current liabilities					
2527	Contract liability	6(20), 9	699,478	3	527,989	2
2530	Bonds payable	4, 6(15)	284,385	1	-	-
2540	Long-term loans	6(16), 8	4,167,002	16	4,653,644	20
2580	Lease liability	4, 6(22)	43,956	-	49,637	-
2630	Long-term deferred revenue	4, 6(14)	392,181	1	335,878	2
2640	Accrued pension liabilities	4, 6(17)	50,276	-	58,888	-
2600	Deposits received		95,991	-	19,772	-
25xx	Total non-current liabilities		5,733,269	21	5,645,808	24
2xxx	Total liabilities		10,676,495	39	10,440,384	44
31xx	Equity attributable to shareholders of the parent					
3100	Capital	6(18)				
3110	Common stock		5,408,984	20	5,108,984	22
3140	Capital collected in advance		352	-	-	-
3200	Capital surplus	6(18)	4,147,189	15	2,641,147	11
3300	Retained earnings					
3310	Legal reserve		393,239	1	341,802	1
3320	Special reserve		383,893	1	593,580	3
3350	Unappropriated earnings		1,452,830	6	783,831	4
3400	Other components of equity		(326,457)	(1)	(383,893)	(2)
31xx	Equity attributable to the parent company		11,460,030	42	9,085,451	39
36xx	Non-controlling interests	6(18)	5,221,172	19	3,968,057	17
3xxx	Total equity		16,681,202	61	13,053,508	56
	Total liabilities and equity		$27,357,697	100	$23,493,892	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Wafer Works Corp. and Subsidiaries

Consolidated Statements Of Comprehensive Incomes

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

			2021		2020	
Code	Items	Notes	Amount	%	Amount	%
4000	Operating revenues	4, 6(20)	$10,341,276	100	$7,421,529	100
5000	Operating costs	6(7)	(6,722,996)	(65)	(5,407,643)	(73)
5900	Gross profit		3,618,280	35	2,013,886	27
6000	Operating expenses					
6100	Sales and marketing		(271,855)	(3)	(213,965)	(3)
6200	General and administrative		(670,860)	(6)	(690,281)	(9)
6300	Research and development		(687,152)	(7)	(372,611)	(5)
6450	Expected credit gains (losses)	6(21)	1,091	-	(2,702)	-
	Total operating expenses		(1,628,776)	(16)	(1,279,559)	(17)
6900	Operating income		1,989,504	19	734,327	10
7000	Non-operating incomes and expenses					
7100	Interest incomes	6(24)	10,765	-	13,528	-
7010	Other incomes	6(24)	81,455	1	404,358	6
7020	Other gains or losses	6(24)	(34,047)	-	(32,338)	-
7050	Finance costs	6(24)	(178,765)	(2)	(188,324)	(3)
	Total non-operating incomes and expenses		(120,592)	(1)	197,224	3
7900	Income before income tax		1,868,912	18	931,551	13
7950	Income tax expenses	4, 6(26)	(327,435)	(3)	(240,585)	(3)
8200	Net income		1,541,477	15	690,966	10
8300	Other comprehensive income (loss)	6(25)				
8310	Item that not be reclassified to profit or loss					
8311	Actuarial gain (loss) from defined benefit plans		4,613	-	(4,353)	-
8316	Unrealized gains or losses on financial assets at fair value through other comprehensive income (loss)		105,861	1	172,834	2
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		(51,954)	(1)	98,756	1
	Total other comprehensive income (loss), net of tax		58,520	-	267,237	3
8500	Total comprehensive income		$1,599,997	15	$958,203	13
8600	Net income attributable to:					
8610	Stockholders of the parent		$1,050,572	10	$518,718	7
8620	Non-controlling interests		490,905	5	172,248	3
			$1,541,477	15	$690,966	10
8700	Total comprehensive income (loss) attributable to:					
8710	Stockholders of the parent		$1,130,173	11	$724,052	10
8720	Non-controlling interests		469,824	4	234,151	3
			$1,599,997	15	$958,203	13
9750	Earnings per share-basic (in NTD)	6(27)	$2.02		$1.02	
9850	Earnings per share-diluted (in NTD)	6(27)	$2.01		$1.01	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Wafer Works Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent									Non-controlling Interests	Total Equity
		Capital			Retained Earnings			Others				
		Common stock	Capital collected in advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income (loss)	Total		
Code	Items	3100	3140	3200	3310	3320	3350	3410	3490	31XX	36XX	3XXX
A1	Balance as of January 1, 2020	$5,108,984	$-	$2,641,147	$218,582	$428,317	$1,477,566	$(309,225)	$(284,355)	$9,281,016	$3,696,934	$12,977,950
	Appropriation and distribution of 2019 earnings											
B1	Legal reserve				123,220		(123,220)			-		-
B3	Special reserve					165,263	(165,263)			-		-
B5	Cash dividends-common shares						(919,617)			(919,617)		(919,617)
D1	Net income for 2020						518,718			518,718	172,248	690,966
D3	Other comprehensive income (loss), net of tax, for 2020.						(4,353)	36,853	172,834	205,334	61,903	267,237
D5	Total comprehensive income (loss)	-	-	-	-	-	514,365	36,853	172,834	724,052	234,151	958,203
O1	Non-controlling interests increase (decrease)										36,972	36,972
Z1	Balance as of December 31, 2020	5,108,984	-	2,641,147	341,802	593,580	783,831	(272,372)	(111,521)	9,085,451	3,968,057	13,053,508
	Appropriation and distribution of 2020 earnings											
B1	Legal reserve				51,437		(51,437)			-		-
B3	Special reserve					(209,687)	209,687			-		-
B5	Cash dividends-common shares						(561,988)			(561,988)		(561,988)
C5	Embedded conversion options derived from convertible bonds			12,787						12,787		12,787
D1	Net income for 2021						1,050,572			1,050,572	490,905	1,541,477
D3	Other comprehensive income (loss), net of tax, for 2021.						4,613	(30,873)	105,861	79,601	(21,081)	58,520
D5	Total comprehensive income (loss)	-	-	-	-	-	1,055,185	(30,873)	105,861	1,130,173	469,824	1,599,997
E1	Capital increase by cash	300,000		1,255,255						1,555,255		1,555,255
I1	Shares from bonds converted		352	1,938						2,290		2,290
M7	Change in ownership interest of subsidiaries			212,446						212,446	742,124	954,570
N1	Share-based payment transaction			23,616						23,616		23,616
O1	Non-controlling interests increase (decrease)										41,167	41,167
Q1	Equity instruments measured at fair value through other comprehensive income						17,552		(17,552)	-		-
Z1	Balance as of December 31, 2021	$5,408,984	$352	$4,147,189	$393,239	$383,893	$1,452,830	$(303,245)	$(23,212)	$11,460,030	$5,221,172	$16,681,202

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Wafer Works Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2021	2020
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$1,868,912	$931,551
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation (Including right of use assets)	1,348,895	1,138,379
A20200	Amortization	12,435	10,253
A20300	Expected credit losses (gain on recovery)	(1,091)	2,702
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(682)	(801)
A20900	Interest expense	178,765	188,324
A21200	Interest income	(10,765)	(13,528)
A21900	Share-based payment	64,783	36,972
A22500	Loss (gain) on disposal of property, plant and equipment	122,609	(10,275)
A22600	Reclassification of property, plant and equipment to expense	-	270
A23100	Gain from disposal of investments	(618)	-
A23700	Impairment loss on non-financial assets	(129,993)	4,000
A29900	Loss (gain) on government grants	(50,184)	2,598
A29900	Loss (gain) on lease modification	-	(1,365)
A30000	Changes in operating assets and liabilities:		
A31115	Financial assets at fair value through profit or loss	9,480	-
A31130	Notes receivable	(60,066)	101,000
A31150	Accounts receivable	(715,248)	(260,691)
A31180	Other receivable	441	323,199
A31200	Inventories	(55,846)	(168,567)
A31230	Prepayment	(126,243)	(13,265)
A31240	Other current assets	68,132	(126,531)
A32125	Contract liabilities	278,298	(57,886)
A32130	Notes payable	-	(4,513)
A32150	Accounts payable	121,886	(59,940)
A32180	Other payable	192,840	3,284
A32230	Other current liabilities	(236)	(905)
A32240	Accrued pension liabilities	(3,999)	(3,376)
A33000	Cash generated from operations	3,112,505	2,020,889
A33200	Interest received	10,244	13,685
A33300	Interest paid	(175,417)	(187,997)
A33500	Income tax paid	(265,313)	(140,955)
AAAA	Net cash provided by (used in) operating activities	2,682,019	1,705,622

Code	Items	2021	2020
BBBB	Cash flows from investing activities:		
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	170,912	-
B00040	Disposal (acquisition) of financial assets at amortised cost	75,499	(77,303)
B02700	Acquisition of property, plant and equipment	(2,253,834)	(3,122,130)
B02800	Proceeds from disposal of property, plant and equipment	32,890	40,941
B03700	Decrease (increase) in refundable deposits	4,217	35,167
B04500	Acquisition of intangible assets	(10,482)	(36,498)
B09900	Other investing activities	106,621	-
BBBB	Net cash provided by (used in) investing activities	(1,874,177)	(3,159,823)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	(229,050)	421,473
C01200	Issuance of corporate bonds	296,434	-
C01600	Increase in long-term loans	357,481	917,878
C01700	Repayment of long-term loans	(748,950)	(251,136)
C03000	Increase in guarantee deposits received	76,219	(45,936)
C04020	Payments of lease liabilities	(6,846)	(6,390)
C04500	Payment of cash dividends	(561,988)	(919,617)
C04600	Capital increase by cash	1,555,255	-
C05800	Increase (decrease) in non-controlling interests	954,570	-
CCCC	Net cash provided by (used in) financing activities	1,693,125	116,272
DDDD	Effect of exchange rate changes on cash and cash equivalents	(21,229)	15,747
EEEE	Net Increase (decrease) in cash and cash equivalents	2,479,738	(1,322,182)
E00100	Cash and cash equivalents at beginning of period	3,256,837	4,579,019
E00200	Cash and cash equivalents at end of period	$5,736,575	$3,256,837

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

1. History and organization

Wafer Works Corp. (the "Company") was incorporated on July 24, 1997. The Company's major business activities are as follows:

(1)R&D, design, manufacturing, trading or the distribution of semiconductor materials;
(2)R&D, design, manufacturing, trading, and the processing of semiconductor wafer and one-step service;
(3)Technique transfer and consulting business for above items.

The Company's common shares were publicly listed on the Taiwan Gre Tai Securities Market on May 13, 2002. The Company's registered office is at No.1, Pingguo Rd., Yang Mei Dist, Taoyuan City, Taiwan, R.O.C. The Company's main business address is at No.100, Longyuan 1st Rd., Longtan Science Park, Taoyuan City, Taiwan, R.O.C.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and subsidiaries ("the Group") for the years ended December 31, 2021 and 2020 were authorized for issue by the Board of Directors on March 23, 2022.

3. Newly issued or revised standards and interpretations

(1)Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2021. The new standards and amendments had no material impact on the Group.

(2)Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

(A) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

(a) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

(b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

(c) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

(d) Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual period beginning on or after January 1, 2022. The Group assesses all standards and interpretations have no material impact on the Group.

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

(3)Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(A) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(B) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(C) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(D) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(E) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(F) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses all standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1)Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2)Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT$") unless otherwise specified.

(3)Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a)power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b)exposure, or rights, to variable returns from its involvement with the investee, and
(c)the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a)the contractual arrangement with the other vote holders of the investee
(b)rights arising from other contractual arrangements
(c)the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

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

If the Group loses control of a subsidiary, it:

(a)derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b)derecognizes the carrying amount of any non-controlling interest;
(c)recognizes the fair value of the consideration received;
(d)recognizes the fair value of any investment retained;
(e)recognizes any surplus or deficit in profit or loss; and
(f)reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
			As of December 31,	
Investor	Subsidiary	Main businesses	2021	2020
Wafer Works Corp.	Wafer Works Investment Corp.	Investment Holding Company	100.00%	100.00%
Wafer Works Corp.	Heli-Vantech Corp.	Design, trading and manufacturing of semiconductor materials	100.00%	100.00%
Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Trading of semiconductor materials	100.00%	100.00%
Wafer Works Investment Corp.	Silicon Technology Investment (Cayman) Corp.	Investment Holding Company	85.38%	85.38%
Wafer Works Investment Corp.	Wafermaster Investment Corp.	Investment Holding Company	100.00%	100.00%
Silicon Technology Investment (Cayman) Corp.	Wafer Works (Shanghai) Co., Ltd.	Wafer manufacturing industry	53.6413% (Note)	56.7469%

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

Silicon Technology Investment (Cayman) Corp.	Sharp Right Limited	Trading company	100.00%	100.00%
Wafermaster Investment Corp.	Helitek Company Ltd.	Trading of semiconductor materials	100.00%	100.00%
Wafer Works (Shanghai) Co., Ltd.	Wafer Works (Yangzhou) Corp.	Wafer manufacturing industry	100.00%	100.00%
Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	Wafer manufacturing industry	100.00%	100.00%
Wafer Works (Shanghai) Co., Ltd.	Wafer Works (Zhengzhou) Corp.	Wafer manufacturing industry	100.00%	100.00%
Wafer Works (Shanghai) Co., Ltd.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Wafer manufacturing industry	100.00%	100.00%

Note：For the purpose of strategic alliance development, replenishing operational capital or purchasing, repaying loan, acquiring machinery, or investment, etc., the Board of the Company’s subsidiary, Wafer Works (Shanghai) Co., Ltd. in a meeting held on October 14, 2021, has approved a cash offering in additional registered capital of RMB32,609 thousand and a cash addition of RMB219,999 thousand. In the offering, Silicon Technology Investment (Cayman) Corp. surrendered its pre-empted right and its ownership interest on Wafer Works (Shanghai) Co., Ltd. was reduced from56.7469% to 53.6413%.

(4)Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a)Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b)Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.

(c)Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5)Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(6)Current and non-current distinction for assets and liabilities

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period

(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7)Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8)Financial instruments

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

The Group determines the classification of its financial assets at initial recognition. In accordance with IFRS 9 and the Regulations, financial assets of the Group are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and notes, accounts and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

A. Financial assets: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) The Group's business model for managing the financial assets and
(b) The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the

Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) The time value of money; and

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

(d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

Financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred

(c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) It eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9)Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials –By actual purchase cost with weighted average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5~55 years
Machinery	2~15 years
Transportation	5~10 years
Office equipment	2~10 years
Other equipment	2~20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(12) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
B. the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A.fixed payments (including in-substance fixed payments), less any lease incentives receivable;
B.variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
C.amounts expected to be payable by the lessee under residual value guarantees;
D.the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
E.payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A.the amount of the initial measurement of the lease liability;
B.any lease payments made at or before the commencement date, less any lease incentives received;
C.any initial direct costs incurred by the lessee; and

D.an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Group applied the practical expedient to all rent concessions that meet the conditions for it.

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (2 to 3 years).

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software
Useful lives	Limited
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(14) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15)Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is Poly-Silicon and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Group's sale of goods is from 60 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers therefore there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(16) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(17) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(18) Post-employment benefits

All regular employees of the Company and domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19)Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(20) Income taxes

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings of the Group and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, any unused tax losses and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group’s consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a)Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b)Accounts receivables–estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(c)Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

(d)Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(e)Onerous contract

An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Company makes provisions for onerous contracts based on the unavoidable costs under a contract. Any changes in the contracts may influence the provision.

(f)Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

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

6. Contents of significant accounts

(1)Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand	$474	$657
Checkings and savings	3,420,230	1,987,556
Time deposits	2,205,871	1,218,624
Resale agreements collateralized by corporate bonds	110,000	50,000
Total	$5,736,575	$3,256,837

(2)Financial assets at fair value through profit or loss

	As of December 31,	
	2021	2020
Mandatorily measured at fair value through profit or loss:		
Embedded derivative financial instruments	$2,113	$-
Corporate bonds	-	9,171
Total	$2,113	$9,171
Current	$-	$9,171
Non-current	2,113	-
Total	$2,113	$9,171

Financial assets at fair value through profit or loss were not pledged.

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

(3)Financial assets at fair value through other comprehensive income

	As of December 31,	
	2021	2020
Equity instruments investments measured at fair value through other comprehensive income – Non-current:		
Listed companies stocks	$155,120	$317,501
Unlisted companies stocks	16,608	17,088
Valuation adjustment of financial assets as measured by fair value through profit and loss	(22,403)	(111,521)
Total	$149,325	$223,068

(a)In consideration of the Group's investment strategy, the Group disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended December 31, 2021 and 2020 are as follows:

	As of December 31,	
	2021	2020
The fair value of the investments at the date of derecognition	$170,122	$-
The cumulative gain on disposal reclassified from other equity to retained earnings	17,522	-

(b)Financial assets at fair value through other comprehensive income were not pledged.

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

(4)Financial assets measured at amortized cost

	As of December 31,	
	2021	2020
Certificate of deposit – restricted	$85,581	$161,080
Current	$75,614	$151,113
Non-current	9,967	9,967
Total	$85,581	$161,080

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

(5)Notes receivable

	As of December 31,	
	2021	2020
Notes receivables arising from operating activities	$219,801	$159,735
Less: loss allowance	-	-
Total	$219,801	$159,735

Please refer to Note 8 for more details on notes receivable under pledge.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(21) for more details on loss allowance and Note 12 for more details on credit risk management.

(6)Trade receivables

(a)Trade receivables, net consist of the follow:

	As of December 31,	
	2021	2020
Trade receivables	$2,495,737	$1,780,489
Less: loss allowance	(93,742)	(94,904)
Total	$2,401,995	$1,685,585

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

(b)Accounts receivable were not pledged.

(c)Accounts receivable are generally on 60 to 90 day terms. The total carrying amount for the years ended December 31, 2021 and 2020, are NT$2,495,737 thousand and NT$1,780,489 thousand, respectively. Please refer to Note 6(21) for more details on loss allowance of accounts receivable for year ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(7)Inventories

(a)Inventories consist of the following:

	As of December 31,	
	2021	2020
Raw materials	$873,286	$774,263
Supplies & parts	407,859	306,141
Work in progress	718,306	681,452
Finished goods	356,817	525,021
Merchandises	3,482	17,027
Total	$2,359,750	$2,303,904

(b)The cost of inventories recognized in expenses amounted to NT$6,722,996 thousand and NT$5,407,643 thousand for the years ended December 31, 2021 and 2020, respectively. The following losses were included in cost of sales :

	For the year ended December 31,	
Item	2021	2020
Loss (gains) from inventory market decline	$(57,564)	$41,015
Loss from inventory write-off obsolescence	4,099	185
Total	$(53,465)	$41,200

The Group recognized gains on recovery of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed.

(c)Inventories were not pledged.

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

(8)Prepayments

	As of December 31,	
	2021	2020
Office supplies	$114,314	$137,069
Other prepaid expenses	120,527	88,602
Prepayment for purchase	116,344	19,037
Total	$351,185	$244,708

(9)Property, plant and equipment

	As of December 31,	
	2021	2020
Owner occupied property, plant and equipment	$13,402,062	$13,184,391

(a)Owner occupied property, plant and equipment

	Land	Buildings	Machinery	Transportation	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2021	$259,131	$3,332,170	$16,231,863	$32,562	$306,318	$316,166	$3,124,110	$23,602,320
Additions	-	-	514	-	-	-	1,620,457	1,620,971
Reclassification	-	43,281	2,217,542	2,387	15,078	88,822	(2,367,110)	-
Disposals	-	-	(468,886)	-	(25,811)	(49,772)	(14,495)	(558,964)
Exchange differences	-	(9,902)	(41,688)	(118)	(703)	(670)	(14,446)	(67,527)
As of December 31, 2021	$259,131	$3,365,549	$17,939,345	$34,831	$294,882	$354,546	$2,348,516	$24,596,800
Depreciation and impairment:								
As of January 1, 2021	$-	$579,665	$9,340,004	$23,498	$221,570	$253,192	$-	$10,417,929
Depreciation	-	105,413	1,176,999	3,366	28,873	14,110	-	1,328,761
Reversal of impairment losses	-	-	(129,993)	-	-	-	-	(129,993)
Disposals	-	-	(330,420)	-	(25,781)	(47,264)	-	(403,465)
Exchange differences	-	(1,123)	(16,471)	(76)	(427)	(397)	-	(18,494)
As of December 31, 2021	$-	$683,955	$10,040,119	$26,788	$224,235	$219,641	$-	$11,194,738

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

	Land	Buildings	Machinery	Transportation	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2020	$259,131	$2,946,344	$14,039,926	$31,504	$286,758	$337,844	$1,576,581	$19,478,088
Additions	-	-	-	-	-	-	4,183,070	4,183,070
Reclassification	-	360,359	2,235,399	2,324	26,104	3,420	(2,627,876)	(270)
Disposals	-	-	(132,445)	(1,564)	(8,115)	(26,705)	(29,564)	(198,393)
Exchange differences	-	25,467	88,983	298	1,571	1,607	21,899	139,825
As of December 31, 2020	$259,131	$3,332,170	$16,231,863	$32,562	$306,318	$316,166	$3,124,110	$23,602,320
Depreciation and impairment:								
As of January 1, 2020	$-	$483,817	$8,434,930	$21,738	$204,361	$267,105	$-	$9,411,951
Depreciation	-	92,739	986,420	3,095	24,319	11,850	-	1,118,423
Impairment losses	-	-	4,000	-	-	-	-	4,000
Disposals	-	-	(131,587)	(1,541)	(7,981)	(26,618)	-	(167,727)
Exchange differences	-	3,109	46,241	206	871	855	-	51,282
As of December 31, 2020	$-	$579,665	$9,340,004	$23,498	$221,570	$253,192	$-	$10,417,929
Net carrying amount as of:								
December 31, 2021	$259,131	$2,681,594	$7,899,226	$8,043	$70,647	$134,905	$2,348,516	$13,402,062
December 31, 2020	$259,131	$2,752,505	$6,891,859	$9,064	$84,748	$62,974	$3,124,110	$13,184,391

(b)For the year ended December 31, 2021, the NT$129,993 thousand gain on reversal of impairment loss represented the sold of certain property, plant and equipment in the Group. This has been recognized in the statement of comprehensive income.

(c)The Group recognized an impairment loss amounting to NT$4,000 thousand on certain real estate to an extent of the recoverable value in 2020. The impairment loss has been recorded in the Group’s statement of comprehensive income.

(d)Please refer to Note 8 for more details on property, plant and equipment under pledge.

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

(e)Capitalized borrowing costs of property, plant and equipment are as follows:

Item	For the year ended December 31,	
	2021	2020
Buildings and Construction in progress and Equipment awaiting examination	$84,666	$68,182
Capitalisation rate of borrowing costs	5.00%~5.70%	5.00%~5.70%

(f)Significant components of PPE are depreciation over their useful lives.

(10)Intangible assets

	Computer software
Cost:	
As of January 1, 2021	$67,141
Addition	10,482
Reduction	(13,579)
Exchange differences	(278)
As of December 31, 2021	$63,766
As of January 1, 2020	$30,865
Addition	36,498
Reduction	(560)
Exchange differences	338
As of December 31, 2020	$67,141
Amortization:	
As of January 1, 2021	$15,599
Amortization and Impairment	12,435
Decrease	(13,579)
Exchange differences	(46)
As of December 31, 2021	$14,409

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

As of January 1, 2020	$5,787
Amortization and Impairment	10,253
Decrease	(560)
Exchange differences	119
As of December 31, 2020	$15,599
Net carrying amount as of:	
December 31, 2021	$49,357
December 31, 2020	$51,542

Amortization expense of intangible assets under the statement of comprehensive income:

	For the year ended December 31,	
	2021	2020
Operating costs	$765	$481
General and administrative	11,403	9,550
Research and development	267	222
Total	$12,435	$10,253

(11)Short-term loans

		As of December 31,	
	Interest Rate (%)	2021	2020
Unsecured financial structure loans	0.6095%~5.70%	$1,684,505	$1,792,452
Secured financial structure loans	1.6673%~2.60%	292,026	413,129
Total		$1,976,531	$2,205,581

The Group's unused short-term lines of credits amounted to NT$5,551,741 thousand and NT$4,646,949 thousand as of December 31, 2021 and 2020, respectively.

Please refer to Note 8 for more details of assets pledged as collaterals.

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

(12)Other payables

	As of December 31,	
	2021	2020
Accrued expense	$769,728	$576,889
Payable on equipment	490,943	667,386
Accrued interest payable	16,922	17,654
Total	$1,277,593	$1,261,929

(13)Other current liabilities

(a)Other current liabilities consist of the following:

	As of December 31,	
	2021	2020
Other current liabilities	$3,231	$3,467
Deferred government grants income	713	391
Total	$3,944	$3,858

(b)Please refer to Note 6(14) for more details on the change of he deferred government grants income in 2021.

(c)Please refer to Note 6(16) for more details on interest rate of the deferred government grants income.

(14)Deferred revenue

Government grants

	For the year ended December 31,	
	2021	2020
Beginning balance	$336,269	$331,663
Received during the period	108,536	341,736

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

Released to the statement of comprehensive income	(50,184)	(336,548)
Exchange differences	(1,727)	(582)
Ending Balance	$392,894	$336,269

	As of December 31,	
	2021	2020
Current	$713	$391
Non-current	392,181	335,878
Total	$392,894	$336,269

The Group obtain Government grants because the local semiconductor industry in mainland China develops and throws facilities for manufacture. The grants relates to assets, so it recognizes to deferred revenue and install to recognize to revenue.

(15)Bonds payable

A. The Group had no balance of the bonds payable as of December 31, 2020. The details of the bonds payable as of December 31, 2021 is as follows:

	As of December 31,
	2021
Liability component:	
Principal amount	$297,600
Less: discounts on bonds payable	(13,215)
Subtotal	284,385
Less: current portion	-
Net	$284,385
Embedded derivative - redemption, put options	$2,113
Equity component - conversion right	$12,685

For the details of the gain and loss from valuation through profit and loss on embedded derivative, redemption, put options, and the interest expense on the convertible bonds payable, please refer to Notes 6 (24) to the consolidated financial statement.

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

B. On July 27, 2021, the Group issued the 7th unsecured domestic convertible bonds. The terms of the bonds are as follows:

(A)Issue amount:	NT$300,000 thousand
(B)Issue date:	July 27, 2021
(C)Issue price:	Issued at par value
(D)Coupon rate:	0%
(E)Period:	July 27, 2021 to July 27, 2026
(F)Settlement:	The convertible bonds' holder (hereinafter referred to as "bondholders") can convert the bond into the Company's common stock in accordance with Article 10 of the Company's conversion rules. The Company can also recall the bonds before maturity and buy back the cancellation from bonds dealer in accordance with Article 18 of the Company's conversion rules. Otherwise, the Company will repay the convertible bonds held by the bondholder in cash at 102.016% of the par value of the bonds (the actual annual yield is 0.4%) within 15 business days after maturity date of the convertible bonds.
(G)Conversion period:	The bondholders will have the right to convert their bonds at any time during the conversion period commencing on Octobor 28, 2021 (the 90th day following the closing date) and ending at the close of business on July 27, 2026 (the maturity date), provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date on (and including) such record; (iii) the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction; (iv) no request for conversion other than the starting date of the stop of the conversion for the change of stock denomination to the day before the trading day before the start of the new stock exchange.

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

(H)Conversion price and adjustment:	The conversion price was originally at NT$70 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. Due to the distribution of cash dividends on ordinary shares in 2021, the Company adjusted the conversion price in accordance with the Company's 7th domestic unsecured conversion corporate bond issuance and conversion measures. Therefore, the conversion price was adjusted to 68.9 since August 15, 2021.
(I)Redemption clauses:	(i)The Company may redeem the convertible bonds from the next day (October 28, 2021) following a three-month period after the bonds are issued to 40 days before the maturity date (June 17, 2026) if the following terms are met: when the closing price of the Company’s common shares is 30% above the convertible price for 30 consecutive trading days, the Company may, within the following 30 business days (the aforesaid period shall start from the day the letter is delivered by the Company, and the expiry date of the period shall be the measurement date for bond recovery, and the aforesaid period shall not fall in the period of conversion suspension stated in Article 9 of the Regulation), send a bond redemption notification letter via registered mail to the bondholders. (The bondholders list shall be based on the updated list five business days before sending the bond redemption notification letter to the bondholders. Public announcements will be made for bondholders who acquire the convertible bonds subsequently from transactions or other reasons). The redemption price would be set at the face value and the bond is purchased by cash, which would be announced over the Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within eight business days after the bond recovery measurement date. (ii)The Company may redeem the convertible bonds from the next day (October 28, 2021) following a three-month period after the bonds are issued to 40 days before the maturity date (June 17, 2026) if the following terms are met: when the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Company may, within the following 30 business

days (the aforesaid period shall start from the day the letter is delivered by the Company, and the expiry date of the period shall be the measurement date for bond recovery, and the aforesaid period shall not fall in the period of conversion suspension stated in Article 9 of the Regulation), send a bond redemption notification letter via registered mail to the bondholders. (The bondholders list shall be based on the updated list five business days before sending the bond redemption notification letter to the bondholders. Public announcements will be made for bondholders who acquire the convertible bonds subsequently from transactions or other reasons). The redemption price would be set at the face value and the bond is purchased by cash, which would be announced over the Taipei Exchange. When the Company executes the recovery request, it shall redeem the outstanding convertible bonds in cash at the face value within eight business days after the bond recovery measurement date.

(iii)The business day following the base date for the recovery of the convertible bonds is the Taipei Exchange termination date for the convertible bonds, and the deadline for the bondholders to request conversion is the second business day after the Taipei Exchange termination date, but the bondholders shall apply to the original trading broker to convert the convertible bonds into ordinary shares of the Company one business day after the date of termination of listing of the convertible bonds. If the bondholder does not apply for conversion within the aforesaid period, the Company will redeem the convertible bonds held by such bondholder at the bond face value.The converted bonds will be recovered in cash within eight days after the bond recovery base date. If the aforementioned date is the day when the Taipei Stock Exchange Market is closed, it will be postponed to the next business day.

C. The 7th secured convertible bonds in the amount of NT$2,400 thousand have been converted to 35 thousand common shares as of December 31, 2021. The surplus due to the conversion amounted to NT$1,938 thousand, recorded under additional paid-in capital.

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

(16)Long-term loans

Details of long-term loan as of December 31, 2021 and 2020 are as follows:

Debtor	As of December 31, 2021	Maturity and Terms
Secured Long-Term Joint guarantee Loan from Land Bank of Taiwan and others	$1,500,000	Effective March 23, 2020 to March 23, 2025. Grace period is 2 years from the initial draw-down date. The initial draw-down date is considered the 1st term and the following terms are defined as every 3 months since then. The remaining principal is repaid in installments of equal amount for 13 terms. Interest shall be paid monthly. The 1st to 4th payments will each repay 3% of the principal, 5th to 8th payments will be 5% each, 9th to 12th payments will be 7% each and the remaining principal will be repaid up at maturity.
Secured Long-Term Loan from Land Bank of Taiwan	89,721	Effective July 9, 2020 to June 15, 2027. Interest payments are due monthly fot the first three years. Principal is prepaid form the fourth year monthly on the 15th day of each month. Interest will be paid on the 15th of each month.
Secured Long-Term Loan from Land Bank of Taiwan	95,972	Effective June 9, 2021 to June 15, 2027. Interest payments are due monthly fot the first two years. Principal is prepaid form the third year monthly on the 15th day of each month. Interest will be paid on the 15th of each month.
Credit Long-Term Loan from Taiwan Cooperative Bank	22,018	Effective October 19, 2020 to October 19, 2025. The principal will be paid monthly on the 15th day of each month and interest shall be paid monthly.

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Secured Long-Term Joint guarantee Loan from Taiwan Cooperative Bank	1,033,361	Effective July 30, 2019 to July 30, 2024. Grace period is 42 months from the initial draw-down date. The initial draw-down date is considered the 1st term and the following terms are defined as every 6 months since then. The principal is repayable in installments of equal amount for 4 terms. Interest shall be paid quarterly. The 1st to 3rd payments will each repay 10% of the principal, and the remaining principal will be repaid up at maturity.
Secured Long-Term Loan from Taiwan Cooperative Bank	7,698	Effective May 9, 2019 to May 6, 2022. The first year pays interest on a quarterly basis. From the second year on, the principal is repayable in quarters in 8 installments. The 1st to 4th payments will each repay 8.33% of the principal, 5th to 7th payments will be 16.66% each and the remaining principal will be repaid up at maturity.
Secured Long-Term Loan from China Development Bank	1,202,595	Effective September 25, 2018 to September 25, 2026. Grace period is 1 years. the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 15 terms. Interest shall be paid quarterly.
Secured Long-Term Loan from China Development Bank	849,502	Effective October 23, 2019 to October 22, 2025. Grace period is 1 year from the initial draw-down date. The initial draw-down date is considered the 1st term and the following terms are defined as every 6 months since then. The principal is repayable in installments of equal amount for 9 terms. Interest shall be paid quarterly.
Total	4,800,867	
Less: current portion	(633,865)	
Non-current portion	$4,167,002	

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

Debtor	As of December 31, 2020	Maturity and Terms
Secured Long-Term Joint guarantee Loan from Land Bank of Taiwan and others	$1,500,000	Effective March 23, 2020 to March 23, 2025. Grace period is 2 years from the initial draw-down date. The initial draw-down date is considered the 1st term and the following terms are defined as every 3 months since then. The remaining principal is repaid in installments of equal amount for 13 terms. Interest shall be paid monthly. The 1st to 4th payments will each repay 3% of the principal, 5th to 8th payments will be 5% each, 9th to 12th payments will be 7% each and the remaining principal will be repaid up at maturity.
Credit Long-Term Loan from Land Bank	89,251	Effective July 9, 2020 to July 9, 2027. Interest payments are due monthly fot the first three years. Principal is prepaid form the fourth year monthly on the 15th day of each month. Interest will be paid on the 15th of each month.
Credit Long-Term Loan from Taiwan Cooperative Bank	27,695	Effective October 19, 2020 to October 19, 2025. The principal will be paid monthly on the 15th day of each month and interest shall be paid monthly.
Secured Long-Term Joint guarantee Loan from Taiwan Cooperative Bank	907,140	Effective July 30, 2019 to July 30, 2024. Grace period is 2 years from the initial draw-down date. The initial draw-down date is considered the 1st term and the following terms are defined as every 6 months since then. The principal is repayable in installments of equal amount for 7 terms. Interest shall be paid quarterly.

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

Secured Long-Term Loan from Taiwan Cooperative Bank	19,223	Effective May 9, 2019 to May 6, 2022. The first year pays interest on a quarterly basis. From the second year on, the principal is repayable in quarters in 8 installments. The 1st to 4th payments will each repay 8.33% of the principal, 5th to 7th payments will be 16.66% each and the remaining principal will be repaid up at maturity.
Secured Long-Term Loan from China Development Bank	1,514,591	Effective September 25, 2018 to September 25, 2026. Grace period is 1 years. the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 15 terms. Interest shall be paid quarterly.
Secured Long-Term Loan from China Development Bank	797,440	Effective October 23, 2019 to October 22, 2025. Grace period is 1 year from the initial draw-down date. The initial draw-down date is considered the 1st term and the following terms are defined as every 6 months since then. The principal is repayable in installments of equal amount for 9 terms. Interest shall be paid quarterly.
Secured Long-Term Loan from Taiwan Cooperative Bank	365,836	Effective August 24, 2020 to July 8, 2023. Interest shall be paid on a quarterly basis. The seventh month from the initial draw-down date, the principal is repayable in installments for 10 terms. The Company needs to repay 5% of the principal in the first to third periods, and repay 10% of the principal in each of the forth to ninth periods. The remaining principal will be repaid up at maturity.
Total	5,221,176	
Less: current portion	(567,532)	
Non-current portion	$4,653,644	

(a)On December 25, 2019, the Company has entered into a 5-year agreement of syndicated loans in credit line of NT$3,000,000 thousand, with Land Bank of Taiwan and 7 other banks for the purpose of settling the unpaid loan balance mentioned above and replenishing operating capital.

In the event that the Company’s financial statements do not meet with any of the criteria or restrictions specified, the Company shall improve it in five months starting from April 1 of the following year on the audited financial fiscal year. The improvement documentation proposed by the Company shall also be audited by certified public accountants. The Company will not be treated as a breach of the loan agreement during the period of improvement.

(b)The Group has entered into an agreement of syndicated loans in credit line of RMB370,000 thousand with Taiwan Cooperative Bank and 3 other banks on On May 6, 2019. According to the agreement, the Company’s annual consolidated financial statements should meet certain criteria with respect to liquidatity ratio, liability ratio and interest expenditure coverage, and the tangible net value shall not be less than RMB1,000,000 thousand.

(c)On September 19, 2019, the Group signed a loan contract with China Development Bank in credit line of USD50,000 thousand. According to the contract, the Company's financial statements should maintain a specific debt ratio during the loan period.

(d)As of December 31, 2021 and 2020, the interest rate intervals for long-term loans were 0.70%~5.70% and 0.70%~5.70%, respectively.

(e)The Group received a low-interest government loan from the Ministry of Economic Affairs in the amounting NT$218,000 thousand with a term of 5~7 years and annual interest rates of 0.70% payable monthly on the 15th day each month. The government grant of the low-interest government loan was recorded under other liabilities-deferred government grants income. The Group shall recognize the government grant income when it is reasonably assured that the Group meets all the terms of the government grant agreement.

(f)Please refer to Note 8 for more detail of assets pledged as collaterals.

(17) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 are NT$35,211 thousand and NT$33,418 thousand, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$4,384 thousand to its defined benefit plan during the 12 months beginning after 31 December 2021.

As of December 31, 2021 and 2020, the maturities of the Company's defined benefit plan were expected in 2036 and 2037.

Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
Current period service costs	$132	$131
Net interest of defined benefit	253	481
Previous period service cost	-	-
Settlement	-	-
Total	$385	$612

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	Dec. 31, 2021	Dec. 31, 2020	Jan. 1, 2020
Defined benefit obligation	$86,160	$90,364	$88,214
Plan assets at fair value	(35,884)	(31,476)	(30,303)
Other non-current liabilities – net defined benefit liability on the consolidated balance sheets	$50,276	$58,888	$57,911

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

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2020	$88,214	$(30,303)	$57,911
Current period service costs	131	-	131
Net interest of defined benefit	732	(251)	481
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	863	(251)	612
Remeasurement of net defined benefit liability(asset):			
Actuarial gains and losses arising from changes in demographic assumptions	7	-	7
Actuarial gains and losses arising from changes in financial assumptions	5,744	-	5,744
Experience adjustments	(398)	-	(398)
Re-measurement on defined benefit assets	-	(1,000)	(1,000)
Subtotal	5,353	(1,000)	4,353
Payments from the plan	(4,066)	4,066	-
Contributions by employer	-	(3,988)	(3,988)
Effect of exchange rates	-	-	-
As of December 31, 2020	90,364	(31,476)	58,888
Current period service costs	132	-	132
Net interest of defined benefit	388	(135)	253
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	520	(135)	385
Remeasurement of net defined benefit liability(asset):			
Actuarial gains and losses arising from changes in demographic assumptions	437	-	437
Actuarial gains and losses arising from changes in financial assumptions	(4,630)	-	(4,630)

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

Experience adjustments	10	-	10
Re-measurement on defined benefit assets	-	(430)	(430)
Subtotal	(4,183)	(430)	(4,613)
Payments from the plan	(541)	541	-
Contributions by employer	-	(4,384)	(4,384)
Effect of exchange rates	-	-	-
As of December 31, 2021	$86,160	$(35,884)	$50,276

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2021	2020
Discount rate	0.77%	0.43%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis:

	Effect on the defined benefit obligation			
	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$6,333	$-	$-	$343
Discount rate decrease by 0.5%	-	6,946	410	-
Future salary increase by 0.5%	6,754	-	69	-
Future salary decrease by 0.5%	-	6,231	-	63

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

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

(18)Equity

(a)Common stock

As of December 31, 2021 and 2020, the Company's authorized capital were both NT$6,000,000 thousand, each share at par of NT$10. The Company's paid-in capital were NT$5,408,984 thousand and NT$5,108,984 thousand, respectively, divided into 540,898 thousand shares and 510,898 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

On May 6, 2021, the Company's board meeting resolved to increase the capital through an issuance of 30,000 thousand new shares at a price of NT$52. The application has been approved by the FSC with Order No. Jin-Guan-Cheng-Fa-Zi-1100352533.The base date for the cash capital increase was October 13, 2021.

For the year ended December 31, 2021, the 7th unsecured convertible bonds in amount of NT$2,400 thousand were converted into 35 thousand shares. The Board of Directors have not resolved the date of capital increase the these 35 thousand shares were recorded under the account of capital collected in advance as of December 31, 2021.

(b)Additional paid-in capital

	As of December 31,	
	2021	2020
Additional paid-in capital	$3,065,181	$1,784,270
All changes in interests in subsidiaries	1,038,084	825,638
Stock options – convertible rights	12,685	-
Other	31,239	31,239
Total	$4,147,189	$2,641,147

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made either in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c)Retained earnings and dividend policies

(1)Distribution of earnings

The Articles of Incorporation, current year's earnings , if any, shall be distributed in the following order:

i Payment of all taxes and dues;
ii Offset prior years' operation losses;
iii Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
iv The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(2)Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets, as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting for final approval. And by the Company's policy, the portion of cash dividend shall not be less than 10% of total shareholders' bonus.

(3)Legal reserve

According to the Company Act, the Company has to set aside an amount for legal reserve from current year's earnings until such legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital either by shares or by cash.

(4)Special reserve

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

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

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

As of December 31, 2021 and 2020, special reserve set aside for the first-time adoption of T-IFRS amounted to NT$175,749 thousand.

The appropriations of earnings for the years 2021 and 2020 were approved through the Board of Directors' meetings and shareholders' meetings held on March 23, 2022 and July 23, 2021, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2021	2020	2021	2020
Legal reserve	$107,274	$51,437		
Special reserve	(57,436)	(209,687)		
Common stock－cash dividend	730,261	561,988	1.35	1.1
Total	$780,099	$403,738		

Please refer to 6(23) for detail on employees' compensation and remuneration to directors and supervisors.

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

(d)Non-controlling interests

	For the year ended December 31,	
	2021	2020
Beginning balance	$3,968,057	$3,696,934
Profit attributable to non-controlling interests	490,905	172,248
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(21,081)	61,903
All changes in interests in subsidiaries	742,124	-
Issuance of employees share options by the subsidiary	41,167	36,972
Ending balance	$5,221,172	$3,968,057

(19) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(a)Share-based payment plan for employees of the parent entity

On May 6, 2021, the Company's board of directors meetings resolved to increase cash capital. The measurement date was at October 13, 2021 and except for part of new shares for employees to subscribe it.

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

A. The following table contains further details on the aforementioned share-based payment plan:

	For the years ended December 31, 2021	
	Number of share outstanding (in thousand)	Weighted-average Exercise Price per Share (NT$)
Outstanding at beginning of period	-	$-
Granted	3,600	52
Exercised	(3,600)	52
Outstanding at end of period	-	
Weighted-average fair value of options granted during the period (in NT$)	$6.56	

B. The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. Assumptions used in calculating the fair value are disclosed as follows:

	2021.08.17
Stock market price	$56
Exercised price	$52
Expected volatility (%)	54.85%
Expected life (Years)	0.13 years
Expected dividend yield (%)	0%
Risk free interest rate (%)	0.099%

The stock market price on the grant date is evaluated by the income method and the market method.

The expected volatility is based on the Company's stock price over 48 trading days.

(b)Share-based payment plan for employees of the subsidiary

On May 15, 2020, the subsidiary was authorized by the Shareholders' meeting to issue employee share options with a total number of 8,080 thousands units. Each unit entitles an optionee to subscribe for one share of the subsidiary's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares by the subsidiary. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 12 months from the grant date.

The fair value of the share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The contractual term of each option granted is six years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these employee share options.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (in dollars)
2020.05.15	8,080	RMB 3.13

The following table lists the inputs to the model used for the plan granted during the period ended 31 December 2021:

	For the year ended December 31, 2020
Expected volatility (%)	52.3%~59.0%
Risk-free interest rate (%)	1.54%~1.77%
Expected option life (Years)	6 years
Option pricing model	Binomial option pricing model

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table contains further details on the aforementioned share-based payment plan:

	For the year ended December 31,			
	2021		2020	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (in dollars)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (in dollars)
Outstanding at beginning of period	8,080	RMB 3.13	-	-
Granted	-	-	8,080	RMB 3.13
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	8,080	RMB 3.13	8,080	RMB 3.13
Exercisable at end of period	-		-	
For share options granted during the period, weighted average fair value of those options at the measurement date (in dollars)		-		RMB 2.85~3.13

The information on the outstanding share options as of December 31, 2021 and 2020, are as follows:

	exercise price	Weighted average remaining contractual life (Years)
As at 31 December 2021		
share options outstanding at the end of the period	RMB 3.13	4.5 Years
As at 31 December 2020		
share options outstanding at the end of the period	RMB 3.13	5.5 Years

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

The expense recognized for employee services received for the year ended 31 December 2021 and 2020, are shown in the following table:

	For the year ended December 31,	
	2021	2020
Total expense arising from equity-settled share-based payment transactions	$64,783	$36,972

No modification or cancellation of share-based payment plan has occurred in the year ended 31 December 2021 and 2020.

(20) Operating revenue

	For the year ended December 31,	
	2021	2020
Revenue from customer contracts		
Sale of goods	$10,341,276	$7,401,277
Revenue arising from rendering of services	-	20,252
Total	$10,341,276	$7,421,529

Analysis of revenue from contracts with customers during the years ended December 31, 2021 and 2020 are as follows:

(a)Disaggregation of revenue

Analysis of revenue from contracts with customers during the years ended December 31, 2021 are as follows:

	Semi-conductor business	Solar business	Total
Sale of goods	$10,341,276	$-	$10,341,276
Rendering of services	-	-	-
Total	$10,341,276	$-	$10,341,276
The timing for revenue recognition:			
At a point in time	$10,341,276	$-	$10,341,276

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

Analysis of revenue from contracts with customers during the years ended December 31, 2020 are as follows:

	Semi-conductor business	Solar business	Total
Sale of goods	$7,401,277	$-	$7,401,277
Rendering of services	20,252	-	20,252
Total	$7,421,529	$-	$7,421,529
The timing for revenue recognition:			
At a point in time	$7,421,529	$-	$7,421,529

(b)Contract balances

A. Contract liabilities

	As of		
	Dec. 31, 2021	Dec. 31, 2020	Jan. 1, 2020
Sales of goods	$831,909	$553,611	$611,497
Current	$132,431	$25,622	$22,966
Non-current	699,478	527,989	588,531
Total	$831,909	$553,611	$611,497

Analysis of contract liabilities during the years ended December 31, 2021 are as follows:

	Sales of goods
The opening balance transferred to revenue	$(79,896)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	358,194

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

Analysis of contract liabilities during the years ended December 31, 2020 are as follows:

	Sales of goods
The opening balance transferred to revenue	$(83,988)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	26,102

(21)Expected credit losses (gains)

	For the year ended December 31,	
	2021	2020
Operating expenses – Expected credit losses (gains)		
Account receivables	$(1,091)	$2,702

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group’s loss allowance as of December 31, 2021 and 2020 are as follow:

A. The Group needs to condsider the grouping of trade receivables by counter-parties’ credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

2021.12.31

		Past due					
	Neither past due (Note)	<=90 days	91-120 days	121-180 days	181-365 days	>=365 days	Total
Gross carrying amount	$2,418,255	$208,648	$871	$-	$-	$87,764	$2,715,538
Loss ratio	0.16%	1%	5%	10%	50%	100%	
Lifetime expected credit losses	(3,848)	(2,086)	(44)	-	-	(87,764)	(93,742)
Carrying amount of trade receivables	$2,414,407	$206,562	$827	$-	$-	$-	$2,621,796

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

2020.12.31

		Past due					
	Neither past due (Note)	<=90 days	91-120 days	121-180 days	181-365 days	>=365 days	Total
Gross carrying amount	$1,656,052	$192,618	$3,669	$284	$-	$87,601	$1,940,224
Loss ratio	0.31%	1%	5%	10%	50%	100%	
Lifetime expected credit losses	(5,166)	(1,926)	(183)	(28)	-	(87,601)	(94,904)
Carrying amount of trade receivables	$1,650,886	$190,692	$3,486	$256	$-	$-	$1,845,320

Note: all the Group's note receivables were not past due.

B. The movement in the provision for impairment of notes receivable and accounts receivable for the years ended December 31, 2021 and 2020 are as follows:

	Notes receivable	Accounts receivable
Beginning balance as of January 1, 2021	$-	$94,904
Addition (reversal) for the current period	-	(1,091)
Effect of exchange rate	-	(71)
Ending balance as of December 31, 2021	$-	$93,742

	Notes receivable	Accounts receivable
Beginning balance as of January 1, 2020	$-	$92,281
Addition (reversal) for the current period	-	2,702
Effect of exchange rate	-	(79)
Ending balance as of December 31, 2020	$-	$94,904

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

(22)Leases

(a)Group as a lessee

The Group leases various properties, including real estate such as land and buildings, machinery and equipment. The lease terms range from 1 to 50 years. The Group is not allowed to loan, sublease or sell without obtaining the consent from the lessors.

The Group’s leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(i)Right-of-use assets

	Land
Cost:	
2021.01.01	$655,285
Additions	-
Transfer	-
Disposals	-
Exchange differences	(3,135)
2021.12.31	$652,150
Depreciation and impairment:	
2021.01.01	$39,931
Depreciation	20,134
Transfer	-
Disposals	-
Exchange differences	(155)
2021.12.31	$59,910

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

	Land
Cost:	
2020.01.01	$662,633
Additions	-
Transfer	-
Disposals	(15,817)
Exchange differences	8,469
2020.12.31	$655,285
Depreciation and impairment:	
2020.01.01	$20,137
Depreciation	19,956
Transfer	-
Disposals	-
Exchange differences	(162)
2020.12.31	$39,931
Net carrying amount:	
2021.12.31	$592,240
2020.12.31	$615,354

Please refer to Note 8 for more details on right-of-use assets under pledge.

(ii)Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	$49,637	$55,179
Current	$5,681	$5,542
Non-current	43,956	49,637
Total	$49,637	$55,179

Please refer to Note 6(24)(d) for the interest on lease liabilities recognized during the year ended December 31, 2021 and 2020, and refer to Note12(5) Liquidity Risk

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

Management for the maturity analysis for lease liabilities as at December 31,2021 and 2020.

B. Income and costs relating to leasing activities

	For the year ended December 31,	
	2021	2020
Short-term leased expense (rental expense)	$81,738	$79,513

The portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed above and the amount of its lease commitments is NT$0.

For the year ended December 31, 2020, the Company recognized NT$456 thousand as income to account the rent concession arising as a direct consequence of the covid-19 pandemic as a variable lease payment.

C. Cash outflow relating to leasing activities

	For the year ended December 31,	
	2021	2020
Cash outflow relating to leases amount	$88,584	$85,903

(23) Summary of employee benefits, depreciation and amortization by function is as follows:

	For the year ended December 31,					
	2021			2020		
	Cost of goods sold costs	Operating expense	Total	Cost of goods sold costs	Operating expenses	Total
Employee benefits						
Salaries & wages	$891,857	$491,676	$1,383,533	$689,703	$424,835	$1,114,538
Labor and health insurance	70,331	13,179	83,510	63,594	11,288	74,882
Pension	28,366	7,230	35,596	27,421	6,609	34,030
Other employee benefits	200,814	29,315	230,129	172,968	23,322	196,290

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

Depreciation	1,127,611	221,284	1,348,895	983,158	155,221	1,138,379
Amortization	765	11,670	12,435	481	9,772	10,253

According to the resolution, no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors and no lower than 5% of profit of the current year is distributable as employees' compensation. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors' attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended 31 December 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 to be 5.82% of profit of the current year and 0.65% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December, 2021 amount to NT$ 75,000 thousand and NT$ 8,400 thousand, respectively. The Company estimated the amounts of the employees's compensation and remuneration to dircetors and supervisors for the year ended 31 December 2020 to be 6.73% of profit of the current year and 0.94% of profit of the current year, respectively, recognized as employee benefits expense. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 amount to NT$45,000 thousand and NT$6,300 thousand, respectively.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT$75,000 thousand and NT$8,400 thousand, respectively, in a meeting held on March 23, 2022. No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2021.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2020 amount to NT$45,000 thousand and NT$6,300 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors for the year ended December 31, 2020.

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

(24) Non-operating income and expenses

(a) Interest income

	For the year ended December 31,	
	2021	2020
Financial assets measured at amortized cost		
Interest income	$10,765	$13,528

(b) Other incomes

	For the year ended December 31,	
	2021	2020
Other income – others	$81,455	$404,358

(c) Other gains and losses

	For the year ended December 31,	
	2021	2020
Gains (losses) on disposal of property, plant and equipment	$(122,609)	$10,275
Gains (losses) on disposal of investments	618	-
Foreign exchange gains (losses), net	(26,128)	(18,002)
Gains (losses) on financial assets at fair value through profit or loss	682	801
Gains (losses) on lease modification	-	1,365
Others	(51,218)	(22,777)
Reversal of impairment loss on property, plant and equipment	129,993	-
Impairment loss on property, plant and equipment	-	(4,000)
Reversal of impairment loss on long-term prepayments for materials	34,615	-
Total	$(34,047)	$(32,338)

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

(d)Finance costs

	For the year ended December 31,	
	2021	2020
Interest on borrowings from bank	$175,693	$186,885
Interests on lease liabilities	1,304	1,439
Interests on bonds payable	1,768	-
Total	$178,765	$188,324

(25) Components of other comprehensive income

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Other comprehensive income, pre-tax	Tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurement of defined benefit plans	$4,613	$-	$4,613	$-	$4,613
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	105,861	-	105,861	-	105,861
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translating of a foreign operations	(51,954)	-	(51,954)	-	(51,954)
Total of other comprehensive income	$58,520	$-	$58,520	$-	$58,520

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

For the year ended December 31, 2020

	Arising during the period	Reclassification during the period	Other comprehensive income, pre-tax	Tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurement of defined benefit plans	$(4,353)	$-	$(4,353)	$-	$(4,353)
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	172,834	-	172,834	-	172,834
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translating of a foreign operations	98,756	-	98,756	-	98,756
Total of other comprehensive income	$267,237	$-	$267,237	$-	$267,237

(26) Income tax

(a)The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31, 2021	For the year ended December 31, 2020
Current income tax expense (income):		
Current income tax charge	$333,815	$226,530
Adjustments in respect of current income tax of prior periods	(6,911)	15,135
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	531	(1,080)
Total income tax expense	$327,435	$240,585

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

(b)A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2021	2020
Accounting income before tax from continuing operations	$1,868,912	$931,551
Tax payable at the enacted tax rates	$597,327	$324,196
Tax effect of revenues exempt from taxation	(204,475)	(146,852)
Tax effect of expenses not deductible for tax purposes	(69,019)	39,007
Tax effect of deferred tax assets/liabilities	4,982	8,131
Surtax on undistributed earnings	5,531	968
Adjustments in respect of current income tax of prior periods	(6,911)	15,135
Total income tax expense recognized in profit or loss	$327,435	$240,585

(c)Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance as Jan. 1, 2021	Deferred tax income (expense) recognized in P/L	Effect of tax rate change	Exchange differences	Ending balance as of Dec. 31, 2021
Temporary differences					
Unrealized loss on inventory valuation	$23,260	$14	$-	$-	$23,274
Unrealized exchange loss(gain)	748	1,456	-	-	2,204
Pension expense gain	1,967	-	-	-	1,967
Unrealized intragroup profits and losses	9,400	(2,000)	-	-	7,400
Unpaid liability transferred to revenue	275	-	-	-	275
Accumulated compensated absences expense	3,040	11	-	-	3,051
Bonus payable	1,942	373	-	-	2,315

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

Bad debt expenses	769	(769)	-	-	-
Other expense	144	384	-	(96)	432
Deferred tax income/ (expense)		$(531)	$-	$(96)	
Net deferred tax assets/(liabilities)	$41,545				$40,918
Reflected in balance sheet as follows:					
Deferred tax assets	$41,545				$40,918
Deferred tax liabilities	$-				$-

For the year ended December 31, 2020

	Beginning balance as Jan. 1, 2020	Deferred tax income (expense) recognized in P/L	Effect of tax rate change	Exchange differences	Ending balance as of Dec. 31, 2020
Temporary differences					
Unrealized loss on inventory valuation	$23,750	$(490)	$-	$-	$23,260
Unrealized exchange loss(gain)	1,764	(1,016)	-	-	748
Pension expense gain	1,967	-	-	-	1,967
Unrealized intragroup profits and losses	7,400	2,000	-	-	9,400
Unpaid liability transferred to revenue	275	-	-	-	275
Accumulated compensated absences expense	2,960	80	-	-	3,040
Bonus payable	1,724	218	-	-	1,942
Bad debt expenses	570	199	-	-	769
Other expense	235	89	-	(180)	144
Deferred tax income/ (expense)		$1,080	$-	$(180)	
Net deferred tax assets/(liabilities)	$40,645				$41,545
Reflected in balance sheet as follows:					
Deferred tax assets	$40,645				$41,545
Deferred tax liabilities	$-				$-

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

(d)Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets that have not been recognized as they may not be used to offset future taxable profits amount to NT$300,295 thousand and NT$298,815 thousand, respectively.

(e)Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at December 31, 2021 and 2020, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, aggregate to NT$353,685 thousand and NT$262,823 thousand, respectively.

(f)The following table contains the information of unused tax losses of the Group:

Subsidiaries

	Unused tax losses		
Year	As of Dec. 31, 2021	As of Dec. 31, 2020	Maturity
2012	$164	$164	2022
2013	186	186	2023
2014	121	121	2024
2015	190	190	2025
2019	230	232	2024
2020	148,994	208,634	2025
2021	226,028	-	2026
Total	$375,913	$209,527	

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

(g)The assessment of income tax returns

As at December 31, 2021, the status of tax authority's assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2019
Subsidiary- Heli-Vantech Corp.	Assessed and approved up to 2019

(27)Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31,	
	2021	2020
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,050,572	$518,718
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	519,592	510,898
Basic earnings per share (in NT$)	$2.02	$1.02
(b) Diluted earnings per share		
Weighted average number of ordinary shares outstanding after dilution of the Company (in thousand shares)	$1,050,572	$518,718
Gain or loss on valuation of redemption	(682)	-

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

Interest expense from convertible bonds	1,414	-
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$1,051,304	$518,718
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	519,592	510,898
Effect of dilution:		
Employee bonus－stock (in thousand shares)	1,130	1,815
Convertible bonds (in thousand shares)	1,902	-
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	522,624	512,713
Diluted earnings per share (in NT$)	$2.01	$1.01

There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(28)The changes of the ownership interests in subsidisries

Acquisition of new shares in a subsidiary not in proportionate to ownership interst

The Group's holding interest on one of its subsidiaries, Wafer Works (Shanghai) Co., Ltd. has been reduced to 53.64% due to surrendering its pre-empt right on the subsidiary's cash offerrings in November in 2021.

As a result of the cash offerrings, the Group received additional cash of NT$954,570 thousand and the carrying amount of Wafer Works (Shanghai) Co., Ltd.'s net assets (excluding goodwill on the original acquisition) became NT$5,058,436 thousand. Details of reduction on Wafer Works (Shanghai) Co., Ltd.'s equity, including changes in non-controlling interests and adjustments to accumulate other comprehensive income, were listed below.

Additional cash received from the offerrings	$954,570
Increase (decrease) to non-controlling interests	(742,124)
Difference recognized in capital surplus or retained earning within equity	$212,446

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

(29)Subsidiary that has material non-controlling interests

Financial information of subsidiary that has material non-controlling interests is as below:

Proportion of equity interest held by non-controlling interests:

		As of December 31,	
Name	Country	2021	2020
Silicon Technology Investment (Cayman) Corp.	Cayman	14.62%	14.62%
Wafer Works (Shanghai) Co., Ltd.	China	46.36%	43.25%

	As of December 31,	
	2021	2020
Accumulated balances of material non-controlling interest:		
Silicon Technology Investment (Cayman) Corp.	$746,767	$635,942
Wafer Works (Shanghai) Co., Ltd.	$4,474,405	$3,332,115

	For the year ended December 31,	
	2021	2020
Profit/(loss) allocated to material non-controlling interest:		
Silicon Technology Investment (Cayman) Corp.	$77,799	$27,359
Wafer Works (Shanghai) Co., Ltd.	$413,106	$144,889

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

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

Silicon Technology Investment (Cayman) Corp. and Wafer Works (Shanghai) Co., Ltd. summarized information of profit or loss for the years ended December 31, 2021 and 2020 were as follows:

	For the year ended December 31,			
	2021		2020	
	Silicon	Wafer Works (Shanghai) Co., Ltd.	Silicon	Wafer Works (Shanghai) Co., Ltd.
Operating revenue	$5,771,086	$5,771,086	$4,014,586	$4,014,586
Profit/loss from continuing operation	945,149	946,572	331,992	334,978
Total comprehensive income	906,551	906,578	491,989	455,459

Silicon Technology Investment (Cayman) Corp. summarized information of financial position is as follows:

	As of December 31,	
	2021	2020
Current assets	$4,841,518	$4,008,893
Non-current assets	10,929,812	10,433,135
Current liabilities	3,229,700	3,456,795
Non-current liabilities	3,033,168	3,379,059

Wafer Works (Shanghai) Co., Ltd. summarized information of financial position is as follows:

	As of December 31,	
	2021	2020
Current assets	$4,806,917	$3,971,814
Non-current assets	10,929,812	10,433,135
Current liabilities	3,145,998	3,370,641
Non-current liabilities	3,033,168	3,379,059

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

Silicon Technology Investment (Cayman) Corp. and Wafer Works (Shanghai) Co., Ltd. summarized cash flow information is as follows:

	For the year ended December 31,			
	2021		2020	
	Silicon	Wafer Works (Shanghai) Co., Ltd.	Silicon	Wafer Works (Shanghai) Co., Ltd.
Operating activities	$1,361,929	$2,176,445	$596,453	$636,283
Investing activities	(1,515,365)	(1,515,365)	(2,662,727)	(2,662,727)
Financing activities	483,237	483,237	1,193,833	1,193,833
Net increase/(decrease) in cash and cash equivalents	298,812	300,247	(762,496)	(759,637)

7. Related party transactions

(a)Key management personnel compensation

	For the year ended December 31,	
	2021	2020
Short-term employee benefit	$30,539	$33,806
Post-employment benefit	659	651
Total	$31,198	$34,457

8. Assets pledged as collateral

	Carrying amount As of Dec. 31,		
Assets pledged for security	2021	2020	Secured liabilities
Refundable deposits	$3,872	$3,872	Litigation deposit
Notes receivable	125,945	80,534	Short-term loans
Financial assets measured at amortized cost-current	21,056	62,605	Customs duty guarantee and loans

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

Financial assets measured at amortized cost-current	54,558	88,508	Long-term loans
Financial assets measured at amortized cost-noncurrent	9,967	9,967	Land leased
Property, plant and equipment – land	259,131	259,131	Long-term loans
Property, plant and equipment – buildings	2,557,692	2,384,953	Long-term loans
Property, plant and equipment – machinery and equipment	450,130	519,444	Long-term loans
Property, plant and equipment – machinery and equipment	3,804	5,217	Long-term loans
Property, plant and equipment – machinery and equipment	4,906	6,443	Long-term loans
Property, plant and equipment – construction in progress and equipment awaiting inspection	455,415	457,417	Long-term loans
Right-of-use assets – land	267,759	277,154	Long-term loans
Right-of-use assets – land	276,012	283,673	Performance guarantee
Total	$4,490,247	$4,438,918	

9. Significant contingencies and unrecognized contract commitments

(a)The Group's unused letters of credit (LC) as of December 31, 2021 were as follows:

Currency	LC Amount		Security
USD	USD	240 thousand	RMB 1,800 thousand

The security are classified under financial assets measured at amortized cost-current.

(b)As of December 31, 2021, outstanding contracts related to the purchased property, plant and equipment were as follows:

Type of Asset	Total Amount	Amount paid to date	Amount outstanding
Construction in progress	$834,677	$739,325	$95,352
Equipment	2,095,080	1,653,256	441,824
Total	$2,929,757	$2,392,581	$537,176

(c)The Company signed a 8-year and a 7-year purchase contracts with Supplier A for the period from January 1, 2009 through December 31, 2016 and January 1, 2010 through December 31, 2016 for stabilizing the material sources and to enhance the relationship with the supplier. On July 31, 2015, the agreements have been effectively extended for the maturities at December 31, 2020 and December 31, 2022, respectively. Under the agreements, installment prepayments which are to be offset by the Company's future purchase orders were agreed and paid by the Company.

The total balance of prepayment for supplier A as of December 31, 2021 was NT$ 479,044 thousand. However, the Company, in assessing their future economy, has provided an impairment in amount of NT$202,337 thousand as of December 31, 2021 against the prepayment.

Supplier B filed a lawsuit against the Company and claimed NT$44,903 thousand for the damage alleging the Company failed to fulfill its obligation. On August 20, 2015, the Taiwan High Court decided that the Company shall pay supplier B NT$9,600 thousand plus interest calculated at 5% annual interest rate for the period from October 9, 2013 to the settlement date. However, both the Company and supplier B appealed. On January 10, 2018, the Taiwan High Court decided that the Company shall pay supplier B NT$7,680 thousand plus interest calculated at 5% annual interest rate for the period from October 9, 2013 to the settlement date. The Company has further filed an appeal to the Supreme Court on February 2, 2018. Meanwhile, supplier B has also filed a third instance appeal and claimed that the Company shall pay NT$27,132 thousand plus the statutory interest. On September 18, 2020, the Supreme Court decided that the Company shall pay supplier B NT$7,680 thousand plus interest calculated at 5% annual interest rate for the period from October 9, 2013 to the settlement date. The Company paid in full as of December 31, 2021.

(d)To extend long-term business, the Company co-operated with its customers via strategic alliances. During 2018, the Company signed a long-term sale contract with its customers A. The Company will provide the silicon wafer solar to its customers from October 1, 2018 to August 31, 2021. The contract regulated the obligations that customers should fulfill orders and the Company could receive advance payment by installment. As customers fulfill an obligation of orders, and the Company could offset against sales by advance sales receipts. As of December 31, 2021, the outstanding balance of NT$11,787 thousand was showed as the contract liability.

To extend long-term business, the Company co-operated with its customers via strategic alliances. During 2008, the Company signed a long-term sale contract with its customers B. The Company will provide the silicon wafer solar to its customers from January 1, 2011 to December 31, 2016. The contract regulated the obligations that customers should fulfill orders and the Company could receive advance payment by installment. As customers fulfill an obligation of orders, and the Company could offset against sales by advance sales receipts. As of December 31, 2021, the outstanding balance of NT$457,865 thousand was showed as advance sales receipts.

However, during the contract period, customer B did not fulfill its obligation in accordance with the terms of the contract. On January 13, 2016, the Company therefore filed a damages claim to the Hsinchu District Court. On October 13, 2017, the Hsinchu District Court decided in favor of the Company that customer B shall pay to the Company NT$500,000 thousand plus the interest calculated at 5% annual interest rate for the period from December 23, 2015 to the settlement date in addition to a prepayment of US$16,240 thousand to be confiscated by the Company. Customer B appealed to the Taiwan High Court on October 31, 2017. On January 27, 2021, the Taiwan High Court dismissed the appeal. Customer B appealed to the Supreme Court on February 23, 2021. On November 3, 2021, the Supreme Court set aside the original judgment, and returned the case to the Taiwan High Court. The case is still pending in the Taiwan High Court as of the reporting date of the financial statements.

The Company has entered into a long-term sale agreement with its customer C in the term from July 1, 2018 to December 31, 2023 for developing long-term business and establishing long-term strategic alliances relation with downstream suppliers. The Company is entitled to receive in advance specific payments in an installment basis while customer C shall put its purchase orders in compliance with the regulation within the agreement by using its prepayment.

The Company has entered into a long-term sale agreement with its customer D in the term from January 1, 2022 to December 31, 2024 for developing long-term business and establishing long-term strategic alliances relation with downstream suppliers. The Company is entitled to receive in advance specific payments in an installment basis while customer D shall put its purchase orders in compliance with the regulation within the agreement by using its prepayment. As of December 31, 2021, the Company’s contract liabilities receipts amounted to NT$ 185,781 thousand.

The Company has entered into a long-term sale agreement with its customer E in the term from Octorber 1, 2021 to September 30, 2023 for developing long-term business and establishing long-term strategic alliances relation with downstream suppliers. The Company is entitled to receive in advance specific payments in an installment basis while customer E shall put its purchase orders in compliance with the regulation within the agreement by using its prepayment. As of December 31, 2021, the Company's contract liabilities receipts amounted to NT$ 37,239 thousand.

The Company has entered into a long-term sale agreement with its customer F in the term from Octorber 1, 2018 to September 30, 2021 for developing long-term business and establishing long-term strategic alliances relation with downstream suppliers. The Company is entitled to receive in advance specific payments in an installment basis while customer F shall put its purchase orders in compliance with the regulation within the agreement by using its prepayment. As of December 31, 2021, the Company's contract liabilities receipts amounted to NT$ 6,806 thousand.

(e)As of December 31, 2021, the Group issued a tariff guarantee of NT$22,500 thousand to the bank for the purpose of importing goods.

10. Losses due to major disasters

None.

11. Significant subsequent events

A.On March 23, 2022, in response to the Company's long-term strategic developing layout, the Company's board of directors resolved to acquire no more than 2,600,000 shares of Class B preference shares of its sub-subsidiary, Silicon Technology Investment (Cayman) Corp through its subsidiary Wafer Work Investment Corp. The acquisition price per share shall not exceed USD4.8, and the total acquisition amount shall not exceed USD12,480,000. The percentage of ownership interests of acquisition is approximately 5.05%. The Company's ownership interest of the subsidiary, Silicon Technology Investment (Cayman) Corp, will not exceed 90.43% after acquisition.

B. On March 23, 2022, in response to the Company's long-term strategic developing layout, the Company's board of directors resolved to increase the capital of a wholly-owned subsidiary, Wafer Works Investment Corp., in the amount of no more than USD6,680,000 in order to acquire no more than 2,600,000 shares of Class B shares preference shares of the sub-subsidiary, Silicon Technology Investment (Cayman) Corp.

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C.On March 23, 2022, the Company's board of directors resolved to issue restricted stock for employees. The number of shares to be issued shall not exceed 1,000,000 shares, and the actual terms of issuance and subscription are subject to the approval of the shareholders' meeting.

D.On March 23, 2022, to improve working capital and to repay bank loans, the Company's board of directors resolved to conduct private placement of common stock and/or private placement of convertible bonds or a combination of both. The privately placed common stock is expected to issue not more than 50,000 thousand shares. The privately placed convertible bonds, of which the upper limit of total amounts are set to be NT$2.5 billion for the time being, shall be conducted once or twice within one year from the resolution date of the shareholders' meeting.

E.On March 23, 2022, the Company's board of directors resolved to have Wafer Works (Shanghai) Co., Ltd. go for an initial public offering of RMB ordinary shares (Class A shares) and apply to be listed on Shanghai Stock Exchange's Sci-Tech Innovation Board. As of the financial report date, the application was not yet submitted.

12. Others

(1)Categories of financial instruments

Financial assets	As of December 31,	
	2021	2020
Financial asset at fair value through P/L:		
Mandatorily measured at fair value through P/L	$2,113	$9,171
Financial assets at fair value through OCI	149,325	223,068
Financial assets measured at amortized cost		
Cash and petty cash	5,736,575	3,256,837
Restricted assets	85,581	161,080
Notes receivables	219,801	159,735
Accounts receivables	2,401,995	1,685,585

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

Other receivables	37,427	31,441
Total	$8,632,817	$5,526,917

Financial liabilities	As of December 31,	
	2021	2020
Financial liabilities at amortized cost:		
Short-term loans	$1,976,531	$2,205,581
Payable	1,948,840	1,811,290
Long-term loans (current portion included)	4,800,867	5,221,176
Bonds payable	284,385	-
Lease liabilities (including current portion)	49,637	55,179
Total	$9,060,260	$9,293,226

(2)Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3)Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rare that a single risk variable will change independently from other risk variable, i.e. there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2021 and 2020 is increased/decreased by NT$8,598 thousand and NT2,872 thousand, respectively.

When NTD strengthens/weakens against RMB by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by NT$18,473 thousand and NT$32,946 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments with variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2021 and 2020 to decrease/increase by NT$6,609 thousand and NT$7,346 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities, including fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$1,495 and NT$2,231 on the equity attributable to the Group for the year ended December 31, 2021 and 2020, respectively.

Please refer Note12.9 for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4)Credit risk management

Credit risk is the risk that the counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2021 and 2020, receivables from the top ten customers were accounted for 44.80% and 51.63% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5)Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, etc.The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

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

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over than 5 years	Total
As of Dec. 31, 2021							
Loans	$2,801,079	$1,209,522	$2,149,648	$946,182	$173,637	$-	$7,280,068
Payables	1,948,840	-	-	-	-	-	1,948,840
Lease Liabilities	6,846	6,846	6,846	6,846	6,846	20,538	54,768
As of Dec. 31, 2020							
Loans	$2,995,732	$1,185,496	$1,532,323	$1,349,329	$977,701	$101,437	$8,142,018
Payables	1,811,290	-	-	-	-	-	1,811,290
Lease Liabilities	6,846	6,846	6,846	6,846	6,846	27,384	61,614

(6)Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Bonds payable	Long-term borrowings	Guarantee deposit received	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	$2,205,581	$-	$5,221,176	$19,772	$55,179	$7,501,708
Cash flows	(229,050)	296,434	(391,469)	76,219	(6,846)	(254,712)
Non-cash changes						
Interests on lease liabilities	-	-	-	-	1,304	1,304
Other	-	(13,817)	-	-	-	(13,817)
Interest expense	-	1,768	(1,135)	-	-	633
Currency rate change	-	-	(27,705)	-	-	(27,705)
As of December 31, 2021	$1,976,531	$284,385	$4,800,867	$95,991	$49,637	$7,207,411

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

Movement schedule of liabilities for the year ended December 31, 2020:

	Short-term borrowings	Long-term borrowings	Guarantee deposit received	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	$1,784,108	$4,564,742	$65,708	$77,312	$6,491,870
Cash flows	421,473	666,742	(45,936)	(6,390)	1,035,889
Non-cash changes					
Lease range changes	-	-	-	(17,182)	(17,182)
Interests on lease liabilities	-	-	-	1,439	1,439
Other	-	(2,387)	-	-	(2,387)
Currency rate change	-	(7,921)	-	-	(7,921)
As of December 31, 2020	$2,205,581	$5,221,176	$19,772	$55,179	$7,501,708

(7)Fair values of financial instruments

(a)The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their faire value.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

iii. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

iv. The fair value of other financial assets and liabilities is determined using discounted cash flow analysis. The interest rate and discount rate are selected with reference to those of similar financial instruments.

(b)Fair value of financial instruments measured at amortized cost

Other than the item is listed in the table below, the carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value:

	Carrying amount	
	2021	2020
Financial liabilities:		
Bonds payable	$284,385	$-

	Fair value	
	2021	2020
Financial liabilities:		
Bonds payable	$284,714	$-

(c)Fair value measurement hierarchy for financial instruments

Please refer to Note 12.9 for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

As of December 31, 2020, there was no derivative financial instruments for the Group. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2021 is as follows:

As of 12/31/2021

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6 for further information on this transaction.

(9)Fair value measurement hierarchy

(a)Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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

(b)Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Embedded derivative	$-	$-	$2,113	$2,113
Financial assets at fair value through other comprehensive income				
Equity instruments investments measured at fair value through other comprehensive income	$144,759	$-	$4,566	$149,325

As of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Convertible bond	$9,171	$-	$-	$9,171
Financial assets at fair value through other comprehensive income				
Equity instruments investments measured at fair value through other comprehensive income	$218,370	$-	$4,698	$223,068

Transfers between Level 1 and Level 2 during the period

During the Years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

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

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Liabilities(Assets)
	At fair value through OCI
	Stock
Beginning balances as of January 1, 2021	$4,698
Acquisition / issues for the period	1,260
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognised in profit or loss (presented in “ Other gains and losses ”)	853
Amount recognized in OCI(presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	-
Currency rate change	(132)
Ending balances as of December 31, 2021	$6,679

	Liabilities(Assets)
	At fair value through OCI
	Stock
Beginning balances as of January 1, 2020	$4,946
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in OCI(presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	653
Currency rate change	(901)
Ending balances as of December 31, 2020	$4,698

Total gains and losses recognized in profit or loss for the year ended December 31, 2021 and 2020 in the table above contain gains and losses related to assets or liabilities on hand in the amount of NT$853 thousand and NT$0 respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy are as below:

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through OCI					
Stock	Market approach	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$457 thousand

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial liabilities:					
At fair value through other comprehensive income					
Embedded derivatives	Binary tree-based model for valuation of convertible bonds	Volatility	54.38%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT$150 thousand

As of December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through OCI					
Stock	Market approach	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$470 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Group's liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (Please refer to 6(15))	$-	$-	$284,714	$284,714

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

As of December 31, 2020: None.

(10)Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$130,958	27.68	$3,624,934
RMB	$312,350	4.33	$1,352,482
Financial liabilities			
Monetary items:			
USD	$99,905	27.68	$2,765,152
RMB	$737,867	4.34	$3,023,448

	As of December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$99,955	28.48	$2,846,678
RMB	$207,408	4.35	$902,654
Financial liabilities			
Monetary items:			
USD	$89,870	28.48	$2,559,492
RMB	$961,584	4.37	$4,197,315

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Company's functional currency is variety. It can not be disclosured the foreign exchange gains or losses on monetary financial assets and financial liabilities with each significant influence. The Foreign exchange gains or losses of the Company amounted to NT$(26,128) thousand and NT$(18,002) thousand respectively for the years ended December 31, 2021 and 2020.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Commission:

a. Financing provided to others for the year ended December 31, 2021: None.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2021: Please refer to Attachment 1.

c. Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint ventures): None.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2021: Please refer to Attachment 2.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2021: Please refer to Attachment 3.

i. Financial instruments and derivative transactions: None.

j. Other: Significant intercompany transactions between the parent with subsidiaries or among subsidiaries were disclosed in Attachment 9.

(2) Information on investees:

A. If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise significant influence over operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 4.

B. If an investee is controlled by an investor, the related information for the investee shall be disclosed as the same as Note 13(1):

(a) Financing provided to others for the year ended December 31, 2021: Please refer to Attachment 5.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2021: Please refer to Attachment 1.

(c) Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint ventures): Please refer to Attachment 6.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of capital stock for the year ended December 31, 2021: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2021: Please refer to Attachment 7.

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2021: Please refer to Attachment 8.

(i) Financial instruments and derivative transactions: None.

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

(3) Information on investments in Mainland China:

A. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), book value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Amount in thousand; Currency denomination in NTD unless otherwise specified

Investee company	Main Business and Product	Total Amount of Pain-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2021	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2021	Accumulated Inward Remittance of Earnings as of Dec. 31, 2021
					Outflow	Inflow						
Wafer Works (Shanghai) Co., Ltd. (Note10)	Wafer manufacturing industry	$2,586,900 (Note1&3)	-	$510,951	$-	$-	$510,951	$934,967	45.80%	$449,875 (Note3,4&13)	$4,337,779 (Note3,4&13)	$-
Wafer Works Epitaxial Corp.	Wafer manufacturing industry	$2,118,865 (Note3&6)	-	$516,782	$-	$-	$516,782	$717,509	45.80%	$717,509 (Note3,4&13)	$1,346,783 (Note3,4&13)	$-
Wafer Works (Yangzhou) Corp.	Wafer manufacturing industry	$473,224 (Note3&7)	Note 2	$-	$-	$-	$-	$41,107	45.80%	$38,470 (Note3,4&13)	$220,862 (Note3&13)	$-

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

Wafer Works (Zhengzhou) Corp.	Wafer manufacturing industry	$3,039,048 (Note3&8)	Note 8	$-	$-	$-	$-	$510,847	45.80%	$422,694 (Note3,4&13)	$1,503,877 (Note3,4&13)	$-
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Wafer manufacturing industry	$1,389,279 (Note3&9)	Note 9	$-	$-	$-	$-	$(37,648)	45.80%	$(37,648) (Note3,4&13)	$616,610 (Note3,4&13)	$-
HuaXin (Shanghai) Technology Co., Ltd.	Selling business	$30,211 (Note11)	Note 12	$30,211	$-	$-	$30,211	$6,598	100.00%	$6,598 (Note3,4&13)	$46,228 (Note3,4&13)	$-

Investee company	Accumulated Investment in Mainland China as of Dec. 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Wafer Works (Shanghai) Co., Ltd.	$510,951	$681,037	Note 5
Wafer Works Epitaxial Corp.	$516,782	$1,484,699	Note 5
Wafer Works (Yangzhou) Corp.	$-	$-	Note 5
Wafer Works (Zhengzhou) Corp.	$-	$-	Note 5
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	$-	$-	Note 5
HuaXin (Shanghai) Technology Co., Ltd.	$30,211	$30,211	Note 5

Note 1: 53.64% shares of Wafer Works (Shanghai) Co., Ltd. owned by Silicon Technology Investment (Cayman) Corp. But 85.38% shares of Silicon Technology Investment (Cayman) Corp. owned by Wafer Works Investment Corp. Therefore, Wafer Works (Shanghai) Co., Ltd. indirectly invested by Wafer Works Corp.

Note 2: Wafer Works (Shanghai) Co., Ltd. invested directly to Wafer Works (Yangzhou) Corp.

Note 3: Foreign currencies were converted into New Taiwan dollars based on exchanged rate on December 31, 2021.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: The Company qualified and approved by Taiwan, R.O.C. government to be operation headquarter in Taiwan, thus there are no limitation of investee in mainland China.

Note 6: It was a wholy-owned subsidiary by the Company's indirect subsidiary, Silicon Technology Investment (Cayman) Corp. The Company's board in a meeting held on November 10, 2016 has resolved that Silicon Technology Investment (Cayman) Corp. participates in a cash addition conducted by Wafer Works (Shanghai) Co., Ltd. by using all ownership interest on Wafer Works Epitaxial Corp. As a result of the capital addition, Wafer Works (Shanghai) Co., Ltd. owns 100% interest of Wafer Works Epitaxial Corp.

Note 7: The Company's board in a meeting held on November 10, 2016 resolved that Wafer Works (Shanghai) Co., Ltd. participates in a cash addition conducted by Wafer Works (Yangzhou) Corp. for 30% ownership interest.

Note 8: The Company's board has resolved on February 16, 2017 Wafer Works (Zhengzhou) Corp. to be established through Wafer Works (Shanghai) Co., Ltd.'s investment.

Note 9: Zhengzhou Airport Economy Zone WaferWorks Technology Corp. has been established by Wafer Works (Shanghai) Co., Ltd. in November 2019.

Note 10: Wafer Works (Shanghai) Co., Ltd. applied for a shareholding restructuring to become a company limited by shares in September 2019. The registration procedures were completed on December 17, 2019.

Note 11: The paid-in capital is USD1,000 thousand, equivalent to NT$30,211 thousand.

Note 12: The Company invested directly to Huaxin (Shanghai) Technology Co. Ltd.

Note 13: Transactions between consolidated entities are eliminated in the consolidated financial statements.

B. Significant transactions with the investees in mainland China:

(a) Purchase and accounts payable with the related parties: Please refer to Attachment 9.

(b) Sales and receivables with the related parties: Please refer to Attachment 9.

(c) The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 1.

(d) The amount of maximum financing, the balance interest rates, and lump sum interest expense: Please refer to Attachment 5.

(e) The other events' impact over current profit or loss or the significant influence of transaction events over the financial conditions: Please refer to Attachment 9.

(f) The aforementioned transaction had been eliminated in the consolidated financial statements: Please refer to Attachment 9.

(4) Information on major shareholders:

None.

14. Segment information

(1) For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

Semiconductor business: manufacture and sale of semiconductor wafers to companies operating in wafer industry.

Solar business: trade of multi-Si products.

No operating segments have been aggregated to form the above reportable operating segments.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

	Semi-conductor business	Solar business	Adjustments & eliminations	Consolidated
For the year ended Dec. 31, 2021				
Revenue				
External customers	$10,341,276	$-	$-	$10,341,276
Inter-segment	-	-	-	-
Total revenue	$10,341,276	$-	$-	$10,341,276
Segment profit	$1,534,178	$7,299	$-	$1,541,477
For the year ended Dec. 31, 2020				
Revenue				
External customers	$7,421,529	$-	$-	$7,421,529
Inter-segment	-	-	-	-
Total revenue	$7,421,529	$-	$-	$7,421,529
Segment profit	$691,350	$(384)	$-	$690,966

Information on assets and liabilities of the reportable segmant.

	Semi-conductor business	Solar business	Adjustments & eliminations	Consolidated
As of Dec. 31, 2021				
Segment assets	$27,357,697	$-	$-	$27,357,697
As of Dec. 31, 2020				
Segment assets	$23,493,892	$-	$-	$23,493,892

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

(2) Geographical information

(a) Revenue from external customers (Note)

	For the year ended December 31,	
	2021	2020
Taiwan	$3,002,631	$2,472,563
China (including Hong Kong)	3,544,739	2,422,015
United States	1,251,464	658,692
Other countries	2,542,442	1,868,259
Total	$10,341,276	$7,421,529

Note: The revenue information above is based on the location of the customer.

(b) Non-current assets

	As of December 31,	
	2021	2020
Taiwan	$4,478,557	$4,310,811
China	10,929,823	10,433,152
United states	729	805
Total	$15,409,109	$14,744,768

(3) Information about major customers

	For the year ended December 31,	
	2021	2020
Customer A	$1,106,825	$885,481

ATTACHMENT 1（Endorsement/Guarantee provided to others for the year ended December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP. AND SUBSIDIARIES

No. (Note1)	Endorser/Guarantor	Receiving party: Company name	Receiving party: Relationship (Note2)	Limit of guarantee/endorsement amount for receiving party (Note3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount (Note3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	$4,584,012	$57,070	$-	$-	$-	-%	$4,584,012	Y	N	Y
0	Wafer Works Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Affiliated Company	$4,584,012	$263,040	$-	$-	$-	-%	$4,584,012	Y	N	Y
1	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	Affiliated Company	$4,584,012	$2,354,208	$1,898,328	$1,369,708	$-	16.56%	$4,584,012	N	N	Y
1	Wafer Works (Shanghai) Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Affiliated Company	$4,584,012	$394,560	$-	$-	$-	-%	$4,584,012	N	N	Y

Note1：Wafer Works Corp. and its subsidiaries are coded as follows:

1.Wafer Works Corp. is coded "0".

2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the above table.

Note2：The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

1.The company with business contacts.

2.The company directly and indirectly holds more than 50% of the shares with voting rights.

3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.

4.The company directly and indirectly holds more than 90% of the shares with voting rights.

5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.

6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.

7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note3：According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed 40% of the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed 10% of the current net value of Company, but the limitation of endorsement or guarantee for the Company shall be up to 40% of the current net value of one of subsidiaries.

ATTACHMENT 2（Related party transactions for purchases and sales amounts exceeding the lower of 100 million dollars or 20 percent of capital stock for the year ended December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP. AND SUBSIDIARIES

			Transactions				Details of non-arm's length transaction		Notes and accounts receivables(payable)		
Company	Related party	Relationship	Purchases (Sales)	Amount	Percentage of total purchases (sales)(%)	Term	Unit Price	Term	Balance	Percentage of total receivables(%)	Note
Wafer Works Corp.	Helitek Company Ltd.	Affiliated Company	Sales	$1,373,021	23.23%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$267,883	17.96%	Note
Wafer Works Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	$757,370	12.81%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$151,960	10.19%	Note
Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Sales	$299,305	5.06%	Received at 150 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$149,347	10.02%	Note
Wafer Works Corp.	Wafer Works (YangZhou) Corp.	Affiliated Company	Purchases	$263,586	10.22%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(41,536)	(8.24)%	Note
Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Purchases	$513,867	19.93%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(97,626)	(19.36)%	Note

Note：Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 3（ Receivables from related parties with amounts exceeding the lower of 100 million dollars or 20 percent of capital stock as of December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP. AND SUBSIDIARIES

Company	Related party	Relationship with the Company	Ending Balance	Turnover rate(times)	Overdue receivables		Amounts received in subsequent period	Allowance for doubtful accounts
					Amount	Collection status		
Wafer Works Corp.	Helitek Company Ltd.	Affiliated Company	Accounts receivable $267,883 (Note)	6.33	$-	-	$204,003	$-
Wafer Works Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Accounts receivable $151,960 (Note)	5.30	$-	-	$144,638	$-
Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Accounts receivable $149,347 (Note)	1.33	$-	-	$45,499	$-

Note：Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 4（If an investor has the ability to exercise significant influence on investee or has material controlling power on investee）（Not including investment in Mainland China）

（All the currencies are denominated in Thousands of New Taiwan Dollars, HKD, and USD unless otherwise specified）

WAFER WORKS CORP. AND SUBSIDIARIES

				Initial Investment		Investments as of 31 December 2021					
Investor Company	Investee Company	Address	Main businesses and products	Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book Value	Net income (loss)of investee company	Investment income (loss) recognized	Note
Wafer Works Corp.	Wafer Works Investment Corp.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	Investment Holding Company	USD 62,766	USD 62,766	62,766,226	100.00%	$4,716,573	$467,414	$467,414	Note
Wafer Works Corp.	Heli-Vantech Corp.	No.1, Ln. 445, Sec. 2 , Meishih Rd., Yangmei Township , Taoyuan County, Taiwan	Design, trading and manufacturing of semiconductor materials.	5,000	5,000	500,000	100.00%	4,325	-	-	Note
Wafer Works Investment Corp.	Silicon Technology Investment (Cayman) Corp.	Grand Pavilion, Hibiscus Way, P.O.Box 31119, KYI-1205, Grand Cayman, Cayman Islands	Investment Holding Company	USD 43,541	USD 43,541	Common stock 1 Preferred stockA 6,970,327 Preferred stockB 36,991,198	85.38%	4,287,291	532,044	454,245	Note
Wafer Works Investment Corp.	Wafermaster Investment Corp.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	Investment Holding Company	USD 5,084	USD 5,084	5,083,900	100.00%	156,393	13,169	13,169	Note
Silicon Technology Investment (Cayman) Corp.	Sharp Right Limited Co., Ltd.	Rooms 2006-8.20/F., Two Chinachem Exchange Square, 338 King's Road	Trading Company	HKD 10	HKD 10	-	100.00%	(85,569)	-	-	Note
Wafermaster Investment Corp.	Helitek Company Ltd.	4033 Clipper CT Fremint, CA 94538-6540	Manufacturing and trading of semiconductor materials.	USD 2,200	USD 2,200	3,400,000 (Preferred stock 2,000,000)	100.00%	156,379	13,169	13,169	Note

Note：Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 5（Financing provided to others for the year ended December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP. AND SUBSIDIARIES

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Wafer Works Epitaxial Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Other receivables -related parties	Yes	$174,400	$173,760	$-	4.35%	2	$-	Business turnover	$-	-	$-	$588,857 (Note 3)	$588,857 (Note 3)
1	Wafer Works Epitaxial Corp.	Wafer Works (Shanghai) Corp.	Other receivables -related parties	Yes	$174,400	$173,760	$-	4.35%	2	$-	Business turnover	$-	-	$-	$588,857 (Note 3)	$588,857 (Note 3)
2	Silicon Technology Investment (Cayman) Corp.	Wafer Works (Shanghai) Corp.	Other receivables -related parties	Yes	$39,240	$39,096	$-	4.35%	2	$-	Business turnover	$-	-	$-	$1,006,811 (Note 4)	$1,006,811 (Note 4)

Note 1: WAFER WORKS CO., Ltd. and subsidiaries are coded as follows:

1.WAFER WORKS CO., Ltd. is coded "0".

2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1.Need for operating is coded "1".

2.Need for short term financing is coded "2".

Note 3: Wafer Works Epitaxial Corp. limit of total financing amount shall not exceed 20% of net assets of value as of December 31, 2021.

Limit of financing amount for individual counter-party shall not exceed 10% of net assets and not exceed 20% of the lender's net assets value as of December 31.

Note 4: Silicon Technology Investment (Cayman) Corp. limit of total financing amount shall not exceed 20% of net assets of value as of December 31, 2021.

Limit of financing amount for individual counter-party shall not exceed 10% of net assets and not exceed 20% of the lender's net assets value as of December 31.

ATTACHMENT 6 (Securities held as of December 31, 2021) (excluding subsidiaries, associates and joint ventures)

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP. AND SUBSIDIARIES

				As of December 31, 2021			
Holding Company	Securities Type and Name	Relationship	Financial Statement Account	Shares/Units	Book Value	Percentage of ownership (%)	Fair value
Wafer Works Investment Corp.	Can Yang Investments Limited	-	Financial asset at fair value through OCI,noncurrent	153,488	$16,608	0.20%	$4,566
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(12,042)		
	Net				$4,566		
Wafer Works Investment Corp.	Solargiga Energy Holdings Limited	-	Financial asset at fair value through OCI,noncurrent	96,227,822	$149,498	2.8951%	$141,727
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(7,771)		
	Net				$141,727		
Heli-Vantech Corp.	New Solar Power Corp.	-	Financial asset at fair value through OCI,noncurrent	138,747	$5,622	0.01%	$3,032
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(2,590)		
	Net				$3,032		

ATTACHMENT 7（Related party transactions for purchases and sales amount exceeding the lower of 100 million dollars or 20 percent of capital stock for the year ended December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP. AND SUBSIDIARIES

				Transactions			Details of non-arm's length transaction		Notes and accounts receivables(payable)		
Purchase (sales) company	Counterparty	Relationship	Purchases (Sales)	Amount	Percentage of total purchases (sales) (%)	Term	Unit Price	Term	Balance	Percentage of total receivables(%)	Note
HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works Corp.	Affiliated Company	Sales	$513,867	40.22%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$97,626	19.23%	Note
Wafer Works (YangZhou) Corp.	Wafer Works Corp.	Affiliated Company	Sales	$263,586	70.64%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$41,536	49.14%	Note
Wafer Works (Shanghai) Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Sales	$207,470	62.25%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$116,166	48.10%	Note
Wafer Works (Zhengzhou) Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	$1,941,208	80.70%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$336,910	65.71%	Note
Wafer Works (Zhengzhou) Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Sales	$445,271	18.51%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$164,960	32.18%	Note
Wafer Works Epitaxial Corp.	Wafer Works Corp.	Affiliated Company	Purchases	$757,370	23.49%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(151,960)	(22.49)%	Note
Helitek Company Ltd.	Wafer Works Corp.	Affiliated Company	Purchases	$1,373,021	98.70%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(267,883)	(99.84)%	Note
HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works Corp.	Affiliated Company	Purchases	$299,305	65.14%	Paid at 150 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(149,347)	(31.65)%	Note

Note：Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 8（Receivable from related parties with amounts exceeding the lower of 100 million dollars or 20 percent of capital stock as of December 31, 2021）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP. AND SUBSIDIARIES

Company	Counterparty	Relationship	Ending Balance	Turnover Rate (times)	Overdue Receivables		Subsequent collection	Allowance for doubtful accounts
					Amount	Actions taken		
Wafer Works (Shanghai) Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Accounts receivable $116,166 (Note)	3.57	$-	-	$19,595	$-
Wafer Works (Zhengzhou) Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Accounts receivable $164,960 (Note)	3.04	$-	-	$99,866	$-
Wafer Works (Zhengzhou) Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Accounts receivable $336,910 (Note)	6.77	$-	-	$282,086	$-

Note：Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 9（Intercompany Relationships and significant intercompany transactions）
（All the currencies are denominated in Thousands of New Taiwan Dollars, RMB and USD unless otherwise specified）

WAFER WORKS CORP. AND SUBSIDIARIES

No (Note1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions: Financial Statement Account	Amount	Terms	Percentage of consolidated total gross sales or total assets (Note3)
	2021						
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Operating income	$299,305	Received at 150 days after shipment arrival by using telegraphic transfer (T/T)	2.89%
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Operating income	757,370	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	7.32%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Operating income	1,373,021	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	13.28%
0	Wafer Works Corp.	Wafer Works (YangZhou) Corp.	1	Operating income	308	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
0	Wafer Works Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	1	Operating income	22,814	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.22%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Other income	3	-	-
0	Wafer Works Corp.	Wafer Works (ZhengZhou) Corp.	1	Other income	44	-	-
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Purchases	513,867	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	4.97%
0	Wafer Works Corp.	Wafer Works (Shanghai) Corp.	1	Purchases	428	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
0	Wafer Works Corp.	Helitek Company Ltd.	1	Purchases	14,567	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.14%
0	Wafer Works Corp.	Wafer Works (YangZhou) Corp.	1	Purchases	263,586	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	2.55%
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Accounts receivable	149,347	Received at 150 days after shipment arrival by using telegraphic transfer (T/T)	0.55%
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Accounts receivable	151,960	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.56%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Accounts receivable	267,883	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.98%
0	Wafer Works Corp.	Sharp Right Limited Co., Ltd.	1	Accounts receivable	39,179	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.14%
0	Wafer Works Corp.	Wafer Works (YangZhou) Corp.	1	Accounts receivable	73	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
0	Wafer Works Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	1	Accounts receivable	12,129	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.04%
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Other receivables	25,066	-	0.09%
0	Wafer Works Corp.	Wafer Works (Shanghai) Corp.	1	Other receivables	299	-	-
0	Wafer Works Corp.	Helitek Company Ltd.	1	Other receivables	134	-	-
0	Wafer Works Corp.	Sharp Right Limited Co., Ltd.	1	Other receivables	45,431	-	0.17%
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Accounts payable	97,626	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.36%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Accounts payable	3,402	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.01%
0	Wafer Works Corp.	Wafer Works (YangZhou) Corp.	1	Accounts payable	41,536	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.15%
0	Wafer Works Corp.	Wafer Works (Shanghai) Corp.	1	Other payables	2,594	-	0.01%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Other payables	688	-	-
1	HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works Epitaxial Corp.	3	Operating income	10,751	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.10%
1	HuaXin (Shanghai) Technology Co., Ltd.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Operating income	2,799	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.03%
1	HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works (Shanghai) Corp.	3	Purchases	207,470	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	2.01%
1	HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works (ZhengZhou) Corp.	3	Purchases	445,271	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	4.31%
1	HuaXin (Shanghai) Technology Co., Ltd.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Purchases	21,511	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.21%
1	HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works Epitaxial Corp.	3	Accounts receivable	8,373	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.03%
1	HuaXin (Shanghai) Technology Co., Ltd.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Accounts receivable	3,159	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.01%
1	HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works (Shanghai) Corp.	3	Accounts payable	116,166	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.42%
1	HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works (ZhengZhou) Corp.	3	Accounts payable	164,960	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.60%
1	HuaXin (Shanghai) Technology Co., Ltd.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Accounts payable	11,988	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.04%
2	Helitek Company Ltd.	Wafer Works (Shanghai) Corp.	3	Accounts receivable	84	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
3	Sharp Right Limited Co., Ltd.	Silicon Technology Investment (Cayman) Corp.	3	Other payables	2,222	-	0.01%
4	Wafer Works (Shanghai) Corp.	Wafer Works Epitaxial Corp.	3	Operating income	78,870	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.76%
4	Wafer Works (Shanghai) Corp.	Wafer Works (YangZhou) Corp.	3	Operating income	11,056	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.11%
4	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	3	Operating income	17,890	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.17%
4	Wafer Works (Shanghai) Corp.	Wafer Works (YangZhou) Corp.	3	Purchases	80,091	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.77%
4	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	3	Purchases	1,947	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.02%
4	Wafer Works (Shanghai) Corp.	Wafer Works Epitaxial Corp.	3	Accounts receivable	48,818	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.18%
4	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts receivable	20,477	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.07%
4	Wafer Works (Shanghai) Corp.	Wafer Works (YangZhou) Corp.	3	Accounts receivable	6,708	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.02%
4	Wafer Works (Shanghai) Corp.	Wafer Works Epitaxial Corp.	3	Other receivables	6,074	-	0.02%
4	Wafer Works (Shanghai) Corp.	Wafer Works (YangZhou) Corp.	3	Other receivables	1,375	-	0.01%
4	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	3	Other receivables	179,734	-	0.66%
4	Wafer Works (Shanghai) Corp.	Wafer Works (YangZhou) Corp.	3	Accounts payable	26,547	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.10%
4	Wafer Works (Shanghai) Corp.	Wafer Works Epitaxial Corp.	3	Interest expense	1,864	-	0.02%
5	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Operating income	2,561	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.02%
5	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Purchases	1,941,208	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	18.77%
5	Wafer Works Epitaxial Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Purchases	63,978	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.62%
5	Wafer Works Epitaxial Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Interest revenue	5,270	-	0.05%
5	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts receivable	471	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
5	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts payable	336,910	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	1.23%

No (Note1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial Statement Accour	Amount	Terms	Percentage of consolidated total gross sales or total assets (Note3)
5	Wafer Works Epitaxial Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Accounts payable	33,811	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.12%
6	Wafer Works (YangZhou) Corp.	Wafer Works (ZhengZhou) Corp.	3	Operating income	25,655	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.25%
6	Wafer Works (YangZhou) Corp.	Wafer Works (ZhengZhou) Corp.	3	Purchases	15	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
6	Wafer Works (YangZhou) Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts receivable	3,069	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.01%
7	Wafer Works (ZhengZhou) Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Operating income	3,839	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.04%
7	Wafer Works (ZhengZhou) Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Other receivables	2,056	-	0.01%
7	Wafer Works (ZhengZhou) Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Rent revenue	479	-	-

Note 1: Wafer Works Corp. and its subsidiaries are coded as follows:

1. Wafer Works Corp. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows：

1. Investor to investee.
2. Investee to investor.
3. Investee to investee.

Note 3: The percentage base with respect to the total consolidated revenue-weighted average(about income statement accounts) or total assets(about balance sheet accounts).

ATTACHMENT 9-1（Intercompany Relationships and significant intercompany transactions）
（All the currencies are denominated in Thousands of New Taiwan Dollars, RMB and USD unless otherwise specified）

WAFER WORKS CORP. AND SUBSIDIARIES

No (Note1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions: Financial Statement Account	Amount	Terms	Percentage of consolidated total gross sales or total assets (Note3)
	2020						
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Operating income	$373,691	Received at 150 days after shipment arrival by using telegraphic transfer (T/T)	5.04%
0	Wafer Works Corp.	Wafer Works (Shanghai) Corp.	1	Operating income	82,276	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	1.11%
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Operating income	799,385	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	10.77%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Operating income	1,042,749	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	14.05%
0	Wafer Works Corp.	Wafer Works (YangZhou) Corp.	1	Operating income	1,017	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.01%
0	Wafer Works Corp.	Wafer Works (ZhengZhou) Corp.	1	Operating income	7,357	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.10%
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Other income	126	-	-
0	Wafer Works Corp.	Helitek Company Ltd.	1	Other income	297	-	-
0	Wafer Works Corp.	Wafer Works (ZhengZhou) Corp.	1	Other income	(124)	-	-
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Purchases	275,173	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	3.71%
0	Wafer Works Corp.	Wafer Works (Shanghai) Corp.	1	Purchases	21,055	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.28%
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Purchases	289,975	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	3.91%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Purchases	25,388	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.34%
0	Wafer Works Corp.	Wafer Works (YangZhou) Corp.	1	Purchases	286,329	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	3.86%
0	Wafer Works Corp.	Wafer Works (ZhengZhou) Corp.	1	Purchases	58,368	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.79%
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Accounts receivable	301,691	Received at 150 days after shipment arrival by using telegraphic transfer (T/T)	1.29%
0	Wafer Works Corp.	Wafer Works (Shanghai) Corp.	1	Accounts receivable	(51)	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Accounts receivable	134,004	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.57%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Accounts receivable	165,620	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.71%
0	Wafer Works Corp.	Sharp Right Limited Co., Ltd.	1	Accounts receivable	40,312	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.17%
0	Wafer Works Corp.	Wafer Works (ZhengZhou) Corp.	1	Accounts receivable	1,944	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.01%
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Other receivables	50,567	-	0.22%
0	Wafer Works Corp.	Wafer Works (Shanghai) Corp.	1	Other receivables	36	-	-
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Other receivables	506	-	-
0	Wafer Works Corp.	Helitek Company Ltd.	1	Other receivables	132	-	-
0	Wafer Works Corp.	Sharp Right Limited Co., Ltd.	1	Other receivables	46,453	-	0.20%
0	Wafer Works Corp.	Wafer Works (YangZhou) Corp.	1	Other receivables	7	-	-
0	Wafer Works Corp.	Wafer Works (ZhengZhou) Corp.	1	Other receivables	984	-	-
0	Wafer Works Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	1	Other receivables	23,695	-	0.10%
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Accounts payable	85,173	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.36%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Accounts payable	162	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
0	Wafer Works Corp.	Wafer Works (YangZhou) Corp.	1	Accounts payable	42,084	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.18%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Other payables	369	-	-
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Other payables	82	-	-
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Emporary receipts	62	-	-
1	HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works (Shanghai) Corp.	3	Purchases	15	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
1	HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works (Shanghai) Corp.	3	Accounts payable	15	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
1	HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works (ZhengZhou) Corp.	3	Purchases	251,201	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	3.38%
1	HuaXin (Shanghai) Technology Co., Ltd.	Wafer Works (ZhengZhou) Corp.	3	Accounts payable	127,561	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.54%
2	Helitek Company Ltd.	Wafer Works Epitaxial Corp.	3	Operating income	1,092	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.01%
2	Helitek Company Ltd.	Wafer Works (YangZhou) Corp.	3	Operating income	8	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
2	Helitek Company Ltd.	Wafer Works (ZhengZhou) Corp.	3	Operating income	917	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.01%
2	Helitek Company Ltd.	Wafer Works (Shanghai) Corp.	3	Accounts receivable	87	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
2	Helitek Company Ltd.	Wafer Works Epitaxial Corp.	3	Accounts receivable	287	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
3	Sharp Right Limited Co., Ltd.	Silicon Technology Investment (Cayman) Corp.	3	Other payables	2,286	-	0.01%
4	Wafer Works (Shanghai) Corp.	Wafer Works Epitaxial Corp.	3	Operating income	2,731	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.04%
4	Wafer Works (Shanghai) Corp.	Wafer Works (YangZhou) Corp.	3	Operating income	98	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
4	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	3	Operating income	30,913	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.42%
4	Wafer Works (Shanghai) Corp.	Wafer Works Epitaxial Corp.	3	Purchases	17	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
4	Wafer Works (Shanghai) Corp.	Wafer Works (YangZhou) Corp.	3	Purchases	58	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
4	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	3	Purchases	15,289	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.21%
4	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts payable	256	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
4	Wafer Works (Shanghai) Corp.	Wafer Works Epitaxial Corp.	3	Other receivables	87,296	-	0.37%
5	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Operating income	13,535	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.18%
5	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Purchases	1,015,462	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	13.68%
5	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts receivable	4,981	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.02%
5	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts payable	236,875	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	1.01%
5	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Interest revenue	3,696	-	0.05%
5	Wafer Works Epitaxial Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Other receivables	131,577	-	0.56%
5	Wafer Works Epitaxial Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Interest revenue	662	-	0.01%
6	Wafer Works (YangZhou) Corp.	Wafer Works (ZhengZhou) Corp.	3	Operating income	1,069	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.01%

No (Note1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial Statement Account	Amount	Terms	Percentage of consolidated total gross sales or total assets (Note3)
6	Wafer Works (YangZhou) Corp.	Wafer Works (ZhengZhou) Corp.	3	Purchases	651	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.01%
6	Wafer Works (YangZhou) Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts receivable	457	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-
6	Wafer Works (ZhengZhou) Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Other receivables	44		-
6	Wafer Works (ZhengZhou) Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Operating income	118	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	-

Note 1: Wafer Works Corp. and its subsidiaries are coded as follows:

1. Wafer Works Corp. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows：

1. Investor to investee.
2. Investee to investor.
3. Investee to investee.

Note 3: The percentage base with respect to the total consolidated revenue-weighted average(about income statement accounts) or total assets(about balance sheet accounts).

6. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None

VI. Review of Financial Position, Financial Conditions, and Risk Matters

1. Financial Position Analysis

Unit: NTD thousand; %

Year / Item	2020	2021	Difference	
			Amount	%
Current assets	8,474,544	11,746,265	3,271,721	38.61
Property, plant and equipment	13,184,391	13,402,062	217,671	1.65
Intangible assets	51,542	49,357	(2,185)	(4.24)
Other assets	1,783,415	2,160,013	376,598	21.12
Total assets	23,493,892	27,357,697	3,863,805	16.45
Current liabilities	4,794,576	4,943,226	148,650	3.10
Non-current liabilities	5,645,808	5,733,269	87,461	1.55
Total liabilities	10,440,384	10,676,495	236,111	2.26
Share capital	5,108,984	5,409,336	300,352	5.88
Capital surplus	2,641,147	4,147,189	1,506,042	57.02
Retained earnings	1,719,213	2,229,962	510,749	29.71
Other Equity	(383,893)	(326,457)	57,436	(14.96)
Treasury share	0	0	0	0.00
Non-controlling interest	3,968,057	5,221,172	1,253,115	31.58
Total Equity	13,053,508	16,681,202	3,627,694	27.79

1. The main reasons for the major changes in assets, debts, and equity in the recent two years and their impacts (only the changes of more than 20% and NTD10 million will be analyzed and explained):
   (1) Current assets: Primarily due to cash capital increase and the issuance of corporate bonds in 2021.
   (2) Other assets: Primarily due to capital expenditures increase in 2021.
   (3) Capital surplus: Primarily due to cash capital increase and the changes in ownership and equity of subsidiaries in 2021.
   (4) Retained earnings: Primarily due to the increase of profitability in 2021.
   (5) Non-controlling interest: Primarily due to the changes in ownership and equity of subsidiaries and increase of subsidiaries' profitability in 2021.
2. Future responsive plan: all aforementioned changes do not have any major negative impact on our company and subsidiaries.

2. Financial Conditions Analysis

Unit: NTD thousand; %

Item \ Year	2020	2021	Difference	
			Amount	%
Operating revenue	7,421,529	10,341,276	2,919,747	39.34
Operating cost	(5,407,643)	(6,722,996)	(1,315,353)	24.32
Operating gross profit	2,013,886	3,618,280	1,604,394	79.67
Operating expense	(1,279,559)	(1,628,776)	(349,217)	27.29
Operating profit	734,327	1,989,504	1,255,177	170.93
Non-operating income and expenses	197,224	(120,592)	(317,816)	(161.14)
Net profit before tax for the year	931,551	1,868,912	937,361	100.62
Income tax expense	(240,585)	(327,435)	(86,850)	36.10
Net profit for the year	690,966	1,541,477	850,511	123.09
Other comprehensive income for the year	267,237	58,520	(208,717)	(78.10)
Total comprehensive income for the year	958,203	1,599,997	641,794	66.98

1. The main reasons for the major changes in operating revenue, operating profit, and net profit before tax: (only the changes of more than 20% and NTD10 million will be analyzed and explained)
   (1) Operating revenue, operating gross profit, operating net profit, net profit before tax of this period, and net profit for the year: they are all increased in 2021 due to the increase of average unit price and sales volume, resulting in the increase in 2021 operating revenue, operating gross profit, net profit before tax, net profit before tax for the year and net profit for the year.
   (2) Operating costs and operating expenses: the operating costs and operation expenses are increased along with the increased operating income resulted from the increase of sales volume in 2021.
   (3) Income tax expense: the increase of profit in 2021 has led to the increase of income tax expense.
   (4) Other comprehensive incomes for the year: Primarily due to the unrealized evaluation benefits of equity instrument investments measured at fair value through other comprehensive incomes in 2021 and the decrease in exchange differences on the translation of financial statements of foreign operating agencies.
2. Expected sales volume and its basis, possible impacts on future finance and business of our company, and responsive plans:

The overall business targets of our company and subsidiaries in 2022 are showing steady growth as compared to the sales in 2021 mainly due to the factors of domestic and foreign market situations, company development strategies, new product development plans, and actual business conditions.

To achieve the business targets of 2022, our company and subsidiaries will continue with our cultivation in semiconductor products depending on regional market demands, strengthen our relationship with upstream and downstream partners, and constantly explore our market shares and develop new products. We will continue to properly plan for our financial structure in response to future business growth.

3. Cash Flow Analysis

(1) Analysis of changes in cash flow for the most recent year

Unit: NTD thousand

<table>
<tr><th rowspan="2">Beginning of year cash balance</th><th rowspan="2">Cash provided by (used in) operating activities for the whole year</th><th rowspan="2">Total Cash provided by (used in) investing and financing activities for the whole year</th><th rowspan="2">cash surplus (deficit)</th><th colspan="2">Correction action for cash deficit</th></tr>
<tr><th>Investment</th><th>Wealth management</th></tr>
<tr><td>1,859,490</td><td>1,442,373</td><td>560,170</td><td>3,862,033</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="6">Analysis of changes in cash flow in the most recent year (2021):
(1)Operating activities: the net cash inflow from business activities in 2021 is NTD1,442,373,000, which is mainly due to the net profit before tax of NTD1,204,572,000.
(2)Investment activities: the increased capital expenditures in 2021 has led to net cash outflow due to investment activities.
(3) Financing activities: the capital increase in cash and issuance of corporate bonds in 2021 has led to net cash inflow due to financing activities.</td></tr>
</table>

(2) Improvement plan for liquidity deficiencies:

The company's operating cash flow is still positive and its operating profit continues to grow, so there is no lack of liquidity.

(3) cash flow analysis for the coming year:

Unit: NTD thousand

<table>
<tr><th rowspan="2">Beginning of year cash balance</th><th rowspan="2">Cash provided by (used in) operating activities for the whole year</th><th rowspan="2">Total Cash provided by (used in) investing and financing activities for the whole year</th><th rowspan="2">cash surplus (deficit)</th><th colspan="2">Correction action for cash deficit</th></tr>
<tr><th>Investment</th><th>Investment</th></tr>
<tr><td>3,862,033</td><td>1,870,951</td><td>(2,187,072)</td><td>3,545,912</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="6">1.Analysis of changes in cash flow in the coming year
(1)Operating activities: the increased revenues of our company have driven continuous increase of profit, so that the operating activities have generated net cash inflow.
(2) Investment activities: it mainly comes from the net cash inflow generated from increased capital expenditures.
(3) Financing activities: it mainly comes from the net cash inflow generated from the financing activities by our company for payment of cash dividends.</td></tr>
</table>

4. The impact of major capital expenditures in the most recent year on finance and business: for our company's 2021 capital expenditure, please refer to the Consolidated Cash Flow Statement in "6. Finance Overview". There is no capital expenditures with material information to be announced in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies", so this shall not apply.

5. Policy for the Most Recent Fiscal Year on Investment in Other Companies, Main Reasons for Profits/Losses Resulting Therefrom, Plans for Improvement, and Investment Plans for the Coming Fiscal Year:

(1) Policy for the Most Recent Fiscal Year on Investment in Other Companies
The investment plan of our group is mainly about the investment in business related to our industry to be focused on the development of our own business and to enhance overall operational performance.

(2) Main reason for profit or loss
There is no major profit or loss of major re-investment on the 2021 Consolidated Statement of our company.

(3) Improvement plan
There is no major loss of major re-investment on the 2021 Consolidated Statement of our group.

(4) Investment plan for the coming year
We will continue to integrate upstream and downstream suppliers at a proper time depending on our operating conditions to expand our market share.

6. Risk analysis and assessment for the most recent year and up to the date of publication of annual report

Organization and operation of risk management:

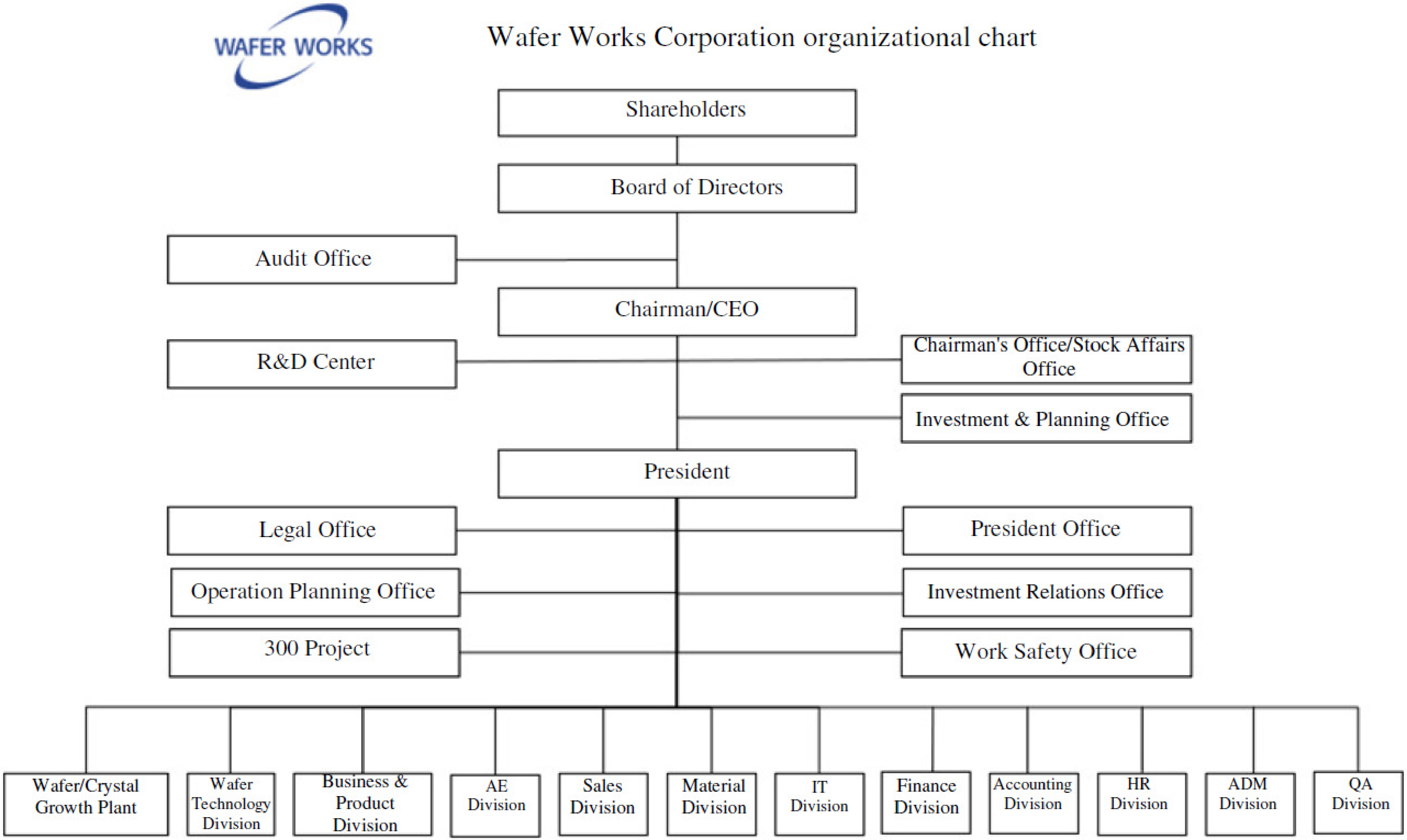
In accordance with the latest risk management development trend, in recent year our company has strengthened corporate risk management, including fairly cautious and strict risk detection, assessment, reporting, and treatment. The risk control of our company can be divided into three levels (mechanisms): the organizer or person in charge is the "First Mechanism" who must be responsible for the consideration, design and prevention of the initial risk discovery, assessment and control of the operation; the "Second Mechanism" is the business management meeting chaired by our President in charge of feasibility study and assessment of various risks; the "Third Mechanism" is the review by Legal and Audit Departments and board directors. There is no Chief Risk Office in our company, because we prefer the proper protection and comprehensive risk control by the entire staff rather than by one senior officer, so that we can better implement the risk management.

Our company will carry out SWOT (strength, weakness, opportunity, threat) analysis in conjunction with the actively developed management by objectives and risk management prior to the preparation of annual budget and determination of annual objectives; the self-assessment of the annual internal control system also starts from the risk assessment to review whether or not all risk items can be effectively prevented under existing internal control system; the composition of annual audit plan by the Audit Office is also based on the risk assessment, where the operating procedures with greater risks shall be listed into the annual audit plan. Our company has taken into consideration the control of various risks during the planning, execution, and assessment of operation.

Risk management organization table:

Important risk assessment items	First Mechanism Business organizer	Second Mechanism Risk review and management	Third Mechanism Board of directors and Audit Office
1. Risks of interest rates, currency exchange rates, and finance 2. High risk high leverage investment, capital loan, endorsement and guarantee, derivative commodity trading, and financial management and investment	Finance Division, President Office	Operation Management Meeting	Board of directors and Audit Committee: Decision making and final control of risk management
3. R&D plan 4. Changes of technology and industry	New Product and Technology Division, Crystal Growth Technology Division, Technology Division, Wafer Technology Division	Technology meeting, operation management meeting	Audit Unit: Inspection, assessment, supervision, improvement tracing, and reporting of risks
5. Changes of policy and law 6. Change of corporate image 7. Investment, reinvestment and M&A benefits	President Office, Legal Office, Investment & Planning Office	Operation Management Meeting	
8. Risk of poor quality 9. Factory or production expansion 10. Major purchase or sales policy	Production Operation Unit, Sales and Marketing Unit	Quality Meeting, Production and Sales Meeting, Operation Management Meeting	
11. Changes in equities of directors, supervisors, and major shareholders 12. Change in right of management 13. Board of directors meeting management	Stock Affairs Office, President Office	Operation Management Meeting	
14. Personnel behavior, ethics and conduct 15. Personal, property, and environmental safety	All units	Operation Management Meeting	
16. Information and communication security	Information Technology Division	Operation Management Meeting	
17. Litigation and non-litigation matters	Legal Office	President Office	
18. Compliance with SOP and regulations	All units	Quality Assurance, Work Safety, Energy, and Audit Unit	
19. Other operation matters	All units	President Office	

Organizational structure



(1) The impacts of interest rate, changes of exchange rate, and inflation on our company's profit and loss, and future responsive measures:

1. The impact of variation of interest rate on our company's profit and loss and future responsive measures

   (1) The impact of variation of interest rate on the profit and loss of our company and subsidiaries

   The interest expenses of our company and subsidiaries in 2020 and 2021 are NTD188,324,000 and NTD178,765,000 respectively, which account for 2.54% and 1.73% of the operating revenues of our company and subsidiaries respectively. Therefore, the impact of variation of interest rate on the profit and loss of our company and subsidiaries is rather limited.

   (2) Our company's specific measures in response to the variation of interest rate

   Our company and subsidiaries will timely adjust our capital utilization in the future depending on the variation of financial interest rate in order to reduce its impact on the profit and loss of our company and subsidiaries. In addition, the financing tools of capital market are also timely used to reduce the capital acquisition cost.

2. The impact of variation of currency exchange rate on our company's profit and loss and future responsive measure

   (1) The impact of variation of exchange rate on the profit and loss of our company and subsidiaries

   Our company and subsidiaries mainly engage in export sales with the majority of transactions in US dollars and the imports of raw materials based on foreign currencies. Our company and subsidiaries have adopted the principle of natural hedging of offsetting liabilities and assets to try to reduce the net exposure to the exchange rate fluctuations as much as possible. Our Finance Department will observe the trend of exchange rate closely to assess the adjustment of product selling price to protect our company's profit and avoid the risk of exchange rate fluctuations. The statistics shown in the table below reveals that the variation of exchange rate in the recent two years has led to certain impact on the revenue and profit of our group.

Unit: NTD thousand；%

Year / Item	2020	2021
Exchange (loss) profit (A)	(18,002)	(26,128)
Net operating revenue(B)	7,421,529	10,341,276
Proportion in net operating revenue (A)/(B)	-0.24	-0.25
Profit (loss) for the year	690,966	1,541,477
Proportion of profit (loss) for the year (% absolute value)	2.61	1.69

   (2) Our company's specific measures in response to the variation of currency exchange rate

A. Regular composition of foreign exchange and exchange rate reports to monitoring the ever-changing fluctuations in foreign exchange market in order to make effective hedging decisions.

B. Coordinating with sales and procurement units to adjust the payment terms of foreign customers to reduce the exchange risk via natural hedging.

C. Adjusting the foreign currency borrowing position to avoid the risk of appreciation of New Taiwan Dollar.

3. The impact of inflation on our company's profit and loss, and the future responsive measures

(1) The impact of inflation on the profit and loss of our company and subsidiaries

So far the impact of inflation on the profit and loss of our company and subsidiaries is not obvious yet. Our company and subsidiaries will continue to pay attention to the price fluctuation in order to properly adjust the selling price and control the cost, and we will take responsive measures when necessary.

(2) Our company's specific measures in response to inflation

In addition to process improvement and cost saving, we will also head towards the development of products with high-added values.

(2) Policies, main reason for profit or loss, and future responsive measures for engaging in high-risk high-leverage investments, lending funds to other parties, endorsement and guarantee, and trading of derivative commodities:

1. Main reason for engaging in high-risk high leverage investments and the future responsive measures

(1) Main reason for engaging in high-risk high leverage investments
Our company and subsidiaries did not engage in any high-risk high leverage investment in the most recent year and as of the date of publication of annual report.

(2) Future responsive measures
Our company and subsidiaries are focused on our own business with financial operations based on the conservative and steady principle. Our funds have not been used for any high-risk high leverage investment.

2. Lending funds to other parties and endorsement and guarantee

(1) Reasons for lending funds to others and endorsement and guarantee

A. Lending funds to others

Our group's engagement in lending funds to others is in accordance with the "Procedures for Lending Funds to Other Parties", and the amounts of lending have not exceeded the upper limit as of the date of publication of annual report.

B. Endorsement and guarantee

Our group's engagement in endorsement and guarantee is in accordance with the "Procedures for Endorsement and Guarantee", and the amount is 0.

(2) Future responsive measures

We have formulated the "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee", and we will carry out announcements and declarations in accordance with laws and regulations.

3. Policies and main reasons for profit or loss of our company's engagement in trading of derivative commodities, and future responsive measures

   (1) Policies of engagement in the trading of derivative commodities

   Our group's engagement in the trading of derivative commodities is subject to Article 12 Procedures for acquisition or disposal of derivative commodities of the "Procedures for Assets Acquisition or Disposal". Our group's engagement in the trading of derivative commodities is mainly for the purpose of hedging, such that the choice of trading commodities is mainly for avoiding the risk arising from our group's business operations.

   (2) Main reasons for the profit or loss

   Our group did not engage in any trading of derivative commodities in 2020 and 2021.

   (3) Future responsive measures

   We have extremely strict regulations for the derivative commodities. Our engagement in the trading of derivative commodities is mainly for the purpose of hedging, such that the choice of trading commodities is mainly for avoiding the risk arising from our group's business operations. We will also select the financial institutes with better conditions for the engagement of hedging transaction according to our company's operation requirements in order to avoid the credit risk.

(3) Future R&D plan and estimated investment in R&D:

For details please refer to operation overview/business content/business scope/new products and services planned to be developed of this annual report; operation overview/business content/technology and R&D overview.

(4) The impacts of changes in domestic and foreign important policies and laws on our company's finance and business, and the responsive measures:

1. Our group's finance and business were not affected by any change in domestic and foreign important policies and laws in 2021 and up to the date of publication of this public disclosure.
2. Responsive measures: in addition to paying attention to domestic and foreign industrial news and changed in laws and policies, all units of our group also collects intelligence and information related to changes in policies and laws in order to immediately notify our company's senior executives and relevant units to ensure that our company can be fully prepared and properly responding to the changes in domestic and foreign important policies or laws in coordination with proper hedging measures.

(5) The impacts of technology changes (including the risk of information and communication security) and industrial changes on our company's finance and business, and the responsive measures:

1. Along with the development trends of hand-held device towards lighter, thinner, shorter, smaller, and power saving design, and the vehicle power from fuel to electricity, our company provides semiconductor materials which can be used to produce mobile communication, network technology, and power saving consumer electronic products, and for the advanced car makers to produce electronic devices for electric vehicles. This is in line with the current trends of technology industry and green energy, so the technology changes (including the risk of information and

communication security) and industrial changes do not have any negative impact on our groups finance and business.

2. Responsive measures: developing silicon wafer material meeting the need of industrial trend, including the development of ultra-low resistivity (ultra-heavily doped) silicon wafer to meet the energy saving trend and the high-end silicon substrate for IoT devices to meet market demand.

(6) The impacts of the change in corporate image on corporate crisis management, and the responsive measures:

1. Our group has been adhering to the code of integrity management and dedicated to maintaining good corporate image while advocating our company's business philosophy and operation achievements via public channels. There has not been any negative report on our corporate image up to the date of publication of annual report.

2. Responsive measures: our company has established internal control, risk management, and speaker mechanisms. We can quickly formulate operating procedures in response to various crises, establish transparent and timely communication channels, and disclose major information on the Public Information Observatory in order to protect our group's corporate image and the rights and interests of our investors.

(7) Expected benefits, possible risks, and responsive measures of merger and acquisition:

Our company did not engage in any merger or acquisition in the most recent year and as of the date of publication of annual report, so it is not applicable.

(8) Expected benefits, possible risks, and responsive measures of factory expansion:

1. Our company has carried out production expansion in all factories in order to meet the demands of market and customer orders. The expected benefits for our group is the increases of revenue and market share to achieve a sufficient economic scale, reduce the production cost per unit, and enhance the profitability.

2. Possible risk: market demand weakened by gloomy global economy, intense competition of production expansions in the industry, and the introduction of alternative product.

3. Responsive measures: our group owns outstanding technical R&D teams, and we have been deeply involved in this industry for years to be fully aware of the trend and demand for silicon wafers. We can continue strengthening the competitive niche via our layout in the market of Mainland China in order to maintain our leading position.

(9) Risks facing purchase or sales concentration, and the responsive measures:

1. Dispersion of suppliers and control over primary raw material sources: the company has dispersed the sources of procurement of various important raw materials to ensure the supply of raw materials and to reduce the risk of centralized procurement. The company has carried out supplier assessment and audit every year to strengthen the cooperation with suppliers and to be fully aware of the status of suppliers.
2. Customer dispersion: we have actively developed new customers and new applications. Our customers are widely spread among Europe, America, Japan, Taiwan, China, and Asia Pacific region. They are all world renowned integrated device manufacturers (IDM) and wafer foundries. So the sources of our revenues are not concentrated in just a few customers.

(10) The impacts and risks of large-scale transfer or replacement of the shares of directors, supervisors, or shareholders holding more than 10% of total shares, and the responsive measures: None.

There has not been any significant amount of equity transfer among the directors or major shareholders (holding more than 10% of total shares) of the company in the most recent year and as of the date of publication of this annual report.

(11) The impacts and risks of change of management right on the company, and responsive measures:

There is no change in management right of our company in the most recent year and as of the date of publication of annual report, so it is not applicable.

(12) Handling situations of major lawsuits, non-litigation or administrative disputes with verdicts confirmed or pending involving the company, its directors, President, person in charge, or major shareholders holding more than 10% of total shares, or the affiliated company which could have significant impacts on shareholders' rights and interests or stock price: None.

(13) Other important risks and responsive measures:

1. Business risk management

(1) Product diversification: along with the expansion of our group, continuous cultivation of niche product to avoid the risk of overly focusing on one single product has always been the goal of our group. In addition to being dedicated to the performance enhancement of critical material of power device (discrete) to widen the gap with our competitor, we are also actively developing P-Type and MEMS products. After years of R&D and efforts, our new product of 12-inch epitaxial wafer and polished wafer has also been certified by our customer and put in mass production.

(2) Customers dispersion: with active development of new customers and new applications, our customer groups are dispersed among Europe, American, Japan, Taiwan, China, and Asia Pacific. They are all world renowned IDMs and Foundry. So our sources of revenues are not concentrated on just several customers.

(3) Suppliers dispersion and control over main source of raw materials: we have dispersed our sources of procurement to ensure sufficient supply of raw materials with reduced risk of centralized procurement. We have carried out annual supplier evaluation and audit to strengthen our cooperation with suppliers and to effectively control their status.

(4) Division of labor of R&D and production: for constant acquisition and provision of new demands, new technologies, and new materials of the market, we separate R&D department from production department in our organization to avoid waste and imbalanced utilization of resources.

(5) Development of strategic alliance: in response to market trends and industry change factors, we have been actively seeking strategic and investment partners to develop flexible and diversified strategic alliances in order to develop new technologies and new products while expanding our production capacity.

2. Economic Risk Management

(1) Risks of exchange rate and interest rate: the primary currency of our company's revenue is US dollars, so we have a recurring net asset in US dollars, and the significant US dollar depreciation can have adverse effect on our company's financial status. Therefore, our company keeps track of foreign currency positions and changes of exchange rates at all times. In addition to the natural hedging method via the balance of foreign currency

assets and liabilities, appropriate measures have also been taken to reduce the risk of exchange rate. The risk of interest rate mainly comes from the long-term liabilities arising from operating and capital expenditures. Our company has reduced such risk by properly arranging the debt period and fixed or floating interest rate structure.

(2) Inflation: So far the impact of inflation on the profit and loss of our group is not obvious yet. Our group will continue to pay attention to the price fluctuation in order to properly adjust the selling price and control the cost, and we will head towards the development of products with high-added values.

(3) Credit risk: we have carefully selected our counterparty and evaluate our customer's credit limit and contract terms according to our company's credit rules and our customer's financial and business condition in order to reduce the possibilities of default or delayed settlement by our counterparty after payment or contract signing.

(a) Account receivable: we have evaluated and controlled our customer's credit limit, implemented collection and reminders, and regularly assessed allowance for doubtful debts to prevent our customer's credit problem from affecting our normal operation.

(b) Financial institution: our bank loans come from financial institutions with good credits so that their problems will not affect our normal operation.

(4) Liquidity risk management: timely decentralization of financial channels (flexible utilization of cash capital increase, convertible bonds, and bank loans) can prevent single contingency from causing insufficient short-term asset value to cover the payment of short-term liabilities or unanticipated capital outflow; business exploration can allow us to avoid our counterparties being concentrated on a few major customers, thus reducing the risk of not being able to complete the transaction at an ideal time due to customer factor.

(a) Budget preparation: our management team is in charge of preparing short-term and long-term budgets, specifying policies, guidelines, and detailed operations for future operations, and regularly analyzing the difference between budget and actual execution.

(b) Fund management: short-term funds will not be used for long-term purposes, and cash flow will be monitored at all times. A bank quota no less than the monthly revenue will be maintained to ensure fund liquidity; the debt ratio will be reduced by capital increase and issuance of convertible corporate bonds to increase the own funds ratio.

(c) Investment management: long-term investment or strategic investment is aimed at long-term development and thus does not involve liquidity risk; the use of short-term funds is mainly based on time deposits to reduce its liquidity risk. Our company will regularly evaluate market capital situation and bank interest rates to carefully determine the financing approach; we will evaluate the mid-to-long-term investment benefits and actively cooperate with business unit to seek strategic targets to timely handle non-core investment projects in order to strategically reduce, transfer, or avoid risks.

3. Legal risk management

   The operation and management of our group have always been in compliance with laws and regulations to be implemented to company governance. In response to any change of policy and regulation which could impact our company's operation, in addition to the immediate assessment of the level of impact to take responsive measures, we will also make adjustment to our operation according to the laws and regulations. We have dedicated unit and professional personnel in place in coordination with external legal consultant to provide consultation and professional legal opinion at any time in order to take responsive measures to avoid any possible legal risk.

4. Operation risk management

   (1) We have established internal control systems and standard operating procedures for all operations, and acquired ISO related quality management, environmental management, and energy management system certificates.

   (2) We have established the audit systems for internal control system, quality management, environmental management, and energy management, and the audit will be implemented by internal audit unit.

   (3) We have carried out self-assessment of internal control system every year to examine whether or not all operational risks are under control via reasonable operating procedures.

5. Environment, and occupational safety and health management

   (1) Based on the philosophies of corporate sustainable development, fulfillment of environment and resources protection responsibilities, and protection of employees' safety and health, our company has conducted detailed assessment of all possible emergency situations, natural disasters, environmental impacts, and work risks, and established comprehensive responsive plans and process flows. In terms of environmental protection, and occupational safety and health management, the operation control of our company is in compliance with international standards and certified by environmental management system (ISO14001) and occupational safety and health management system (ISO45001) every year.

   (2) Our company's major objectives and management plans are summarized as shown below:

Plan	Objective/target
Evaluation of optimization of three-pipe acid supply operation in Yangmei Plant	Enhancement of personnel safety during acid supply
Optimization operation of acid supply room of Longtan Plant	Enhancement of safety of acid supply room
Circular Economy Certificate of Longtan Plant	Reduction of environmental impact
XT machine safety audit XL key machine audit	Enhancement of equipment safety
Water saving and energy saving	Reduction of environmental impact

(3) Our company has continuously promoted safe workplace and employee operation safety protection measures

A. Occupation disaster prevention plan

In order to achieve the goal of zero disaster, our company formulates annual occupational disaster prevention plan and detailed implementation plan to be surely implemented according to the schedule and content of such plan. The implementation performance will be supervised by the audit system, and the occupational disaster prevention plan can be amended during the occupational safety and health committee meeting convened once every quarter. The annual occupational disaster prevention plan is then formulated according to the resolutions of Safety and Health Committee Meeting, so that we can gradually reduce the potential hazard risks of our company's workplace via implementation/audit/review /amendment of the plan and the PDCA method in order to achieve the final goal of zero disaster.

B. Implementation of automatic inspection

Our company is well aware that our employees facing different operation environments, production processes, and operations can suffer from occupational injuries due to the factors of unsafe operation, equipment, or management. In light of this, our company has actively promoted the automatic inspection, hoping to find out the potential hazard factors through the promotion of this measure for the purpose of improvement and effective control. The scope of such inspection covers equipment, operation environment, operation machines, and mobile vehicles.

C. Operation environment monitoring

During the implementation of operation environment monitoring, our company has formulated the operation environment test plan including the sampling strategy starting from basic data collection, raw materials, production process flow, and hazardous substances inventory. And the similar exposure groups are planned via observation, interview record, and survey, so that the sampling can be applied to those with maximum possible exposure; the operation environment test items also include physical factors and chemical factors.

D. Environmental protection, safety and health assessment of hazardous chemical substances

All new chemical substances must be reviewed and assessed by the Work Safety Office of our company before their uses are determined. It must be ensured that the environment, safety, and health risks of storage, transportation, use, and disposal of chemicals during the production process are under effective control via engineering improvement, personal protective gears, and safe operation educational training.

E. General safety management, training, and audit

Our company regularly holds environmental protection, safety and health committee meeting and adopts multiple preventive measures such as high risk operation management, contractor management, chemical safety management, personal protective gear requirements, and safety audit management. In addition, our company also establishes a complete disaster emergency response procedure and conducts regular drills in order to minimize the losses of employees' and our company's assets and the social and environmental impacts caused by the disaster.

F. Emergency response

An effective emergency response plan requires comprehensive thinking, continuous improvement, and frequent drills. Our company's emergency response plan includes quick response to accident, disaster recovery, and emergency response procedure established for potential disaster. Our company carries out emergency response drills and fire disaster evacuation drills to ensure minimization of disaster loss.

G. Employee health promotion

Our company has hired full-time nurses to provide our employees with various health care programs. Our employees can use the gym built by our company to perform physical exercises to reduce physical and mental pressure and to enhance personal health. There are also on-site medical doctors every month to provide consultation, tracking, and proper health education after employee health examination in order to contribute to our employees self-health management.

For continuous protection of our employees' health at workplace, our company continues to promote and improve the maternity protection plan, the plan for preventing repetitive operations from resulting in musculoskeletal disease, and the plan for preventing abnormal work from resulting in disease in order to improve work environment and create a healthy workplace.

6. Risks and opportunities of climate change

Wafer Works has identified and analyzed possible operation risks and potential impacts, and proposed corresponding strategies. We have established the monitoring and control mechanisms with respect to the confirmed risks. In addition, the new climate change related laws and regulations could result in significantly increased overall energy cost.

(1) Physical climate risks

Climate change would lead to increased frequencies and severity of storm, flood, and draught, thus resulting in impacts on our operation and supply chain. For example, the shortage of water resources or interruption of raw material supply.

Wafer Works believes the challenge of climate change is bound to come with opportunities. Both Yangmei Plant and Longtan Plant acquired the ISO50001 energy management certificate, and the energy saving carbon reduction measures will continue to be implemented for adaptation and mitigation in the face of climate change. The total days of our company's operation interruption due to poor weather in 2021: 0 day.

(2) Risks and opportunities of water resources

As for the risks and opportunities of water resources shortage in the plant, our company has continued to evaluate the expansion of water recycling and reclamation system in the plant. The expectation is that the water resources in the plant can be recycled to reduce the water resources consumption and the environmental impact while enhancing the water resources management and optimization of water supply management system. In 2021 we have completed the second LSR wastewater recycling system for continuous recycling of water resources in our plant such that every drop of water can be reused repeatedly before being discharged.

(3) Risks and opportunities of electricity resources

It is inevitable that green energy becomes the future global trend. Our company continues to evaluate the installation of photovoltaic power generation system in our plant, hoping that some of the electricity can be provided by clean energy to reduce the emission of greenhouse gas.

7. Risk transfer

(1) Transfer of personal risk: in addition to labor insurance, national health insurance, and other insurances statutorily required at the local region of each subsidiary, our company also provides group insurance to enhance our employees' welfare and to properly transfer the risk.

(2) Transfer of property risk: for properties with risks, our company has taken out fire insurance, earthquake, typhoon and flood insurance, motor vehicle insurance, transportation insurance, and other property insurances in order to properly transfer the property risk.

(3) Directors liability insurance: our company provides the directors liability insurance as stipulated in the Articles of Incorporation, and authorizes the board of directors to determine the coverage of such insurance. The limit of liability of "Directors and Officers Liability Insurance" took out by our company recently is US$16.5 million, which can reduce and disperse the major damage to our company and shareholders caused by the illegal acts by directors and managers in order to ensure the rights and interests of our shareholders.

8. Major risk assessment items such as information security risk assessment and responsive measures:

(1) Information security risk management architecture: establishment of Information Security Committee, review and amendment of Information and Communication Security Policy Management Measures and relevant operation rules, the implementation of management measures (such as risk assessment and analysis of establishment of information and communication security regulations, research on the requirements of system security, and responses to management and protection), regular and irregular audit, review, and improvement of our company's internal audit and control operations, and regular report to the board of directors.

(2)Information security risk awareness: regular advocacy and training of information and communication security policies for all employees, information security policy advocacy on the computer login screen, formulating personnel arrival, transfer, and departure management procedures, and signing of confidentiality agreement with clear notification of confidentiality matters.

(3)External intrusion threat: periodic testing of the security control mechanisms for computer network system and E-mail, including the setting and vulnerability repair of firewall, anti-virus and anti-phishing spam and malware protection.

(4)Leakage of confidential information: our company's confidential information are under classified and graded control with proper access control according to the authorization mechanism. And there will be system records kept for the error and correction of information data or unauthorized access.

(5)System security management: establishment of system access identity, portable storage device (such as USB) management and physical access management, and inventory management of information equipment fixed assets in order to control the personnel and information access and to prevent unauthorized accesses of system, network, information, and information host.

(6)System operation and maintenance interruption:

A. In order to ensure sustainable business operation and prevent malfunction of system software/hardware and database, the backup of information system and disaster drills have been regularly implemented to ensure that critical business activities can be timely restored.

B. Natural disasters or disasters of force majeure: the information security insurance shall be assessed according to the principle of risk sharing. Due to uncertainty of scope of insurance and claim evaluation, our company did not take out the information security insurance. However, we have signed the maintenance contract with the software/hardware suppliers to prevent the interruption of information system service.

(7) Reporting and handling of information security risk event: the information security event reporting procedures must be established and the emergency response drills must be implemented from time to time for quick control over and proper handling of sudden information security event.

7. Other important items:

(1) Depreciation method and service life of fixed assets

The residual value, durability and depreciation method of an asset are assessed at the end of each year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimate. Depreciation is provided using the straight-line method over the estimated durability of the following assets:

Houses and buildings 5 – 55 years
Machinery and equipment 2 – 15 years
Transportation equipment 5 – 10 years
Office equipment 2 – 10 years
Miscellaneous equipment 2 – 20 years

(2) License acquisition of personnel related to transparency of financial information

The license acquisition situations of our company's personnel related to transparency of financial information are as shown below:

Certified Internal Auditors (CIA): two employees in the Audit Department

License of Internal Auditor of The Institute of Internal Auditors – Chinese Taiwan: two employees in the Audit Department

(3) Internal Material Information Processing Operation

Our company has formulated the "Operating Procedures for Insider Trading Prevention Management" and submitted it to the board of directors of Wafer Works to be approved in October, 2009. We have organized internal advocacy meeting to announce these procedures to all employees, managers, and directors to prevent any violation or insider trading.

(4) Our company's key performance indicators (KPI)

In addition to regularly comparing our financial performance indicators (such as debt ratio, earnings per share, cash conversion days, and capital expenditures) with our competitors in the industry, our group has also set non-financial indicators, such as market share, process yield, quality cost, employee output value, and customer satisfaction, in order to monitor our group's competitive edges and the status of the industry. With a series of collection and analysis, we get to ensure our competitive edges over our competitors in the industry.

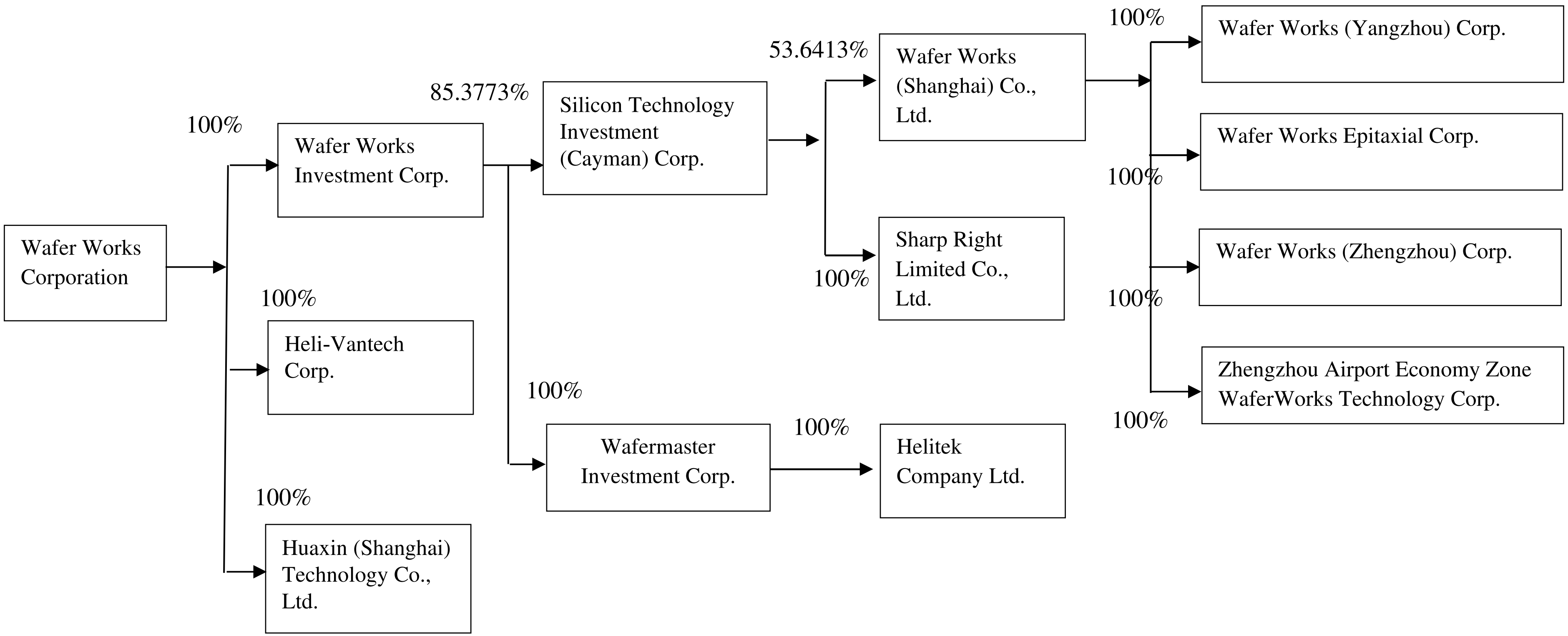
VIII. Special Disclosure

1. Information regarding the company’s affiliated companies

   (1) Affiliated companies' consolidated business report

      1. Organizational chart of the company's affiliated companies

December 31, 2021



2. Profiles of the Company's affiliated companies

As of December 31, 2021

Name of enterprise	Date of establishment	Address	Paid-in Capital	Main business or production items
Wafer Works Investment Corp.	2004.12	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	US$62,766 thousand	Investment holding
Heli-Vantech Corp.	1998.08	No. 1, Pingguo Road, Yangmei District, Taoyuan City	NTD5,000 thousand	Design, retail and trading of electronic materials, wafer manufacturing
Silicon Technology Investment (Cayman) Corp.	1997.08	Grand Pavilion, Hibiscus Way, P.O. Box 31119,Grand Cayman, KY1-1205,Cayman Islands	US$43,541 thousand	Investment holding
Wafermaster Investment Corp.	2004.12	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	US$5,084 thousand	Investment holding
Huaxin (Shanghai) Technology Co., Ltd.	2019.12	Room 1803, No. 411 (B), Ruijin 2nd Road, Huangpu District, Shanghai	US$1,000 thousand	Sales business
Wafer Works (Shanghai) Co., Ltd.	1994.12	No. 558, Changta Road, Shihudang Township, Songjiang District, Shanghai	RMB595,854 thousand	Design, processing, and sales of semiconductor silicon wafer
Wafer Works Epitaxial Corp.	2005.06	No. 48, Zone 2, No. 8228, Beiqinggong Road, Qingpu District, Shanghai	RMB 488,050 thousand	Design, processing, and sales of semiconductor epi wafer
Sharp Right Limited Co., Ltd.	2007.01	Rooms 2006-8.20/F., Two Chinachem Exchange Square, 338 king's Road, North Point, Hang Kong	US$1,000	International trading
Helitek Company Ltd.	1994.02	4033 Clipper CT Fremint, CA 94538-6540	US$2,200 thousand	Sales of semiconductor silicon wafer materials
Wafer Works (Yangzhou) Corp.	2010.09	No. 6, Mapohe Road, Economic and Technological Development Zone, Yangzhou City	RMB 109,000 thousand	Design, processing, and sales of semiconductor ingot
Wafer Works (Zhengzhou) Corp.	2017.02	South of Gongye 4th Road and west of Huaxia Avenue planed by Zhengzhou Airport Economic Comprehensive Experimental Zone	RMB 700,000 thousand	Design, processing, and sales of semiconductor silicon wafer
Zhengzhou Airport Economy Zone Wafer Works Technology Corp.	2019.11	South of Gongye 4th Road and west of Huaxia Avenue planed by Zhengzhou Airport Economic Comprehensive Experimental Zone	RMB 320,000 thousand	Design, processing, and sales of semiconductor silicon wafer

3. Those with control and affiliation relationship according to Article 369-3 of the Company Act: None.

4. Industries covered by the business of each affiliated company: the businesses of all affiliated companies are manufacturing and sales of silicon wafer materials.

5. Profiles of Directors, Supervisors and Presidents of the Company's affiliates:

As of December 31, 2021

Name of enterprise	Job Title	Name or Representative	Number of shares	
			Number of shares	Ratio of shares
Wafer Works Investment Corp.	Director	Ping-Hai, Chiao (Note 1)	62,766,226	100%
Heli-Vantech Corp.	Chairman	Ping-Hai, Chiao (Note 1)	500,000	100%
Silicon Technology Investment (Cayman) Corp.	Director	Ping-Hai, Chiao (Note 2)	43,961,526	85.38%
Wafermaster Investment Corp.	Director	Ping-Hai, Chiao (Note 2)	5,083,900	100%
Huaxin (Shanghai) Technology Co., Ltd.	Executive director	Hua-Sheng, Hsiao	-	100%
Wafer Works (Shanghai) Co., Ltd.	Chairman	LIU Susheng(Note 3)	272,886,595	45.80%
Wafer Works Epitaxial Corp.	Chairman	LIU Susheng(Note 4)	-	45.80%
Sharp Right Limited Co., Ltd.	Director	Ping-Hai, Chiao (Note 3)	-	85.38%
Helitek Company Ltd.	President	Ping-Hai, Chiao (Note 5)	3,400,000	100%
Wafer Works (Yangzhou) Corp.	Chairman	Hai-Po ,Shang	-	45.80%
Wafer Works (Zhengzhou) Corp.	Chairman	LIU Susheng(Note 4)	-	45.80%
Zhengzhou Airport Economy Zone Wafer Works Technology Corp.	Chairman	LIU Susheng(Note 4)	-	45.80%

Note 1: Representative of Wafer Works Corporation.
Note 2: Wafer Works Investment Corp
Note 3: Representative of Silicon Technology Investment (Cayman) Corp.
Note 4: Representative of Wafer Works (Shanghai) Co., Ltd.
Note 5: Representative of Wafermaster Investment Corp.

6. Operation overview of the Company's affiliates

As of December 31, 2021 Unit: NTD thousand

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Profit or loss for current period (After tax)	Earnings per share (NTD) (After tax)
Wafer Works Investment Corp.	1,737,363	4,760,941	-	4,760,941	-	-	467,415	7.57
Heli-Vantech Corp.	5,000	4,656	331	4,325	-	-	-	-
Silicon Technology Investment (Cayman) Corp.	1,205,215	5,034,389	332	5,034,057	-	(1,613)	532,044	12.05
Wafermaster Investment Corp.	140,725	156,393	-	156,393	-	-	13,169	2.52
Huaxin (Shanghai) Technology Co., Ltd.	30,211	690,632	644,404	46,228	1,277,504	13,643	6,598	-
Wafer Works (Shanghai) Co., Ltd.	2,586,900	10,906,545	1,348,954	9,557,591	333,285	(192,633)	947,403	1.61
Wafer Works Epitaxial Corp.	2,118,865	5,793,169	2,848,882	2,944,287	4,823,892	800,454	718,332	-
Sharp Right Limited Co., Ltd.	35	24	85,593	(85,569)	-	-	-	-
Helitek Company Ltd.	60,896	445,562	289,183	156,379	1,471,149	19,306	13,169	5.88
Wafer Works (Yangzhou) Corp.	473,224	549,982	64,787	485,195	373,150	50,813	41,154	-
Wafer Works (Zhengzhou) Corp.	3,039,048	5,941,253	2,549,109	3,392,144	2,405,407	644,390	511,432	-
Zhengzhou Airport Economy Zone Wafer Works Technology Corp.	1,389,279	1,378,906	32,523	1,346,383	85,490	(17,065)	(37,691)	-

(2) Consolidated Financial Statements with Affiliates:

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Wafer Works Corp. as of December 31, 2021 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Wafer Works Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Wafer Works Corp.

By

Ping-Hai, Chiao
Chairman
March 23, 2022

(3) Affiliation reports: Not applicable

2. Private placement of securities in the most recent year and up to the date of publication of the annual report: None

3. Subsidiaries’ holding or disposal of the Company’s shares in the most recent year and up to the date of publication of the annual report: None

4. Other necessary supplementary notes: None

5. Occurrence of events that have a significant impact on shareholders' equity or the price of securities as specified in Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act in the most recent year up to the publication date of this annual report: None