Stock No.: 6182

Wafer Works Corporation

ANNUAL REPORT 2022

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

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

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

Stock transfer agent:

Name: KGI Securities Co., Ltd
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Certifying CPAs of recent year:

CPA Firm: Ernst & Young
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Name of overseas trading place of listed marketable securities and the methods of information inquiry: None

Website: www.waferworks.com

Content

I. Letter to Shareholders

Dear Shareholders:

In 2022, the global economy faced challenges due to inflation and rising interest rates, which had an impact on production and consumption worldwide. As a result of the reduced external demand, Taiwan's annual economic growth rate hit the lowest since 2016. The domestic semiconductor industry, on the other hand, continued to thrive due to the emergence of new technologies; whilst the annual output value reached all time high. According to Semiconductor Equipment and Materials International (SEMI), the total area of silicon wafer shipped was 14,713 million square inches (MSI), an increase of 3.9% from year 2021, and sales revenue exceeded US$13.8 billion, a 9.5% annual increase. Benefiting from the upward trend of semiconductor market and hence an increase in the average selling price, Wafer Works' 2022 consolidated revenue reached a historical high of NT$12.68 billion, up 22.6% year over year; and earnings per share was NT$4.0.

Many countries are ending their policies of sharply raising interest rates in 2023, China's consumption power is on a quick rebound after the lift of its zero-COVID policy; all resulting in favorable circumstances for reduction of global inventory. As the use of 5G wireless systems, artificial intelligence (AI), electric vehicles (EV), and other applications accelerate in the post-pandemic era, Taiwan's semiconductor industry will continue to gain momentum, enabling numerous business opportunities. 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) Business: We will continue to deliver high-quality small diameter silicon wafers, and also diligently invest in the development of 300 mm silicon wafer technology and capacity. Moreover, customized services will be offered, which mitigates the impact of market volatility on our operations.

(2) Quality: Product excellence and reliable delivery of high quality wafers is the unchanging commitment to our business partners. We will further automate the production lines, utilize big data analytic methods and digital transformation to achieve Industry 4.0, which is the cornerstone of manufacturing consistency.

(3) Technology: Apart from our core competence of 300 mm N-type, low-resistance heavily-doped silicon wafers, we will also actively develop 300 mm lightly-doped P-type silicon wafers for logic components. To expand our product portfolio, we will ally with strategic partners to develop compound materials and improve our technology and capability to meet the stringent quality requirements of tier one customers.

(4) Sustainability: To promote corporate sustainability, we will adopt sustainable management practices which include Sustainability Accounting Standards Board (SASB) and Task Force on

Climate-related Financial Disclosure (TCFD). We will also integrate ESG (environmental, social and governance) ethos into our daily operations to pursue sustainable management and development.

Wafer Works is a customer-centric corporation, diligently developing new products and technologies, continuously expanding our global business footprint, upholding ethical standards, committed to improving the quality of life for our employees and the society, and implementing specific policies to promote sustainable development relating to ESG. We would like to express our gratitude to all shareholders for your long-term support to Wafer Works.

Chairman: Ping-Hai, Chiao

Manager: Hsien-Yuan, Chang

II. Company Profile

I. Date of Inception

1. Date of Inception: 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 325002.
Factory address:
Longtan Plant – No. 100, Longyuan 1st Road, Longtan Science Park, Longtan District, Taoyuan City 325002
Yangmei Plant – No. 1, Pingguo Road, Yangmei District, Taoyuan City 326014
Office Tel: (03) 481-5001

II. Company History

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

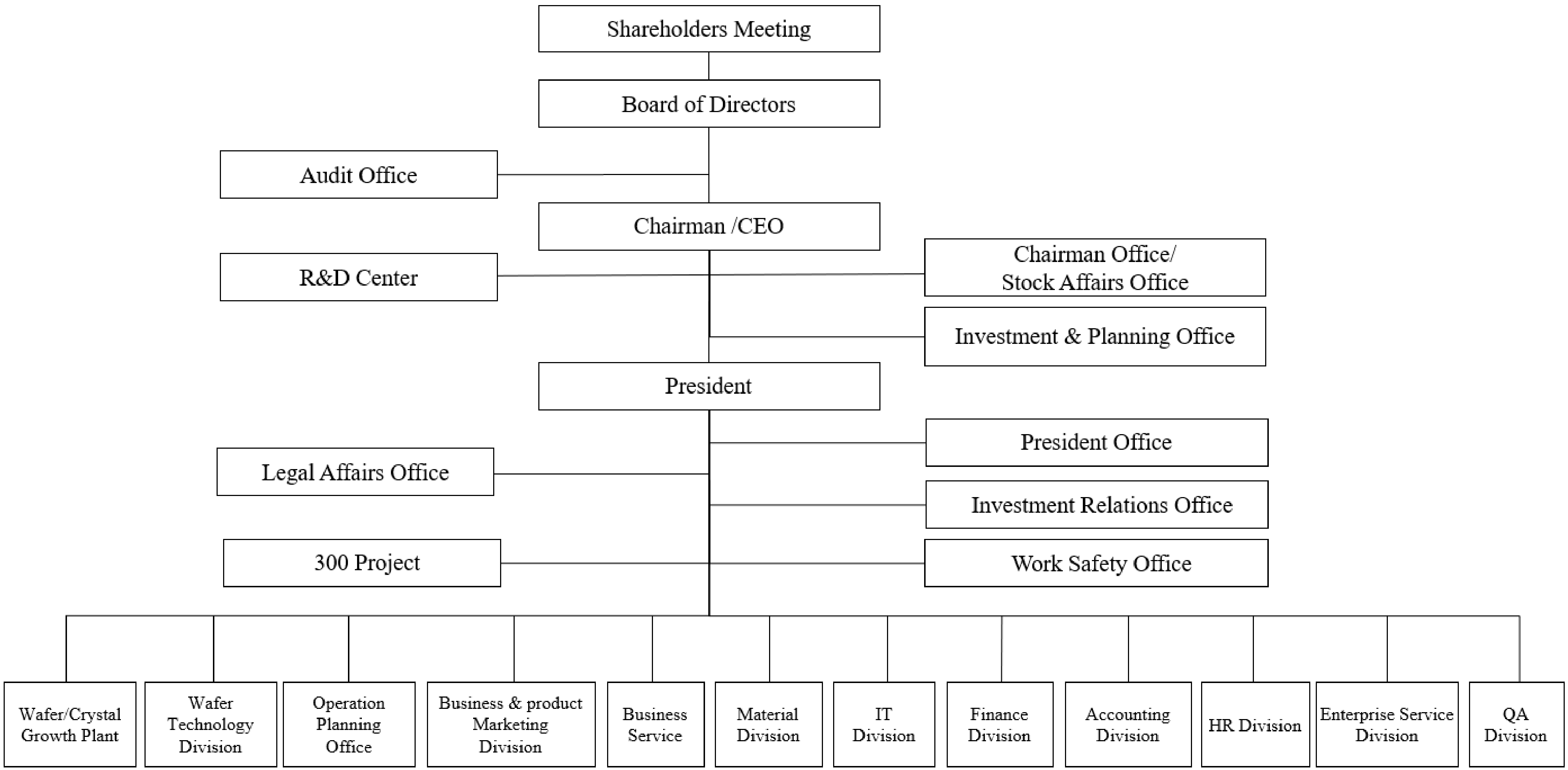
1997 Jul.	Established with NTD$ 5 million paid-in capital, and the Chairman was Mr. Nan-Hsiung, Tsai.
1997 Nov.	Acquired “Helitek Company Ltd.” in the United States.
1999 May.	Completed the construction of Yangmei Plant and officially launched the production.
2001 Oct.	Chairman Nan-Hsiung, Tsai resigned, and Mr. Ping-Hai, Chiao was elected as the Chairman of the Board.
2002 May.	Listed on the OTC.
2004 Mar.	Acquired 75% of the equity shares and obtained the right of management of “Wafer Works (Shanghai) Corp.”.
2005 Sep.	Started the construction of “Wafer Works Epitaxial Corp.”.
2006 Oct.	Completed the construction of “Wafer Works Epitaxial Corp.” and launched the production.
2007 Jun.	Established “Wafer Works Optronics Corp.” to produce sapphire substrates for blue and white LEDs.
2007 Jun.	Epitaxial wafers were qualified by international customers and started mass production and delivery.
2007 Nov.	Awarded by Forbes Asia as one of the “Best Under a Billion” companies in Asia.
2008 Mar.	“Solargiga Energy Holdings Ltd.” was listed in Hong Kong.
2009 Aug	Started mass production and delivery of 200mm heavily doped epitaxial wafers.
2010 Apr.	Held the groundbreaking ceremony of Longtan Plant.
2010 Jul.	Completed phase 1.5 expansion project of Yangmei Plant.
2011 Jan.	Started the phase 2 epitaxial wafer capacity expansion project of “Wafer Works Epitaxial Corp.”
2011 Oct.	The headquarters of the Company was officially inaugurated, and Longtan Plant started official operation.
2013 Dec.	Longtan Plant was granted the “Safety and Health Role Model Award” by the Industrial Development Bureau, MOEA.
2015 Aug.	“Wafer Works (Shanghai) Corp.” acquired 51% of equity shares and officially obtained the right of management of “Wafer Works (Yangzhou) Corp.”.

2016 Mar. Merged “Wafer Works Optronics Corp.”.
2016 May. Successfully produced the first 300 mm (heavily doped with arsenic) silicon ingot with ultra-low resistance in the Greater China Area.
2016 Nov. “Wafer Works (Shanghai) Corp.” merged “Wafer Works Epitaxial Corp.” and “Wafer Works (Yangzhou) Corp.” via capital increase and share swap and completed the equity restructuring.
2016 Dec. “Wafer Works (Shanghai) Corp.” signed a strategic cooperation agreement with the Bureau of Zhengzhou Airport Economy Zone, which “XingGang (Henan) Sunac Industrial Development Fund” invested RMB 700 million to acquire 37.6% of shares of “Wafer Works (Shanghai) Corp.”. The raised fund was limited to be used for the construction of a 200 mm wafer plant with a monthly capacity of 200,000 wafers in the Zhengzhou Airport Economy Zone.
2017 Feb. Completed the registration of “Wafer Works (Zhengzhou) Corp.”.
2017 Jul. Held the groundbreaking ceremony of “Wafer Works (Zhengzhou) Corp.”
2018 Oct. Completed the construction of “Wafer Works (Zhengzhou) Corp.” and started the operation.
2018 Nov. Relocated the Songjiang Plant of “Wafer Works (Shanghai) Corp.” and temporarily suspended production.
2019 Jul. Held the groundbreaking ceremony of the “Phase II Crystal Growth Manufacturing and R&D Center” of Longtan Plant.
2019 Nov. Completed the registration of “Zhengzhou Airport Economy Zone Wafer Works Technology Corp.”.
2019 Dec. “Wafer Works (Shanghai) Corp.” was restructured to “Wafer Works (Shanghai) Co., Ltd.”.
2020 Oct. Completed the construction of the “Phase II Crystal Growth Manufacturing and R&D Center” of the Longtan Plant and started the operation.
2021 Mar. Completed the relocation of the Songjiang Plant of “Wafer Works (Shanghai) Co., Ltd.” and resumed production.
2022 Apr. “Wafer Works (Zhengzhou) Corp.” merged with “Zhengzhou Airport Economy Zone Wafer Works Technology Corp.”.
2022 Oct. Completed the construction of the “12-inch Manufacturing and R&D Production Line” of the Longtan Plant and started the operation.

III. Company Governance Report

I. Organization

1. Organizational structure



2. Responsibilities of each major department

Department	Responsibilities
Chairman/CEO	1. Formulate the company's visions and objectives, business strategies, and operational 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 take all responsibilities. 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. 2. Establish and maintain relationships with domestic and foreign investors. 3. Establish and maintain media relationships.
Audit Office	1. Assist in the supervision of the internal control system. 2. Responsible for the operation of internal audits.
Operation Planning Office	1. Implement operational resources analysis for management to make operational decisions. 2. Integrate and improve process flow and system, and assist in enhancing efficiency.
Investment & Planning Office	1. Assist the management in formulating the company's future development objectives, strategies, and investment plans. 2. Provide the management with strategic and valuable investment advice..
Chairman Office/ Stock Affairs Office	1. Responsible for the stock transaction affairs. 2. Implement company governance. 3. Establish functional committees in compliance with the regulations.
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 technologies. 3. Responsible for the technology development roadmap. 4. Responsible for academic talent pipeline development.
300 Project	1. Evaluate and develop 300 mm products and technologies. 2. Responsible for the operations related to 300 mm wafers, including production processes, equipment, fabrication, and factory affairs. 3. Responsible for talent pipeline development plan of 300 mm technology. 4. Plan 300 mm capacity expansion project.
Wafer Technology Division	1. Responsible for 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 occupational safety and health management system.
Legal Affairs Office	1. Conclude and verify business contracts and legal documents. 2. Protect and manage the intellectual properties of the company. 3. Assist in compliance with the laws, implement legal risk management, and deal with litigation.
Sales Division	1. Formulate annual sales plans and product pricing policy. 2. Assist in debt collection and customer credit limit control. 3. Provide customers with product application technical support and increase customer satisfaction. 4. Create and increase revenue, profit, and business scopes of the company. 5. Manage and plan distribution channels. 6. Plan and execute sales strategy.

Department	Responsibilities
	7. Provide professional technical support to customers, and propose product development information and strategies according to product application features. 8. Provide product planning and marketing for global markets and launch new products to increase market share.
Business & Product Marketing Division	1. Develop new markets and new customers. 2. Formulate product development roadmap, marketing strategies, and promotion activities. 3. Coordinate the marketing strategies and activities for the 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. Responsible for the management of exchange rates, interest rates, and financial risks. 2. Responsible for capital management. 3. Responsible for the establishment, maintenance, and implementation of the accounting system. 4. Responsible for periodical financial report analysis, 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 incoming and shipment quality inspection standards. 3. Establish and manage the DCC document control system. 4. Plan, maintain and implement ISO9001and IAFTA16949 management system.
Materials Division	1. Responsible for inventory management and procurement of domestic and foreign equipment, raw materials, and parts. 2. Assist in the establishment of alternative resources of raw materials and parts. 3. Assure the correctness of the material ledger. 4. Systemize and computerize procurement procedures. 5. Formulate, coordinate, and implement annual customs inventory counting plans.
Human Resources Division	1. Ensure to comply with the requirements of RBA, ESG and the laws and regulations. 2. Establish the company's organizational planning and talent pipeline. 3. Implement performance management system to establish the performance-oriented salary structure. 4. Formulate human resource policies in coordination with the company's development strategies to retain, engage and recruit talents. 5. Promote company culture and empower leaders to ensure communication effectiveness through learning systems, and implement and manage training plans.
Enterprise Service Division	1. Responsible for the company's external affairs and public relations. 2. Establish and promote administration and general affairs systems. 3. Maintain plant environment, supervise security and cleanliness. 4. Plan and implement the ESG. 5. Shape and promote the corporate image.
Wafer/Crystal Growth Plant	1. Responsible for inventory management and procurement of domestic and foreign equipment, raw materials, and parts. 2. Responsible for the crystal growth, wafering, epitaxy process, equipment, fabrication, and facility system. 3. Responsible for process improvement & yield enhancement, equipment maintenance & enhancement of utilization rate, production scheduling, production management, and quality enhancement, and operation of the facility system.

II. Information of Directors, President, Vice Presidents, Assistant Vice Presidents, Division and Branch Heads

1) Member of the Board

Information on Member of the Board (1)

April 21, 2023

Title	Nationality or place of registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding held when elected		Current Shareholding		Current Shareholding held by spouse & minor children		Shareholding by nominee arrangement		Experience (Education)	Selected Current Positions at Wafer Works and Other Companies	Executives, Directors or Supervisors Who are Spouses or within second degree of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
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%	—	—	MS Chemical Engineering, San Jose State University Chairman of the Board of Directors, Solargiga Energy Holdings Limited Founder and President of Helitek Sr. Manager of Lite-on Semiconductor Corp. PE Manager of 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	—	—	—	—	—	—	—	—	Master Degree, Stanford University Team Leader of Optoelectronic Laboratory, ITRI President of Legend Technology Venture Capital Investment Corp., President of Central Technology Venture Capital, Inc.	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%	—	—	—	—	Ph.D. Business Administration, Nova Southeastern University, USA CFO 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	None	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 4	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	—	—	—	—	—	—	—	—	MS Accounting, Long Island University, New York Accounting Manager of Hua Eng Wire & Cable Co., Ltd.	Note 4	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%	—	—	—	—	MS Management Science, Tamkang University BS Electric and Control Engineering, NCTU Co-founder of Acer Corp. Chairman of Investar Corporation	Note 5	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%	—	—	BS Industrial Engineering, Tunghai University Production Supervisor and Industrial Engineer of Electronic Laboratories, ITRI Production Manager of Motorola, Inc. Production and QA Manager of Tecom Co., Ltd. President of Taisil Electronic Materials Corp. President of Wafer Works Corporation	None	None	None	None	—
Independent Director	R.O.C.	Yong-Song, Tsai	Male 61–70	July 23, 2021	3 years	June 25, 2015	—	—	—	—	—	—	—	—	MS International Business Management, NTU MS Materials Science and Engineering, The Ohio State University, USA Vice President of Walden International Taiwan Co., Ltd.	Note 6	None	None	None	—

Title	Nationality or place of registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding held when elected		Current Shareholding		Current Shareholding held by spouse & minor children		Shareholding by nominee arrangement		Experience (Education)	Selected Current Positions at Wafer Works and Other Companies	Executives, Directors or Supervisors Who are Spouses or within second degree of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	Feng-I, Lin	Male 61–70	July 23, 2021	3 years	June 27, 2018	—	—	—	—	—	—	—	—	MS Economics, Nankai University, Tianjin BA Accounting, Soochow University Director and Vice President of Want Want China Holdings Limited	Note 7	None	None	None	—
Independent Director	R.O.C.	De-Wai, Chou	Male 51–60	July 23, 2021	3 years	July 23, 2021	—	—	—	—	—	—	—	—	Ph.D. Finance and MS Business Administration, Drexel University, Lebow School of Business, Philadelphia, USA Adjunct Lecturer and Visiting Scholar of Drexel University, Lebow School of Business, Philadelphia, USA Assistant Professor of Dept. of Finance, National Chung Cheng University Department Director and Associate Professor of Dept. of Finance, Yuan Ze University Director and Professor of Graduate Institute of Management, National Taiwan Normal University Science and technology technician of the Ministry of Science and Technology Visiting Scholar of University of Washington CEO of Double Master Degree Program in International Business Management Independent Director of Nanoplus Limited (Cayman) Taiwan Branch	Note 8	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 the Company is also the CEO of the Company is for the overall operational consideration. With his outstanding business vision, the Company would like to have the Chairman actually participate in the 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 the Board of Directors are neither employees or managers. The Company has also established an Audit Committee and Compensation Committee to strengthen the Company governance and to continuously reduce the operational risks through vigorous internal control mechanism.

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

Note 4: Director Min-Shiang, Lin deceased on January 10, 2022, and the Corporate Director of 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 Corporation, Director of Co-Tech Develpoment Corp., Director of Bionime Coporation, Supervisor of Hua Ho Engineering Co., Ltd.,

Note 5: Concurrently holds the positions of Chairman of Investar Corporation, Chairman of Digitimes Inc., Independent Director of Asustek Computer Incorporation, Chairman of Photonics Industry & Technology Development 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 6: Concurrently holds the positions of Partner of Asia Parker Capital Limited, and Independent Director of Silergy Corp.

Note 7: Concurrently holds the positions of Independent Director of Grape King Bio Ltd., Independent Director of Digiwin Software Co., Ltd., Independent Director of Sunjuice Holdings Co., Limited, and Director of Shanghai Karon Eco-Valve Manufacturing Co., Ltd.

Note 8: Concurrently holds the positions of Professor of Graduate Institute of Management of National Taiwan Normal University, Supervisor of Taiwan Association of Board Governance, and Supervisor of Taiwan Institute of Directors, and Executive Director of Chinese United Family Office Associates

Major shareholders of Wafer Works institutional shareholders

April 21, 2023

Institutional Shareholder	Major Shareholders of the Institutional Shareholders
Hua Eng Wire & Cable Co., Ltd.	First Copper Technology Co., Ltd. (32.96%); Hua Horng Investment Co., Ltd. (7.23%); 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 Shareholders of Wafer Works' Major Institutional Shareholders

April 21, 2023

Corporate Name	Major Shareholders of Corporate
First Copper 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%); Feng-Chuan, Wang (0.67%); International Shipbreaking Enterprise Co., Ltd. (0.50%); Feng-Shu, Wang (0.43%); Hung-Ming, Wang (0.41%); Feng-Chin, Wang (0.23%); Hung-Jen, Wang (0.19%)
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:

Criteria / Name	Professional qualification and experience	Independence Status	Number of other public companies in which the individual concurrently serve as an Independent Director
Chairman, Ping-Hai, Chiao	He graduated from San Jose State University with a master degree in Chemical Engineering. He is currently the chairman and CEO of the Company. He has dedicated to the semiconductor industry for almost 40 years, and he equips with capabilities of professional leadership, marketing, operational management, and strategic planning to lead the company towards sustainable operations as a pioneer of the industry. There is no circumstance defined in Article 30 of Company Act.	–	0

Director, Nan-Yang, Wu	Mr. Nan-Yang, Wu graduated from Stanford University with a master degree. He 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 equips with experience in finance, commerce, market investment, industry related operational planning, and management practice experiences. There is no circumstance defined in Article 30 of Company Act.	–	0
Director, Zhen-Tu, Liu	Dr. Zhen-Tu, Liu graduated from Nova Southeastern University, USA with a doctoral degree in Business Administration. He was once the Director of MITAC International Corp. and Director of Getac and Director of UPC Technology Corporation. He was once the CFO of USI Group and he equips 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 circumstance defined in Article 30 of Company Act.	–	0
Hua Eng Wire & Cable Co., Ltd. Representative: Hsiu-Mei, Liu	Ms. Hsiu-Mei, Liu graduated from Long Island University, New York with a master degree in Accounting. She currently serves as the accounting manager of Hue Eng Wire & Cable Co., Ltd., Representative of Corporate, Directors of China Ecotek Corporation, and Co-Tech Development Corporation. She equips with experience and professional qualifications in commerce, finance, and the company’s business and specialized in corporate finance and accounting affairs, and equipped with rich industrial planning experience. There is no circumstance defined in Article 30 of Company Act.	–	0

Director, Chung-Hou, Tai	Mr. Chung-Hou, Tai graduated from Tamkang University with a master degree in Management Science. He is the co-founder of ACER and he currently serves as the Chairperson of Isvestar Corporation, Chairman of Digitimes Inc., Independent Director of Asustek Computer Incorporation, Chairman of Photonics Industry& Technology development Association, Director of Chief Telecom Inc., and Director of Fullerton Technology Co., Ltd. He equips with industrial experience, and capabilities in strategic management, marketing, leadership, and academic research. There is no circumstance defined in Article 30 of Company Act.	–	1
Hitech Holding (BVI) Corp. Representative: Chun-Lin Chen	Mr. Chun-Lin Chen graduated from Tunghai University with a bachelor degree in Industrial Engineering. He was once the President of the Company and its subsidiaries. He has dedicated to the semiconductor industry for more than 35 years and he equips with the capabilities of professional leadership, operational management, and strategic planning. There is no circumstance defined in Article 30 of Company Act.	–	0

Independent Director, Yong-Song, Tsai	Mr. Yong-Song, Tsai graduated from NTU with a master degree in International Business Management, and has another master's degree in Materials Science and Engineering in The Ohio State University, USA. He is the convenor of the Company's Compensation Committee and the member of the Company's Audit Committee, partner of Asia Parker Capital Limited, and Independent Director of Silergy Corporation. He equips with more than 5 years of experience and professional qualification in commerce, finance, accounting and the company's business. There is no circumstance defined in Article 30 of Company Act.	Compliance with independence: 1. The person, his/her spouse, or his/her relatives within the second degree of kinship 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 of kinship 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	Mr. Feng-I, Lin graduated from Soochow University with a bachelor degree in Accounting and graduated from Nankai University, Tianjin with a master's degree in Economics. He is the convenor of the Company's Audit Committee and the member of the Company's Compensation Committee. He serves as the Independent Director of Grape King Bio Ltd., and Independent Director of Sunjuice Holdings Co., Limited. He equips with more than 5 years of experience and professional qualification in commerce, finance, accounting and the company's business. There is no circumstance defined in Article 30 of Company Act.	Compliance with independence: 1. The person, his/her spouse, or his/her relatives within the second degree of kinship 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 of kinship 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	Mr. De-Wai, Chou graduated from Drexel University, Lebow School of Business, Philadelphia, USA, with a master degree in Business Administration and a doctoral degree in Finance. He concurrently serves as a member of Audit Committee and Compensation Committee of the Company, Professor of the Institute of Management of National Taiwan Normal University. He was once the Director of Lungtech Shipbuilding Co., Ltd., and concurrently serves as Executive Supervisor of Taiwan Association of Business School, Supervisor of Taiwan Association of Board Governance, and Supervisor of Taiwan Institute of Directors, Executive Director of Chinese United Family Office Associates. He equips 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 circumstance defined in Article 30 of Company Act.	Compliance with independence: 1. The person, his/her spouse, or his/her relatives within the second degree of kinship 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 of kinship 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 the 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 abilities: (1) Operational judgment ability (2) Accounting and financial analysis ability (3) Operation management ability (4) Crisis management ability (5) Industrial expertise (6) Global market perspective (7) Leadership (8) Decision making ability

The diversification policy of directors is as shown below:

Name	Title	Gender	Age			Tenure of Independent Director			Employed by Wafer Works	Diversified Core Capabilities							
			51 - 60	61 - 70	71 - 80	Less than 3 years	3 to 9 years	More than 9 years		Operational Judgment Ability	Accountant and Financial Analysis Ability	Operation Management Ability	Crisis Management Ability	Industry Expertise	Global market perspective	Leadership	Decision-making ability
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 at 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 the 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 about Company's President, Vice Presidents, Assistant Vice Presidents, Division Heads, and Branch Heads

April 21, 2023

Title	Nationality	Name	Gender	Date Elected	Shareholding		Current shareholding held by spouse & minors		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Wafer Works and Other Companies	Executives, Directors or Supervisors Who are Spouses or within the second degree of kinship			Note
					Shares	%	Shares	%	Number of shares	Rate of share-holding			Title	Name	Relation	
Chairman and CEO	R.O.C.	Ping-Hai, Chiao	Male	July 24, 1997	12,072,954	2.23%	10,527	0.00%	—	—	MS Chemical Engineering, San Jose State University Chairman of the Board of Directors, Solargiga Energy Holdings Limited Founder and President of Helitek Sr. Manager of Lite-on Semiconductor Corp. PE Manager of Siltec	Note 1	None	None	None	Note 2
President	R.O.C.	Hsien-Yuan, Chang	Male	Aug. 5, 2021	355,199	0.07%	—	—	—	—	Ph.D. Chemical Engineering, University of Leeds, UK President of Chip LEDs Technology Sr. Manager of CMSC, Inc. Department Manager of UMC Section Manager of TSMC	President of Huaxin (Shanghai) Technology Co. Ltd. Independent Director of J-Metrics Co., Ltd.	None	None	None	—
Manufacture Vice President	R.O.C.	Yung-Cheng, Sung	Male	Nov. 4, 2021	56,848	0.01%	—	—	—	—	MS Mechinical Egineeing, 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%	—	—	—	—	MS Mechinical Egineeing, National Central University Engineer of Gold Circit Electronics Ltd. Engineer of Princeton Precision Industries Co. Engineer of TXC Corporation	None	None	None	None	—
Sales Vice President (Note 3)	R.O.C.	Lung-Chih, Lin	Male	Aug. 4, 2022	300	0.00%	—	—	—	—	MS Electical Engineering, Da-Yeh University Project Vice Manager of Feeling Technology Corp. Senior Engineer of System Application, Novatek Microelectronics Corp., Senior Engineer of Protech Pharmaservices Corporation	None	None	None	None	—
Vice President of Investment & Planning Office (Note 3)	R.O.C.	Po-Lin, Tsou	Male	Aug. 4, 2022	—	—	—	—	—	—	MS Business Administration, National Cheng-Chi University Senior Vice President of Marketing, CTBC Venture Capital Co. Senior Investment Director, hTC Vice General Manager of OFCO Industrial Corporation	None	None	None	None	—
IT Assistant Vice President	R.O.C.	Shu-Jen, Lo	Female	Oct. 29, 2019	35,232	0.01%	—	—	—	—	MS Mathematics Science Computer Option, University of Massachusetts at Lowell, USA IT Manager of Taroko Textiles Corporation IT Manager of Carrier Taiwan	None	None	None	None	—
HR Assistant Vice President	R.O.C	Chun-Fei, Hou	Female	Sep.5,2022	20,000	0.00%	—	—	—	—	MS Business Administration, University of Illinois at Urbana-Champaign, USA Deputy HR Director, Global Unichip Corp. HR Director, Etron Technology Inc. Senior HR Manager, Focaltech Systems Co., Ltd. Senior HR Manager, D-Link Corp. Assistant HR Manager, Hon Hai Technology Group (Foxconn)	None	None	None	None	—
Financial Director	R.O.C.	Wei-Lun, Lin	Male	May 6, 2020	6,000	0.00%	751	0.00%	—	—	BA Public Finance, Feng Chia University Sr. Specialist of Underwriting Department of Fuhua Securities Corp. Supervisor 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%	—	—	—	—	BA Accounting, Chang Jung Christian University Vice Manager of Audit Department of Ernst & Young Vice 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 the Company is also the CEO of the Company is for the overall operational consideration. With his outstanding business vision, the Company would like to have the Chairman actually participate in the 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. The Company has also established Audit Committee and Compensation Committee to strengthen the Company governance and to continuously reduce the operational risks through vigorous internal control mechanism.

Note 3: Sales Vice President Lung-Chih, Lin and Vice President of Investment & Planning Office Po-Lin, Tsou appointed based on the resolution of Board of Directors on Aug. 4, 2022.

III. Remuneration of Directors, Independent Directors, President and Vice Presidents

1. Remuneration to general directors and independent directors

(1) Summary disclosure

December 31, 2022 Unit: NTD thousand

Job Title	Name	Remuneration to Directors								Amount and ratio of total A, B, C, D to net income (%) (Note 2)		Remuneration received as employee								Amount and ratio of total A, B, C, D, E, F and G to net income (%) (Note 2)		Remuner-ation from invested companies other than subsidiaries or parent company
		Remuneration (A)		Pension (B)		Remuneration to directors (C) (Note 1)		Allowances (D)				Salary, bonus and special allowance (E)		Pension (F)		Employee remuneration (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: Hsiu-Mei, Liu (Newly appointed on Feb. 1, 2022) Representative: Min-Shiang, Lin (Discharged on Jan. 10, 2022) Chung-Hou, Tai Hitech Holding (BVI) Corp. Representative: Chun-Lin, Chen	720	1,487	-	-	10,500	10,500	-	-	11,220 0.5183%	11,987 0.5537%	3,918	5,622	-	-	2,200	-	2,200	-	17,338 0.8009%	19,809 0.9150%	None
Independent Director	Yong-Song, Tsai Feng-I, Lin De-Wai, Chou	1,800	1,800	-	-	-	-	-	-	1,800 0.0831%	1,800 0.0831%	-	-	-	-	-	-	-	-	1,800 0.0831%	1,800 0.0831%	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 the 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 the Company's annual earnings.
2. The remuneration received by the 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 2022 remuneration distribution proposal was approved by the Company's Board of Directors on March 15, 2023, 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 2022 net income after tax is NTD2,164,939 thousand.

(2) Classification of remuneration

Range of remuneration paid to directors	Name of director			
	Aggregate of first four items (A+B+C+D)		Aggregate of first 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, Yong-Song, Tsai, Feng-I, Lin, De-Wai, Chou	Min-Shiang, Lin, Chun-Lin, Chen, Yong-Song, Tsai, Feng-I, Lin, De-Wai, Chou	Min-Shiang, Lin, Chun-Lin, Chen, Yong-Song, Tsai, Feng-I, Lin,	Min-Shiang, Lin, Chun-Lin, Chen, Yong-Song, Tsai, Feng-I, Lin, De-Wai, Chou
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			
NTD3,500,000 (inclusive) ~ NTD5,000,000(exclusive)		Ping-Hai, Chiao		
NTD5,000,000(inclusive) ~ NTD10,000,000(exclusive)			Ping-Hai, Chiao	
NTD10,000,000(inclusive) ~ NTD15,000,000(exclusive)				Ping-Hai, Chiao
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	13,020 thousand	13,787 thousand	19,138 thousand	21,609 thousand

2. Remuneration to Supervisor: Not applicable.

3. Remuneration to President and Vice Presidents

(1) Summary disclosure

December 31, 2022 Unit: NTD thousand

Title	Name	Salaries(A)		Pension (B)		Salary, bonus and special allowance, etc. (C)		Remuneration to employees (D) (Note 1)				Amount and ratio of total A, B, C, D, E, F and G to net income (%) (Note 2)		Remuneration from invested companies other than subsidiaries or parent 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	22,651	24,355	521	521	-	-	7,347	-	7,347	-	30,519 1.4097%	32,223 1.4884%	None
President	Hsien-Yuan, Chang													
Manufacture Vice President	Yung-Cheng, Sung													
300 Project Vice President	Kuang-Chung, Liao													
Sales Vice President (Note 3)	Lung-Chih, Lin													
Vice President of Investment & Planning Office (Note 3)	Po-Lin, Tsou													
Vice President of Investment & Planning Office (Note 4)	Ming-Yi, Chi													

Note 1: The 2022 remuneration distribution proposal was approved by the Company's Board of Directors on March 15, 2023, 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 2022 net income after tax is NTD2,164,939 thousand.

Note 3: Sales Vice President Lung-Chih, Lin and Vice President of Investment & Planning Office Po-Lin, Tsou appointed based on the resolution of Board of Directors on Aug. 4, 2022.

Note 4: Vice President of Investment & Planning Office Ming-Yi, Chi, resigned on March 31, 2022.

(2) Range of remuneration

Range of remuneration paid to the presidents 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)	Ming-Yi, Chi	Ming-Yi, Chi
NTD2,000,000(inclusive) ～NTD3,500,000(exclusive)	Po-Lin, Tsou	Po-Lin, Tsou
NTD3,500,000 (inclusive) ～NTD5,000,000(exclusive)	Yung-Cheng, Sung, Kuang-Chung, Liao, Lung-Chih, Lin	Yung-Cheng, Sung, Kuang-Chung, Liao, Lung-Chih, Lin
NTD5,000,000(inclusive) ～NTD10,000,000(exclusive)	Ping-Hai, Chiao, 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	NTD30,519 thousand	NTD32,223 thousand

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

December 31, 2022 Unit: NTD thousand

	Title	Name	Stock	Cash (Note 1)	Total	Ratio of total amount to net income after tax (%) (Note 2)
Manager	Chairman and CEO	Ping-Hai, Chiao	-	7,947	7,947	0.3671%
	President	Hsien-Yuan, Chang				
	Manufacture Vice President	Yung-Cheng, Sung				
	300 Project Vice President	Kuang-Chung, Liao				
	Sales Vice President	Lung-Chih, Lin				
	Vice President of Investment & Planning Office	Po-Lin, Tsou				
	Financial Director	Wei-Lun, Lin				
	Accounting Director	Chia-Yu, Lu				

Note 1: The 2022 remuneration distribution proposal was approved by the Company's Board of Directors on March 15, 2023, 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 2022 net income after tax is NTD2,164,939 thousand.

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 the ratio of total remuneration to net income after tax. The policies, standards and combinations 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, 2022

Title	Ratio of total remuneration to net income after tax in 2021		Ratio of total remuneration to net income after tax in 2022		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	1.4620%	1.6454%	0.8840%	0.9981%	The remuneration for director shall in accordance with the Company's "Rules of Director Remuneration Payment", and the remuneration for President and Vice President in accordance with "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 2022 at NTD2,164,939 thousand and the net income after tax in 2021 at NTD1,050,573 thousand.
President and Vice Presidents	1.9796%	2.1258%	1.4097%	1.4884%	

Note 1: The net income after tax in 2021 was NTD1,050,573 thousand.

Note 2: The net income after tax in 2022 was NTD2,164,939 thousand.

2) Compensation policies, standards, and combinations, the procedure for determining remuneration, and its correlation to operating performance and future risk exposure:

A. It is stipulated in Article 29 of "Company Articles of Incorporation" that, the Company shall set aside no more than 2% of profits as a director's remuneration, when the Company makes profits in the year. However, there shall be a certain amount reserved from the profits in advance to make up for the loss, when there is still accumulated loss of the Company.

B. According to Article 25 of "Articles of Incorporation", the Company shall pay the Chairman and Directors the remuneration for performing their duties, and such remuneration shall be determined in accordance with their participation in and contribution to the Company's operation while taking into consideration the payment level in the same industry.

C. For the purpose of implementing the spirit of company governance and establishing a basis for distribution of director remuneration, the Company has formulated the "Rules of Director Remuneration Payment", which was proposed in the first meeting (August 7, 2018) of the 4th Session of Compensation Committee and approved in the second meeting (August 7, 2018) of the 9th Session of Board of Directors.

D. The remuneration of managers shall in accordance with the Company's "Rules for Management of Remuneration for Managers". The Compensation Committee shall come up with a proposal in accordance with the Company's operational strategy, profit situation, performance, contribution to the Company, and the salary level of the market to be submitted to the Board of Directors to be approved before implementation.

E. Correlation between business performance and future risk: the evaluation is based on the 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, reasonable remuneration will also be granted in accordance with individual performance achievement rate and contribution to the Company. And the remuneration system will be timely reviewed based on actual business conditions, laws and regulations in order to achieve the balance between sustainable development and risk control of the Company.

F. The remunerations for Directors and Managers of the Company shall be determined based on the overall consideration of their participation in the Company's operation and the performance review. The aspects of consideration are shown in the table below:

Aspect of Evaluation	Proportion	Description
Deployment of the Company's core value and operational & management capabilities	10%	Integrity, engagement, and commitment are must with capabilities of deploying corporate philosophy and culture by demonstrating leadership and management skills.
Annual KPI achievement rate (from the perspectives of finance and sales)	40%	Finance and sales indicators: the fulfillment of finance and sales goals including profitability, growth rate, product quality, and sales target. Comprehensive management indicators: innovation management, risk management, and information security.
Advocate of sustainable management	40%	Directors and Executives shall contribute to the evolving activities of Environment, Social, Governance (ESG) in compliance with laws and regulations of corporate governance and sustainability and commit to continuously learn new knowledge.

Other special contributions or major adverse events	10%	Special contributions include special international certificates or special awards, whereas major adverse events include negative news, improper internal management, and personnel malpractice.

IV. Implementation of Corporate Governance

1. The implementation status of the Board

The term of the current Board of Directors is from July 23, 2021 to July 22, 2024. A total of 6 (A) board meetings were held in 2022. Director attendance is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate in person (%) [B/A]	Note
Chairman	Ping-Hai, Chiao	6	0	100%	Re-elected on July 23, 2021.
Director	Nan-Yang, Wu	6	0	100%	
Director	Zhen-Tu, Liu	6	0	100%	
Director	Hua Eng Wire & Cable Co., Ltd. Representative: Hsiu-Mei, Liu	6	0	100%	
Director	Chung-Hou, Tai	5	1	83%	
Director	Hitech Holding (BVI) Corp. Representative: Chun-Lin, Chen	6	0	100%	Newly assumed on July 23, 2021.
Director	Yong-Song, Tsai	5	1	83%	Re-elected on July 23, 2021.
Independent Director	Feng-I, Lin	6	0	100%	
Independent Director	De-Wai, Chou	6	0	100%	Newly elected on July 23, 2021.

Other matters to be recorded:

1. If any of the following situation apply, the date and session of the board meeting, proposal, comments of all independent directors, and the 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: The 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 made 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' avoidance of proposals of personal interests shall include specification of the name of director, proposal, reason for avoidance of conflict of interests, and the participation in voting:

Board Meeting Date/Session	Name of Director	Proposal	Reasons for avoidance of conflict of interests	Participation in voting
March 23, 2022 6th meeting of the 10th Board of Directors	Ping-Hai, Chiao	The Company plans to acquire no more than 2,600,000 class B preferred shares of its 2nd-tier company - Silicon Technology Investment (Cayman) Corp. through its subsidiary - Wafer Works Investment Corp. at US$4.80 per share, for a total amount no more than US$12,480,000.	As a shareholder of Grand Sea Investments Limited, Chairman Ping-Hai, Chiao is required to enter recusal.	Not participating in this voting
March 23, 2022 6th meeting of the 10th Board of Directors	Hsiu-Mei, Liu Chung-Hou, Tai Feng-I, Lin	Proposal to lift the non-compete restriction on incumbent directors and their representatives.	The directors entering recusal are those subject to the proposed lifting of non-compete restriction.	Not participating in this voting

August 4, 2022 8th meeting of the 10th Board of Directors	Ping-Hai, Chiao	The 2021 employee compensation allocation for the Company's managerial personnel.	The Chairman entering recusal is subject to the proposed allocation.	Not participating in this voting
March 15, 2023 12th meeting of the 10th Board of Directors	Zhen-Tu, Liu	Proposal to lift the non-compete restriction on incumbent directors.	The directors entering recusal are those subject to the proposed lifting of non-compete restriction.	Not participating in this voting

3. An OTC company shall disclose the information such as the cycle and period, scope, method, and evaluation aspect 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	Evaluation Scope	Evaluation Methods	Evaluation Aspect
Once per year	January 1, 2022 to December 31, 2022	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 assessment 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 assessment 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 Compensation 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 competency of Board of Directors and the implementation status:
   (1) The Investor Service Section has been set up on the Company's website for online access by investors at any time. Its content includes: company governance, financial information, service information, stock affairs information, news center, Q&A, and contact window. It can effectively enhance information transparency. The Company website is at:
   http: //www.waferworks.com.
   (2) According to the regulations of securities competent authority, the Company established a Compensation Committee on December 29, 2011 to help the Board of Directors execute and evaluate the Company's overall remuneration and welfare system, and regularly reviews the appropriateness of remunerations for Directors and Managers.
   (3) The Company has passed the proposal of Director election for the 9th session of Board of Directors during the shareholders' meeting on June 27, 2018. The Audit Committee has been formed by all independent directors to supersede the Supervisor in compliance with the laws, and the organizational rules for Audit Committee have been formulated.
   (4) The operation of the Company's Board of Directors shall be in compliance with laws and regulations, the Company's rules, and the resolutions made 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 the Company's directors must meet the requirements of competent authorities, and all directors are encouraged to participate in company governance courses and law advocacy activities.
   (6) The 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 status of Audit Committee

(1) Operation status of Audit Committee:

There will be three independent directors elected by the Company's general shareholders' meeting to form the Audit Committee. This Committee will at least convene one meeting per quarter. The Audit Committee is responsible for periodic review of the following important matters:

A. Financial statements

B. Internal control system

C. Material transactions of assets, derivatives, loans, endorsements and guarantees

D. Engagement, dismissal, remuneration, and evaluation of the independence of the Company's CPAs.

E. Risks and control procedures in compliance with government law

F. Execution of documentation that involves government agencies

(2) The attendance of independent directors during the recent 5 meetings (A) of Audit Committee in 2022 is as shown below:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Note
Independent director	Feng-I, Lin	5	0	100%	Re-elected on July 23, 2021
Independent director	Yong-Song, Tsai	4	1	80%	
Independent director	De-Wai, Chou	5	0	100%	Newly elected on July 23, 2021

Other matters to be recorded:

1. If any of the following circumstances occur, the date of meetings, resolutions, reservations or major advice items, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.

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

<table>
<tr><th>Audit Committee</th><th>Session</th><th>Resolution</th><th>Items listed in Article 14-5 of the Securities and Exchange Act</th><th>Other items which were not approved by the Audit Committee but were approved by two-thirds or more of all Directors</th></tr>
<tr><td rowspan="2">2022.3.23</td><td rowspan="2">The 5th meeting of the Second Session</td><td>1. The Company's 2021 annual business report and financial statement.
2. 2021 earnings distribution.
3. Private placement of securities.
4.Application of the Company's subsidiary, Wafer Works (Shanghai) Corp., for flotation on mainland China's stock markets.
5. Publication of the Company's 2021 "Internal Control System Statement".
6. Amendment of the Company's "Procedures for Acquisition or Disposal of Assets".</td><td>V
V
V
V
V
V</td><td rowspan="3">Approved by all independent directors with no objections</td></tr>
<tr><td colspan="2">Resolution of Audit Committee: it was approved by all members of Audit Committee
The Company's action in response to the resolution of Audit Committee: it was approved by all present directors.</td></tr>
<tr><td>2022.5.6</td><td>The 6th meeting of the Second Session</td><td>1. Replacement of the CPA in accordance with the Statement on Auditing Standards.
2.The Company's 2022Q1 financial statement.
3.Planning to approve the 2022 annual compensation for certified public accountant.</td><td>V
V
V</td></tr>
</table>

		4. Amendment of the Company's "Internal Control System", "Internal Audit System", "The preparation of Financial Reports management measures" and "Property measurement measures". 5. Amendment of the Company's "Rules of Corporate Governance". 6. Amendment of the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct". 7. Amendment of the Company's "Corporate Social Responsibility Principles".	V V V V	
		Resolution of Audit Committee: it was approved by all members of Audit Committee The Company's action in response to the resolution of Audit Committee: it was approved by all present directors.		
2022.8.4	The 7th meeting of the Second Session	1.The Company's 2022Q2 financial statement. 2. As required for the Company's mid and long-term development, an initial investment of no more than NT$4.5 billion is planned to establish a large size silicon wafer plant on the Erlin Base land of Central Taiwan Science Park and purchase some of the necessary machines and equipment.	V V	
		Resolution of Audit Committee: it was approved by all members of Audit Committee The Company's action in response to the resolution of Audit Committee: it was approved by all present directors.		
2022.11.4	The 8th meeting of the Second Session	1.The Company's 2022Q3 financial statement. 2.Resolution on commitments for the listing of the company's subsidiary, Wafer Works (Shanghai) Co., Ltd., on the STAR Market 3.Formulating the Company's 2023 annual audit plan.	V V V	
		Resolution of Audit Committee: it was approved by all members of Audit Committee The Company's action in response to the resolution of Audit Committee: it was approved by all present directors.		
2022.12.22	The 9th meeting of the Second Session	1.The Company's 2022 assessment of independence and competence of certified public accountant. 2. Formulation of the Company's "Procedures for Handling Material Information and Preventing Insider Trading" and abolishment of the original "Management Operations for Preventing Insider Trading".	V V	
		Resolution of Audit Committee: it was approved by all members of Audit Committee The Company's action in response to the resolution of Audit Committee: it was approved by all present directors.		

(2) Other matters which were not approved by the Audit Committee but were approved by two-third or more of all directors: None.

2. If there is independent directors' avoidance of motions in conflict of interest, the independent directors' names, content of the motion, causes for avoidance and voting should be specified: None

3. Communications between independent directors, the Company's chief internal auditor and CPAs (including the material items, methods and results of the Company's finance or operations):

(1) Communications between independent directors, internal auditors, and CPAs.

1. There shall be at least four meetings arranged every year for the accountant to report to independent directors on the Company's financial status, the financial and overall operation situations of domestic and overseas subsidiaries, and internal control audit situation. And there shall be a 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 CPAs will also be invited to provide professional opinions and to increase the interactions between accountants and directors/ independent directors.
3. The Company's internal audit division is an independent division 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 2022

Date	Material communication Items	Executive result
2022.3.23	1. 2021 “Internal Control System Statement” 2. Audit Report of Q1 in 2022	No comments in this meeting
2022.5.6	1. Audit Report of Q2 in 2022 2. Amendment of the Company’s “Internal Control System”, “Internal Audit System”, “The preparation of Financial Reports management measures” and “Property measurement measures”.	No comments in this meeting
2022.8.4	1. Audit Report of Q3 in 2022	No comments in this meeting
2022.11.4	1. Audit Report of Q4 in 2022 2. Formulation of the Company’s 2023 Audit Plan	No comments in this meeting

(3) Abstract of communication between independent directors and certified public accountant in 2022

Date	Material communication Items	Executive result
2022.3.23	1. Scope of audit and audit report in 2021 2. Independence of CPA 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 9th Company Governance Evaluation System	No comments in this meeting
2022.5.6	1. Scope of audit and audit report of Q1 in 2022 2. Independence of CPA 3. Major audit issues 4. Update of securities related laws and regulations	No comments in this meeting
2022.8.4	1. Scope of audit and audit report of Q2 in 2022 2. Independence of CPA 3. Major audit issues 4. Update of securities related laws and regulations 5. Update of tax related laws and regulations 6. The latest developments in sustainable development	No comments in this meeting
2022.11.4	1. Scope of audit and audit report of Q3 in 2022 2. Independence of CPA 3. Major audit issues 4. Update of securities related laws and regulations 5. Update of tax related laws and regulations	No comments in this meeting

3. The state of the company’s implementation of corporate governance, any variance from the corporate governance best-practice principles for TWSE/ TPEx listed companies, and the reason for any such variance

Assessment Item	Implementation Status (Note)			Non-implementation and its reason(s)
	Yes	No	Summary	
1. Does the Company set up and disclose the Corporate Governance based on the “Corporate Best-Practice Principles for TWSE/TPEx Listed Companies?”	V		The Company has set up Corporate Governance Best Practice Principles to promote corporate governance operation in accordance with the " Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies " and disclosed it on the Company's website.	No significant difference
2. The Company’s shareholding structure and shareholders’ rights (1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters? If yes, have these procedures been implemented accordingly? (2) Does the Company have a list of its major shareholders and the beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V V V V		(1) The Company has established spokespersons, and acting spokesperson, a stock affairs office, and an email box to deal with suggestions of disputes among shareholders. (2) The Company has regularly reported the changes in equity of Directors and managers through a stock transfer agency and internal staff to recognize and monitor the structure of major shareholders. (3) The Company follows the principle of financial and business independence as the basis for business transactions, and also formulates the "Operation and Management Specifications for Affiliated Enterprises" as the basis for control. (4) The Company has stipulated “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management”, “Guidelines for Conduct”, and “Procedures for Handling Material Information and Preventing Insider Trading” to prevent employees of the Company from trading based on undisclosed information.	No significant difference

Assessment Item	Implementation Status (Note)			Non-implementation and its reason(s)
	Yes	No	Summary	
3. Composition and Responsibilities of the Board of Directors (1) Has the Board of Directors established a diversity policy, set goals, and implemented them accordingly?	V		(1) According to Article 20 of the Company's "Rules of Corporate Governance", the composition of the Board of Directors shall take into consideration of 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 ability 2. Accounting and financial analysis ability 3. Operation management ability 4. Crisis management ability 5. Industrial expertise 6. Global market perspective 7. Leadership 8. Decision making ability. The 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 of kinship. The diversification of members of Board of Directors is as shown below: (see tables below)	No significant difference

The diversification of members of Board of Directors is as shown below:

Name	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 Judgment Ability	Accountant and Financial Analysis Ability	Operation Management Ability	Crisis Management Ability	Industry Expertise	Global Market Perspective	Leadership	Decision-making
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 at 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

Assessment Item	Yes	No	Summary	Non-implementation and its reason(s)
(2) Other than the Compensation Committee and the Audit Committee, which are required by laws, does the Company plan to set		V	(2) In addition to the Compensation Committee and Audit Committee, the Company will evaluate the need for future establishment of other functional committees.	No significant difference

Assessment Item	Implementation Status (Note)			Non-implementation and its reason(s)
	Yes	No	Summary	
up other Board committees?				
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	V		(3) The Company's Board of Directors approved the formulation of "Measures for Performance Review of Board of Directors" on August 6, 2020. The internal performance assessment of the Board of Directors shall be implemented at least once per year, and this review is for the entire Board of Directors, individual directors, Audit Committee, and Compensation 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 results of the annual performance evaluation for 2022 are entirely positive. It has been reported to the Board of Directors on March 15, 2023 to serve as the reference for determination of remuneration for Individual Directors and election or nomination of Director.	No significant difference
(4) Does the Company evaluate the independence of the commissioned CPAs regularly?	V		(4) The Accounting Division of the Company evaluates its external auditors' independence once a year and evaluation results are reported to the Audit Committee and the Board of Directors for approval. The evaluation results on December 23, 2021 and December 22, 2022 indicate that the CPAs are in compliance with the Company's independence standards. The evaluation items are as follow: ● The members of the Company's certificate audit service team and their families don't have any direct or indirect material financial interests with the Company. ● There is no mutual financing or guarantee behaviors between the Company or the Company's directors and the members of the 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 the audit service team and the Company or its affiliated enterprises. ● Currently there is no potential employment relationship between the members of the audit service team and the Company. ● None of the members of the audit service team have served as director of the Company or any position with major impact on the audit case in last two years. ● The audit fee paid by the Company to the CPA is a set cost which is not contingent fee. There is no overdue public fee affecting the independence of auditing. ● 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 the Company's management function, did not make decisions on behalf of the Company, and did not affect its independence. ● None of the team members are entrusted to be the defenders of the Company's positions or opinions, 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 the audit service team are related to the Company's directors, managers, or those who have significant impacts on the audit case. ● The Company's directors and managers did not give any valuable gifts to any member of the audit service team.	No significant difference

Assessment Item	Implementation Status (Note) Yes	No	Summary	Non-implementation and its reason(s)
			● None of the Company's directors, managers, or personnel with major impacts on the audit case are retired/resigned from the accounting firm within a year. ● The company has not subjected members of the audit services team to intimidation comes from the Company, to maintain objectivity and clarify professional doubts.	
4. Does the TWSE/TPEX Listed Company have an appropriate number of competent personnel, and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors, assisting directors and supervisors with compliance, handling work related to meetings of the Board of Directors and shareholders' meetings, and producing minutes and shareholders' meetings, etc)?	V		To protect shareholders' rights and interests and strengthen the function of the Board of Directors, it was approved by the Board of Directors on May 6, 2021 to appoint the Accounting Supervisor, Manager Jia-Yu, Lu, as the Company's Corporate Governance Officer. The main job includes management of board meeting and shareholders' meeting affairs, composition of meeting minutes of 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 the Company's Articles of Incorporation or contracts. Key points of business execution in 2022 are as shown below: 1. Arrange 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). 2. Assist Directors to understand the laws and regulations that should be complied with when conducting business at the request of directors. 3. Provide Directors with the required company information and assisting directors in communication and exchanges with all business related supervisors. 4. Prepare a notice and agenda for each board meeting, alerting all directors 7 days in advance of the meeting, and sending out meeting minutes within 20 days after the meeting. 5. Arrange the pre-registration of the date of shareholders' meeting, and preparing meeting notice, meeting agenda, annual report, and meeting minutes. 6. Confirm that the convening, resolution procedures, and meeting minutes of board meeting and shareholders' meeting are in compliance with laws and regulations and the Rules of Corporate Governance. 7. Carry out the change registration. 8. Confirm that the Company has provided all members of Board of Directors with the "Directors' and Managers' Liability Insurance" to be reported during the board meeting. The Corporate Governance Officer 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 the Corporate Governance Officer in 2022 are as shown below:	No significant difference

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 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	

Assessment Item	Implementation Status (Note)			Non-implementation and its reason(s)
	Yes	No	Summary	
			Apr. 27, 2022 | Read TCFD Report, Master the Key Points of Information | 3	
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has set up various channels to provide the Company's business and finance related information, such as the spokesperson system and website; and has set up email boxes and assigned personnel to properly deal with all opinions from shareholders. The Company has set up a section for the stakeholders in the ESG Sustainable Development Section of the Company's website, and there is a contact window to maintain good communication with all stakeholders (including customers, shareholders, employees, suppliers, contractors, community residents, government agencies, societies, media, and all others).	No significant difference
6. Has the Company appointed a professional register for its Shareholders' Meetings?	V		The Company has commissioned the professional stock affairs service agent- KGI Securities to manage various stock affairs of the Company.	No significant difference
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1) The Company website is http: //www.waferworks.com, where the information of finance and business, and corporate governance of the Company is disclosed.	No significant difference
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(2) The Company has set up English website and assigned personnel to be in charge of collection and disclosure of company information, and implemented the spokesperson system.	No significant difference

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Non-implementation and its reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report Q1, Q2, Q3 financial statements as well as the operating status of each month before the prescribed deadline?</td><td></td><td>V</td><td>(3) The Company did not announce and declare the financial report within 2 months after the end of the fiscal year. However, the Company has declared it ahead of schedule in compliance with the regulation, and announced the operation situation of each month.</td><td>Same as summary</td></tr>
<tr><td>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?</td><td>V</td><td></td><td>(1) Employees' rights and interests: For details, please refer to the operation overview and labor-management relationship in this annual report.
(2) Employee relations: the relationship between labor and management has been harmonious since the inception of the Company. All rights and obligations of employer and employees are managed in accordance with various work rules of the Company. And the labor-management meetings have been convened regularly with exactly the same number of representatives from either side attending these meetings to discuss and negotiate the adjustment of labor conditions and measures for mutual benefits between labor and management.
(3) Investor relations: the Company has set up spokesperson, stock affairs unit, and email box to handle shareholders' suggestions, and assigned personnel to handle investor related affairs.
(4) Supplier relations: the Company has maintained good long-term relationships with the major suppliers.
(5) Shareholders' rights: the Company has set up various channels to provide the Company's operation and finance related information, such as the spokesperson system, stock affairs unit, and website; and the Company has set up email boxes and assigned personnel to properly handle opinions from shareholders.
(6) The situations of advanced education of the Company's directors in 2022:
<table>
<tr><th rowspan="2">Job title</th><th rowspan="2">Name</th><th colspan="2">Date of advanced education</th><th rowspan="2">Organizer</th><th rowspan="2">Name of course</th><th rowspan="2">Hours</th><th rowspan="2">Total hours in 2022</th></tr>
<tr><th>Start</th><th>End</th></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Ping-Hai, Chiao</td><td>2022/10/19</td><td>2022/10/19</td><td>Taiwan Corporate Governance Association</td><td>The 18th term (2022) Corporate Governance Forum to enhance directors' functions and fulfill corporate sustainable governance.</td><td>3</td><td rowspan="2">6</td></tr>
<tr><td>2022/08/25</td><td>2022/08/25</td><td>Taipei Exchange</td><td>Seminar to introduce the equity stake to those inside the OTC and emerging-listed companies.</td><td>3</td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Nan-Yang, Wu</td><td>2022/10/25</td><td>2022/10/25</td><td>Taiwan Academy of Banking and Finance</td><td>Corporate Governance Classroom.</td><td>3</td><td rowspan="2">6</td></tr>
<tr><td>2022/10/28</td><td>2022/10/28</td><td>Securities and Futures Institute</td><td>The 2022 seminar to prevent insider trading.</td><td>3</td></tr>
</table></td><td>No significant difference</td></tr>
</table>

Assessment Item	Implementation Status (Note) Yes	No	Summary	Non-implementation and its reason(s)

Title	Name	Date from	Date to	Organizer	Course	Hours	Total hours
Director	Zhen-Tu, Liu	2022/10/19	2022/10/19	Taiwan Corporate Governance Association	The 18th term (2022) Corporate Governance Forum to enhance directors' functions and fulfill corporate sustainable governance.	6	12
		2022/07/20	2022/07/20	Taiwan Corporate Governance Association	Symposium to evaluate performance of the Board of Directors and functional committees.	3	
		2022/07/07	2022/07/07	Taiwan Corporate Governance Association	The TSE and OTC-listed companies' path to net zero carbon emissions.	1	
		2022/05/12	2022/05/12	Taiwan Stock Exchange、Alliance Advisors、Taiwan Corporate Governance Association	Twin-Summit Online Forum.	2	
Director	Hsiu-Mei, Liu	2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Legal issues regarding insiders' shareholding management and shares transactions.	3	12
		2022/11/08	2022/11/08	Taiwan Corporate Governance Association	Discussion of directors / supervisors' major civil and criminal liabilities and case studies.	3	
		2022/10/07	2022/10/07	Taiwan Stock Exchange	Announcement of the guidelines for independent directors of the 2022 TSE-listed companies and the Audit Committee to exercise their authority and outreach to directors / supervisors.	3	
		2022/08/12	2022/08/12	Taiwan Corporate Governance Association	Challenges confronted by enterprises in the trend of ESG sustainability.	3	
Director	Chung-Hou, Tai	2022/08/10	2022/08/10	Taiwan Corporate Governance Association	ESG development trends and digital coping strategy.	3	9
		2022/07/26	2022/07/26	Taiwan Corporate Governance Association	Trends of technology risks and development in the cloud computing generation.	3	
		2022/07/20	2022/07/20	Taiwan Corporate Governance Association	Corporate sustainable governance judged according to the viewpoint of the risks from corporate governance to EGG.	3	
Corporate director	Chun-Lin, Chen	2022/11/22	2022/11/22	Taiwan Corporate Governance Association	Corporate social responsibility - discussing corporate governance from the standpoint of the human rights policy.	3	6
		2022/11/15	2022/11/15	Taiwan Corporate Governance Association	Fighting for managerial authority and analysis of prevention strategy.	3	
Independent director	Yong-Song, Tsai	2022/06/21	2022/06/21	Taiwan Corporate Governance Association	Corporate management mentality from CSR to ESG.	3	6
		2022/06/21	2022/06/21	Taiwan Corporate Governance Association	Recommendations for elevating the company's ESG.	3	
Independent director	Feng-I, Lin	2022/11/07	2022/11/07	Taiwan Institute of Directors	Thinking outside the box – the keys to corporate transformation strategy.	3	6
		2022/08/10	2022/08/10	Taiwan Institute of Directors	Taiwanese industry under the reorganization of the global supply chain	3	
Independent director	De-Wai, Chou	2022/06/28	2022/06/28	Taiwan Institute of Directors	The 2022 Annual Forum of the Taiwan Institute of Directors – exploration of the next generation's core competition in the age of upheaval.	3	6
		2022/05/06	2022/05/06	Securities and Futures Institute	Regulations governing corporate governance and securities.	3	

(7) Implementation of risk management policy and risk evaluation standards: the Company has adopted a preventive policy for risk management. There is a strict internal control system established in compliance with the law, and irregular audits implemented by Internal Auditors with audit reports; from the financial perspective, the Company has also adopted timely hedging measures with

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Non-implementation and its reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>respect to exchange rates and derivative transactions to reduce the risk. The Company will review the financial structure at all times to avoid excessive financial risk.
(8) Implementation of consumer or customer protection policies: There are full-time employees in the Business Division and Quality Assurance Division to provide customer compliant services and after-sales services; and the Company has provided customers with relevant services and guarantees.
(9) The liability insurance purchased by the Company for the Directors: The Company has purchased liability insurance for the Directors, which has been disclosed in the “Corporate Governance Section of Public Information Observatory”.</td><td></td></tr>
<tr><td colspan="5">9. With respect to the results of the annual Corporate Governance Evaluation most recently issued by the Corporate Governance Center of Taiwan Security Exchange, please describe the improvements an provide priority and measures to enhance those matters that have not yet been improved.
The company ranked among 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) Did the Company have a diversity policy for its board members, turn the diversity policy into a concrete management goal, and disclose the fulfillment status on the Company’s website or in its annual report? (Index 2.2 has been improved.)
The diversity policy has been covered in the Company’s Corporate Governance Best Practice Principles, and the diversity status was disclosed on page 13 of the 2021 annual report and on the Company’s website.
(2) Did the Company’s board members include at least one female director? (Index 2.6 has been improved.)
The new female director, Liu, Hsiu-Mei took office on Feb. 1, 2022.
(3) Was the Company invited to convene (or did it self-convene) at least two investor conferences and were the first and last investor conferences in the assessment year at least three months apart? (Index 3.20 requires improvement).
The Company was invited to convene investor conferences on Jan. 6 and Apr. 13, 2022 and the interval was less than three months, so there is no score for this item.</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 the Company has established the Compensation Committee, its composition, job duty, and operation situations shall be disclosed

1. Information of the members of Compensation Committee

April 21, 2023

Identity	Criteria / Name	Professional qualification and experience	Independence status	Number of other public companies in which the individual is concurrently serving as a member of Compensation Committee
Independent Director (Convenor)	Yong-Song, Tsai	Please refer to the content of information on directors (2) on page 13-15.		1
Independent Director	Feng-I, Lin			2
Independent Director	De-Wai, Chou			0

2. Job Duties:
The committee shall perform the following duties faithfully and honestly, and submit its recommendations to the Board of Directors for discussion:
(1) Regularly review the rules and propose the suggestions for amendment.
(2) Formulate and review annual and long-term performance objectives of the Company's Directors and Managers and the policies, systems, standards, and structures of salaries and remunerations regularly.
(3) Evaluate and determine the remuneration for Directors and Managers regularly.

3. Operation status of Compensation Committee
(1) There is a total of 3 members in the Compensation Committee of the Company.
(2) The term of service of current members: July 23, 2021 to July 22, 2024. There were 3 meetings of Compensation Committee held during the most recent year (A), and the qualification and attendance of committee members are as below:

Title	Name	Attendance in person (B)	By proxy	Attendance rate in person (%) (B/A)	Note
Convener	Yong-Song, Tsai	2	1	67%	Re-elected on July 23, 2021
Committee	Feng-I, Lin	3	0	100%	
Committee	De-Wai, Chou	3	0	100%	Newly elected on July 23, 2021

Other matters to be recorded:
1. If the Board of Directors does not adopt or modify the suggestions made by the Compensation Committee, it shall specify the date and session of Board of Directors, content of proposal, resolution of board meeting, and the Company's action in response to the comment of Compensation Committee (if the remuneration approved by the Board of Directors is superior to the suggested version by the Compensation Committee, the difference and the reasons for such difference shall be specified): there is no such situation.
2. If there is any objection or reservation regarding the resolution of the Compensation Committee made by any member with record or written statement, the date and session of the Compensation Committee, proposal, the comments of all members and the responsive measures shall be specified: None
3. Annual operation of Compensation Committee:

Session/Date Compensation Committee	Resolution	Objection or reservation by member of Compensation Committee
The 3th Meeting of the 5th Session 2022.03.23	2021 Annual Salary and Benefit Summary Report of Managers	
	1.The Company's 2021 Director and Employee Remuneration Distribution Proposal	None
	Comments of Compensation Committee: None.	

		Resolution by Compensation Committee: approved by all present members, which shall be submitted to the Board of Directors for discussion.	
		The company’s action in response to the comment of Compensation Committee: approved by all present directors.	
	The 4th Meeting of the 5th Session 2022.08.04	Report on the progress of the employee stock ownership trust project.	
		Report of the summary of 2021 remuneration for the Company’s managers, peer counterparts, and the semiconductor industry.	
		1. The Company’s 2021 Employee Remuneration Distribution Proposal for Managers	None
		2.The proposal of remuneration for Vice President	None
		3. The proposal of appointment and remuneration of Vice President	None
		Comments of Compensation Committee: None.	
		Resolution by Compensation Committee: approved by all present members, which shall be submitted to the Board of Directors for discussion.	
		The Company’s action in response to the comment of Compensation Committee: approved by all present directors.	
	The 5th Meeting of the 5th Session 2022.11.04	1. Proposal for the employee stock ownership trust project.	None
		Comments of Compensation Committee: None.	
		Resolution by Compensation Committee: approved by all present members, which shall be submitted to the Board of Directors for discussion.	
		The Company’s action in response to the comment of Compensation Committee: approved by all present directors.	
	The 6th Meeting of the 5th Session 2023.03.15	Report of the performance evaluation of the Board of Directors and functional committees.	
		2022 Annual Salary and Benefit Summary Report of Managers	
		1.The company’s 2022 Director and Employee Remuneration Distribution Proposal	None
		Comments of Compensation Committee: None.	
		Resolution by Compensation Committee: approved by all present members, which shall be submitted to the Board of Directors for discussion.	
		The Company’s action in response to the comment of Compensation Committee: approved by all present directors.	

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

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

5. Promotion of sustainable development and deviations from the "Sustainable Development Best Practice Principles for TWSE/ TPEx Listed Companies"

Promoted items	Implementation Situation (Note 1)			Non implementation and Its Reason(s)
	Yes	No	Summary	
1. Has the company established a governance structure to promote sustainable development, and set up an exclusively (or concurrently) designated unit to promote sustainable development, and has the Board of Directors authorized senior management to deal with and supervised the promotion of sustainable development?	V		In compliance with the vision and mission of the Company's sustainability policies, the "Corporate Social Responsibility Committee" was established in 2016, which was renamed as "ESG Sustainability Development Committee" in 2021. The Chairman served as the Chairperson, the President served as the management representative, the managers served as committee members, and the administration unit was in charge of coordinating all works to jointly review the Company's core business capabilities, formulate short-term, mid-term, and long-term sustainable development plans, and regularly convene management review meetings. The "ESG Sustainability Development Committee" leads the promotion of matters related to sustainable development to ensure effective progress, to identify the sustainability issues related to the 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 an 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 "ESG Sustainability Development Committee" reported to the Board of Directors regarding the company's implementation status of sustainable developments, including performance indicators and related data on environmental issues, information security, and ethical corporate management etc. respectively on May 6, August 4, November 4 and December 22 in 2022. The Board of Directors plays a supervisory and coaching role, evaluating related strategies, and the effectiveness of implementation plans and urge management to make adjustments when required.	No significant difference
2. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)	V		The disclosed data covered the performance of sustainable development from January 2022 to December 2022, and the boundary of risk assessment is limited to Wafer Works Corp. and its Science Park Branch in Taiwan. The sustainable development committee shall communicate with internal and external stakeholders in accordance with the major principles analysis of sustainability reports. The questionnaire survey shall be used to collect the issues, which stakeholders concerned, to evaluate the major issues of sustainable development and the impacts on the corporate sustainable development. Establishment of a complete corporate risk management mechanism and enhancement of the corporate crisis response capability is a necessary basis for corporate sustainable operation and maintenance of corporate competence. In order to reduce the impacts and influences of various potential operational risks and disasters, the Company starts from	No significant difference

Promoted items	Implementation Situation (Note 1)			Non implementation and Its Reason(s)
	Yes	No	Summary	
			risk control and danger identification. Implement the concept of risk management for the entire staff, the Company's operational risk can be effectively reduced: 1. Business risk management: (1) Product diversification: to avoid the risk of concentration on a single product, the Company constantly cultivates the development of niche product. (2) Disperse customer base: international tier-1 IDMs and foundries are part of the customer base. New applications and clients are still being developed. (3) Diversify suppliers and control primary raw material sources: the Company has dispersed the sources of procurement and conducted annual supplier evaluations and audits to strengthen the cooperation with suppliers and to effectively control their status. (4) Separation of R&D and production: the Company separates the organ of R&D and production to avoid waste of resources and imbalanced usage. (5) Development of strategic alliance: the Company has been seeking for strategic and investment partners, and forming alliances. 2. Economic risk management: (1) Risks of exchange rate and interest rate: the 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 to reduce the risk of exchange rate. The company has reduced interest rate risk by properly arranging the debt period and fixed or floating interest rate structure. (2) Inflation: concerning rising costs, the Company has signed long-term material supply contracts with key raw material suppliers to stabilize the production costs, improve production process and save cost. (3) Credit risk: evaluated the customer's credit limit and contract terms in accordance with the Company's credit rules and the customer's financial and business condition. (a) Account receivable: examined and managed the customer's credit limit, implemented collection follow-up, and routinely assessed allowance for uncollectible debts. (b) Financial institution: the Company deals with creditworthy financial institutions. (4) Liquidity risk management: decentralization of financial channels can prevent a single contingency from causing insufficient short-term asset values to cover the payment of short-term liabilities. (a) Budget planning: regular examination of the budget-to-actual implementation gap.	

Promoted items	Implementation Situation (Note 1)			Non implementation and Its Reason(s)
	Yes	No	Summary	
			(b) Capital management: the short-term capital is not intended for long-term use, and the cash flow is monitored in real time. (c) Investment management: the long-term investments or strategic investments are focused on long-term development; short-term capital is mostly based on time deposits or fixed-income bonds with high liquidity to reduce liquidity risk. 3. Legal risk management: The Company has always paid close attention to any changes in policies and laws and regulations which could affect the Company's financial standing and business operation. In addition, there are specialized legal divisions and professionals in coordination with external legal consultants to review various contracts and provide legal consultation and assistance for various divisions, and take response measures to reduce legal risks. 4. Operational risk management: (1) Establish internal control systems and standard operating procedures. (2) Establish audit systems such as an internal control system, quality management, and environmental management. (3) Conduct an annual internal control system audit and self-assessment. (4) Implement educational training. 5. Environment, safety, and health management: The Company conducted detailed assessments of all potential emergency situations, natural disasters, environmental impacts, and workplace dangers in order to develop complete response plans and process flows. 6. Information security risk management: (1) Information security risk management structure: establish an Information Security Committee to stipulate information and communication security policy. The Information Technology Division is responsible for conducting risk assessment and analysis of the establishment of information and communication security regulations, and conduct regular and irregular audit reviews and improvements following the Company's internal audit and internal control operations, and report to the Board of Directors on a regular basis. (2) Information security risk awareness: provide all employees with advocacy of information and communication security policies. (3) External intrusion threat: detect the security control mechanism of computer network system and e-mail. (4) Leakage of confidential information: confidential data are classified and graded, with process access control based on the authorization mechanism.	

Promoted items	Implementation Situation (Note 1)			Non implementation and Its Reason(s)
	Yes	No	Summary	
			(5) System security management: system access identity certification, managing portable storage devices and physical access. (6) Interruptions of system maintenance and operation: (a) Prevent malfunction of system software/hardware and database to ensure that critical business activities can be timely resumed. (b) The Company has signed the maintenance contract with software/hardware providers to prevent interruption of information system service. (7) Reporting and handling of information security risk event: establish information security event reporting procedures and conduct emergency response rehearsals. Each division has carried out risk assessment and the process flow is as below: (1) Hazard identification (2) Risk assessment (3) Risk response In addition, the Company has continuously promoted the Business Continuity Management (BCM) with respect to the situations with a higher degree of hazard risk according to the risk assessment results.	
3. Environmental Issues (1) Has the Company established environmental management system based on its industrial characteristics?	V		(1) Continuously passing ISO14001, ISO45001validity certification.	No significant difference
(2) Is the Company committed to improving the utilization efficiency of various resources and using recycled materials with low environmental impacts?	V		(2) The Work Safety Office has continuously promoted the projects of "Waste Reduction" and "Recycling and Reuse of Cutting Fluid", and passed the BS8001 Circular Economy Certificate in 2021.	No significant difference
(3) Has the Company assessed the present and future potential risks and opportunities of climate change for the entity, and taken measures to response to climate-related issues?	V		(3) Wafer Works has identified and analyzed the possible operational risks and potential impacts and proposed responsive strategies. The Company has established the monitor and control mechanisms with respect to the confirmed risks. Under the new laws and regulations related to climate change could result in overall energy costs increased. Physical climate risks: the climate change could lead to the increase of frequency and severity of climate hazards such as storms, floods, and droughts, which could have certain impacts on operations 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. The Company has garnered ISO 50001 energy management verification and the verification will continue every year. It will continue to take energy conservation and	No significant difference

Promoted items	Implementation Situation (Note 1)			Non implementation and Its Reason(s)
	Yes	No	Summary	
(4) Has the Company calculated its GHG emissions, water consumption and total waste weight in the past two years, and formulated policies for energy conservation, carbon reduction, GHG and water consumption or other waste management?	V		carbon reduction measures, so as to do its part to protect the environment. Additionally, the Company plans to build a solar power generation system, which will be installed in 2023. (4) The Company has adhered to the goal of sustainable development, conducted an annual self-examination of greenhouse gas, and required all divisions to continuously formulate energy saving and carbon reduction plans. Moreover, it has proposed measures to reduce emissions of seven major greenhouse gases, and aggressively employed measures such as production energy saving and waste reduction to make headway toward green production. The annual reuse of recycled water is an important goal for the company, and includes reducing tap water consumption, reusing processed waste water, and recycling water. Wafer Works has established complete waste disposal and recycling mechanisms. General wastes are moved to incinerators designated by the government by qualified garbage disposal companies, 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 recyclable wastes, general wastes and industrial wastes. General wastes are for incineration, industrial wastes are for recycling and reclamation. The 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”.	No significant difference
4. Social issues (1) Has the Company formulated appropriate management policies and procedures according to relevant regulations and International labor Human rights?	V		(1) The 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 the internal management policies and procedures to be in line with the international standards.	No significant difference
(2) Has the Company formulated and executed reasonable employee benefit measures (including remuneration, leaves, and other benefits), and had the operating performance or results properly reflected in employee compensation?	V		(2) The 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 employees includes monthly salaries, cash bonuses based on quarterly settlement of business performance, and employee remunerations based on the company's annual profitability.	No significant difference

Promoted items	Implementation Situation (Note 1)			Non implementation and Its Reason(s)
	Yes	No	Summary	
(3) Has the Company provided employees with a safe and healthy work environment as well as offered classes on safety and health to employees on a regular basis?	V		(3) Employees are important assets of the Company. Wafer Works promises to provide a safe, comfortable and healthy work environment by conducting risk assessments on employees' operation environment, and conducting operation environment tests every six months to identify the source of risk and to take proper response measures. The Company has arranged emergency response drills and training courses annually, including emergency response instructions, gear wearing and usage, and emergency response practices, to allow employees to understand the emergency response procedure and handling method in case of an abnormal condition in order to reduce the possible hazard and loss caused by the such abnormal condition. A 3 to 6 hours new employee educational training course and dangerous and hazardous substances general educational training will be provided to every new employee on his or her first day on broad. For the all kinds of incumbent employees receiving on-the-job educational training, the eligible trainees and training hours have been arranged in accordance with the Occupational Safety and Health Education and Training Rules. There is an occupational safety and health committee in the factory zone. Meetings have been routinely held every quarter to discuss safety and health related issues. In accordance with the law, labor representatives have provided an official channel for face-to-face communication between the management and employees on issues related to safety and health, and share the safety and health management experience externally. In order to enhance 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.	No significant difference
(4) Has the Company established effective career and competence development and training plans?	V		(4) The Company has established the learning roadmap for employees at each stage, including basic training for new employees, mentoring system for new employees, on-job training of production process, professional training for each division, cross division/process training, quality training, management training, and self-growth. The expectation is to allow every employee to receive complete and proper training during his/her career to be applied to their job positions.	No significant difference
(5) Does the Company comply with laws, relevant regulations and international standards in terms of customer health	V		(5) The Company and relevant personnel have all complied with laws and regulations and international standards with respect to customers' health and safety, privacy, marketing, and labeling so that the Company can ensure the information transparency	No significant difference

Promoted items	Implementation Situation (Note 1)			Non implementation and Its Reason(s)
	Yes	No	Summary	
and safety, customer privacy, and marketing and labeling products and services and formulate relevant consumer protection policies and complaint procedures?			and safety of products and services. The Company has formulated and announced the rights and interests protection policies for consumers or other stakeholders to be implemented to business activities to prevent products or services from directly or indirectly damaging rights and interests, health and safety of consumers or other stakeholders. In principle that batch of products or services shall be recalled immediately when there is any fact indicating that the product or service may endanger the safety and health of consumers or other stakeholders.	
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues, such as environmental protection, occupational safety d health, or labor rights, and the implementation results?	V		(6) During the new supplier evaluation, Wafer Works requires upstream suppliers to be in compliance with RoHS, ISO, laws and regulations about work safety standards, and standards for hazardous substances labeling and icons on the products. Along with the position of adherence to sustainable operation and compliance with the principle of fair trade. The Company is committed to requiring 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 the supplier assessment operation. In addition, in response to the international human rights issue which has been drawing more and more attention in recent years, 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 legally. The Company will also make sure that the work environment is safe, employees' rights and interests are protected and respected, pollution prevention for products and processes has been implemented, and the corporate social responsibilities are fulfilled. The Company will conduct an annual on-site audit with respect to all waste handlers to make sure that they handle wastes properly and legally.	No significant difference
5. Has the Company referred to the internationally accepted report preparation standards or guidelines for its preparation of CSR or other reports which disclose the Company's non-financial information? Has the aforementioned reports obtained third-party assurance or verification statement?	V		In order to improve the disclosure quality of the report, the Company has appointed The British Standards Institution Taiwan in accordance with AA1000AS v3 Type 1 moderate level assurance. The Company has confirmed compliance with the GRI Standards 2021 and obtained a statement of assurance, which is also provided in the appendix of the 2022 Sustainability Report for reference.	No significant difference
6.Where the Company has stipulated its own sustainable development principles according to the "Sustainable Development Best Practice Principle for TWSE/ TPEx Listed Companies", please describe actual activities taken by the Company and deviations from the prescribed best practices: No major difference				

Promoted items	Implementation Situation (Note 1)			Non implementation and Its Reason(s)
	Yes	No	Summary	

7. Other material information that can help to understand how sustainable development is promoted in the Company:

1. Social welfare:
   (1) Respond to invoice donation and coin donation: The Company has responded to invoice donation and coin donation since 2016, and collected a total of 105 invoices and the changes of NTD 4,442 and donated to the Taoyuan-Hsinchu Group of Northern District Resources Center of Eden Foundation in 2022.
   (2) Respond to baking activities of Children Are Us Foundation: The Company has responded to baking activities of Children Are Us Foundation since 2019, and donated a total of 105 Mid-Autumn gift boxes to social welfare organization and of elementary school remote areas in 2022.
   (3) Collection of Charity goods: The Company has continued to follow the donated demands of social welfare organization. The Company has donated goods to 1919 food bank twice a year to provide basic necessities for economically disadvantaged families since 2021. In 2022 the Company and colleagues have donated Canned foods and other material donations (a total value of NTD 20,761), and the Company and colleagues have donated 2 body fat scales and 10 panel lights (a total value of NTD 17,460) to the Lohas Nursery Home in Pingzhen District of Taoyuan City, and the Company and colleagues have donated supplies (a total value of NTD 9,904) and food to the Merry House Social Welfare Foundation.
   (4) Organizing blood donation activity: Based on our enthusiasm of "All Wafer Works employees shall get together to donate blood", we have organized regular blood donation activities and called upon all employees to donate one bag of blood per person. In November 2022 we donated a total of 25,000 CC of blood. We have also given back to our colleagues Eden Social Welfare Foundation handmade cookies, and they could enter a draw.
2. Environmental aspects:
   (1) Agri-food and charity donated activities: In 2022, The company has adopted charitable field and donated organic rice to Longtan Education Institute for the Mentally-Impaired and Happiness Foundation, donating a total of 450 kg food (a total value of NTD 44,100).
   (2) Take care of environment: We continued maintaining plantation in our company and surrounding environment. We will work together to keep environment clean, to cherish the resources as our dedication to the Earth.
3. Donations for education:
   (1) Education book donations: The Company cares for local elementary schools. The Company has donated education books to Sanhe Elementary School and Te-long Elementary School in 2022 (a total value of NTD 37,970).
   (2) Donating and inheriting characteristics of culture: The woodball team of Sanhe Elementary School is a characteristic course of the school. The Company has supported and donated NTD 20,000 in 2022.
4.Caring for the neighborhoods
   (1) 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) Sponsor community activities: The Company has adhered to the concept of good neighborliness and actively participated in community activities since 2011. The Company has provided a total of NTD 50,470 activity sponsor funds for Bade Village of Longtan District and Ruiping Village of Yangmei District in 2022.
   (3) Winter donation activities: The Company has participated the winter donation activities of Ruiping Village of Yangmei District since 2020. The Company has donated 10 blankets to Ruiping Village of Yangmei District in 2022.
5. Talent development
   (1) With the purpose of developing talents in semiconductor field, the Company has been working together with faculties in local universities to fulfill the responsibility of identifying and supporting young talents for semiconductor industry. In 2022 the Company implemented various projects by academy-industry collaboration. The results were as described below:
   (a) Chung Yuan Christian University: Signed Semiconductor Academy-Industry Collaboration Agreement.
   (b) National Taiwan University: Signed NTU International Mentorship Program Agreement.

Promoted items	Implementation Situation (Note 1)			Non implementation and Its Reason(s)
	Yes	No	Summary	
(c) National Yang Ming Chiao Tung University: Signed Industrial Technology Graduate Program Agreement. (d) Fan Shu Vocational School: In 2022, 30 cooperative education students were conducted job rotation. (e) Chien Hsin University of Science and Technology: In 2022, HR team entered to the Department of Electronic Engineering class to recruit and hire 5 interns. (f) Chung Yuan Christian University: In 2022, there were 8 Electronic Engineering students joined the summer internship program in Wafer Works. (2) Education and training of Sustainability: The Company cultivated employees' awareness of sustainability management and establish a foundation for sustainable development communication. 1,868 colleagues of the company have participated in the sustainability courses in 2022.				

Note 1: If "Yes" is checked Implementation Status, please state specific important policies, strategies, measures adopted and implementation status. If "No" is checked under Implementation Status, please explain the deviations from "Promotion of Sustainable Development and Deviations from the "Sustainable Development Best Practice Principles for TWSE/ TPEx Listed Companies", and the reasons of such deviations, and state the plans for adopting relevant policies, strategies, and measures in the future.

Note 2: The material principle refers to environmental, social, and corporate governance issues which have significant influence on the Company's investors and other stakeholders.

6. Fulfillment of ethical corporate management and deviation from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”

Evaluate Item	Implementation Status			Non implementation and its reason(s)
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team? (2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies? (3) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	V V V		(1) The Company has formulated the code of practice for integrity management, integrity management operating procedures, and behavior guidelines, and they have been approved by the Board of Directors. It is shown on the Company’s website and the Company profile that “Creation based on Integrity” is the priority of the Company’s business philosophies. (2) The Company has formulated the RBA Regulation of Business Ethics including the plan for prevention of dishonesty and behavior guidelines; the advocacy of educational training is implemented by the HR Division. (3) The Company has stipulated in the RBA Regulation of Business Ethics that all employees must avoid conflicts of interests, and are prohibited from accepting gifts or treatments which disobey the regulations or exceed upper limit.	No significant difference
2. Ethic Management Practice (1) Whether the company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts? (2) Whether the company has set up a unit which is dedicated to promoting the company’s ethical standards and regularly (at least once a year) reports directly to the Board of Directors	V V		(1) The supplier code of conduct sets forth the company's objective and dedication to maintaining honest management practices. The contract signed with the counterparty explicitly defines the terms and conditions for conducting business with integrity. (2) The HR Division of the Company is in charge of the formulation, advocacy, and supervision of operations of RBA Regulation of Business Ethics in order to	No significant difference

Evaluate Item	Implementation Status			Non implementation and its reason(s)
	Yes	No	Summary	
on its ethical corporate management policy and relevant matters, and programs to prevent unethical conduct and monitor its implementation? (3) Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly? (4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically? (5) Does the company provide internal and external ethical conduct training programs on a regular basis?	 V V V		implement the concept of integrity management. The supervision of relevant operations will be done by the Company's Auditors. If there is any dishonesty happened, such behaviors, its handling method and follow-up review and improvement measures shall be reported to the Board of Directors. (3) The Company has stipulated in RBA Regulation of Business Ethics that any employee who identifies malfeasance shall report it to the Chairman, President, Audit Supervisor, or any other appropriate personnel. (4) The Company has formulated and announced RBA Regulation of Business Ethics and to serve as the basis for audit by the Audit office. (5) It is stipulated in the Company's RBA Regulation of Business Ethics that the internal educational training of integrity management shall be arranged regularly.	
3. Implementation of Complaint Procedures (1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received? (2) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner? (3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V V V		The reporting channels have been stipulated in the code of practice of integrity management of the Company to require the relevant division to assess internal control system and operating procedures and to propose improvement measures in order to prevent recurrence of the same behavior. The Company has stipulated in RBA Regulation of Business Ethics that any employee who identifies malfeasance shall report it to the Chairman, President, Audit Supervisor, or any other appropriate personnel.	No significant difference
4. Strengthening Information Disclosure (1) Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS)?	V		The Company has stipulated the RBA Regulation of Business Ethics and disclosed the regulations of integrity management on the Company website.	No significant difference

Evaluate Item	Implementation Status			Non implementation and its reason(s)
	Yes	No	Summary	
5. If the Company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation: The 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 the Procedures for Handling Internal Material Information and 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 to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy). It is shown on the Company's website and the Company profile that "Creation based on Integrity" is the priority of the Company's business philosophies. The Company has formulated the code of practice for integrity management, integrity management operating procedures, and behavior guidelines, and they have been approved by the Board of Directors. The Company has formulated and announced the RBA Regulation of Business Ethics.				

7. If the Company formulates corporate governance best-practice principles and relevant regulations shall disclose the inquiry method: the part related to the company governance regulations is disclosed in the Investor Relations Section of the Company website (http: //www.waferworks.com).

8. Other significant information that will provide a better understanding of company governance operation shall be disclosed: for detail please refer to the Investor Relations Section 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 15, 2023

Based on the findings of a self-assessment, Wafer Works Corporation states the following in regards to its internal control system during the year of 2022.

1) The Company is aware that the establishment, implementation, and maintenance of the internal control system is the responsibility of the Board of Directors and managers of the Company. The Company has established the system for the purpose of guaranteeing the reliability, timeless and transparency report of the effectiveness and efficiency of the operation (including profitability, performance, asset security, etc.) and ensuring all follow relevant laws and regulations.

2) An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three aforementioned objectives. Moreover, the effectiveness of an internal control system may be subject to change due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

3) The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, 5. Monitoring activities. Each component includes number of items. Please see the Regulations for rules of the aforementioned items.

4) The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

5) Based on the findings of such evaluation, the Company believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance on our operational effectiveness and efficiency, reliability, timeless, transparency of reporting, and compliance with applicable rulings, laws and regulations.

6) This Statement is an integral part of the Company's annual report for the current period, and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

7) This Statement was approved by the Board of Directors of the Company in their meeting held on March 15, 2023, with all nine attending directors affirming 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, nothing requires a professional audit of the internal control system by a CPA.

10. For the most recent year or during the current year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, as well as sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, and the result of such sanctions that may have caused significant impact on shareholders' equity or securities prices, sanction content, and principal deficiencies, then specify any corrective actions taken: None.

11. Major resolutions of the Shareholders' Meeting and the Board Meetings in the most recent year up to the date of publication of the annual report

(1) Important Resolutions of Shareholders' Meeting and Execution Status

Date	Proposal	Resolution and execution
June 21, 2022	Important resolutions of 2022 General shareholder meeting: 1. Report Items (1) The Company's 2021 business report (2) Audit Committee' review report of 2021 (3) The Company's 2021 Directors' and Employee Remuneration Distribution Report (4) Report of Investment in Mainland China (5) Report of the Company's issuance of the 7th unsecured convertible corporate bonds	
	2. Ratification Items (1) Recognition of the Company's 2021 Business Report and Financial Statements (2) Recognition of the Company's 2021 Earnings Distribution	2. Ratification Items (1) The resolution was approved. (2) The resolution was approved, and the cash dividends of NTD730,260,425 was distributed on August 10, 2022.
	3. Discussion Items (1) Discussion of revision of the Company's "Articles of Incorporation" (2) Discussion of revision of the Company's "Procedures for Acquisition or Disposal of Assets" (3) Discussion of revision of the Company's "Rules and Procedures of Shareholders' Meeting	3. Discussion Items The resolutions of (1) – (3) were approved and promulgated according to the revised terms. And they were announced on the Company website.
	(4) Discussion of the issuance of employee restricted stock awards for year 2022	(4) The resolution was approved and will be implemented as per the resolution by the General shareholder meeting.
	(5) Discussion of private placement of securities	(5) The resolution was approved, but, given that the eligible applicants have yet to be selected, it has not been implemented as of the annual report printing date.
	(6) Discussion of the Wafer Works (Shanghai) Co., Ltd., a subsidiary of the company, application for listing on the stock exchange in mainland China	(6) The resolution was approved, and will be implemented as per the resolution by the General shareholder meeting.

	(7) Discussion of the removal of the noncompete clause for Directors	(7) The resolution was approved, so the noncompete clause for director – Hsiu-Mei, Liu, director – Chung-Hou, Tai, independent director – Feng-I, Lin has been lifted.

(2) Important Resolutions of the Board of Directors

Date	Resolutions
2022.03.23	1.Approval of the Company's 2021 Director's and Employee Remuneration Distribution Proposal 2.Approval of the Company's 2021 Business Report and Financial Statements 3.Approval of 2021 Earnings Distribution 4. Approval of the base day to issue new shares for the Company's issuance of the 7th unsecured convertible corporate bonds 5. Approval of the Company's acquisition of no more than 2,600,000 shares of preferred B stock of its 2nd tier subsidiary, Silicon Technology Investment (Cayman) Corp., at US$4.80 per share for a total acquisition amount of no more than US$12,480,000 through its subsidiary, Wafer Works Investment Corp. 6. Approval of the Company's cash capital increase of no more than US$6,680,000 to its subsidiary Wafer Works Investment Corp. 7. Approval of the issuance of employee restricted stock awards for year 2022. 8. Approval of private placement of securities 9. Approval of the Wafer Works (Shanghai) Co., Ltd., a subsidiary of the company, application for listing on the stock exchange in mainland China 10.Approval of the issuance of the Company's 2021 "Internal Control System Statement" 11.Approval of suggestion for the shareholders' meeting to amend the Company's Articles of Incorporation 12.Approval of revision of the Company's "Procedures for Acquisition or Disposal of Assets" 13.Approval of revision of the Company's "Rules and Procedures of Shareholders' Meeting" 14. Approval of the amendment to the Company's "Standard Operation Procedures for Handling Directors' Requests" 15.Approval of removal of the noncompete clause for directors 16.Approval of removal of non-compete restrictions on managers 17.Approval of matters for convening of General shareholder meeting of this year
2022.05.06	1. Replacement of the CPA in accordance with the Statement on Auditing Standards. 2.Approval of the Company's 2022Q1 financial statements 3.Approval of 2022 Proposal of Remuneration for Certified Public Accountant 4.Approval of formulation of the Company's "Internal Control System", "The preparation of Financial Reports management measures", "Property management measures" and "Internal Control System" 5.Approval of formulation of the Company's "Rules of Corporate Governance" 6.Approval of formulation of the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" 7.Approval of formulation of the Company's "Corporate Social Responsibility Principles"
2022.08.04	1.Approval of the Company's 2022Q2 financial statements 2.Approval of the Company's 2021 Employee Remuneration Distribution Proposal 3.Approval of the appointment and remuneration of Vice President 4.Approval of the initial investment of no more than NT$4.5 billion for establishing a large size silicon wafers plant on the Erlin Base land of Central Taiwan Science Park and purchasing some of machines and equipment, as required for the Company's mid and long-term development
2022.08.15	1.Approval of authorizing the chairman to reconcile with United Renewable Energy Co., Ltd. for the Solar Power Polycrystalline Silicon Trading Agreement damage compensation lawsuit within a certain amount

2022.11.04	1.Approval of the Company's 2022Q3 financial statements 2.Approval of the application of the Company's subsidiary, Wafer Works (Shanghai) Corp. for its flotation on the Sci-Tech innovation board of mainland China's stock markets and issuance of commitment items 3.Approval of the employee ownership trust project 4.Approval of the amendment to Company's "Regulations Governing Its 2022 Issuance of Restricted Shares for Employees" 5.Approval of formulation of our company's 2023 Audit Plan 6. Approval of delegating the Land Bank of Taiwan as the lead manager to organize and sponsor the total syndicated loan of NT$2.8 billion
2022.12.22	1. Approval of the amendment to the Company's "Regulations Governing Its 2022 Issuance of Restricted Shares for Employees" 2.Approval of the Company's 2023 Budget Proposal 3.Approval of the Company's 2022 Assessment of Independence and Competency of Certified Public Accountant 4.Approval of the Company's 2023 authorization of Audit Committee for reviewing the acquisition or disposal of re-invested enterprises with total amount of equity no more than NTD500 million 5. Approval of formulation of the Company's "Procedures for Handling Material Information and Preventing Insider Trading" and abolishment of the original "Management Operations for Preventing Insider Trading"
2023.03.15	1.Approval of the Company's 2022 Director's and Employee Remuneration Distribution Proposal 2.Approval of the Company's 2022 Business Report and Financial Statements 3.Approval of 2022 Earnings Distribution 4.Approval of issuance of employee Restricted Stock Awards for year 2023 5.Approval of the issuance of the Company's 2022 "Internal Control System Statement" 6.Approval of the suggestion for amendment of our company's Articles of Incorporation by the shareholders' meeting 7. Approval of the head office's relocation 8.Approval of the application of the Company's subsidiary, Wafer Works (Shanghai) Corp. for its flotation on the Sci-Tech innovation board of mainland China's stock markets and amendment, adjustment, and addition to commitment items in response to the requirements of the laws and regulations in the stock listing place 9.Approval of revision of the Company's "Procedures for Assets Acquisition or Disposal" 10. Approval of formulation of the Company's "General Policy for Pre-approval of Non-assurance Services" 11.Approval of removal of the noncompete clause for directors 12.Approval of matters related to the convening of general shareholders' meeting of this year

12. Major issues of record or written statements made by any director dissenting to important resolutions passed by Board of Directors in the most recent year and as of the date of this annual report was printed: No such situation.

13. A summary of resignations and dismissals, during the current year up to the date of publication of the annual report of the Company's Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer and Chief R&D Officer: No such situation.

V. Information on CPA professional fees

1. Audit fees and non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm and details of non-audit services

Unit: NTD Thousand

Name of CPA Firm	Names of CPA		Audit periods	Auditing fees	Non-Audit fees (Note)	Total	Remarks
Ernst & Young	Ching-Piao, Cheng	Chih-Ming, Chang	2022/01/01 –2022/12/31	7,667	1,030	8,697	

Note: The non-audit fees mainly includes paid for business registration, tax compliance audit, and disbursement fee, etc.

2. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
3. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

VI. Information on replacement of CPA

1. Former CPAs:
   In response to the internal re-organization of the certified accounting firm, the CPAs were changed from Mao-Yi, Hong and Ching-Piao, Cheng to Ching-Piao, Cheng and Chih-Ming, Chang, started from Q1 of 2022.
2. Successor CPAs:
   In response to the internal re-organization of the certified accounting firm, the CPAs were changed from Mao-Yi, Hong and Ching-Piao, Cheng to Ching-Piao, Cheng and Chih-Ming, Chang, started from Q1 of 2022.
3. Reply letter from former CPA with respect to the matters of Article 10 Paragraph 6 Item 1 and Item 2-3 of this standard: None.

VII. Where the Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held: None.

VIII. Changes in shareholding and pledge of Directors, Managers, and major shareholders with more than 10 percent shareholding during the most recent year as of the date of publication of the annual report.

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

Title	Name	2022		Current year up to April 21, 2023	
		Holding increase (decrease)	Pledged holding increase (decrease)	Holding increase (decrease)	Pledged holding increase (decrease)
Chairman	Ping-Hai, Chiao	0	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.	0	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	0	0	0	0
Director	Hitech Holding (BVI) Corp.	0	0	0	0
	Representative: Chun-Lin, Chen	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	0	0	0	0
Manager	Hsien-Yuan, Chang	0	0	0	0
Manager	Kuang-Chung, Liao	0	0	0	0
Manager	Yung-Cheng, Sung	0	0	0	0
Manager	Lung-Chih, Lin (Newly appointed on Aug. 4, 2022)	0	0	0	0
Manager	Po-Lin, Tsou (Newly appointed on Aug. 4, 2022)	0	0	0	0
Manager	Wen-Chung, Li (Resigned on Oct. 20, 2022)	0	0	0	0
Manager	Ming-Yi, Chi (Resigned on Mar. 31, 2022)	0	0	0	0
Manager	Wei-Lun, Lin	0	0	0	0
Manager	Chia-Yu, Lu	0	0	0	0

2. Counterparty of equity transfer is a relative: None
3. Counterparty of equity pledge is a relative: None

IX. Information on relationships among the Top 10 shareholders

April 21, 2023 Unit: shares; %

Name	Shareholdings		Current shareholding held by spouse & minors		Shareholdings through nominees		The top 10 shareholders, who are spouses or within the second degree of kinship		Note
	Number of Shares	Ratio of share-holding	Number of Shares	Ratio of share-holding	Number of Shares	Ratio of share-holding	Job Title (or Name)	Relation	None
Ping-Hai, Chiao	12,072,954	2.23%	10,527	0%	0	0%	None	None	None
Chang Hwa Commercial Bank, Ltd. is entrusted to take care of the dedicated account of Yuanta Taiwan High-Yield Leading Company Fund.	8,500,000	1.57%	-	-	0	0%	None	None	None
Vaguard Emrging Markets Stock Index Fud, A Series of Vanguard International Equity Index Funds	7,068,103	1.31%	-	-	0	0%	None	None	None
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	6,845,312	1.27%	-	-	0	0%	None	None	None
Hua Eng Wire&Cable Co., Ltd.	4,699,013	0.87%	-	-	0	0%	None	None	None
Hua Eng Wire&Cable Co., Ltd., Representative: Hung-Jen, Wang	Shareholder did not provide information.								
BAYVK A3 - Global Investment Responsibility custody under HSBC	4,430,481	0.82%	-	-	0	0%	None	None	None
Citibank is entrusted to take care of the dedicated account of DFA Emerging Markets Core Equity Fund	3,737,544	0.69%	-	-	0	0%	None	None	None
Green Cove Enterprises Inc.	3,605,462	0.67%	-	-	0	0%	None	None	None
Green Cove Enterprises Inc., Representative: Marrian, Hwang	Shareholder did not provide information.								
Hitech Holding (BVI) Corp.	3,545,887	0.66%	-	-	0	0%	None	None	None
Hitech Holding (BVI) Corp., Representative: Ko-Pin, Chu	Shareholder did not provide information.								
Taiwan Life Insurance Co., Ltd.	3,218,000	0.59%	-	-	0	0%	None	None	None
Taiwan Life Insurance Co., Ltd., Representative: Cheng, Tai-Ke	Shareholder did not provide information.								

Note 1: All top 10 shareholders shall be listed. Those who are juridical shareholders shall have the name of juridical 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 juridical persons and individuals, shall be disclosed in accordance with the issuer's financial reporting standards.

X. The total number of shares and total equity stake held in any single enterprise by the Company, its Directors and Manager and any companies controller either directly or indirectly by the Company

December 31, 2022; Unit: Share; %

Affiliated Company（Note ）	Shareholding by the Company		Shareholding of directors, supervisors, managers or enterprises under their direct or indirect control		Total Shareholding	
	Shares	%	Shares	%	Shares	%
Wafer Works Investment Corp.	66,566,226	100%	0	0	66,566,226	100%
Heli-Vantech Corp.	500,000	100%	0	0	500,000	100%
Huaxin (Shanghai) Technology Co., Ltd.	0	100%	0	0	0	100%

Note: Long-term investment accounted based on equity-method.

IV. Capital Overview

I. Capital and shares

1. Capitalization

1) Capitalization

April 21,2023/Unit: shares; NTD Thousand

Period	Issuing Price (NTD)	Authorized capital		Paid-in capital		Notes			
		Shares	Amount	Shares	Amount	Source of capital	Amount	Property other than cash	Other
1997.07	10	500,000	5,000	500,000	5,000	Incorporation	5,000	None	
1997.12	10	80,000,000	800,000	76,854,335	768,543	Capital increase by cash	763,543	None	Note 1
1998.10	10	200,000,000	2,000,000	126,966,936	1,269,670	Capital increase by cash Capitalization of capital reserve	40,000 461,127	None	Note 2
2000.04	10	200,000,000	2,000,000	150,000,000	1,500,000	Capital increase by cash	230,330	None	Note 3
2003.08	10	250,000,000	2,500,000	150,000,000	1,500,000	Authorized capital increase	-	None	Note 4
2004.10	10	250,000,000	2,500,000	154,500,000	1,545,000	Capitalization of capital reserve	45,000	None	Note 5
2005.08	10	250,000,000	2,500,000	155,474,219	1,554,742	Conversion of CB to shares	9,742	None	Note 6
2005.09	10	250,000,000	2,500,000	164,077,060	1,640,771	Capitalization of retained earnings	86,029	None	Note 7
2005.10	10	250,000,000	2,500,000	171,543,698	1,715,437	Conversion of CB to shares	74,666	None	Note 8
2006.02	10	250,000,000	2,500,000	172,690,410	1,726,904	Conversion of CB to shares	11,467	None	Note 9
2006.04	10	250,000,000	2,500,000	173,222,696	1,732,227	Conversion of CB to shares	5,323	None	Note 10
2006.07	10	250,000,000	2,500,000	178,580,288	1,785,803	Conversion of CB to shares	53,576	None	Note 11
2006.10	10	250,000,000	2,500,000	190,342,415	1,903,424	Capitalization of retained earnings	117,621	None	Note 12
2006.11	10	250,000,000	2,500,000	194,187,342	1,941,873	Conversion of CB to shares	38,449	None	Note 13
2006.12	10	250,000,000	2,500,000	209,853,913	2,098,539	Conversion of CB to shares Capital increase by cash	6,666 150,000	None	Note 14
2007.04	10	250,000,000	2,500,000	210,601,038	2,106,010	Conversion of CB to shares	7,471	None	Note 15
2007.07	10	250,000,000	2,500,000	211,670,560	2,116,706	Conversion of CB to shares	10,696	None	Note 16
2007.09	10	300,000,000	3,000,000	218,800,569	2,188,006	Capitalization of retained earnings	71,300	None	Note 17
2007.10	10	300,000,000	3,000,000	221,330,854	2,213,309	Conversion of CB to shares	25,303	None	Note 18
2008.02	10	300,000,000	3,000,000	226,330,854	2,263,309	Capital increase by cash	50,000	None	Note 19
2008.02	10	300,000,000	3,000,000	226,674,145	2,266,741	Conversion of CB to shares	3,432	None	Note 20
2008.05	10	300,000,000	3,000,000	226,698,791	2,266,988	Conversion of CB to shares	247	None	Note 21
2008.09	10	300,000,000	3,000,000	234,536,385	2,345,364	Capitalization of retained earnings Conversion of CB to shares	76,035 2,341	None	Note 22
2008.12	10	300,000,000	3,000,000	235,111,566	2,351,116	Conversion of CB to shares	5,752	None	Note 23
2009.02	10	300,000,000	3,000,000	234,761,566	2,347,616	Cancellation of treasury shares	3,500	None	Note 24
2009.09	10	300,000,000	3,000,000	256,542,450	2,565,425	Capitalization of retained earnings	217,809	None	Note 25
2009.12	10	300,000,000	3,000,000	273,542,450	2,735,425	Capital increase by cash	170,000	None	Note 26
2011.09	10	400,000,000	4,000,000	281,748,724	2,817,487	Capitalization of retained earnings	82,062	None	Note 27
2012.08	10	400,000,000	4,000,000	286,795,325	2,867,953	Capitalization of retained earnings	50,466	None	Note 28
2013.09	10	400,000,000	4,000,000	336,795,325	3,367,953	Capital increase by cash	500,000	None	Note 29
2014.10	10	400,000,000	4,000,000	335,413,325	3,354,133	Cancellation of treasury shares	13,820	None	Note 30
2014.11	10	400,000,000	4,000,000	338,413,325	3,384,133	Issuance of restricted stock awards	30,000	None	Note 31
2015.01	10	400,000,000	4,000,000	383,413,325	3,834,133	Capital increase by cash	450,000	None	Note 32
2015.08	10	400,000,000	4,000,000	383,173,325	3,831,733	Cancellation of restricted stock awards	2,400	None	Note 33
2016.03	10	500,000,000	5,000,000	413,173,325	4,131,733	Capital increase by cash	300,000	None	Note 34
2016.09	10	500,000,000	5,000,000	413,085,575	4,130,855	Cancellation of restricted stock awards	878	None	Note 35
2017.05	10	500,000,000	5,000,000	433,784,527	4,337,845	Conversion of CB to shares	206,990	None	Note 36
2017.08	10	500,000,000	5,000,000	447,705,419	4,477,054	Conversion of CB to shares Cancellation of restricted stock awards	148,074 8,865	None	Note 37
2017.11	10	500,000,000	5,000,000	471,615,361	4,716,154	Conversion of CB to shares	239,100	None	Note 38
2018.03	10	500,000,000	5,000,000	480,898,436	4,808,984	Conversion of CB to shares	92,830	None	Note 39
2018.06	10	600,000,000	6,000,000	510,898,436	5,108,984	Capital increase by cash	300,000	None	Note 40
2021.10	10	600,000,000	6,000,000	540,898,436	5,408,984	Capital increase by cash	300,000	None	Note 41
2022.04	10	600,000,000	6,000,000	540,933,730	5,409,337	Conversion of CB to shares	353	None	Note 42
2022.07	10	700,000,000	7,000,000	540,933,730	5,409,337	Authorized capital increase	-	None	Note 43

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 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 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 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

Note 43: Approval No.: Ching-shou-shang-tzu-ti-11101122780

2) Type of stock

April 21, 2023; Unit: share

Type of stock	Authorized share capital			Notes
	Outstanding shares	Unissued shares	Total	
Common stock	540,933,730	159,066,270	700,000,000	Listed company's shares

3) Information for shelf registration: Not applicable.

2. Composition of shareholders

April 21, 2023; Unit: shares, %

Composition of Shareholders / Quantity	Government agencies	Financial institutions	Other juridical persons	Individuals	Foreign institutions and individuals	Total
Number of shareholders	1	3	399	127,229	238	127,870
Shareholding (Shares)	14	4,055,000	36,600,141	432,878,992	67,399,583	540,933,730
Shareholding percentage (%)	0	0.75	6.77	80.02	12.46	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 China.

3. Distribution of shareholding

(1) Distribution of shareholding

April 21, 2023; Unit: persons; shares; %

Shareholding range	Number of shareholders	Shareholding	Shareholding percentage
1 to 999	40,137	3,648,584	0.67
1,000 to 5,000	71,104	143,808,843	26.59
5,001 to 10,000	9,586	73,226,370	13.54
10,001 to 15,000	2,749	34,308,035	6.34
15,001 to 20,000	1,495	27,419,274	5.07
20,001 to 30,000	1,169	29,346,533	5.43
30,001 to 40,000	511	18,223,160	3.37
40,001 to 50,000	306	14,108,176	2.61
50,001 to 100,000	513	36,060,035	6.67
100,001 to 200,000	162	22,120,404	4.09
200,001 to 400,000	68	18,508,088	3.42
400,001 to 600,000	19	9,596,509	1.77
600,001 to 800,000	10	7,106,434	1.31
800,001 to 1,000,000	8	7,229,696	1.34
1,000,001 and above	33	96,223,589	17.78
Total	127,870	540,933,730	100.00

(2) Preferred stock: not applicable

4. Major shareholders

April 21, 2023; Unit: shares; %

Name \ Shares	Shareholding	Shareholding percentage
Ping-Hai, Chiao	12,072,954	2.23
Chang Hwa Commercial Bank, Ltd. is entrusted to take care of the dedicated account of Yuanta Taiwan High-Yield Leading Company Fund.	8,500,000	1.57
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	7,068,103	1.31
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	6,845,312	1.27
Hua Eng Wire&Cable Co., Ltd.	4,699,013	0.87
BAYVK A3 - Global Investment Responsibility custody under HSBC	4,430,481	0.82
Citibank is entrusted to take care of the dedicated account of DFA Emerging Markets Core Equity Fund	3,737,544	0.69
Green Cove Enterproses Inc.	3,605,462	0.67
Hitech Holding (BVI) Corp.	3,545,887	0.66
Taiwan Life Insurance Co., Ltd.	3,218,000	0.59

5. Share information for last two years (market price, net value, earnings and dividends per share)

Unit: NTD; thousand shares

Item \ Year			2021	2022	As of April 30, 2023 (Note 4)
Market price per share (Note 1)	Highest		89.50	87.80	49.70
	Lowest		37.60	36.20	40.60
	Average		62.64	61.52	46.06
Net value per share	Before distribution		21.19	23.85	24.38
	After distribution		19.84	(Note 3)	(Note 3)
Earnings per share	Weighted average shares (thousand shares)		519,592	540,934	540,934
	Earnings per share		2.02	4.00	0.50
Dividends per share	Cash dividends		1.35	2.50 (Note 3)	
	Stock dividends	Earnings distribution	–	–	
		Capital distribution	–	–	
	Accumulated undistributed dividend		–	–	
Return on investment (Note 2)	Price/Earnings ratio		31.01	15.38	
	Price/Dividend ratio		46.41	24.61	
	Cash dividend yield		2.15%	4.06%	

Note 1: Referred to OTC website.

Note 2: Price/Earnings Ratio= Average Market Price/Diluted Earnings Per Share;
Price/Dividend Ratio= Average Market Price/Cash Dividends Per Share;
Cash Dividend Yield = Cash Dividends Per Share/Average Market Price

Note 3: The earnings distribution proposal for 2022 has been approved by the Board of Directors' meeting on March 15, 2023, but it has not yet to be presented for approval at the shareholders' meeting.

Note 4: Listed net value per share and earnings per share are according to the report reviewed by CPA in the latest quarter as of the date of the publication of this annual report. Other columns show information for the current year as of the date of the publication of this annual report.

6. Company’s dividend policies and implementation status

(1) Dividend policy

The Company’s dividend policy is based on Articles of Incorporation as:

Under the Company’s Article 29 that, the Company shall allot no less than 5% of profits as employees’ compensation and no more than 2% of it as the director’s compensation when the Company makes profits. However, there shall be a certain amount reserved from the profit in advance to make up for the loss when there is still accumulating loss of the company.

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

Under Article 29-1, profits shall be used to pay taxes and to utilize for offsetting losses of the previous years, and then 10% of the remaining profit shall be allotted for a legal reserve and the special reserve or to reverse special reserve as requested by the competent authorities when there is any profit generated this year. And then the remaining profit combines with profit accumulated from previous years can be distributed. Some of this distributable profit 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.

The company’s dividend policy is formulated by the Board of Directors, according to the business and investment plan, capital budget, and the changes of internal and external conditions. The total amount of distributed dividends shall be no less than 30% of the remaining profit, and the distribution can be paid in cash or stock. However, the distributed cash dividends shall be greater than 10 % of the total dividends.

(2) Proposal for dividend distribution in 2023 shareholders’ meeting

The Company’s 2022 earnings distribution was approved on March 15, 2023 by the Board of Directors, it is proposed to be distributed as cash dividends of NT$1,352,334,325 (NT$2.5 per share) to shareholders. The proposal will be submitted to the shareholders' meeting on June 19, 2023 for resolution.

7. Effect on business performance and EPS of any stock dividend distribution proposed or adopted at the most recent shareholders’ meeting: Not applicable

8. Compensation of employees and directors

(1) The percentages or ranges with respect to employee and director compensation, as set forth in the company’s articles of incorporation:

The Company shall allot at least 5% of profits as compensation for employees and no more than 2% as compensation for directors when it makes profits. However, the Company shall reserve profits to compensate the cumulative losses in advance.

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

(2) The basis for estimating the amount of compensation of employees and directors, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure, for the current period:

1) The basis for estimating the amount of compensation for employees and directors for the current period: The amount is estimated based on the Company's Articles of Incorporation and prior experience.

2) The Basis for calculating the number of shares allotted for stock dividends: None.

3) The accounting treatment of any discrepancy between the actual distributed amount and the estimated figure, for the current period:

The amount that differs from the earnings distribution proposal reported in the shareholders' meeting shall be subject to the change of accounting estimation and classified as the profit and loss of the following year, which does not affect the approved financial report.

3. Distribution of compensation of employees and directors approved in the Board of Directors meetings.

(1) The amount of distribution of compensation for employees and directors distributed in cash or stock:

The board meeting on March 15, 2023 approved that NTD 150 million of employee compensation and NTD 10.5 million of director compensation in 2022 were distributed in cash, which was consistent with the estimated amount in the 2022 financial statement.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports for the current period and total employee compensation: not applicable.

4. The actual distribution of employees' remuneration and directors' remuneration in the previous year (including the number of shares allocated, the amount of shares and the share price), and differences, the reasons and treatment when it is different from recognized employees' remuneration and directors' remuneration:

According to the resolution of the Board of Directors on March 23, 2022, for the annual earnings of 2021, NTD 75 million of the profit was allocated to employees as cash compensation and NTD 8.4 million to directors as compensation. The actual distribution of compensation of employees and directors was in line with the resolution of the Board of Directors.

9. Status of repurchase of company shares: None

II. Status of issuance of corporate bond

1. Status of issuance of corporate bond:

Type of corporate bond		The 7th domestic unsecured convertible corporate bonds
Issuance date		July 27, 2021
Denomination		NTD 100,000
Issuance and trading location		Taiwan
Offering price		Issued by par value
Total amount		NTD 300,000,000
Coupon rate		coupon rate 0%
Tenure & maturity date		5 years Date matured: July 27, 2026
Guarantor		None
Trustee		Land Bank of Taiwan
Underwriter		960T Fubon Securities Co., Ltd.
Legal counsel		Handsome Attorneys-at-Law
Auditor		Ernst & Young
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		NTD300,000,000
Redemption or Early Repayment Clause		Omit
Covenants		Omit
Credit Rating (Agent, Date and Result)		None
Other Rights of Bondholders	Amount of converted or exchanged common shares, GDRs or other securities as of the publication of the Annual Report.	NTD2,400,000
	Conversion Right	Omit
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

2. Information of convertible bond

<u>Information of convertible bond</u>

Type of Convertible Bond		The 7th domestic unsecured convertible corporate bonds	
Item / Year		2022	As of April 30, 2023
Market price of conversion	Highest	154.00	99.90
	Lowest	91.00	94.80
	Average	100.72	97.44
Conversion price		From August 15, 2021, the conversion price will be adjusted from NT$70.00 to NT$68.90; From July 25, 2022, the conversion price will be adjusted from NT$68.90 to NT$66.20.	
Issuance date and conversion price at the issuance		Issuance Date: July 27, 2021 Conversion price at the issuance: NT$70	
Method to fulfill the conversion obligation		Issuance of new shares	

III. Status of preferred share: None

IV. Status of issuance of overseas depository receipt: None

V. Status of issuance of employee share subscription warrants: None

VI. Status of issuance of new employee restricted award: None

VII. Status of issuance of new shares in connection with mergers or acquisitions: None

VIII. Implementation of capital allocation plans

(1) Content of plan
The previous issuance or private placement of securities 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 the annual report: None.
(2) Implementation status: Not applicable

V. Operation Overview

I. Business category

1. Business scope

(1) Main business content

1) R&D, design, fabrication, import, and agency sales of semiconductor and its materials.

2) Design, processing, import and export sales, 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 for those that are subject to special approval.

(2) Proportion of operation

Unit: NTD thousand

Product/ Year	Operation ratio of 2022	
	Amount	Ratio (%)
Semiconductor products	12,644,318	99.74
Others	33,113	0.26
Total	12,677,431	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 planning and 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 Big Data automatic measurement system

2. Industry Overview

1) Current status and development of the semiconductor industry

The on-going Russo-Ukrainian war and China's lockdown policy have exacerbated the problems which the industry is facing in supply chain management. Compounded by increased interest rates and worsening inflation, the overall global economic performance in 2022 was unsatisfactory, and this slowdown is expected to continue until 2023. World Semiconductor Trade Statistics (WSTS) revised downwards that the YoY growth rate of global semiconductor market would be 4.4% in 2022, which equaled to a market scale of US$580.1 billion. The first to bear the brunt was the memory industry, with annual output value declining by 12.6%. Adversely affected by market cycles and macroeconomics in the second half year, consumers postponed their purchases of consumer electronic products. Thus, sales of memory products slowed and the price was volatile. Compounding matters, most major memory manufacturers are located in Asia, so the decline was reflected in the memory sector and the Asia-Pacific region. At the same time, WSTS estimated that the YoY growth rate in 2023 will decline to -4.1%, which equaled to a market scale of US$556.5 billion. Aside from analog IC, the overall IC industry and the World Fab Forecast (WFF) published by SEMI have echoed each other that the bullwhip effect is brewing and the industry will undergo the trough cycle in 2023. The total global front-end fab equipment spending in 2023 is expected to decline by 22%, from an all-time high of US$98 billion in 2022 to US$76 billion. It is anticipated that, in 2024, the sectors catering to cars, computing, and emerging applications will rebound by 21% to return to the main threshold of US$92 billion and continue their long-term growth).

Forecast of Revenues and YoY Growths of Global Semiconductor Markets

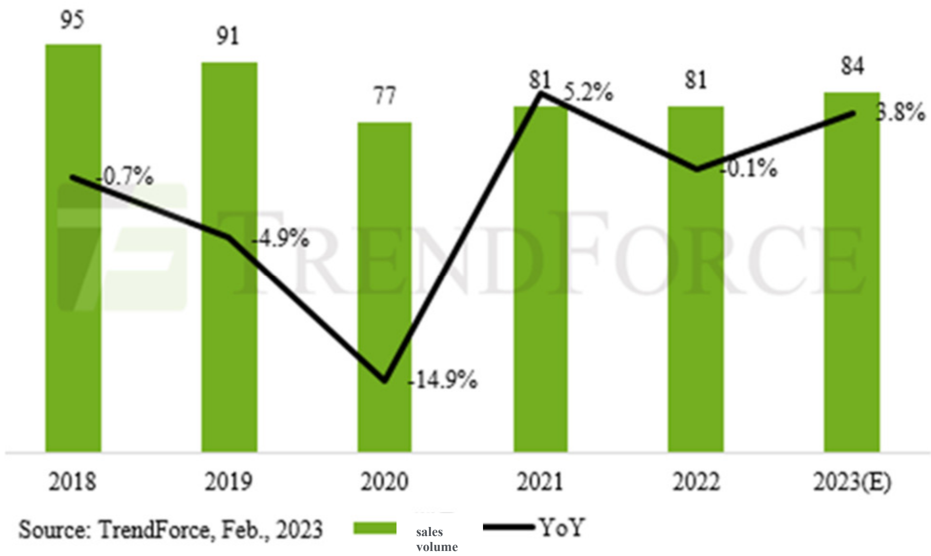
WSTS Forecast Summary

Fall 2022	Amounts in US$M			Year on Year Growth in %		
	2021	2022	2023	2021	2022	2023
Americas	121,481	**142,138**	**143,278**	27.4	17.0	0.8
Europe	47,757	**53,774**	**54,006**	27.3	12.6	0.4
Japan	43,687	**48,064**	**48,280**	19.8	10.0	0.4
Asia Pacific	342,967	**336,151**	**311,005**	26.5	-2.0	-7.5
Total World - $M	555,893	**580,126**	**556,568**	26.2	4.4	-4.1
Discrete Semiconductors	30,337	**34,098**	**35,060**	27.4	12.4	2.8
Optoelectronics	43,404	**43,777**	**45,381**	7.4	0.9	3.7
Sensors	19,149	**22,262**	**23,086**	28.0	16.3	3.7
Integrated Circuits	463,002	**479,988**	**453,041**	28.2	3.7	-5.6
Analog	74,105	89,554	90,952	33.1	20.8	1.6
Micro	80,221	78,790	75,273	15.1	-1.8	-4.5
Logic	154,837	177,238	175,191	30.8	14.5	-1.2
Memory	153,838	134,407	111,624	30.9	-12.6	-17.0
Total Products - $M	555,893	**580,126**	**556,568**	26.2	4.4	-4.1

Note: Numbers in the table are rounded to whole millions of dollars, which may cause totals by region and totals by product group to differ slightly.

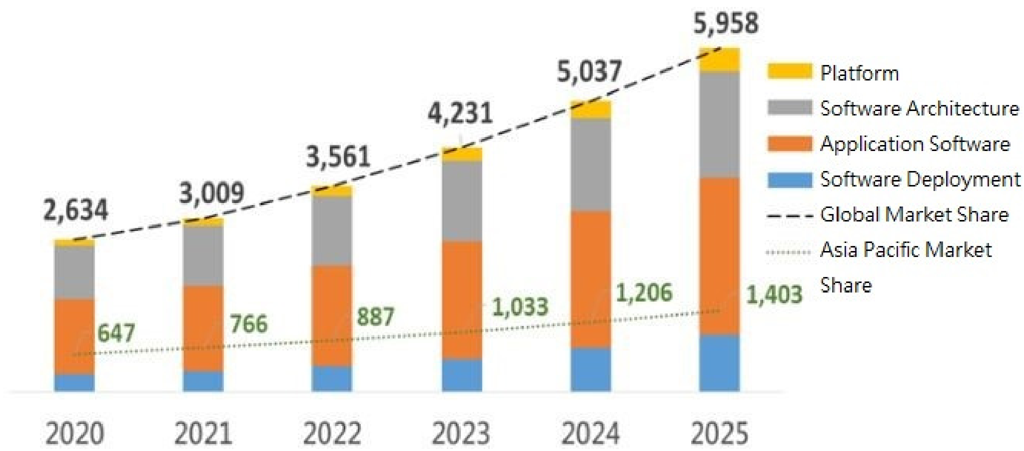
Source: World Semiconductor Trade Statistics (WSTS) 11/2022

According to the survey conducted by TrendForce, the total global vehicle sales in 2022 were 81.05 million units, virtually equal to the volume sold in 2021. The short supply of auto chips along with logistics problems prevented the supply from promptly meeting the demand. According to estimates, the 2023 growth trend will likely rebound to 84.1 million units, representing an annual increase of 3.8%. From the perspective of regional markets, China has continued to be the champion of car sales, followed by the U.S. According to the research conducted by sales trackers LMC Automotive and EV-Volumes, the sales of global xEV (battery electric vehicle and hybrid electric vehicles) are approaching 8 million units, representing an annual increase of nearly 70% and accounting for about 10% of global new car sales. With the prevalence of net zero awareness, battery electric vehicles equipped with net zero characteristics will continue to increase and show significance among sales ratios. Despite the economic downswing, China's car market has shown no sign of declining. Tesla, the giant leader of battery electric vehicles, launched a price war at the end of 2022 in an attempt to seize the market share. In order to cut costs, Tesla announced a reduction of up to 75% of the use of SiC, a third semiconductor category, on its investor day. Some experts consider Si-based material to have comparative advantage in the xEV market. The possibility for Tesla to replace SiC with Si-based material has not been ruled out.



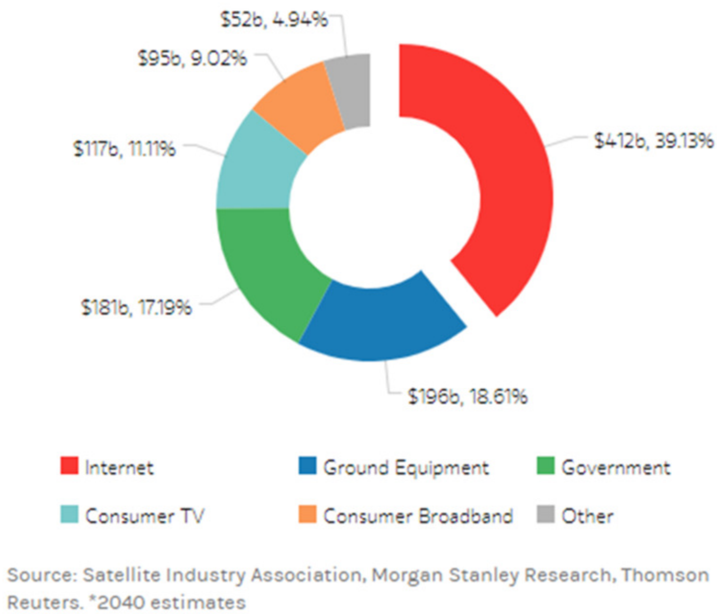
Source: TrendForce, 02/2023. Unit: million units.

The graphics processing unit (GPU) giant NVIDIA rolled out its new computing platform, while accelerating development in the sectors of artificial intelligence (AI), high performance computing (HPC), and quantum computing. Advanced computing capability sustains the existence of ChatGPT, which has enabled AI to take a great leap from a single data pattern to a social interaction model. The director of the Industry, Science and Technology International Strategy Center (ISTI) of ITRI is also convinced that the combination of creator economy and generative AI is an important engine to commercialize the metaverse. According to IDC's analysis, the annual global AI overall market revenue (including software, hardware, and services) in 2021 topped US$316.9 billion, and revenue is expected to exceed US$700 billion in 2025. While confronting the largest single-quarter loss in years, memory manufacturer Micron also saw the potential opportunity brought by the rise of generative AI. Relevant applications require lots of memory chips to operate. The future new demand is bound to increase, which will further invigorate market recovery.



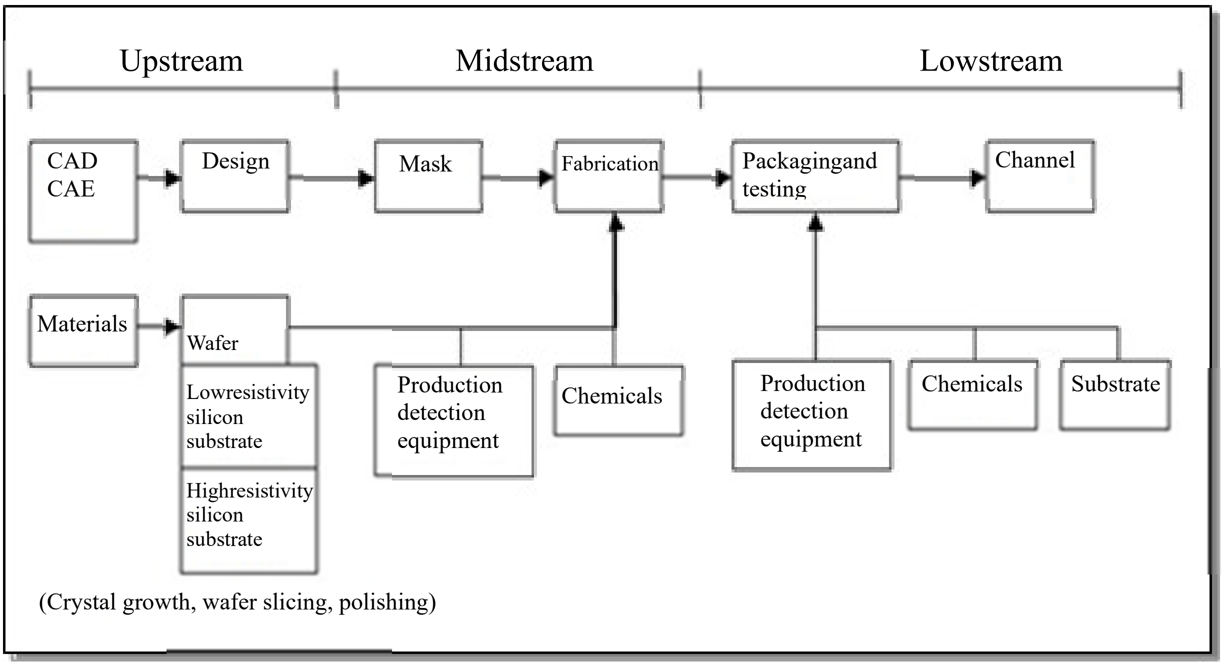
Source: IDC, summarized by ITRI, 2022. Unit: hundred million USD.

To assist the growth of the computing platform, reinforce current 5G penetration and future 6G development, and even deal with military conflicts, low earth orbit satellite (LEOS) has reemerged as a focal topic of discussion. While the Russian army bombarded Ukrainian base stations and cables, LEOS turned out to be a clincher for the Ukrainian army to maintain communications. Many countries around the world have aggressively developed LEOS-related technologies. According to statistics released by the Satellite Industry Association, the global space economies of scale topped US$371.3 billion in 2020. It is estimated that the global space economies of scale will reach US$1 trillion by 2040, and the satellite industry will account for up to 88%, or US$925.2 billion. Apart from this, unmanned aerial vehicles (UAVs) were, for the first time, assigned to military tasks, such as patrol and reconnaissance in the war. These applications not only expand business opportunities for military chips, but also make UAV combat a future war trend. Taiwan has invested more than NT$20 billion in establishing a UAV national team to aggressively develop the military and civil dual-use UAV industry.



Source: Satellite Industry Association, Morgan Stanley Research, Thomson Reuters, 2021 (*2040 estimates)

2) Correlation among upstream, midstream, and downstream of semiconductor industry

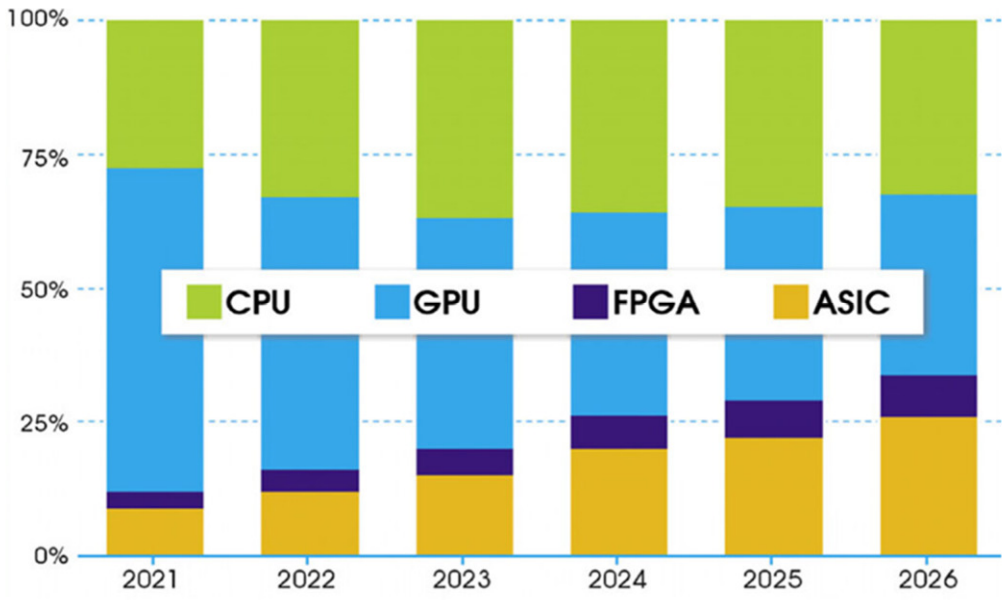


Data source: ITRI IT IS project; summarized by Wafer Works (3/2016)

3) Trends of end applications and product development

To continue the analysis of WSTS, the fields of discretes, sensors, analog IC, etc. maintained their growth trends in 2022. The growth was even slightly higher than previous estimates and relevant to the positive growth of xEV related demands. The global automotive industry continues to develop toward two major trends of electrification and intelligentization. The policy of banning the sale of internal combustion engine vehicles (ICEV) urges international vehicle makers to actively switch to the development and production of electric vehicles. It is estimated by DIGITIMES Research that the global penetration rate of electric vehicles will surpass 32.8% in 2025. 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. Battery management systems (BMS), on board charger (OBC), charging guns/piles, inverter, converter and sensors etc., and all required electronic components and Si-based devices (including power MOSFET, IGBT, Super Junction, sensor, analog IC) and compound semiconductors (SiC and GaN). Lightly and heavily doped wafers have benefited at the same time. Major international IDM manufacturers have even more aggressively signed 12 inch long-term agreements (LTA) with Wafer Works to ensure sufficient supply.

After heated discussions arising from ChatBot ChatGPT, the surge in the number of users can be expected. As a result, the demand for installation of advanced servers with high speed networks and hardware of cloud AI has significantly increased, prompting demand for high performance central processing unit (CPU), GPU, field programmable gate array (FPGA), and application specific integrated circuit (ASIC), and the demand has even been extended to memory products. At the same time, the sales momentum of the cloud edge AI device has also been fostered. As indicated in TrendForce's research, the ratio of the ASIC market size in 2026 will rise to 26%. The largest growth will facilitate ASIC's market share, which will cover communication requirements such as telecommunications and EOS in addition to generative AI. Nevertheless, ASIC is mostly the 12-inch equipped with 3-7 nm advanced processing technology. It is anticipated that 12-inch production lines will successively open and gradually penetrate the market, and the converters used by cloud edge AI devices will reflect the demand for heavily doped wafers.

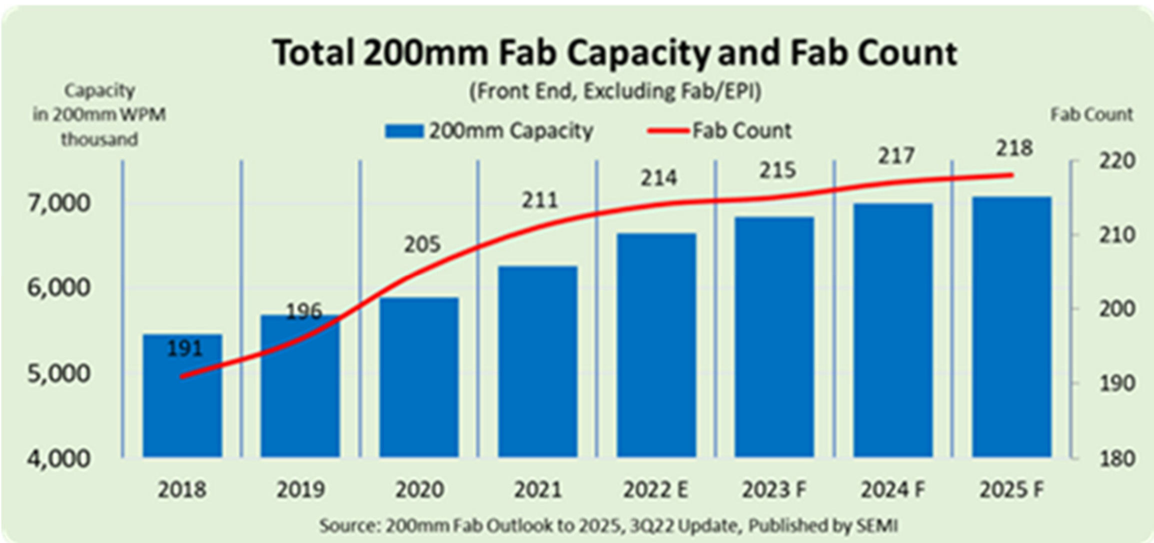


Source: TrendForce, 09/2022

The mmWave chip manufacturing technology used by Radar and LESO is similar to that used by 5G, and the demand driven by UAV is slightly similar to that of xEV. However, driverless vehicles rely more heavily on the assistance of image sensors and data transmission devices. It is bound to drive the demands for RF front end module, RF devices for antenna modules, RF-SOI and GaN wafers. PMIC, power MOSFET devices fabricate on heavily doped wafers. The demand will continue to grow. However, likewise, the advanced CIS market also relies on and benefits from stable mass production of the 12-inch production line.

The increase in high performance, high speed computing platforms and xEV highlights the two major issues of energy conversion efficiency and energy loss. Therefore, the wide band gap semiconductors with high energy efficiency and low loss grab lots of limelight. While introducing resources to develop compound semiconductors, major manufacturers also continue to refine their Si wafer processing capacity and develop new processing technology to overcome the limitations of Si-based semiconductors. With a rich experience of 25 years in silicon manufacturing, homo- and hetero-epitaxy, the recent GaN Epi outcome not only showcases Wafer Works' silicon material strength, but also expands the dimensions of material application.

The multiplied push of emerging technologies, such as the aforementioned xEV, AI, and communication technologies, is certain to trigger new demand for relevant electronic components, which will further reinforce the demand for fab production capacity, positively prompt the consumption of silicon chips, and further invigorate the beneficial development of the silicon industry. Although less 8-inch machine equipment is available on the market, according to SEMI's statistics, the number of 8-inch fabs has slightly increased. From 2021 to 2025, the production capacity of automotive and power semiconductor fabs is expected to take the lead with a growth of 58%, followed by MEMS growing 21% and analog IC growing 14%. Thus, the demand for corresponding lightly and heavily doped wafers results in the fact that 8-inch production capacity utilization rates have been 90%-95% for an extended period of time. With the tight supply of the supply chain and intensified scope and depth of end product applications, the overall demand for silicon crystal materials has shown stable growth, and customers' intention to launch medium and large size products has been gradually brought to light. As analyzed by SEMI, from 2022 to 2026, the production capacity of analog IC and discrete has taken the lead with a compound annual growth of 30%, followed by foundry growing 12% and optical devices growing 6%. The existing 12-inch production line of Wafer Works has also benefited from orders of discretes, which have fully loaded the production capacity. nevertheless, Longtan Plant and Erlin Plant will gradually make up for the strong demand gap in the future.



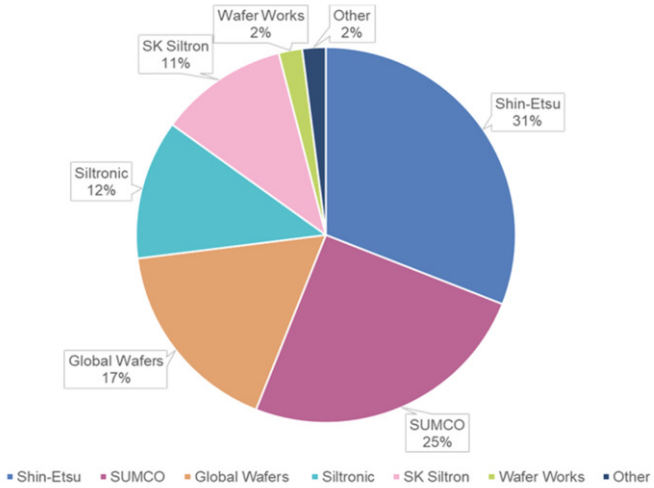
Source: SEMI 200mm Fab Outlook to 2025, Q3/2022

4) Horizontal competition

According to the statistics, the global market ranking of silicon wafer makers remains for years, with Shin-Etsu (Japan), Sumco (Japan), Global Wafers (Taiwan), and Siltronic AG (Germany) ranked top five. Wafer Works is ranked 6th in the 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 the leading position of Wafer Works in this field. In addition to speeding up the debottlenecking of production capacity in Longtan Plant, 8 inch capacity increased by about 10% and 12 inch sample delivered in end of 2022. The plan to expand current factory buildings is scheduled to be completed by the end of 2023, so the total production output is expected to be increased after all the 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 as of the date of publication of annual report

Unit: NTD Thousand

Item/Year	2022	2023Q1
R&D expenses	838,440	241,265
Net operating income	12,677,431	2,705,087
R&D expenses as a percentage of net revenue (%)	6.61%	8.92%

2) Technologies or products successfully developed in the most recent year and as of the date of publication of annual report

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

B. 8-inch lightly doped low COP silicon wafer

C. 6-inch/8-inch double-side polished silicon wafer

D. 8-inch multi-element doped silicon wafer

E. 6-inch/8-inch SOI wafer

F. 8-inch ultra-low COP polished silicon wafer technology

G. 12-inch epitaxial technology

H. 12-inch ultra-low resistivity silicon wafer technology

3) Annual R&D plan, current progress, R&D expenses needed to be reinvested, and expected time to begin mass production

Unit: NTD thousand

Product or Technology	Expected completion of technology development	Current progress	Expected expenses to be reinvested
(1) 12-inch low resistivity silicon wafer technology	December 2023	80% completed	76,500
(2) 8-inch ultra-low resistivity polished silicon wafer technology	December 2023	95% completed	7,500
(3) Project development related to the application of image sensing device CIS epitaxial material	December 2023	80% completed	55,000
(4) SOI epitaxial technology	December 2023	90% completed	7,600
(5) 8-inch ultra-low resistivity crystal growth technology	December 2023	60% completed	53,000
(6) Development of AI/AO Big Data automatic measurement system	December 2023	60% completed	26,000
(7) Development of suitable silicon wafer technology for GaN epitaxy	December 2023	55% completed	51,500

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

A. Establishment of R&D basic knowledge and protection of core technology capability

B. Cultivation of talents with critical technologies and retention of talents with unique expertise

C. Judgment of mid-to-long-term market with persistence of technology development roadmap

D. Technological improvement and collaboration of R&D strategic partners

E. Competitors get a head start through M&A or technology purchase

F. 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 silicon wafer material products maker, focusing on niche products such as Power Discrete, Power Management IC, Analog IC & MEMS, and 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 the Zhengzhou Plant and the new Shanghai Plant will continue to be enhanced to meet the customers’ demands and to improve the market share.

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

C. Active exploration of market share of P-type products to meet the need of customers.

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

E. Penetration into the BSI CIS niche market through the development of high-end silicon substrate to create high-value-added products.

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

2. Long-term development plan

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

(2) Development strategies:

A. Achieve the objective of process optimization through a 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 saving efficiency in response to the trend of energy saving and environmental protection.

C. Enhance technology capability and develop, cultivate and produce high-quality products.

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

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

F. Continue to focus on market trends and develop products for RF applications to strengthen the product lines.

II. Market and product sales overview

1. Market analysis

(1) Sales (supply) areas of major products (services)

Unit: NTD thousand

Region	2021		2022	
	Amount	%	Amount	%
Taiwan	3,002,631	29.0%	3,752,956	29.6%
Mainland China (Including Hong Kong)	3,544,739	34.3%	3,547,828	28.0%
USA	1,251,464	12.1%	1,770,377	14.0%
Other countries	2,542,442	24.6%	3,606,270	28.4%
Total	10,341,276	100.0%	12,677,431	100.0%

Data source: Wafer Works Corporation 2023/03

(2) Market share

According to global shipment data of silicon wafers in 2022 provided by SEMI, among all shipments of polished wafers by Wafer Works in 2022, 4-inch wafers account for 36.3% of the global market, 5-inch wafers account for 27.9% of the global market, 6-inch wafers account for 9.1% of the global market, and 8-inch wafers account for 6.6% of the global market, indicating stable or growing trends of the market shares of various products.

Market Shares of the Products of Wafer Works in 2022

Unit: 1000 wafers/year

	4-inch	5-inch	6-inch	8-inch
Global shipment of polished wafers	1,555	2,686	24,435	52,596
Shipment of polished wafers by Wafer Works	565	750	2,227	3,460
Market share of global polished wafers by Wafer Works (%)	36.33%	27.92%	9.11%	6.58%

Note: the data source of "Global shipment of wafers" is from 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

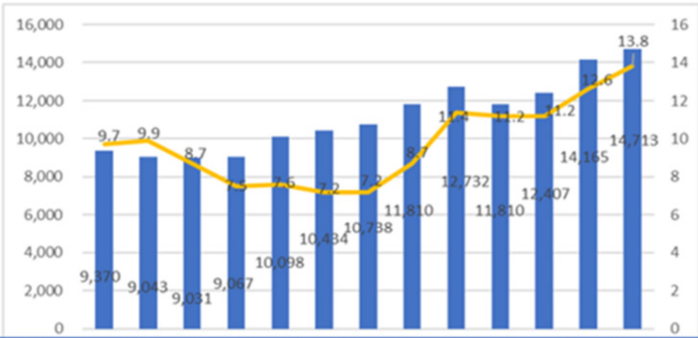
According to the statistics of SEMI, the total global shipment area of semiconductor silicon wafers in 2022 has exceeded 2021 and reached 14,713 million square inches (MSI), indicating strong demands for 12-inch and 8-inch wafers. The total revenue reaches US$138 hundred million, with a YoY growth of 9.5%, breaking the historical records. Given the fact that the macroeconomic conditions are full of challenges, the global shipment of silicon wafers in 2023 is expected to decline to 146 hundred MSI. Silicon wafer makers have reduced their production in the first half of 2023 trying to balance their inventories to a healthy level. The demand in the end markets, such as personal computers and smart phones, is sluggish. However, as driven by the strong demand for data centers and automotive and industrial applications, a rebound of 6.54% to 15,555 MSI is expected for 2024, and a further rebound of 6.01% to 16,489 MSI is anticipated for 2025.

As indicated by SEMI, China's 8-inch wafer production capacity will lead the world by growing 66% in 2025, followed by Southeast Asia with a growth of 35%. The Americas and Taiwan will grow 11% respectively. For 12-inch wafers, China will expand its wafer production capacity and increase its annual production to 25% in 2026, whereas Korea and Taiwan will decline to 23% and 21% respectively. As for Europe, the U.S., and the Middle East, as benefited by the strong demand for automotive chips and promotion of government chips acts, their global shares will rise year by year from 2022 to 2026; among them, the U.S. will slightly increase to 9%. China has been dedicated to developing its domestic chips, and the illustrious outcome will come around in 2026. By then, China will have the largest production capacity in 8-inch and 12-inch wafers throughout the world. Its total production capacity of 8-inch and 12-inch wafers will account for 21% and 25% of the world's total production capacity respectively. Wafer Works' production has been deployed across the strait, so as to minimize the impact of localization on the supply chain.

As driven by the demand for xEV and data communications, the original 8-inch mainstream products CIS, PMIC, and discrete (MOSFET, IGBT) have become short in supply, and some 12-inch foundry utilization ratios have been reduced. As such, R&D production capacity has been reallocated to reduce the time spent for process conversion and authentication, and the 12-inch products revised by the IC design company have successively passed the authentication. These measures have quickly alleviated the short supply of relevant chips.

The semiconductor industry has been in a downswing since the second half of 2022, so supply chain adjustment has also extended to the upstream silicon wafer industry. The industry commonly anticipates that the inventory adjustment will continue in the first half of 2023 and the market is still consolidated in a trough, but the market is expected to bottom out and rebound in the third quarter. Thus, 2023 will see many challenges and opportunities.

Statistics and Future Forecast of 2022 Global Silicon Wafer Shipment Area



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	14,713
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	13.8
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%	3.87%

Actual

	2023F	2024F	2025F
Area shipment (MSI)	14,599.8	15,555.1	16,489.5
YOY (%)	-0.77%	6.54%	6.01%

Estimated

Data source: SEMI, summarized by Wafer Works (02/2023)

(4) Competitive niche

1) Localization advantage

Wafer Works is possessing a superior localization advantage in the competition among silicon wafer suppliers all over the world. The total output of professional wafer foundries of semiconductor industries in Taiwan and Mainland China has accounted for more than 70% of the 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 the Company can be the excellent partners for customers by quickly delivering the silicon wafer products to customers. In Mainland China, there are several subsidiaries of Wafer Works, such as Wafer Works (Shanghai) Co., Ltd. and Wafer Works Epitaxial Corp., to instantly 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 electronics products, manufacturers continue to introduce products featuring better power saving, low power consumption, and fast data transmission to meet consumer needs. Semiconductor material providers must also provide silicon substrates meeting future trends to help device makers achieve optimal performance. Wafer Works is equipped with unique and independent production capability and over 20 years of production and management experience to meet customers’ needs.

In addition to the dedication to enhancing its technology and quality of low resistivity silicon wafer products, Wafer Works began to provide customers with P-type substrates for Logic/Analog IC and PMIC with comparable quality and technology to international manufacturers since 2014, which makes us one of the major suppliers of P-type substrate. In addition, the self-developed SOI chip introduced in 2017 was well-received among customers, thus laying a solid foundation for entering the MEMS market and taking an official step toward the RF market. The Company has 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 (i.e. PMIC) in recent years. This product has been qualified and trial production by several customers.

3) Global product services

Wafer Works has maintained a 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 relationships since its inception 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 tier one wafer foundries and IDMs. The end product applications of Wafer Works silicon wafer material range from discrete devices, power management devices, and analog ICs, to MEMS, proving that Wafer Works is capable of meeting the needs of different customers. The customers of Wafer Works are spread all over the world, and the Company has professional sales teams in the US, Europe, Asia, and Greater China to serve customers in different fields. Currently, the Company has established a close strategic partnership with international customers so that the shipment and technology enhancement of the Group can grow with customers to achieve a win-win situation.

(5) Advantage, disadvantage factors, and response measures of the development prospect

1) Advantage factors

A. The main product of Wafer Works is the low resistivity heavily doped silicon wafers 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 the end device. The emergence of hand-carry and wearable devices will drive the demand for power management devices.

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

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

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

E. The center of a global semiconductor products is located in Asia, and the significance of wafer foundries in Greater China continues to grow. The Headquarters of Wafer Works is located in Taiwan, and the Company has the most advanced production sites on both sides of the Taiwan Strait, granting the Company an excellent geographical advantage.

2) Disadvantage factors and response measures

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

Response measures:

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

② Process improvement to enhance quality and yield.

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

Response measures:

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

② Set up production sites in multiple regions for flexible production schedules to reduce possible epidemic impacts.

C. For the product with small-volume and multiple diverse, the enhancement of production efficiency can be limited

Response measures:

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

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

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

Response measures:

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

② Development of cost advantage polysilicon material sources.

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

④ Development of niche products to enhance the added value.

E. New competitors from Mainland China

Response 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 the 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 can create the most important raw material for the semiconductor industry. Through proper design and processing such as slicing, chamfering, grinding, etching, polishing, cleaning, inspection, packing and shipping.

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 percentage of these purchases (sales) amounts, and the reasons for changes in them

(1) The information of major suppliers accounting for more than 10% of total procurement in either of the last two years

Unit: NTD thousand

Item	2021				2022				As of Q1 of 2023			
	Name	Amount	Percentage to annual net procurement (%)	Relation to Wafer Works	Name	Amount	Percentage to annual net procurement (%)	Relation to Wafer Works	Name	Amount	Percentage of net procurement as of Q1 of the current year (%)	Relation to Wafer Works
1	A	473,989	13.46%	None	A	278,135	6.95%	None	A	29,794	3.75%	None
2	Other	3,046,486	86.54%	None	Other	3,724,528	93.05%	None	Other	764,298	96.25%	None
	Net purchase	3,520,475	100.00%	－	Net purchase	4,022,663	100.00%	－	Net purchase	794,092	100.00%	－

The change of the major supplier A is mainly because the market situation is still in the consolidation period and the inventory is being digested. The change is reasonable.

(2) The information of major customers accounting for more than 10% of total sales in either of the last two years

Unit: NTD thousand

Item	2021				2022				As of Q1 of 2023			
	Name	Amount	Percentage to annual net sales (%)	Relation to Wafer Works	Name	Amount	Percentage to annual net sales (%)	Relation to Wafer Works	Name	Amount	Percentage to annual net sales (%)	Relation to Wafer Works
1	B	1,106,825	10.70	None	B	1,925,335	15.19	None	B	369,714	13.68	None
2	Other	9,234,451	89.30	None	Other	10,752,096	84.81	None	Other	2,335,373	86.32	None
	Net sales	10,341,276	100.00	–	Net sales	12,677,431	100.00	–	Net sales	2,705,087	100.00	–

5. Production volume and value in the last two years

Unit: NTD thousand; 1,000 pieces

Year / Production volume and amount / Main products	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Semiconductor products	14,941	14,081	7,300,394	17,300	14,516	7,637,040
Other	-	-	-	-	-	-
Total	-	-	7,300,394	-	-	7,637,040

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 an explanation in the attachment.

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

The production amount and production capacities of the Company and subsidiaries have been showing a 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 amount / Main product	2021				2022			
	Domestic		Export		Domestic		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Semiconductor products	7,080	4,685,951	7,987	5,653,464	4,892	3,743,024	9,670	8,901,294
Other	–	1,861	–	–	–	9,931	–	23,182
Total	–	4,687,812	–	5,653,464	–	3,752,955	–	8,924,476

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 backing material and solar energy materials.

The changes in the product-specific sales volumes and values of the Company and subsidiaries 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.

III. Information of employees in the last two years and as of the date of publication of the annual report

Year		2021	2022	April 30, 2023
Number of employees	Managers	572	673	658
	R&D technicians	533	488	501
	Operators	1,102	1,101	1,042
	Total	2,207	2,262	2,201

Year		2021	2022	April 30, 2023
Average age		36.4	36.4	37.4
Average years of service		4.4	4.7	5.2
Distribution of education (%)	PhD	0.3	0.5	0.3
	Master's	5.6	8.8	5.6
	Bachelor’s	51.4	53.4	54.2
	Senior high school	24.2	28.7	28.7
	Below senior high school	18.5	8.6	11.2

IV. Information of environmental protection expenditures

1. Losses (including compensation and the violation of environmental protection laws and regulations indicated in the environmental protection audit) suffered by the 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 response 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 2022 the Company did not suffer any loss due to environmental pollution or the violation of environmental protection laws and regulations indicated in the audit.

2. Environmental management and occupational safety and health

(1) Environmental management

The company emphasizes various pollution prevention and control works. In order to reduce the environmental impact, the Company has invested a huge amount of budget in pollution prevention and control facilities, dedicated personnel and acquisition of relevant licenses so that they can be in charge of various pollution prevention and control facilities. The company will continue to be certified by the ISO-14001 environmental management system every year to make the Company more systematic and sustainable in management and improvement.

1) Based on fulfillment of the responsibility of sustainable environmental protection, the Company conducts ISO14064 greenhouse gas check 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 through the third-party verification institution, and the registration on the greenhouse gas registration platform EPA is completed every year.

2) Supports by the management level, the Company continues to set annual environmental protection targets of carbon reduction, water saving, and emission reduction to constantly move towards the visions of environmental protection, continuous improvement, and sustainable operation.

(2) Occupational safety and health

Through the ISO45001 occupational safety and health management system, the Company has further strengthened workplace safety mechanisms and established good communication channels, enhancing the interactions among employees and stakeholders. 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 the operation site, and the wearing of such equipment shall be mandatory for employees. And there shall be an enhanced audit on this requirement.

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

4) Implementation of management, safety and health educational training, construction application, application for dangerous operation, and provide hazard notice before the operation for contractors with irregular construction audits in order to ensure the 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 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 the such plan. And there shall be an 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 improvements.

8) The environment, safety and health risks of new chemical substances shall be evaluated before use, and it must be ensured that these risks are under effective control through 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

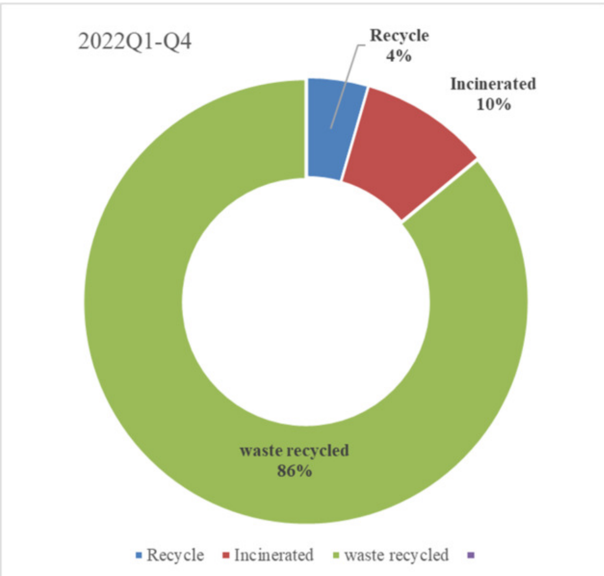
3. Waste management

The Company adheres to the recycling model of a circular economy. For the purpose of reduction of waste management sources and circular economy, the Company conducted BS8001 circular economy certification in 2021 and achieved the business model maturity: optimization (Certification institute: SGS). The Company will continue to dedicate the effort to waste reduction and recycling.

Wafer Works already has complete waste disposal and recycling mechanism in place. General wastes are moved by qualified garbage collectors to the incinerators designated by the government. The industrial wastes are classified and collected before being 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, resource waste is to be incinerated, and general industrial waste to be recycled. The generation of various wastes in 2021–2022 is as shown in the table below:

Year	Total generation of wastes in 2021	Total generation of wastes in 2022
Type	Weight (ton/year)	Weight (ton/year)
Resource waste	160.86	156.99
General industrial waste (Incinerated)	192.82	271.26
General industrial waste (Recycled)	3,162.234	3,020.97
Hazardous industrial waste	52.49	63.13
Total	3,568.40	3,512.35

In 2022, hazardous industrial wastes(chemical empty barrel) were disposed based on the cooperation with waste disposal service providers through 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 86% of all general industrial wastes.



4. Green energy construction equipment

The Company's construction of solar energy equipment has been split into two phases. Procurement is currently underway for the first phase, and the estimated total capacity of units purchased during this phase is 482.825 kWh, with installation expected to be completed by the end of 2023. This will make it possible to achieve sustainable, environmentally-friendly operations via green energy.

5. Disclosure of relevant information under the structure of Task Force on Climate-related Financial Disclosures (TCFD)

   TCFD relevant information has been assessed for short, mid, and long-term risks and opportunities, and the report has been prepared. The verification is expected to be completed in December 2023 via a third-party verification agency.

V. Labor-management relationship

1. Various welfare measures, further education, training, and retirement system for employees and the implementation status, labor-management agreements, and various employee rights and interests protection measures of the Company:

   (1) Complete and diversified welfare system

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

   1) Flexible working hours
   2) Extra annual leave for new employee
   3) Stock award for employee
   4) Festival bonus
   5) Cash remuneration for employees (employee bonus)
   6) Retaintion program
   7) Gift voucher
   8) Employee medical office
   9) Meal allowance
   10) Comprehensive well-being
   11) Year-end party
   12) Group insurance (life insurance, injury insurance, accident insurance, medical insurance, hospitalization, cancer insurance, and occupational disaster); dependents' preferential insurance plan at own choice
   13) Employee entertainment facilities
   14) Employee Stock Ownership Trust

   (2) Advanced study and training

   The Company highly values 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 productivity capacity and strengthening the ability to prevent occupational disasters, the company has established training management measures and language proficiency training to enhance the competitiveness. The training expenses in 2022 totaled NT$750,000 proximately.

The training types are divided into:

A. Newcomer training
B. Core technology
C. Professional capabilities of divisions
D. Certification/multi-skilled worker
E. Quality and efficiency
F. Leadership and management
G. General knowledge

The 2022 training results are:

Name of course	Number of courses	Total participants	Total hours	Total expenses (NTD thousand)
Newcomer training	25	3,272	5,265.5	750
Core technology	13	2,061	1,935	
Professional capabilities of divisions	99	1,096	2,374	
Certification/multiple skills	49	432	1,380	
Quality and efficiency	27	4,126	2,945.5	
Leadership and management	9	260	597.5	
Core general knowledge	17	4,826	3,926	
Total	239	16,073	18,424	

(3) Retirement system

The Company has reserved the pension fund to the designated account of Bank of Taiwan 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 every month since 1999 to be used for employee retirement matters; starting from July 1, 2005, the Company allocated 6% of monthly salary to individual account for every employee at Bureau of Labor Insurance according to the Regulations of New Labor Pension System. The retirement policies for employees of foreign subsidiaries shall be subject to local laws and regulations.

(4) Labor-management agreement and various measures for employees' rights and interests

Since the founding of the Company, the labor-management relationship has always been harmonious, and the rights and interests and obligations of both parties have been subject to the Company's work rules and the implementation of management rules by regular labor relationship meetings. The labor relationship meeting has been convened every quarter to ensure the rights and interests of employees. A total of 5 labor-management meetings were convened in 2022 for discussion of major labor issues and the election for annual model labor, and a total of 15 model labors were elected in 2022.

Regardless no union is formed in the Company, the 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 the company, so there has not been any labor dispute. However, if there is any major operational change that could affect employees, a prior notice will be issued to all employees in accordance with the Labor Standards Act.

2. The losses suffered from labor disputes in 2022 and up to the date of publication of the annual report (including the violation of the Labor Standards Act during labor inspection, where the date and memo number of punishment, violation by clause of law or regulation and its content, and reasons for punishment), and the disclosure of current and future possible estimated amount and corrective actions. If it cannot be reasonably estimated, the facts to address the issues shall be explained:

The company has established a complete management system with open-communication channels so that the labor relationship has been harmonious and no major labor disputes occurred.

3. Employee Code of Conduct

(1) The Company has formulated "RBA code of Ethics and Management Rules" to serve as the criteria for the code of conduct for all employees in Wafer Works. The Company is committed to assure company governance with high ethical standards, engage in business activities in accordance with the principles of fairness, honesty, trustworthiness and transparency, enhance the behavioral competence of all employees, regulating employees' professional capabilities and moral judgment during a business performance in order to maintain the Company's assets, rights and interests, and image; it is also required that employees are obliged to create maximum benefits for the Company within the legal scope, and also responsible for damage or loss. They shall jointly maintain the Company's reputation in order to win over the respect and trust of customers, suppliers, and industry in order to ensure the Company's sustainable operation and development. The main content of this regulation includes:

1) Principle of integrity: faithfully performing the tasks assigned by the Company with integrity as the highest ethical standard.

2) Respect for individuals and customers: respect and strictly protect individual and customers' privacy, and fair treatment for customers.

3) Avoidance of conflicts of interests: details of the involvement of activities with potential conflicts of the Company's interest shall be disclosed to Chairman and President for approval and reported to the Audit Office in advance.

4) Gifts and business entertainment: all employees and their families are not allowed to accept gifts (except for weddings and funerals) or kickbacks or other unlawful interests from customers and suppliers.

5) Facilitating payment: the Company cannot offer or promise any facilitation payment.

6) Complete, adequate, accurate and timely disclosure of understandable information.

7) Reporting, Protection and be waived: 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: the Company shall fulfill the corporate social responsibility and protect the rights and interests of employees.

(2) In addition to officially announcement by the ISO document system of the Group, RBA code of Ethics and Management Rules will also be actively advocated to all employees to assure that they will all comply with these codes by clearly understandings of the code of conduct.

(3) In addition to let employees aware of and comply with this regulation, any behavior worthy of encouragement or punishment shall be subject to the Company's reward and punishment management measures.

4. Human rights policy

For the purposes of fulfilling corporate social responsibility, protecting basic human rights of the entire staff, customers, and stakeholders, and being in 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), the Company has formulated the "Employee Appointment Management Measures", complied with local labor laws and regulations, and implemented relevant training courses for all employees in order to enhance their awareness of human rights.

The Company proposed the "RBA Human Resource Policy" with respect to "Human Rights" of "Inclusive Workplace". Under the core value of "Commitment", the Company regards employees as the most important assets and the Company provides meaningful work, safety and health workplace with superior salaries and welfare; meanwhile, the Company organizes regular "Sexual Harassment and Bullying Prevention" courses. In the future, the Company will further implement the Company's "Human Rights Policy" in accordance with the aforementioned international human rights standards.

(1) Compliance with domestic labor laws and regulations, international human rights and labor standards, and RBA code of conduct to protect the rights and interests of employees.

(2) Ban the use of child labor and establish protective measures against misuse of child labor.

(3) Meet the regulations on working hours and wages: provide wages and welfare, which meet the laws and regulations while sticking to the working hour management standards. All overtime work must be voluntary.

(4) Provide employees with a 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 based on to race, color, class, language, ideology, religion, party affiliation, group background, veteran status, place of origin, place of birth, gender, sexual orientation, gender identity and expression, age, marriage, appearance, facial features, pregnancy, disability status, or protected genetic information…etc.

(7) Respect for employees' rights of collective bargaining, freedom of association, and participation in various peaceful assemblies.

(8) Provide professional knowledge and skills required by all job positions in order to strengthen organizational competitiveness and to improve career development.

VI. Cyber security management

1. Information security management structure, security policy, implementation and resource planning.

(1) Information security risk management structure

Established the Information Security Committee chaired by President. The committee members including top supervisors of all divisions periodically review and improve the information security protection to carry out internal audit and external assessment, and report to the Audit Committee and the Board of Directors.

(2) Information security policy

Information Security Policy has published in accordance with the regulation of the Information Security Management System (ISMS). The Information Technology Division is in charge of the risk assessment and protection enhancement, work with relevant divisions for security required issues, organize training courses and broadcast information security policy on computer login screen to improve employees' awareness of information security.

(3) Implementation

1) Information security policy is continuously improving, especially emergency reporting and handling procedures.

2) Implemented information security protection technology and control mechanisms, including:

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

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

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

D. Implemented Data Loss Prevention tools to manage and control classified documents and data security.

E. Implemented Mailgates BEC (Business Email Compromise) tools to prevent malicious attack from email social engineering and phishing website.

F. Established operation technology security mechanism to prevent the malicious virus attack from incoming or repairing equipment by vendor certificate contract and virus scan procedure.

G. Established critical system backup and dual-backup control mechanisms to reduce the risk and threat of operation interruption.

3) Assurance of confidentiality, integrity and availability of the core business and important information assets including trade secrets, customers' confidential information, supplier contract terms, and personal information of employees and shareholders.

4) Utilize the PDCA method to continuously review and enhance information security protection effectiveness, and reporting to the Information Security Committee.

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

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

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

A (Action): advocate information security, report and handle violations of information security, implement various improvement action plans, and evaluate continuous improvement.

2. Resources planning

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

(2) Plan for acquiring ISO/IEC 27001 international information security management system certification, and establish 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) Join the membership of the 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.

3. The losses, possible impacts, and responsive measures resulting from major information and communication security events in the most recent year and up to the date of publication of the 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 the annual report. However, the Company 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.

VII. Important agreements: supply and sales contracts, technical cooperation contracts, construction contracts, long-term loan contracts, and other important contracts which could affect shareholders' rights and interests that are valid up to the date of publication of the annual report and will expire in the most recent years.

Nature of contract	Litigant	Commencing and expired dates	Main contents	Restriction
Supplier contract	E	2022.07.01–2025.06.30	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	2022.12.26–2027.12.26	Joint bank credit granting	(Note)

Note: (1) The Company signed the joint credit extension contract with Land Bank of Taiwan and 9 other banks on December 26, 2022 to acquire the loan commitment of NTD3,360,000 thousand; according to the contract, the 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

I. Condensed balance sheets and statements of comprehensive income for the most recent five years

1. Condensed balance sheet－Consolidated (Based on IFRSs)

Unit: NTD thousand

Item \ Year		Financial information for the most recent five years					Financial information of March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		9,114,948	9,575,144	8,474,544	11,746,265	11,659,929	11,116,167
Property, plant and equipment		8,345,116	10,066,137	13,184,391	13,402,062	15,310,321	15,392,192
Intangible assets		6,689	25,078	51,542	49,357	56,389	57,946
Other assets		2,017,350	2,600,905	1,783,415	2,160,013	1,741,804	1,935,133
Total assets		19,484,103	22,267,264	23,493,892	27,357,697	28,768,443	28,501,438
Current liabilities	Before distribution	3,207,686	3,991,229	4,794,576	4,943,226	4,913,482	3,970,747
	After distribution	4,484,932	4,910,846	5,356,564	5,673,487	(Note 1)	(Note 1)
Non-current liabilities		3,438,563	5,298,085	5,645,808	5,733,269	5,138,717	5,378,518
Total liabilities	Before distribution	6,646,249	9,289,314	10,440,384	10,676,495	10,052,199	9,349,265
	After distribution	7,923,495	10,208,931	11,002,372	11,406,756	(Note 1)	(Note 1)
Equity attributable to stockholders of the parent		9,396,825	9,281,016	9,085,451	11,460,030	12,898,953	13,190,343
Share capital		5,108,984	5,108,984	5,108,984	5,409,336	5,409,336	5,409,336
Capital surplus		2,541,916	2,641,147	2,641,147	4,147,189	4,074,419	4,074,419
Retained earnings	Before distribution	2,174,242	2,124,465	1,719,213	2,229,962	3,680,656	3,950,897
	After distribution	896,996	1,204,848	1,157,225	1,499,701	(Note 1)	(Note 1)
Other components of equity		(428,317)	(593,580)	(383,893)	(326,457)	(265,458)	(244,309)
Treasury stock		－	－	－	－	－	－
Non-controlling interest		3,441,029	3,696,934	3,968,057	5,221,172	5,817,291	5,961,830
Total Equity	Before distribution	12,837,854	12,977,950	13,053,508	16,681,202	18,716,244	19,152,173
	After distribution	11,560,608	12,058,333	12,491,520	15,950,941	(Note 1)	(Note 1)

Data Source: Financial reports are audited or reviewed by the CPA.

Note 1: The earnings distribution for 2022 has not yet been approved by the shareholders' meeting, therefore the figures after distribution are not listed.

2. Condensed income statements－Consolidated (Based on IFRSs)

Unit: NTD thousand

Item \ Year	Financial information for the most recent five years					Financial information of March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenues	9,205,258	7,676,573	7,421,529	10,341,276	12,677,431	2,705,087
Gross profit	3,415,471	2,662,347	2,013,886	3,618,280	5,166,815	989,516
Operating income	2,239,147	1,304,994	734,327	1,989,504	3,333,754	521,001
Non-operating incomes and expenses	137,313	244,767	197,224	(120,592)	372,628	(29,748)
Income before income tax	2,376,460	1,549,761	931,551	1,868,912	3,706,382	491,253
Income from continued operations	2,274,235	1,316,154	690,966	1,541,477	3,003,291	373,638
Gain (Loss) from discontinued operations	—	—	—	—	—	—
Net income	2,274,235	1,316,154	690,966	1,541,477	3,003,291	373,638
Other comprehensive income (loss)	(278,832)	(317,702)	267,237	58,520	165,916	49,225
Total comprehensive income	1,995,403	998,452	958,203	1,599,997	3,169,207	422,863
Net income attributable to stockholders of the parent	1,908,851	1,232,201	518,718	1,050,572	2,164,939	270,241
Net income attributable to non-controlling interests	365,384	83,953	172,248	490,905	838,352	103,397
Total comprehensive income attributable to stockholders of the parent	1,710,553	1,062,206	724,052	1,130,173	2,241,954	291,390
Total comprehensive income attributable to non-controlling interests	284,850	(63,754)	234,151	469,824	927,253	131,473
Earnings Per Share (in NTD)	3.80	2.41	1.02	2.02	4.00	0.50

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

3. Condensed balance sheet－parent company only (Based on IFRSs)

Unit: NTD thousand

Item \ Year		Financial information for the most recent five years					Financial information of March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		5,814,924	5,458,871	4,607,758	6,779,543	6,540,241	Not applicable
Property, plant and equipment		3,920,719	3,812,595	3,845,943	3,885,107	5,082,672	
Intangible assets		352	6,393	6,667	6,098	10,956	
Other assets		4,446,160	4,251,760	4,501,721	5,404,431	6,028,627	
Total assets		14,182,155	13,529,619	12,962,089	16,075,179	17,662,496	
Current liabilities	Before distribution	2,341,460	2,129,682	1,609,889	1,915,048	2,772,862	
	After distribution	3,618,706	3,049,299	2,171,877	2,645,309	(Note 1)	
Non-current liabilities		2,443,870	2,118,921	2,266,749	2,700,101	1,990,681	
Total liabilities	Before distribution	4,785,330	4,248,603	3,876,638	4,615,149	4,763,543	
	After distribution	6,062,576	5,168,220	4,438,626	5,345,410	(Note 1)	
Equity attributable to stockholders of the parent		9,396,825	9,281,016	9,085,451	11,460,030	12,898,953	
Share capital		5,108,984	5,108,984	5,108,984	5,409,336	5,409,336	
Capital surplus		2,541,916	2,641,147	2,641,147	4,147,189	4,074,419	
Retained earnings	Before distribution	2,174,242	2,124,465	1,719,213	2,229,962	3,680,656	
	After distribution	896,996	1,204,848	1,157,225	1,499,701	(Note 1)	
Other components of equity		(428,317)	(593,580)	(383,893)	(326,457)	(265,458)	
Treasury stock		－	－	－	－	－	
Non-controlling interest		－	－	－	－	－	
Total Equity	Before distribution	9,396,825	9,281,016	9,085,451	11,460,030	12,898,953	
	After distribution	8,119,579	8,361,399	8,523,463	10,729,769	(Note 1)	

Data Source: Financial reports are audited by the CPA.

Note 1: The earnings distribution for 2022 has not yet been approved by the shareholders' meeting, therefore the figures after distribution are not listed.

4. Condensed income statements－parent company only (Based on IFRSs)

Unit: NTD thousand

Item \ Year	Financial information for the most recent five years					Financial information of March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenues	7,597,267	6,820,930	5,135,703	5,910,694	6,614,737	Not applicable
Gross profit (Note 1)	2,185,143	1,975,672	987,801	1,405,960	2,438,237	
Operating income	1,731,063	1,517,153	479,119	762,999	1,644,953	
Non-operating incomes and expenses	203,681	(150,477)	138,398	441,573	1,035,667	
Income before income tax	1,934,744	1,366,676	617,517	1,204,572	2,680,620	
Income from continued operations	1,908,851	1,232,201	518,718	1,050,572	2,164,939	
Gain (Loss) from discontinued operations	－	－	－	－	－	
Net income	1,908,851	1,232,201	518,718	1,050,572	2,164,939	
Other comprehensive income (loss)	(198,298)	(169,995)	205,334	79,601	77,015	
Total comprehensive income	1,710,553	1,062,206	724,052	1,130,173	2,241,954	
Net income attributable to stockholders of the parent	1,908,851	1,232,201	518,718	1,050,572	2,164,939	
Net income attributable to non-controlling interests	－	－	－	－	－	
Total comprehensive income (loss) attributable to stockholders of the parent	1,710,553	1,062,206	724,052	1,130,173	2,241,954	
Total comprehensive income (loss) attributable to non-controlling interests	－	－	－	－	－	
Earnings Per Share (in NTD)	3.80	2.41	1.02	2.02	4.00	

Data Source: Financial reports are audited by the CPA.

Note 1: Gross profit is including realized (unrealized) gross profit(loss) from sales.

5. Names and opinions of external auditors in the most recent five years

Year	Accounting Firm	Names of CPAs	Audit opinions
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
2022	Ernst & Young	Ching-Piao, Cheng; Chih-Ming, Chang	Unqualified opinion-adopting the audit reports of other CPAs with distinguished responsibilities

II. Financial analysis for the most recent five fiscal years

1. Consolidated Financial Analysis-Based on IFRSs

Analytical items (note 2) \ Year		Financial analysis for the most recent five years (Note 1) 2018	2019	2020	2021	2022	As of March 31, 2023
Financial Structure	Debt Ratio (%)	34.11	41.72	44.44	39.03	34.94	32.80
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	195.04	181.56	141.83	167.25	155.81	159.37
Solvency	Current Ratio (%)	284.16	239.90	176.75	237.62	237.30	279.95
	Quick Ratio (%)	212.02	180.64	123.60	182.78	167.54	192.34
	Times Interest Earned (Times)	21.93	13.27	5.95	11.45	15.20	8.89
Operating Performance	Accounts receivable turnover (times)	4.57	3.84	3.99	4.44	4.88	4.62
	Average Collection Days	80	95	91	82	75	79
	Inventory Turnover (times)	3.27	2.44	2.44	2.54	2.48	1.99
	Accounts payable turnover (times)	7.42	6.70	9.30	11.02	10.17	9.58
	Average Days of Sale	112	150	150	144	147	183
	Property, Plant and Equipment Turnover (times)	1.26	0.83	0.64	0.78	0.88	0.70
	Total Asset Turnover (times)	0.52	0.37	0.32	0.41	0.45	0.38
Profitability	Return on Total Assets (%)	13.33	6.79	3.68	6.63	11.45	5.91
	Return on Equity (%)	20.06	10.20	5.31	10.37	16.97	7.89
	Pre-tax Income to Paid-in Capital Ratio (%)	46.52	30.33	18.23	34.55	68.52	36.33
	Profit Ratio (%)	24.71	17.15	9.31	14.91	23.69	13.81
	Earnings per share (in NTD)	3.80	2.41	1.02	2.02	4.00	0.50
Cash Flow	Cash Flow Ratio (%)	78.60	56.38	35.57	54.26	107.46	61.93
	Cash Flow Adequacy Ratio (%)	107.47	76.74	62.86	62.41	69.98	72.97
	Cash Reinvestment Ratio (%)	9.16	3.51	2.70	6.31	12.46	6.55
Leverage	Operating Leverage	1.46	1.79	2.56	1.68	1.48	1.78
	Financial Leverage	1.05	1.11	1.34	1.10	1.08	1.14

Comments of financial ratio difference exceeding 20% for the last two years:
The changes in various financial ratios of more than 20% in the last two years as explained below:

1. Times Interest Earned (times): the increase was mainly due to the semiconductor industry experienced a phenomenal up cycle in 2022, led to the increase in revenue and operating gross profit, and the increase in net profit before tax compared with 2021.
2. Increase in Increase in profitability related ratios: the increase was mainly due to increase in operating gross profit and operating profit due to the semiconductor industry experienced a phenomenal up cycle in 2022, and the increase in pre-tax and after-tax net profit, resulting in increase in various profitability indicators.
3. Cash flow ratio and Cash reinvestment ratio: because of the revenue growth in 2022, resulting in the relative pre-tax profit increased. And the amount of net cash inflow from operation increased, resulting in a increase in the cash flow ratio and cash flow reinvestment ratio.

Note 1: Financial information audited and attested or reviewed by CPA

Note 2: The calculation formulas of the analysis items are as below.

1. Financial Structure:

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Solvency:

(1) Current Ratio = Current Assets / Current Liabilities

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

(3) Times Interest Earned = Income Before Income Tax and Interest Expenses / Current Interest Expenses

3. Operating performance:

(1) Accounts Receivables (including accounts receivable and operating notes receivable) Turnover (times) = Net Sales / Average Accounts Receivables each period (included accounts receivable and operating notes receivable)

(2) Average Collection Days for Receivables = 365 / Account payable turnover (times)

(3) Inventory Turnover (times) = Cost of Sale/ Average Inventory

(4) Accounts Payable (included accounts payable and operating notes receivable) Turnover (times) = Cost of goods sold/ Average Accounts Payable for each period (included accounts payable and operating notes payable)

(5) Average Days of Sales = 365 / Inventory Turnover (times)

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

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

4. Profitability:

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

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

(3) Net margin = Net Income after tax / Net Sales

(4) Earnings per Share = (Net Income Attributable to Owners –Preferred Shares Dividends) / Weighted Average Outstanding 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 Recent Five Years / for Recent Five Years (Capital Expenditures + Increase in Inventory + Cash Dividend)

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

6. Leverage:

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

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

2. Parent only financial analysis-Based on IFRS

Analytical items (note 2) / Year		Financial analysis for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Financial Structure	Debt Ratio (%)	33.74	31.40	29.91	28.71	26.97
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	302.00	299.01	295.17	364.47	292.95
Solvency	Current Ratio (%)	248.35	256.32	286.22	354.01	235.87
	Quick Ratio (%)	198.58	187.40	200.28	280.23	166.86
	Times Interest Earned (times)	37.20	23.46	16.60	34.51	51.22
Operating Performance	Accounts receivable turnover (times)	4.71	4.18	3.90	4.26	4.77
	Average Collection Days for Receivables	77	87	94	86	77
	Inventory Turnover (times)	5.69	4.15	3.36	3.27	2.58
	Account payable turnover (times)	4.89	4.67	6.55	9.12	8.83
	Average Days of Sale	64	88	109	112	141
	Property, Plant and Equipment Turnover (times)	1.99	1.76	1.34	1.53	1.48
	Total Asset Turnover (times)	0.58	0.49	0.39	0.41	0.39
Profitability	Return on Total Assets (%)	15.01	9.24	4.16	7.43	13.09
	Return on Equity (%)	23.74	13.19	5.65	10.23	17.78
	Pre-tax Income to Paid-in Capital Ratio (%)	37.87	26.75	12.09	22.27	49.56
	Net margin (%)	25.13	18.06	10.10	17.77	32.73
	Earnings per share (in NTD)	3.80	2.41	1.02	2.02	4.00
Cash Flow	Cash Flow Ratio (%)	69.92	103.94	66.24	75.32	70.05
	Cash Flow Adequacy Ratio (%)	187.08	138.09	126.02	118.55	95.84
	Cash Reinvestment Ratio (%)	8.04	5.18	0.79	3.36	4.32
Leverage	Operating Leverage	1.30	1.40	2.16	1.79	1.33
	Financial Leverage	1.03	1.04	1.09	1.05	1.03

Comments of financial ratio difference exceeding 20% for the last two years:
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 company purchased equipment to support the demand in 2022, has decreased the ratio of Long-term Capital to Property, Plant and Equipment as compared to 2021.
2. Current ratio, quick ratio: because of the revenue growth in 2022, resulting in the relative pre-tax profit increased, and the current income tax liabilities also increased, has decreased the ratio of current ratio and quick ratio as compared to 2021.
3. Times Interest Earned (Times): the increase was mainly due to the semiconductor industry experienced a phenomenal up cycle in 2022, led to the increase in revenue and operating gross profit, and the increase in net profit before tax compared with 2021.
4. Inventory turnover (times) and day's sales in inventory: it is mainly due to the increase in inventory in 2022, resulting in lower turnover and the day's sales in inventory increased.
5. Increase in Increase in profitability related ratios: The increase was mainly due to increase in operating gross profit and operating profit due to the semiconductor industry experienced a phenomenal up cycle in 2022, and the increase in pre-tax and after-tax net profit, resulting in increase in various profitability indicators.
6. Cash reinvestment ratio: compared to 2021, the increased net cash inflow from business activities and working capital in 2022 have resulted in an increased cash reinvestment ratio.
7. Operating leverage: due to the increase of operating income, resulting from the rising gross margin and well-controlled operating expenses in 2022, has decreased the operating leverage.

Note 1: Financial information audited and attested by CPAs.

Note 2: The calculation formulas are based on the descriptions in the Note2 in 7. (1) Consolidated Financial Analysis-Based on IFRSs.

III. Audit Committee’s review report of the financial report of the most recent year

Wafer Works Corporation

Audit Committee’s Review Report

The 2022 Business Report, the financial report (including individual and consolidated financial report) certified by certified public accountants Ching-Piao, Cheng and Chih-Ming, Chang of Ernst & Young, and the earnings distribution proposal prepared by the Board of Directors have been audited by the Audit Committee to be in compliance with laws and regulations and found the same have been complied with. Thus, a report is hereby reported to the shareholders as described above in compliance with Article 14-4 of the Securities and Exchange Act and the Company’s relevant regulations.

This report will be effective under the approval of your excellency

to

2023 Annual shareholder meeting of Wafer Works Corporation

Audit Committee of Wafer Works Corporation

Independent Director: Feng-I, Lin

Independent Director: Yong-Song, Tsai

Independent Director: De-Wai, Chou

March 15, 2023

IV. Recent Year's Financial Reports

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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2022. 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.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT$6,614,737 thousand for the year ended December 31, 2022 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Asia, Europe, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, and performance obligation for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Notes 4 and 6 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$1,654,778 thousand, representing 9% of parent-company-only total assets, as of December 31, 2022 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, 2022 and 2021, 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$190,540 thousand and NT$156,379 thousand as of December 31, 2022 and 2021 representing 1.08% and 0.97% 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$16,541 thousand and NT$13,169 thousand representing 0.62% and 1.09% 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 the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 2022 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.

/s/Cheng, Ching-Piao

/s/Chang, Chih-Ming

Ernst & Young
March 15, 2023
Taipei, Taiwan,
Republic of China

<u>*Notices to Readers*</u>

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 audit 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, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2022		2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$3,236,935	19	$3,862,033	25
1136	Financial assets measured at amortized cost	4, 6(3), 8	14,695	-	7,006	-
1170	Accounts receivable, net	4, 6(4)	724,962	4	781,606	5
1180	Accounts receivable - related parties, net	4, 6(4), 7	556,484	3	620,522	4
1200	Other receivables		42,701	-	22,754	-
1210	Other receivables - related parties	7	49,449	-	70,930	-
1310	Inventories, net	4, 6(5)	1,654,778	9	1,197,880	7
1410	Prepayments		258,556	1	215,131	1
1470	Other current assets		1,681	-	1,681	-
11XX	Total current assets		6,540,241	36	6,779,543	42
	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2), 6(12)	119	-	2,113	-
1536	Financial assets carried at amortized cost	4, 6(3), 8	21,967	-	9,967	-
1551	Investment accounted for under equity method	4, 6(6)	5,445,848	32	4,767,126	31
1600	Property, plant and equipment, net	4, 6(7), 7, 8, 9	5,082,672	29	3,885,107	24
1755	Right-of-use asset	4, 6(19)	230,575	2	48,469	-
1780	Intangible assets, net	4, 6(8)	10,956	-	6,098	-
1840	Deferred tax assets	4, 6(23)	37,873	-	37,873	-
1915	Prepayment for equipment		171,501	1	215,565	1
1920	Refundable deposits	8	71,840	-	26,845	-
1990	Other non-current assets	7, 9	48,904	-	296,473	2
15XX	Total non-current assets		11,122,255	64	9,295,636	58
1XXX	Total Assets		$17,662,496	100	$16,075,179	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, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2022		2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(9)	$513,372	3	$291,083	2
2130	Contract liability	4, 6(17)	44	-	4,483	-
2170	Accounts payable		413,380	2	361,704	2
2180	Accounts payable - related parties	7	27,316	-	142,564	1
2200	Other payables	6(10)	900,149	5	729,749	5
2220	Other payables - related parties	7	469	-	3,282	-
2230	Current income tax liabilities	4	572,408	3	189,489	1
2281	Lease liabilities	4, 6(19)	14,312	-	5,681	-
2322	Current portion of long-term loans	6(13), 8	329,507	2	184,794	1
2399	Other current liabilities	6(11)	1,905	-	2,219	-
21XX	Total current liabilities		2,772,862	15	1,915,048	12
	Non-current liabilities					
2527	Contract liability	4, 6(17)	177,430	1	699,478	4
2530	Bonds payable	4, 6(12)	288,510	2	284,385	2
2540	Long-term loans	6(13), 8	1,207,199	8	1,522,917	10
2581	Lease liabilities	4, 6(19)	218,359	1	43,956	-
2630	Long-term deferred revenue	6(11)	2,724	-	3,098	-
2640	Accrued pension liabilities	4, 6(14)	29,694	-	50,276	-
2645	Deposits received		66,765	-	95,991	1
25XX	Total non-current liabilities		1,990,681	12	2,700,101	17
2XXX	Total liabilities		4,763,543	27	4,615,149	29
3100	Capital	6(15)				
3110	Common stock		5,409,336	31	5,408,984	34
3130	Bond conversion entitlement certificates		-	-	352	-
3200	Capital surplus	6(15)	4,074,419	23	4,147,189	26
3300	Retained earnings	6(15)				
3310	Legal reserve		500,513	3	393,239	2
3320	Special reserve		326,457	2	383,893	2
3350	Unappropriated earnings		2,853,686	16	1,452,830	9
3400	Other components of equity		(265,458)	(2)	(326,457)	(2)
3XXX	Total equity		12,898,953	73	11,460,030	71
	Total liabilities and equity		$17,662,496	100	$16,075,179	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, 2022 and 2021

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

			2022		2021	
Code	Accounts	Notes	Amount	%	Amount	%
4000	Operating revenues	4, 6(17), 7	$6,614,737	100	$5,910,694	100
5000	Operating costs	7	(4,171,500)	(63)	(4,514,734)	(76)
5900	Gross profit from operations		2,443,237	37	1,395,960	24
5930	Unrealized gross profit (loss) from sales		(5,000)	-	10,000	-
5950	Gross profit from operations		2,438,237	37	1,405,960	24
6000	Operating expenses					
6100	Selling		(207,854)	(3)	(195,055)	(3)
6200	General and administrative		(319,212)	(5)	(293,109)	(5)
6300	Research and development		(267,632)	(4)	(154,797)	(3)
6450	Expected credit gains (losses)	4, 6(18)	1,414	-	-	-
	Operating expenses total		(793,284)	(12)	(642,961)	(11)
6900	Operating income		1,644,953	25	762,999	13
7000	Non-operating income and expenses					
7100	Interest income	6(21)	18,625	-	5,214	-
7010	Other income	6(21)	5,557	-	13,933	-
7020	Other gains and losses	6(21), 7	482,312	7	(15,640)	-
7050	Finance costs	6(21)	(53,373)	(1)	(35,946)	(1)
7060	Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(6)	582,546	9	474,012	8
	Non-operating income and expense total		1,035,667	15	441,573	7
7900	Income before income tax		2,680,620	40	1,204,572	20
7950	Income tax benefit	4, 6(23)	(515,681)	(7)	(154,000)	(2)
8200	Net income		2,164,939	33	1,050,572	18
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		16,016	-	4,613	-
8316	Unrealized gains or losses on financial assets at fair value through other comprehensive income		(51,819)	(1)	105,861	2
8360	Items that may be reclassified subsequently to profit or loss					
8370	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		112,818	2	(30,873)	(1)
	Total other comprehensive income, net of tax		77,015	1	79,601	1
8500	Total comprehensive income (loss)		$2,241,954	34	$1,130,173	19
9750	Earnings per share - basic (in NT$)	6(24)	$4.00		$2.02	
9850	Earnings per share - diluted (in NT$)	6(24)	$3.95		$2.01	

(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, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

		Capital			Retained Earnings			Other Components of equity		
		Common stock	Bond conversion entitlement certificates	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	3130	3200	3310	3320	3350	3410	3420	3XXX
A1	Balance as of January 1, 2021	$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
	Appropriation and distribution of 2021 earnings:									
B1	Legal reserve				107,274		(107,274)			-
B3	Special reserve					(57,436)	57,436			-
B5	Cash dividends - common shares						(730,261)			(730,261)
D1	Net income for 2022						2,164,939			2,164,939
D3	Other comprehensive income (loss) for 2022						16,016	112,818	(51,819)	77,015
D5	Total comprehensive income (loss)	-	-	-	-	-	2,180,955	112,818	(51,819)	2,241,954
I1	Conversion of convertible bonds	352	(352)							-
M5	Difference between consideration given / received and carrying amount of interest in subsidiaries acquired / disposed of			(72,770)						(72,770)
Z1	Balance as of December 31, 2022	$5,409,336	$-	$4,074,419	$500,513	$326,457	$2,853,686	$(190,427)	$(75,031)	$12,898,953

(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 Cash Flows

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2022	2021	Code	Items	2022	2021
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	$2,680,620	$1,204,572	B00040	Disposal (acquisition) of financial assets at amortised cost	(19,689)	(3)
A20000	Adjustments:			B01800	Acquisition of investment accounted for under equity method	(112,947)	-
A20010	Profit or loss not effecting cash flows:			B02700	Acquisition of property, plant and equipment	(1,661,103)	(683,810)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	1,994	(682)	B02800	Proceeds from disposal of property, plant and equipment	218	7,888
A21200	Interest income	(18,625)	(5,214)	B03700	Decrease (increase) in refundable deposits	(44,995)	127
A20900	Interest expense	53,373	35,946	B04500	Acquisition of intangible assets	(9,385)	(5,046)
A20100	Depreciation	531,141	605,406	BBBB	Net cash provided by (used in) investing activities	(1,847,901)	(680,844)
A20200	Amortization	4,527	5,615				
A20300	Expected credit losses (gain on recovery)	(1,414)	-				
A21900	Cost of share based payment	-	23,616				
A22400	Share of profit or loss of subsidiaries, associates and joint ventures	(582,546)	(474,012)				
A22500	Gain on disposal of property, plant and equipment	2,154	126,820	CCCC	Cash flows from financing activities:		
A23100	Gain from disposal of investments	-	(618)	C00100	Increase in (repayment of) short-term loans	222,289	(213,256)
A23700	Impairment loss on non-financial assets	(2,196)	(129,993)	C01200	Issuance of convertible bonds	-	296,434
A24000	Unrealized (gains) losses	5,000	(10,000)	C01600	Increase in long-term loans	35,200	97,700
A29900	Loss (gain) on government grants	(769)	(550)	C01700	Repayment of long-term loans	(206,800)	(5,800)
A29900	Recognition of long-term prepayments for materials to loss	183,302	-	C03000	Increase in guarantee deposits received	(29,226)	79,515
A29900	Recognition of Contract liabilities to income	(433,826)	-	C04020	Payments of lease liabilities	(10,651)	(6,846)
A30000	Changes in operating assets and liabilities:			C04500	Payment of cash dividends	(730,261)	(561,988)
A31115	Financial assets at fair value through profit or loss	-	9,618	C04600	Capital increase by cash	-	1,555,255
A31150	Accounts receivable	58,058	(227,257)				
A31160	Accounts receivable - related parties	64,038	22,998	CCCC	Net cash provided by (used in) financing activities	(719,449)	1,241,014
A31180	Other receivable	(18,877)	2,956				
A31190	Other receivable - related parties	21,481	51,450				
A31200	Inventories	(456,898)	(373)				
A31230	Prepayment	20,842	(48,901)	EEEE	Net Increase (decrease) in cash and cash equivalents	(625,098)	2,002,543
A31240	Other current assets	-	1,456	E00100	Cash and cash equivalents at beginning of period	3,862,033	1,859,490
A32125	Contract liabilities	(92,661)	175,379	E00200	Cash and cash equivalents at end of period	$3,236,935	$3,862,033
A32150	Accounts payable	51,676	3,445				
A32160	Accounts payable - related parties	(115,248)	15,145				
A32180	Other payable	152,949	137,949				
A32190	Other payable - related parties	(2,813)	2,831				
A32230	Other current liabilities	(417)	(582)				
A32240	Net defined benefit liability	(4,566)	(3,999)				
A33000	Cash generated from operations	2,100,299	1,523,021				
A33100	Interest received	17,555	4,709				
A33300	Interest paid	(42,840)	(32,548)				
A33500	Income tax paid	(132,762)	(52,809)				
AAAA	Net cash provided by (used in) operating activities	1,942,252	1,442,373				

(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 15, 2023.

3. Newly issued or revised standards and interpretation

(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, 2022. 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	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(A) 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.

(B) 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.

(C) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual period beginning on or after January 1, 2023. 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, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

(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) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(E) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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, 2022 and 2021 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 recognize 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, the Company 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, using weighted average method.

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.

Rending of service is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(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. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

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 prorate 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.

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,	
	2022	2021
Cash on hand	$265	$265
Checking and savings	1,115,281	1,551,768
Time deposits	2,061,389	2,200,000
Resale agreements collateralized by corporate bonds	60,000	110,000
Total	$3,236,935	$3,862,033

(2)Financial assets at fair value through profit or loss

	As of December 31,	
	2022	2021
Mandatorily measured at fair value through profit or loss:		
Embedded derivatives	$119	$2,113
Current	$-	$-
Non-current	119	2,113
Total	$119	$2,113

Financial assets at fair value through profit or loss were not pledged.

(3)Financial assets measured at amortized cost

	As of December 31,	
	2022	2021
Certificate of deposit – restricted	$36,662	$16,973
Current	$14,695	$7,006
Non-current	21,967	9,967
Total	$36,662	$16,973

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

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.

(4)Accounts receivable and accounts receivable - related parties, net

(a)Accounts receivable, net:

	As of December 31,	
	2022	2021
Accounts receivable, gross	$725,955	$870,279
Less: loss allowance	(993)	(88,673)
Net of allowances	724,962	781,606
Accounts receivable - related parties, gross	556,484	620,522
Less: loss allowance	-	-
Net of allowances	556,484	620,522
Total accounts receivable, net	$1,281,446	$1,402,128

(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, 2022 and 2021, are NT$1,282,439 thousand and NT$1,490,801 thousand, respectively. Please refer to Note 6(18) for more details on loss allowance of accounts receivable for year ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

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

(5)Inventories

(a)Inventories consist of the following:

	As of December 31,	
	2022	2021
Raw materials	$332,903	$300,422
Supplies & parts	466,221	244,082
Work in progress	652,260	552,163
Finished goods	203,394	101,213
Total	$1,654,778	$1,197,880

(b)The cost of inventories recognized in expenses amounted to NT$4,171,500 thousand and NT$4,514,734 thousand for the years ended December 31, 2022 and 2021 respectively. The following losses were included in cost of sales :

	For the year ended December 31,	
Item	2022	2021
Loss (gain) from inventory market decline	$30,000	$(13,415)
Loss from inventory write-off obsolescence	2,866	4,099
Total	$32,866	$(9,316)

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.

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

(6)Investments accounted for under the equity method

	As of December 31,			
	2022		2021	
Investee companies	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
Wafer Works Investment Corp.	$5,509,855	100%	$4,716,573	100%
Heli-Vantech Corp.	4,159	100%	4,325	100%
Huaxin (Shanghai) Technology Co. Ltd	(68,166)	100%	46,228	100%
Total	$5,445,848		$4,767,126	

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.

(7)Property, plant and equipment

	As of December 31,	
	2022	2021
Owner occupied property, plant and equipment	$5,082,672	$3,885,107

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

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, 2022	$259,131	$1,479,099	$8,572,906	$10,747	$164,531	$245,709	$403,089	$11,135,212
Additions	-	-	-	-	-	-	1,719,670	1,719,670
Disposals	-	-	(77,447)	(899)	(2,947)	(676)	-	(81,969)
Other changes	-	-	613,140	265	28,776	21,792	(663,973)	-
As of December 31, 2022	$259,131	$1,479,099	$9,108,599	$10,113	$190,360	$266,825	$1,458,786	$12,772,913
Depreciation and impairment:								
As of January 1, 2022	$-	$423,632	$6,512,476	$10,108	$142,373	$161,516	$-	$7,250,105
Depreciation	-	37,600	456,995	262	13,923	13,149	-	521,929
Reversal of impairment losses	-	-	(2,196)	-	-	-	-	(2,196)
Disposals	-	-	(75,076)	(899)	(2,947)	(675)	-	(79,597)
As of December 31, 2022	$-	$461,232	$6,892,199	$9,471	$153,349	$173,990	$-	$7,690,241
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
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

(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
Net carrying amount as of:								
December 31, 2022	$259,131	$1,017,867	$2,216,400	$642	$37,011	$92,835	$1,458,786	$5,082,672
December 31, 2021	$259,131	$1,055,467	$2,060,430	$639	$22,158	$84,193	$403,089	$3,885,107

B. For the year ended December 31, 2022 and 2021, the NT$ 2,196 thousand and NT$129,993 thousand gain on reversal of impairment loss represented the sold of certain property, plant and equipment in the company, respectively. This has been recognized in the statement of comprehensive incomes.

C. Please refer to Note 8 for more details on property, plant and equipment under pledge.

D. Significant components of PPE are depreciation over their useful lives.

(8)Intangible assets

	Computer software
Cost:	
As of January 1, 2022	$10,561
Additions – acquired separately	9,385
Derecognized upon retirement	(3,656)
As of December 31, 2022	$16,290
As of January 1, 2021	$15,082
Additions – acquired separately	5,046
Derecognized upon retirement	(9,567)
As of December 31, 2021	$10,561

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

	Computer software
Amortization and Impairment:	
As of January 1, 2022	$4,463
Amortization	4,527
Derecognized upon retirement	(3,656)
As of December 31, 2022	$5,334
As of January 1, 2021	$8,415
Amortization	5,615
Derecognized upon retirement	(9,567)
As of December 31, 2021	$4,463
Carrying amount, net:	
As of December 31, 2022	$10,956
As of December 31, 2021	$6,098

Amortization expense of intangible assets under the statement of comprehensive income:

	For the year ended December 31,	
	2022	2021
Operating costs	$103	$765
General and administrative	4,159	4,585
Research and development	265	265
Total	$4,527	$5,615

(9)Short-term loans

		As of December 31,	
	Interest Rate (%)	2022	2021
Unsecured financial structure loans	4.9894%~5.9725%	$513,372	$291,083

The Company’s unused short-term lines of credits amounted to NT$ 3,177,818 thousand and NT$3,338,917 thousand as of December 31, 2022 and 2021 respectively.

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

(10)Other payables

	As of December 31,	
	2022	2021
Accrued expense	$676,483	$523,534
Payable on equipment	219,878	205,375
Accrued interest payable	3,788	840
Total	$900,149	$729,749

(11)Other current liabilities

A. Details of other current liabilities

	As of December 31,	
	2022	2021
Other current liabilities	$1,089	$1,506
Deferred government grants income	816	713
Total	$1,905	$2,219

B. The changes in the Company's balances of deferred government grants income for the year ended December 31, 2022 and 2021 are as follows:

	For the year ended December 31,	
	2022	2021
Beginning balance	$3,811	$2,446
Received during the period	498	1,915
Released to the statement of comprehensive income	(769)	(550)
Ending Balance	$3,540	$3,811
Current	$816	$713
Non-current	$2,724	$3,098

(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 details of the bonds payable as of December 31, 2022 and 2021 is as follows:

	As of December 31,	
	2022	2021
Liability component:		
Principal amount	$297,600	$297,600
Less: discounts on bonds payable	(9,090)	(13,215)
Subtotal	288,510	284,385
Less: current portion	-	-
Net	288,510	$284,385
Embedded derivative - redemption, put options	$119	$2,113
Equity component - conversion right	$12,685	$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 (21) to the consolidated financial statement.

B. On July 27, 2021, the Company 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 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.

Due to the distribution of cash dividends at NT$1.35 per ordinary share in 2022, 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$66.2 since July 25, 2022.

(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, 2022. 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 2022 and 2021 are as follows:

Debtor	As of December 31, 2022	Maturity and Terms
Secured Long-Term Joint guarantee Loan from Land Bank of Taiwan and others	$1,300,000	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	90,171	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	96,491	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	16,316	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.

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

Debtor	As of December 31, 2022	Maturity and Terms
Credit Long-Term Loan from Taiwan Cooperative Bank	4,948	Effective March 10, 2022 to March 10, 2027. The principal will be paid monthly on the 15th of each month and interest shall be paid monthly.
Credit Long-Term Loan from Taiwan Cooperative Bank	28,780	Effective May 20, 2022 to May 20, 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.
Total	1,536,706	
Less: current portion	(329,507)	
Non-current portion	$1,207,199	

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

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	

(a) Please refer to Note 8 for more detail of assets pledged as collaterals.

(b) As of December 31, 2022 and 2021, the interest rate intervals for long-term loans were 1.33%~2.56% 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$253,200 thousand with a term of 5~7 years and annual interest rates of 1.33% 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, 2022 and 2021 are NT$38,819 thousand and NT$35,211 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 15^{th} 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.

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$5,081 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

As of December 31, 2022 and 2021, the maturities of the Company's defined benefit plan were expected in 2036 and 2037.

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

Pension costs recognized in profit or loss for the years ended December 31, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Current period service costs	$129	$132
Net interest of defined benefit	387	253
Previous period service cost	-	-
Settlement	-	-
Total	$516	$385

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Defined benefit obligation	$73,454	$86,160	$90,364
Plan assets at fair value	(43,760)	(35,884)	(31,476)
Other non-current liabilities – net defined benefit liability on the consolidated balance sheets	$29,694	$50,276	$58,888

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, 2021	$90,364	$(31,476)	$58,888
Current period service costs	132	-	132
Net interest expense (revenue)	388	(135)	253
Past service cost, gain/loss 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)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
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
Current period service costs	129	-	129
Net interest of defined benefit	663	(276)	387
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	792	(276)	516
Remeasurement of net defined benefit liability(asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(12,986)	-	(12,986)
Experience adjustments	(512)	-	(512)
Re-measurement on defined benefit assets	-	(2,518)	(2,518)
Subtotal	(13,498)	(2,518)	(16,016)
Payments from the plan	-	-	-
Contributions by employer	-	(5,082)	(5,082)
Effect of exchange rates	-	-	-
As of December 31, 2022	$73,454	$(43,760)	$29,694

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

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2022	2021
Discount rate	1.43%	0.77%
Expected rate of salary increases	2.50%	3.00%

Sensitivity analysis:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$4,890	$-	$6,333	$-
Discount rate decrease by 0.5%	-	5,331	-	6,946
Future salary increase by 0.5%	5,246	-	6,754	-
Future salary decrease by 0.5%	-	4,864	-	6,231

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, 2022 and 2021, 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$5,409,336 thousand and NT$5,408,984 thousand respectively, divided into 540,933 thousand shares and 540,898 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

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

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. On March 23, 2022, The Company's board of directors resolved the measurement date was on March 24, 2022.

(b)Additional paid-in capital

	As of December 31,	
	2022	2021
Additional paid - in capital	$3,065,181	$3,065,181
All changes in interests in subsidiaries	965,314	1,038,084
Stock options – convertible rights	12,685	12,685
Others	31,239	31,239
Total	$4,074,419	$4,147,189

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.

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

(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, 2022 and 2021, 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 2022 and 2021 were approved through the Board of Directors’ meetings and shareholders’ meetings held on March 15, 2023 and June 21, 2022, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2022	2021	2022	2021
Legal reserve	$218,096	$107,274		
Special reserve	(60,999)	(57,436)		
Common stock－cash dividend	1,352,334	730,261	$2.5	$1.35
Total	$1,509,431	$780,099		

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

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 October 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	-	$-
Granted	3,600	52
Exercised	(3,600)	52
Outstanding at end of period	-	
Weighted-average fair value of options granted during the period (in NT$)	$6.56	

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

(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	2022	2021
Sale of goods	$6,614,737	$5,910,694

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

Analysis of revenue from contracts with customers during the years ended December 31, 2022 and 2021 are as follows:

(a)Disaggregation of revenue

Analysis of revenue from contracts with customers during the years ended December 31, 2022 are as follows:

	Semi-conductor business	Solar business	Total
Sale of goods	$6,614,737	$-	$6,614,737
The timing for revenue recognition：			
At a point in time	$6,614,737	$-	$6,614,737

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
The timing for revenue recognition：			
At a point in time	$5,910,694	$-	$5,910,694

(b)Contract balances

A. Contract liabilities

As of	2022.12.31	2021.12.31	2021.01.01
Sales of goods	$177,474	$703,961	$528,582
Current	$44	$4,483	$593
Non-current	177,430	699,478	527,989
Total	$177,474	$703,961	$528,582

(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 December 31, 2022 are as follows:

	Sales of goods
The opening balance transferred to revenue	$(526,487)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	-

The changes in the Company's balances of contract liabilities for the year ended December 31, 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

(18)Expected credit losses (gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses (gains)		
Account receivables	$(1,414)	$-

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, 2022 and 2021 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:

2022.12.31

		Past due					
	Neither past due	<=90 days	91-120 days	121-180 days	181-365 days	>=365 days	Total
Gross carrying amount	$1,260,013	$22,246	$180	$-	$-	$-	$1,282,439
Loss ratio	0.06%	1%	5%	10%	50%	100%	
Lifetime expected credit losses	(762)	(222)	(9)	-	-	-	(993)
Carrying amount of trade receivables	$1,259,251	$22,024	$171	$-	$-	$-	$1,281,446

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%	10%	50%	100%	
Lifetime expected credit losses	(536)	(458)	-	-	-	(87,679)	(88,673)
Carrying amount of trade receivables	$1,356,788	$45,340	$-	$-	$-	$-	$1,402,128

(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, 2022 and 2021 are as follows:

	Account receivables
Beginning balance as of January 1, 2022	$88,673
Addition (reversal) for the current period	(1,414)
Write off for the current period	(86,266)
Ending balance as of December 31, 2022	$993
Beginning balance as of January 1, 2021	$88,673
Addition (reversal) for the current period	-
Ending balance as of December 31, 2021	$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.

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

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:	
2022.01.01	$68,226
Additions	191,318
Transfer	-
Disposals	-
2022.12.31	$259,544
2021.01.01	$68,226
Additions	-
Transfer	-
Disposals	-
2021.12.31	$68,226
Depreciation and impairment:	
2022.01.01	$19,757
Depreciation	9,212
Transfer	-
Disposals	-
2022.12.31	$28,969
2021.01.01	$13,699
Depreciation	6,058
Transfer	-
Disposals	-
2021.12.31	$19,757

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

	Land
Net carrying amount:	
2022.12.31	$230,575
2021.12.31	$48,469

(ii)Lease liabilities

	As of December 31,	
	2022	2021
Lease liabilities	$232,671	$49,637
Current	$14,312	$5,681
Non-current	218,359	43,956
Total	$232,671	$49,637

Please refer to Note 6(21)(d) for the interest on lease liabilities recognized during the year ended 31 December 2022 and 2021 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

B. Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
Short-term leased expense (rental expense)	$14,992	$16,153

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.

C. Cash outflow relating to leasing activities

	For the year ended December 31,	
	2022	2021
Cash outflow relating to leases amount	$25,643	$22,999

(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,					
	2022			2021		
	Cost of goods sold costs	Operating expense	Total	Cost of goods sold costs	Operating expenses	Total
Employee benefits						
Salaries & wages	$640,481	$177,400	$817,881	$526,717	$183,959	$710,676
Labor and health insurance	77,512	14,861	92,373	70,331	13,179	83,510
Pension	31,163	8,172	39,335	28,366	7,230	35,596
Directors' remuneration	-	10,500	10,500	-	8,400	8,400
Other employee benefits	212,345	92,475	304,820	193,575	26,435	220,010
Depreciation	475,573	55,568	531,141	563,444	41,962	605,406
Amortization	103	4,424	4,527	764	4,851	5,615

Note:

1.The headcounts of the Company amounted to 1,244 and 1,150, respectively, as of December 31, 2022 and 2021. 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 2022 and 2021 are NT$1,015 thousand and NT$919 thousand respectively.

(2) Average salaries of 2022 and 2021 are NT$662 thousand and NT$622 thousand respectively.

(3) Changes in average salaries are 6%.

(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 December 31, 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 to be 5.28% of profit of the current year and 0.37% 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 December 31, 2022 amounted to NT$150,000 thousand and NT$10,500 thousand, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 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. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 amount to NT$75,000 thousand and NT$8,400 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$150,000 thousand and NT$10,500 thousand, respectively, in a meeting held on March 15, 2023. 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, 2022.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2021 amount to NT$75,000 thousand and NT$8,400 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, 2021.

(21)Non-operating income and expenses

(a)Interest income

	For the year ended December 31,	
	2022	2021
Financial assets measured at amortized cost		
Interest income	$18,625	$5,214

(b)Other income

	For the year ended December 31,	
	2022	2021
Other income – others	$5,557	$13,933

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

(c)Other gains and losses

	For the year ended December 31,	
	2022	2021
Recognition of contract liabilities to income	$433,826	$-
Recognition of long-term prepayments for materials to loss	(183,302)	34,615
Compensation income	148,571	-
Foreign exchange gains (losses), net	111,392	(13,873)
Others	(26,223)	(40,855)
Reversal of impairment losses on property, plant and equipment	2,196	129,993
Gains (losses) on disposal of property, plant and equipment	(2,154)	(126,820)
Gains (losses) on financial assets at fair value through profit or loss	(1,994)	682
Gains on disposal of investments	-	618
Total	$482,312	$(15,640)

(d)Finance costs

	For the year ended December 31,	
	2022	2021
Interest on borrowings from bank	$46,881	$32,874
Interests on lease liabilities	2,367	1,304
Interests on bonds payable	4,125	1,768
Total	$53,373	$35,946

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

(22)Components of other comprehensive income

For the year ended December 31, 2022

	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	$16,016	$-	$16,016	$-	$16,016
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(51,819)	-	(51,819)	-	(51,819)
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	112,818	-	112,818	-	112,818
Total of other comprehensive income	$77,015	$-	$77,015	$-	$77,015

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

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)

(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,	
	2022	2021
Current income tax expense (income):		
Current income tax charge	$515,681	$154,000
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	$515,681	$154,000

(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,	
	2022	2021
Accounting income before tax from continuing operations	$2,680,620	$1,204,572
Tax payable at the enacted tax rates	$536,124	$240,915
Surtax on undistributed earnings	14,632	5,531
Tax effect of revenues exempt from taxation	(41,612)	(95,062)
Tax effect of expenses not deductible for tax purposes	825	38,765
Tax effect of deferred tax assets/liabilities	5,712	(36,149)
Total income tax expense recognized in profit or loss	$515,681	$154,000

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

(c)Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as Jan. 1, 2022	Deferred tax income (expense) recognized in P/L	Effect of tax rate change	Ending balance as of Dec. 31, 2022
Temporary differences				
Unrealized loss on inventory valuation	$23,263	$(260)	$-	$23,003
Unrealized exchange loss (gain)	2,221	(740)	-	1,481
Pension expense	1,967	-	-	1,967
Unrealized intragroup profits and losses	7,400	1,000	-	8,400
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	$-			$-

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

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	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	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, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset future taxable profits amount to NT$62,109 thousand and NT$103,786 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, 2022 and 2021, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, aggregate to NT$516,484 thousand and NT$353,685 thousand, respectively.

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

(f)The assessment of income tax returns

As at December 31, 2022, 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 2020

(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,	
	2022	2021
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$2,164,939	$1,050,572
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	540,934	519,592
Basic earnings per share (in NT$)	$4.00	$2.02

	For the year ended December 31, 2022	For the year ended December 31, 2021
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$2,164,939	$1,050,572
Gain or loss on valuation of redemption	1,595	(682)
Interest expense from convertible bonds	3,300	1,414
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$2,169,834	$1,051,304
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	540,934	519,592
Effect of dilution:		
Employee bonus－stock (in thousand shares)	3,895	1,130
Convertible bonds (in thousands shares)	4,495	1,902
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	549,324	522,624
Diluted earnings per share (in NT$)	$3.95	$2.01

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,	
	2022	2021
Helitek Company Ltd.	$1,713,537	$1,373,021
Wafer Works Epitaxial Corp.	463,796	757,370
Huaxin (Shanghai) Technology Co. Ltd.	61,586	299,305
Wafer Works (Zhengzhou) Corp.	115,847	-
Subsidiaries	11,700	23,122
Total	$2,366,466	$2,452,818

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.

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

For the years ended December 31, 2022 and 2021, the Company purchased raw materials on behalf of its subsidiaries totaling NT$0 thousand and NT$203,771 thousand, respectively.

B.Purchases

	For the year ended December 31,	
	2022	2021
Wafer Works (Shanghai) Co., Ltd.	$-	$428
Huaxin (Shanghai) Technology Co. Ltd.	67,679	513,867
Wafer Works (Yangzhou) Corp.	280,017	263,586
Subsidiaries	21,951	14,567
Total	$369,647	$792,448

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,	
	2022	2021
Wafer Works Epitaxial Corp.	$86,443	$151,960
Helitek Company Ltd.	287,633	267,883
Sharp Right Limited	43,468	39,179
Wafer Works (Shanghai) Co., Ltd.	(55)	(49)
Wafer Works (Yangzhou) Corp.	-	73
Wafer Works (Zhengzhou) Corp.	35,799	-
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	-	12,129
Huaxin (Shanghai) Technology Co. Ltd.	103,196	149,347
Total	556,484	620,522
Less: loss allowance	-	-
Net	$556,484	$620,522

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

D.Other receivables

	As of December 31,	
	2022	2021
Sharp Right Limited	$49,301	$45,432
Wafer Works (Shanghai) Co., Ltd.	37	299
Helitek Company Ltd.	111	133
Huaxin (Shanghai) Technology Co. Ltd.	-	25,066
Total	$49,449	$70,930

E.Accounts payable - related parties

	As of December 31,	
	2022	2021
Wafer Works (Yangzhou) Corp.	$24,999	$41,536
Helitek Company Ltd.	2,317	3,402
Huaxin (Shanghai) Technology Co. Ltd.	-	97,626
Total	$27,316	$142,564

F.Other payable

	As of December 31,	
	2022	2021
Helitek Company Ltd.	$469	$688
Wafer Works (Shanghai) Co., Ltd.	-	2,594
Total	$469	$3,282

(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
2022			
None			
2021			
Machinery	Subsidiaries	$2,594	negotiation

H.Key management personnel compensation

	For the year ended December 31,	
	2022	2021
Short-term employee benefit	$40,013	$28,612
Post-employment benefit	736	659
Total	$40,749	$29,271

8. Assets pledged as collateral

Assets pledged for security	Carrying amount As of Dec. 31, 2022	2021	Secured liabilities
Refundable deposits	$-	$3,872	Litigation deposit
Financial assets measured at amortized cost-current	8,195	7,006	Long-term loans
Financial assets measured at amortized cost-current	6,500	-	Customs duty guarantee
Financial assets measured at amortized cost-noncurrent	21,967	9,967	Land leased
Property, plant and equipment – land	259,131	259,131	Long-term loans
Property, plant and equipment – buildings	1,017,579	1,158,060	Long-term loans
Property, plant and equipment-Machinery and equipment	91,662	-	Long-term loans
Total	$1,405,034	$1,438,036	

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

9. Significant contingencies and unrecognized contract commitments

(a)As of December 31, 2022, 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	$1,471,850	$1,054,775	$417,075
Construction	571,735	398,017	173,718
Total	$2,043,585	$1,452,792	$590,793

The above amount paid are classified under prepayment for equipment, construction in progress and equipment awaiting examination.

(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 Company and Supplier A signed an agreement to terminate the purchase contracts on August 18, 2022. The rights and obligations of both parties in the original contracts were terminated at the same time. Supplier A agreed to return part of the payment. The Company recognized loss of prepayment for purchasing materials in the amount of NT$183,302, booked under other losses for the year ended December 31, 2022.

(c)The Company signed a 3-year purchase contracts with Supplier B for the period from August 16, 2021 through August 16, 2024 for stabilizing the material sources and to enhance the relationship with the supplier. Under the agreements, installment prepayments which are to be offset by the Company’s future purchase orders were agreed and paid by the Company.

(d)The Company signed a 3-year purchase contracts with Supplier C for the period from August 15, 2022 through December 31, 2025 for stabilizing the material sources and to enhance the relationship with the supplier. Under the agreements, installment prepayments which are to be offset by the Company’s future purchase orders were agreed and paid by the Company.

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

(e)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 A. 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.

However, during the contract period, customer A 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 A 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 A appealed to the Taiwan High Court on October 31, 2017. On January 27, 2021, the Taiwan High Court dismissed the appeal. Customer A 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 Company and Customer A ended the proceedings in accordance with the result of the reconciliation in the Taiwan High Court. Based on the result of the reconciliation, the Company confiscated the prepayment from Customer A and collected the damages on September 8, 2022.

(f)To develop 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 customers shall put their purchase orders in compliance with the regulation within the agreement by using its prepayment. As of December 31, 2022, the Company’s contracts are as follows:

Customer	Contract Period	Balances of Contract Liabilities
Customer B	2018.10.01~2022.12.31	$3,806
Customer C	2022.01.01~2024.12.31	149,747
Customer D	2021.10.01~2023.09.30	23,877
Total		$177,430

(g)As of December 31, 2022, the Company issued a tariff guarantee of NT$29,000 thousand to the bank for the purpose of importing goods.

10. Losses due to major disasters

None.

11. Significant subsequent events

A. On March 15, 2023, the Company’s board of directors resolved to issue restricted stock for employees. The number of shares to be issued shall not exceed 1,500,000 shares, and the actual terms of issuance and subscription are subject to the approval of the shareholders' meeting.

B. On March 15, 2023, the Company’s board of directors resolved to have Wafer Works (Shanghai) Co., Ltd. go for an initial public offering of RMB ordinary shares and apply to be listed on the Science and Technology Innovation Board of Shanghai Stock Exchange. Due to amendments to local regulations, adjustments and new commitments, the Company assessed that there was no significant impact on the finance, business or shareholders’ equity of the Company and its subsidiaries. The above commitments can be found on the “Market Observation Post System” on TWSE website.

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

12. Others

(1)Categories of financial instruments

	As of December 31,	
	2022	2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$119	$2,113
Financial assets measured at amortized cost		
Cash and cash equivalents	3,236,935	3,862,033
Certificate of deposit – restricted	36,662	16,973
Accounts receivables	724,962	781,606
Accounts receivables – related party	556,484	620,522
Other receivables	42,701	22,754
Other receivables – related party	49,449	70,930
Total	$4,647,312	$5,376,931

	As of December 31,	
	2022	2021
Financial liabilities measured at amortized cost:		
Short-term borrowings	$513,372	$291,083
Payable	1,341,314	1,237,299
Long-term borrowings (including current portion with maturity less than 1 year)	1,536,706	1,707,711
Bonds payable	288,510	284,385
Lease liabilities (including current portion with maturity less than 1 year)	232,671	49,637
Total	$3,912,573	$3,570,115

(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, 2022 and 2021 is decreased/increased by NT$ 8,681 thousand and NT$12,694 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, 2022 and 2021 to decreased/increased by NT$2,050 thousand and NT$1,999 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.

As of December 31, 2022 and 2021, receivables from the top ten customers were accounted for 74.04% and 71.95% 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.

(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, 2022							
Borrowings	$891,038	$513,249	$664,302	$63,642	$33,504	$-	$2,165,735
Payables	1,341,314	-	-	-	-	-	1,341,314
Lease Liabilities	19,595	19,595	19,595	19,595	19,595	182,301	280,276
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

(6)Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Bonds Payable	Long-term borrowings	Refundable deposits	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	$291,083	$284,385	$1,707,711	$95,991	$49,637	$2,428,807
Cash flows	222,289	-	(171,600)	(29,226)	(10,651)	10,812
Non-cash changes						
Lease modification	-	-	-	-	191,318	191,318
Interest of lease liabilities	-	-	-	-	2,367	2,367
Interest expense	-	4,125	595	-	-	4,720
As of December 31, 2022	$513,372	$288,510	$1,536,706	$66,765	$232,671	$2,638,024

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

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

(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 fair 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.

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

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, 2022	Dec. 31, 2021
Financial liabilities		
Bonds payable	$288,510	$284,385

	Fair value	
	Dec. 31, 2022	Dec. 31, 2021
Financial liabilities		
Bonds payable	$282,512	$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

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2022 and 2021 is as follows:

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 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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Embedded derivatives	$-	$-	$119	$119

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

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

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	At fair value through profit or loss
As of January 1, 2022	$2,113
Acquisition/issues for the period	-
Total gains recognized	
Amount recognized in profit or loss (presented in “other gains and losses“)	(1,994)
As of December 31, 2022	$119

	Assets
	At fair value through profit or loss
As of January 1, 2021	$-
Acquisition/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, 2022 and 2021 in the amount of NT$(1,994) thousand and NT$853 thousand, 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 is as follows:

As of December 31, 2022

	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	43.08%	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$10 thousand

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

(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, 2022

	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))	$-	$-	$282,512	$282,512

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

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

(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, 2022		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$49,753	30.71	$1,527,915
Non Monetary items:			
USD	$181,161	30.71	$5,563,454
Financial liabilities			
Monetary items:			
USD	$21,486	30.71	$659,845

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

	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

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$111,392 thousand and NT$(13,873) thousand respectively for the years ended December 31, 2022 and 2021.

(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) Information on significant transactions:

a. Financing provided to others for the year ended December 31, 2022: None.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2022: Please refer to Attachment 1.

c. Securities held as of December 31, 2022 (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, 2022: 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, 2022: 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, 2022: 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, 2022: 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, 2022: 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. Investees over 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, 2022: Please refer to Attachment 5.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2022: Please refer to Attachment 1.

(c) Securities held as of December 31, 2022 (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, 2022: 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, 2022: 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, 2022: 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, 2022: 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, 2022: 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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Wafer Works (Shanghai) Co., Ltd. (Note10)	R&D, production and sales of semiconductor materials	$2,627,380 (Note1&3)	-	$510,951	$-	$-	$510,951	$1,628,534	47.88%	$779,760 (Note3&4)	$5,250,379 (Note3&4)	$-
Wafer Works Epitaxial Corp.	R&D, production and sales of semiconductor materials	$2,152,022 (Note3&6)	-	$516,782	$-	$-	$516,782	$1,099,295	47.88%	$1,097,559 (Note3&4)	$1,693,811 (Note3&4)	$-

(Amounts Expressed in Thousands of New Taiwan Dollars 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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Wafer Works (Yangzhou) Corp.	R&D, production and sales of semiconductor materials	$480,629 (Note3&7)	Note 2	$-	$-	$-	$-	$35,365	47.88%	$35,365 (Note3&4)	$236,888 (Note3&4)	$-
Wafer Works (Zhengzhou) Corp.	R&D, production and sales of semiconductor materials	$4,497,623 (Note3&8)	Note 8	$-	$-	$-	$-	$666,986	47.88%	$666,986 (Note3&4)	$2,375,189 (Note3&4)	$-
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	R&D, production and sales of semiconductor materials	$ - (Note3,9&13)	Note 9	$-	$-	$-	$-	$(13,886)	- % (Note13)	$(13,886) (Note3,4&13)	$- (Note3,4&13)	$-

(Amounts Expressed in Thousands of New Taiwan Dollars 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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Huaxin (Shanghai) Technology Co. Ltd	Selling business	$30,211 (Note11)	Note 12	$30,211	$-	$-	$30,211	$(115,158)	100.00%	$(115,158) (Note3&4)	$(68,166) (Note3&4)	$-

Investee company	Accumulated Investment in Mainland China as of Dec. 31, 2022	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: 53.6413% shares of Wafer Works (Shanghai) Co., Ltd. owned by Silicon Technology Investment (Cayman) Corp. But 89.2615% 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, 2022.

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.

Note 13: The Company resolved at its shareholder's meeting held on April 8, 2022 that its subsidiary, Wafer Works (Zhengzhou) Corp. merge with another subsidiary: Zhengzhou Airport Economy Zone Wafer Works Technology. Wafer Works (Zhengzhou) Corp. is the surviving company. Zhengzhou Airport Economy Zone Wafer Works Technology Corp. is the dissolved company. The cancellation of registration was completed on June 30, 2022.

(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	%
Huaxin (Shanghai) Technology Co. Ltd.	$67,679	2.95%	$-	-%
Wafer Works (YangZhou) Corp.	280,017	12.21	24,999	5.67
Total	$347,696	15.16%	$24,999	5.67%

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.	$463,796	7.01%	$86,443	6.75%
Wafer Works (Shanghai) Co., Ltd.	-	-	(55)	-
Huaxin (Shanghai) Technology Co. Ltd.	61,586	0.93	103,196	8.05
Wafer Works (Zhengzhou) Corp.	115,847	1.75	35,799	2.79
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	11,700	0.18	-	-
Total	$652,929	9.87%	$225,383	17.59%

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.

(c)Property transaction amounts and resulting gain or loss: None (d)The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 1.

(e)The amount of maximum financing, the balance interest rates, and lump sum interest expense: None

(f)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, 2022, the Company purchased raw materials on behalf of Wafer Works (Shanghai) Co., Ltd. in the amount of NT$37 thousand, respectively, which were recorded under other receivables.

(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, 2022）

（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
1	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	Affiliated Company	$5,159,581	$1,969,122	$1,582,472	$1,005,584	$-	12.27%	$5,159,581	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

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, 2022）

（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.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	$463,796	7.01%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$86,443	6.75%	
Wafer Works Corp.	Helitek Company Ltd.	Affiliated Company	Sales	$1,713,537	25.90%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$287,633	22.45%	
Wafer Works Corp.	Wafer Works (Zhengzhou) Corp.	Affiliated Company	Sales	$115,847	1.75%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$35,799	2.79%	
Wafer Works Corp.	Wafer Works (YangZhou) Corp.	Affiliated Company	Purchases	$280,017	12.21%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(24,999)	5.67%	

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, 2022）

（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 Amount	Overdue receivables Collection status	Amounts received in subsequent period	Allowance for doubtful accounts
Wafer Works Corp.	Helitek Company Ltd.	Affiliated Company	Accounts receivable $287,633	6.17	$-	-	$163,539	$-
Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Accounts receivable $103,195	0.49	$-	-	$585	$-

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 2022: 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 66,566	USD 62,766		66,566,226	100.00%	$5,509,855	$701,938	$697,704	
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%	4,159	-	-	
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 53,141	USD 43,541	Common stock Preferred stockA Preferred stockB	1 6,970,327 38,991,198	89.26%	5,174,036	793,351	687,749	
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%	190,548	16,534	16,534	
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%	(94,936)	-	-	
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%	190,540	16,541	16,541	

ATTACHMENT 5（Financing provided to others for the year ended December 31, 2022）

（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	$180,240	$-	$-	4.35%	2	$-	Business turnover	$-	-	$-	$708,577 (Note 3)	$708,577 (Note 3)
1	Wafer Works Epitaxial Corp.	Wafer Works (Shanghai) Co., Ltd.	Other receivables -related parties	Yes	$180,240	$-	$-	4.35%	2	$-	Business turnover	$-	-	$-	$708,577 (Note 3)	$708,577 (Note 3)
2	Silicon Technology Investment (Cayman) Corp.	Wafer Works (Shanghai) Co., Ltd.	Other receivables -related parties	Yes	$40,554	$-	$-	4.35%	2	$-	Business turnover	$-	-	$-	$1,161,946 (Note 4)	$1,161,946 (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, 2022.

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, 2022.

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, 2022) (excluding subsidiaries, associates and joint ventures)

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP.

Holding Company	Securities Type and Name	Relationship	Financial Statement Account	As of December 31, 2022 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	$18,426	0.20%	$5,066
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(13,360)		
	Net				$5,066		
Wafer Works Investment Corp.	Solargiga Energy Holdings Limited	-	Financial asset at fair value through OCI, noncurrent	96,227,822	$165,863	2.8951%	$104,209
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(61,654)		
	Net				$104,209		
Heli-Vantech Corp.	New Solar Power Corp.	-	Financial asset at fair value through OCI, noncurrent	138,747	$5,622	0.01%	$2,866
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(2,756)		
	Net				$2,866		

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, 2022）

（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
Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	$336,823	84.18%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$35,778	35.67%	
Wafer Works (Zhengzhou) Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	$2,540,777	87.36%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$469,283	92.92%	
Wafer Works (YangZhou) Corp.	Wafer Works Corp.	Affiliated Company	Sales	$280,017	72.41%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$24,999	53.44%	
Wafer Works Epitaxial Corp.	Wafer Works (Zhengzhou) Corp.	Affiliated Company	Sales	$143,997	2.66%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$25,654	1.87%	
Wafer Works Epitaxial Corp.	Wafer Works Corp.	Affiliated Company	Purchases	$463,796	12.14%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(86,443)	(12.02)%	
Helitek Company Ltd.	Wafer Works Corp.	Affiliated Company	Purchases	$1,713,537	98.25%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(287,633)	(99.37)%	
Wafer Works (Zhengzhou) Corp.	Wafer Works Corp.	Affiliated Company	Purchases	$115,847	9.65%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(35,799)	(11.57)%	

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, 2022）

（All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified）

WAFER WORKS CORP.

					Overdue Receivables			
Company	Counterparty	Relationship	Ending Balance	Turnover Rate (times)	Amount	Actions taken	Subsequent collection	Allowance for doubtful accounts
Wafer Works (Zhengzhou) Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Accounts receivable $469,283	6.30	$-	-	$-	$-

V. 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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 2022 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.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$12,677,431 thousand for the year ended December 31, 2022 is a significant account to the Company's consolidated financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Asia and Europe, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, and performance obligation for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Notes 4 and 6 to the consolidated financial statements.

Provision against inventory

We determine that provision against inventory is also one of the key audit matters. The Company and its subsidiaries' inventory in amount of NT$3,089,355 thousand, representing 11% of consolidated total assets, as of December 31, 2022 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, 2022 and 2021. 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$529,520 thousand and NT$445,562 thousand, representing 1.84% and 1.63% of the total consolidated assets, as of December 31, 2022 and 2021 respectively. And the related net revenues of NT$1,816,629 thousand and NT$1,471,149 thousand, representing 14.33% and 14.23% 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 based on these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2022 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, 2022 and 2021 and for the years then ended.

/s/Cheng, Ching-Piao

/s/Chang, Chih-Ming

Ernst & Young
March 15, 2023
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 audit 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, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2022		As of December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$5,423,876	19	$5,736,575	21
1136	Financial assets measured at amortized cost	4, 6(4), 8	203,775	1	75,614	-
1150	Notes receivable, net	4, 6(5), 8	21,815	-	219,801	1
1170	Accounts receivable, net	4, 6(6)	2,452,105	9	2,401,995	9
1200	Other receivables		88,535	-	37,427	-
1310	Inventories, net	4, 6(7)	3,089,355	11	2,359,750	9
1410	Prepayments	6(8)	338,561	1	351,185	1
1470	Other current assets		41,907	-	563,918	2
11xx	Total current assets		11,659,929	41	11,746,265	43
	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2), 6(15)	119	-	2,113	-
1517	Financial asset at fair value through OCI	4, 6(3)	112,141	-	149,325	1
1536	Financial assets measured at amortized cost	4, 6(4), 8	21,967	-	9,967	-
1600	Property, plant and equipment, net	4, 6(9), 8, 9	15,310,321	53	13,402,062	49
1755	Right-of-use assets, net	4, 6(22), 8	1,035,899	4	592,240	2
1780	Intangible assets, net	4, 6(10)	56,389	-	49,357	-
1840	Deferred tax assets	4, 6(26)	43,433	-	40,918	-
1915	Prepayment for equipment	9	400,119	2	1,034,928	4
1920	Refundable deposits	8	79,222	-	34,049	-
1990	Other non-current assets	9	48,904	-	296,473	1
15xx	Total non-current assets		17,108,514	59	15,611,432	57
1xxx	Total Assets		$28,768,443	100	$27,357,697	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, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2022		As of December 31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(11), 8	$999,704	3	$1,976,531	7
2130	Contract liability	6(20)	47	-	132,431	-
2170	Accounts payable		806,031	3	671,247	2
2200	Other payables	6(12)	1,316,480	5	1,277,593	5
2230	Current income tax liabilities	4	629,560	2	241,934	1
2322	Current portion of long-term loans	6(16), 8	1,092,611	4	633,865	3
2281	Lease liability	4, 6(22)	64,352	-	5,681	-
2399	Other current liabilities	4, 6(13)	4,697	-	3,944	-
21xx	Total current liabilities		4,913,482	17	4,943,226	18
	Non-current liabilities					
2527	Contract liability	6(20), 9	708,608	2	699,478	3
2530	Bonds payable	4, 6(15)	288,510	1	284,385	1
2540	Long-term loans	6(16), 8	3,239,631	11	4,167,002	15
2581	Lease liability	4, 6(22)	447,953	2	43,956	-
2630	Long-term deferred revenue	4, 6(14)	357,556	1	392,181	2
2640	Accrued pension liabilities	4, 6(17)	29,694	-	50,276	-
2645	Deposits received		66,765	-	95,991	-
25xx	Total non-current liabilities		5,138,717	17	5,733,269	21
2xxx	Total liabilities		10,052,199	34	10,676,495	39
31xx	Equity attributable to shareholders of the parent					
3100	Capital	6(18)				
3110	Common stock		5,409,336	19	5,408,984	20
3130	Bond conversion entitlement certificates		-	-	352	-
3200	Capital surplus	6(18)	4,074,419	14	4,147,189	15
3300	Retained earnings					
3310	Legal reserve		500,513	2	393,239	1
3320	Special reserve		326,457	1	383,893	1
3350	Unappropriated earnings		2,853,686	11	1,452,830	6
3400	Other components of equity		(265,458)	(1)	(326,457)	(1)
31xx	Equity attributable to the parent company		12,898,953	46	11,460,030	42
36xx	Non-controlling interests	6(18)	5,817,291	20	5,221,172	19
3xxx	Total equity		18,716,244	66	16,681,202	61
	Total liabilities and equity		$28,768,443	100	$27,357,697	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, 2022 and 2021

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

Code	Items	Notes	2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenues	4, 6(20)	$12,677,431	100	$10,341,276	100
5000	Operating costs	6(7)	(7,510,616)	(59)	(6,722,996)	(65)
5900	Gross profit		5,166,815	41	3,618,280	35
6000	Operating expenses					
6100	Sales and marketing		(239,906)	(2)	(271,855)	(3)
6200	General and administrative		(753,895)	(6)	(670,860)	(6)
6300	Research and development		(838,440)	(7)	(687,152)	(7)
6450	Expected credit gains (losses)	6(21)	(820)	-	1,091	-
	Total operating expenses		(1,833,061)	(15)	(1,628,776)	(16)
6900	Operating income		3,333,754	26	1,989,504	19
7000	Non-operating incomes and expenses					
7100	Interest incomes	6(24)	34,819	-	10,765	-
7010	Other incomes	6(24)	102,646	1	81,455	1
7020	Other gains or losses	6(24)	496,221	4	(34,047)	-
7050	Finance costs	6(24)	(261,058)	(2)	(178,765)	(2)
	Total non-operating incomes and expenses		372,628	3	(120,592)	(1)
7900	Income before income tax		3,706,382	29	1,868,912	18
7950	Income tax expenses	4, 6(26)	(703,091)	(5)	(327,435)	(3)
8200	Net income		3,003,291	24	1,541,477	15
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		16,016	-	4,613	-
8316	Unrealized gains or losses on financial assets at fair value through other comprehensive income (loss)		(51,819)	-	105,861	1
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		201,719	1	(51,954)	(1)
	Total other comprehensive income (loss), net of tax		165,916	1	58,520	-
8500	Total comprehensive income		$3,169,207	25	$1,599,997	15
8600	Net income attributable to:					
8610	Stockholders of the parent		$2,164,939	17	$1,050,572	10
8620	Non-controlling interests		838,352	7	490,905	5
			$3,003,291	24	$1,541,477	15
8700	Total comprehensive income (loss) attributable to:					
8710	Stockholders of the parent		$2,241,954	18	$1,130,173	11
8720	Non-controlling interests		927,253	7	469,824	4
			$3,169,207	25	$1,599,997	15
9750	Earnings per share-basic (in NTD)	6(27)	$4.00		$2.02	
9850	Earnings per share-diluted (in NTD)	6(27)	$3.95		$2.01	

(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, 2022 and 2021

(Amounts Expressed In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent										
		Capital			Retained Earnings			Others				
		Common stock	Bond conversion entitlement certificates	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	Non-controlling Interests	Total Equity
Code	Items	3100	3130	3200	3310	3320	3350	3410	3490	31XX	36XX	3XXX
A1	Balance as of January 1, 2021	$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
	Appropriation and distribution of 2021 earnings											
B1	Legal reserve				107,274		(107,274)			-		-
B3	Special reserve					(57,436)	57,436			-		-
B5	Cash dividends-common shares						(730,261)			(730,261)		(730,261)
D1	Net income for 2022						2,164,939			2,164,939	838,352	3,003,291
D3	Other comprehensive income (loss), net of tax, for 2022.						16,016	112,818	(51,819)	77,015	88,901	165,916
D5	Total comprehensive income (loss)	-	-	-	-	-	2,180,955	112,818	(51,819)	2,241,954	927,253	3,169,207
I1	Shares from bonds converted	352	(352)							-		-
M5	Difference between consideration and carrying amount of subsidiaries aquires or disposed			(72,770)						(72,770)	(218,294)	(291,064)
O1	Non-controlling interests increase (decrease)										(112,840)	(112,840)
Z1	Balance as of December 31, 2022	$5,409,336	$-	$4,074,419	$500,513	$326,457	$2,853,686	$(190,427)	$(75,031)	$12,898,953	$5,817,291	$18,716,244

(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, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2022	2021	Code	Items	2022	2021
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	$3,706,382	$1,868,912	B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	-	170,912
A20000	Adjustments:			B00040	Disposal (acquisition) of financial assets at amortised cost	(140,161)	75,499
A20010	Profit or loss not effecting cash flows:			B02700	Acquisition of property, plant and equipment	(2,794,125)	(2,253,834)
A20100	Depreciation (Including right of use assets)	1,603,359	1,348,895	B02800	Proceeds from disposal of property, plant and equipment	19,052	32,890
A20200	Amortization	11,275	12,435	B03700	Decrease (increase) in refundable deposits	(45,173)	4,217
A20300	Expected credit losses (gain on recovery)	820	(1,091)	B04500	Acquisition of intangible assets	(17,628)	(10,482)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	1,994	(682)	B09900	Other investing activities	22,048	106,621
A20900	Interest expense	261,058	178,765	BBBB	Net cash provided by (used in) investing activities	(2,955,987)	(1,874,177)
A21200	Interest income	(34,819)	(10,765)				
A21900	Share-based payment	5,540	64,783	CCCC	Cash flows from financing activities:		
A22500	Loss (gain) on disposal of property, plant and equipment	8,484	122,609	C00100	Increase in (repayment of) short-term loans	(976,827)	(229,050)
A23100	Gain from disposal of investments	-	(618)	C01200	Issuance of corporate bonds	-	296,434
A23700	Impairment loss on non-financial assets	(2,196)	(129,993)	C01600	Increase in long-term loans	123,388	357,481
A29900	Loss (gain) on government grants	(63,177)	(50,184)	C01700	Repayment of long-term loans	(720,704)	(748,950)
A29900	Recognition of long-term prepayments for materials to loss	183,302	-	C03000	Increase in guarantee deposits received	(29,226)	76,219
A29900	Recognition of Contract liabilities to income	(433,826)	-	C04020	Payments of lease liabilities	(66,386)	(6,846)
A30000	Changes in operating assets and liabilities:			C04500	Payment of cash dividends	(730,261)	(561,988)
A31115	Financial assets at fair value through profit or loss	-	9,480	C04600	Capital increase by cash	-	1,555,255
A31130	Notes receivable	197,986	(60,066)	C05800	Increase (decrease) in non-controlling interests	(409,444)	954,570
A31150	Accounts receivable	(51,065)	(715,248)	CCCC	Net cash provided by (used in) financing activities	(2,809,460)	1,693,125
A31180	Other receivable	(50,038)	441				
A31200	Inventories	(729,605)	(55,846)	DDDD	Effect of exchange rate changes on cash and cash equivalents	172,689	(21,229)
A31230	Prepayment	76,891	(126,243)				
A31240	Other current assets	522,011	68,132	EEEE	Net Increase (decrease) in cash and cash equivalents	(312,699)	2,479,738
A32125	Contract liabilities	310,572	278,298	E00100	Cash and cash equivalents at beginning of period	5,736,575	3,256,837
A32150	Accounts payable	134,784	121,886	E00200	Cash and cash equivalents at end of period	$5,423,876	$5,736,575
A32180	Other payable	149,714	192,840				
A32230	Other current liabilities	650	(236)				
A32240	Accrued pension liabilities	(4,566)	(3,999)				
A33000	Cash generated from operations	5,805,530	3,112,505				
A33200	Interest received	33,787	10,244				
A33300	Interest paid	(240,013)	(175,417)				
A33500	Income tax paid	(319,245)	(265,313)				
AAAA	Net cash provided by (used in) operating activities	5,280,059	2,682,019				

(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, 2022 and 2021 were authorized for issue by the Board of Directors on March 15, 2023.

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, 2022. 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	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(A) 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.

(B) 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.

(C) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual period beginning on or after January 1, 2023. 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, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

(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) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(E) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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, 2022 and 2021 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	2022	2021
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	89.2615% (Note2)	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.	R&D, production and sales of semiconductor materials	53.6413% (Note)	53.6413% (Note)

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

			Percentage of ownership (%)	
			As of December 31,	
Investor	Subsidiary	Main businesses	2022	2021
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.	R&D, production and sales of semiconductor materials	100.00%	100.00%
Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	R&D, production and sales of semiconductor materials	100.00%	100.00%
Wafer Works (Shanghai) Co., Ltd.	Wafer Works (Zhengzhou) Corp.	R&D, production and sales of semiconductor materials	100.00%	100.00%
Wafer Works (Shanghai) Co., Ltd.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	R&D, production and sales of semiconductor materials	-% (Note1)	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 from 56.7469% to 53.6413%.

Note1：The Company’s subsidiary, Wafer Works (Shanghai) Co., Ltd., resolved at its shareholder’s meeting held on April 8, 2022 that its subsidiary, Wafer Works (Zhengzhou) Corp. merge with another subsidiary: Zhengzhou Airport Economy Zone Wafer Works Technology. Wafer Works (Zhengzhou) Corp. is the surviving company. Zhengzhou Airport Economy Zone Wafer Works Technology Corp. is the dissolved company. The cancellation of registration was completed on June 30, 2022.

Note2：The Company, for the purpose of long-term business expansion strategy, was approved by the Board in a meeting held on March 23, 2022 to acquire the preferred B of Silicon Technology Investment (Cayman) Corp., one of the Company’s subsidiaries, within the limit of 2,600,000 shares, the purchase price at USD4.8 per share and total acquisition cost of USD12,480,000. The Company's acquisition costs were USD9,600,000 and the additional equity percentage acquired 3.8815%. As a result, the Company’s ownership interest in Silicon Technology Investment (Cayman) Corp. increases to 89.2615%. The legal registration procedures are completed as of December 31, 2022.

(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.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(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,	
	2022	2021
Cash on hand	$629	$474
Checkings and savings	2,910,998	3,420,230
Time deposits	2,452,249	2,205,871
Resale agreements collateralized by corporate bonds	60,000	110,000
Total	$5,423,876	$5,736,575

(2)Financial assets at fair value through profit or loss

	As of December 31,	
	2022	2021
Mandatorily measured at fair value through profit or loss:		
Embedded derivative financial instruments	$119	$2,113
Current	$-	$-
Non-current	119	2,113
Total	$119	$2,113

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,	
	2022	2021
Equity instruments investments measured at fair value through other comprehensive income – Non-current:		
Listed companies stocks	$171,485	$155,120
Unlisted companies stocks	18,426	16,608
Valuation adjustment of financial assets as measured by fair value through profit and loss	(77,770)	(22,403)
Total	$112,141	$149,325

(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 is as follows:

	For the year ended December 31,
	2021
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	17,552

(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,	
	2022	2021
Certificate of deposit – restricted	$225,742	$85,581
Current	$203,775	$75,614
Non-current	21,967	9,967
Total	$225,742	$85,581

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,	
	2022	2021
Notes receivables arising from operating activities	$21,815	$219,801
Less: loss allowance	-	-
Total	$21,815	$219,801

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,	
	2022	2021
Trade receivables	$2,460,536	$2,495,737
Less: loss allowance	(8,431)	(93,742)
Total	$2,452,105	$2,401,995

(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, 2022 and 2021, are NT$2,460,536 thousand and NT$2,495,737 thousand, respectively. Please refer to Note 6(21) for more details on loss allowance of accounts receivable for year ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(7)Inventories

(a)Inventories consist of the following:

	As of December 31,	
	2022	2021
Raw materials	$639,080	$873,286
Supplies & parts	948,771	407,859
Work in progress	885,350	718,306
Finished goods	604,075	356,817
Merchandises	12,079	3,482
Total	$3,089,355	$2,359,750

(b)The cost of inventories recognized in expenses amounted to NT$7,510,616 thousand and NT$6,722,996 thousand for the years ended December 31, 2022 and 2021, respectively. The following losses were included in cost of sales :

	For the year ended December 31,	
Item	2022	2021
Loss (gains) from inventory market decline	$42,340	$(57,564)
Loss from inventory write-off obsolescence	2,866	4,099
Total	$45,206	$(53,465)

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,	
	2022	2021
Office supplies	$135,753	$114,314
Other prepaid expenses	124,287	120,527
Prepayment for purchase	78,521	116,344
Total	$338,561	$351,185

(9)Property, plant and equipment

	As of December 31,	
	2022	2021
Owner occupied property, plant and equipment	$15,310,321	$13,402,062

(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, 2022	$259,131	$3,365,549	$17,939,345	$34,831	$294,882	$354,546	$2,348,516	$24,596,800
Additions	-	(913)	-	-	-	-	3,317,978	3,317,065
Reclassification	-	1,039,665	2,664,749	1,614	99,787	57,944	(3,863,759)	-
Disposals	-	(3,489)	(146,720)	(2,665)	(5,469)	(1,068)	(8,957)	(168,368)
Exchange differences	-	29,520	147,420	378	2,266	1,929	30,446	211,959
As of December 31, 2022	$259,131	$4,430,332	$20,604,794	$34,158	$391,466	$413,351	$1,824,224	$27,957,456
Depreciation and impairment:								
As of January 1, 2022	$-	$683,955	$10,040,119	$26,788	$224,235	$219,641	$-	$11,194,738
Depreciation	-	154,580	1,305,685	3,038	42,254	27,971	-	1,533,528
Reversal of impairment losses	-	-	(2,196)	-	-	-	-	(2,196)
Disposals	-	(801)	(131,241)	(2,576)	(5,338)	(876)	-	(140,832)
Exchange differences	-	4,033	54,979	260	1,497	1,128	-	61,897
As of December 31, 2022	$-	$841,767	$11,267,346	$27,510	$262,648	$247,864	$-	$12,647,135

(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, 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
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
Net carrying amount as of:								
December 31, 2022	$259,131	$3,588,565	$9,337,448	$6,648	$128,818	$165,487	$1,824,224	$15,310,321
December 31, 2021	$259,131	$2,681,594	$7,899,226	$8,043	$70,647	$134,905	$2,348,516	$13,402,062

(b)For the year ended December 31, 2022 and 2021, the NT$2,196 thousand and NT$129,993 thousand gain on reversal of impairment loss represented the sold of certain property, plant and equipment in the Group, respectively. This has been recognized in the statement of comprehensive income.

(c)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)

(d)Capitalized borrowing costs of property, plant and equipment are as follows:

Item	For the year ended December 31,	
	2022	2021
Buildings and Construction in progress and Equipment awaiting examination	$-	$84,666
Capitalisation rate of borrowing costs	-	5.00%~5.70%

(e)Significant components of PPE are depreciation over their useful lives.

(10)Intangible assets

	Computer software
Cost:	
As of January 1, 2022	$63,766
Addition	17,628
Reduction	(4,357)
Exchange differences	832
As of December 31, 2022	$77,869
Cost:	
As of January 1, 2021	$67,141
Addition	10,482
Reduction	(13,579)
Exchange differences	(278)
As of December 31, 2021	$63,766
Amortization:	
As of January 1, 2022	$14,409
Amortization and Impairment	11,275
Decrease	(4,357)
Exchange differences	153
As of December 31, 2022	$21,480

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

	Computer software
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
Net carrying amount as of:	
December 31, 2022	$56,389
December 31, 2021	$49,357

Amortization expense of intangible assets under the statement of comprehensive income:

	For the year ended December 31,	
	2022	2021
Operating costs	$306	$765
General and administrative	10,693	11,403
Research and development	276	267
Total	$11,275	$12,435

(11)Short-term loans

		As of December 31,	
	Interest Rate (%)	2022	2021
Unsecured financial structure loans	1.3169%~3.95%	$901,481	$1,684,505
Secured financial structure loans	1.667%~2.61%	98,223	292,026
Total		$999,704	$1,976,531

The Group’s unused short-term lines of credits amounted to NT$6,804,412 thousand and NT$5,551,741 thousand as of December 31, 2022 and 2021, 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,	
	2022	2021
Accrued expense	$919,442	$769,728
Payable on equipment	379,074	490,943
Accrued interest payable	17,964	16,922
Total	$1,316,480	$1,277,593

(13)Other current liabilities

(a)Other current liabilities consist of the following:

	As of December 31,	
	2022	2021
Other current liabilities	$3,881	$3,231
Deferred government grants income	816	713
Total	$4,697	$3,944

(b)Please refer to Note 6(14) for more details on the change of he deferred government grants income in 2022 and 2021.

(c)Please refer to Note 6(16) for more details on interest rate of the deferred government grants income.

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

(14)Deferred revenue

Government grants

	For the year ended December 31,	
	2022	2021
Beginning balance	$392,894	$336,269
Received during the period	22,545	108,536
Released to the statement of comprehensive income	(63,177)	(50,184)
Exchange differences	6,110	(1,727)
Ending Balance	$358,372	$392,894

	As of December 31,	
	2022	2021
Current	$816	$713
Non-current	357,556	392,181
Total	$358,372	$392,894

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.

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

(15)Bonds payable

A. The details of the bonds payable as of December 31, 2022 and 2021 are as follows:

	As of December 31,	
	2022	2021
Liability component:		
Principal amount	$297,600	$297,600
Less: discounts on bonds payable	(9,090)	(13,215)
Subtotal	288,510	284,385
Less: current portion	-	-
Net	$288,510	$284,385
Embedded derivative - redemption, put options	$119	$2,113
Equity component - conversion right	$12,685	$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.

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

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

(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 on ordinary shares in 2021, the Company adjusted the conversion price in accordance with the Company's 7^{th} domestic unsecured conversion corporate bond issuance and conversion measures. Therefore, the conversion price was adjusted to 68.9 since August 15, 2021.

Due to the distribution of cash dividends on ordinary shares in 2022, the Company adjusted the conversion price in accordance with the Company's 7^{th} domestic unsecured conversion corporate bond issuance and conversion measures. Therefore, the conversion price was adjusted to 66.2 since July 25, 2022.

(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, 2022. 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, 2022 and 2021 are as follows:

Debtor	As of December 31, 2022	Maturity and Terms
Secured Long-Term Joint guarantee Loan from Land Bank of Taiwan and others	$1,300,000	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	90,171	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 day of each month. Interest will be paid on the 15th of each month.
Secured Long-Term Loan from Land Bank of Taiwan	96,491	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 day of each month. Interest will be paid on the 15th of each month.
Credit Long-Term Loan from Taiwan Cooperative Bank	16,316	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.

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

Debtor	As of December 31, 2022	Maturity and Terms
Credit Long-Term Loan from Taiwan Cooperative Bank	4,948	Effective March 10, 2022 to March 10, 2027. The principal will be paid monthly on the 15th day of each month and interest shall be paid monthly.
Credit Long-Term Loan from Taiwan Cooperative Bank	28,780	Effective May 20, 2022 to May 20, 2027. Interest payments are due monthly for 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.
Secured Long-Term Joint guarantee Loan from Taiwan Cooperative Bank	485,037	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.
Credit Long-Term Loan from Taiwan Cooperative Bank	564,493	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.

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

Debtor	As of December 31, 2022	Maturity and Terms
Secured Long-Term Loan from China Development Bank	921,571	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	780,340	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.
Credit Long-Term Loan from China Construction Bank	44,095	Effective November 14, 2022 to November 13, 2024. Grace period is half 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 4 terms. Interest shall be paid quarterly.
Total	4,332,242	
Less: current portion	(1,092,611)	
Non-current portion	$3,239,631	

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

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 for 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 for 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.

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

Debtor	As of December 31, 2021	Maturity and Terms
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.

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

Debtor	As of December 31, 2021	Maturity and Terms
Total	4,800,867	
Less: current portion	(633,865)	
Non-current portion	$4,167,002	

(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 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, 2022 and 2021, the interest rate intervals for long-term loans were 1.33%~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$253,200 thousand with a term of 5~7 years and annual interest rates of 1.33% 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, 2022 and 2021 are NT$38,819 thousand and NT$35,211 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 15^{th} 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.

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$5,081 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

As of December 31, 2022 and 2021 the maturities of the Company's defined benefit plan were expected in 2036 and 2037.

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

Pension costs recognized in profit or loss for the years ended December 31, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
Current period service costs	$129	$132
Net interest of defined benefit	387	253
Previous period service cost	-	-
Settlement	-	-
Total	$516	$385

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Defined benefit obligation	$73,454	$86,160	$90,364
Plan assets at fair value	(43,760)	(35,884)	(31,476)
Other non-current liabilities – net defined benefit liability on the consolidated balance sheets	$29,694	$50,276	$58,888

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, 2021	$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

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
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
Current period service costs	129	-	129
Net interest of defined benefit	663	(276)	387
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	792	(276)	516
Remeasurement of net defined benefit liability(asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(12,986)	-	(12,986)
Experience adjustments	(512)	-	(512)
Re-measurement on defined benefit assets	-	(2,518)	(2,518)
Subtotal	(13,498)	(2,518)	(16,016)
Payments from the plan	-	-	-
Contributions by employer	-	(5,082)	(5,082)
Effect of exchange rates	-	-	-
As of December 31, 2022	$73,454	$(43,760)	$29,694

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

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2022	2021
Discount rate	1.43%	0.77%
Expected rate of salary increases	2.50%	3.00%

Sensitivity analysis:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$4,890	$-	$6,333	$-
Discount rate decrease by 0.5%	-	5,331	-	6,946
Future salary increase by 0.5%	5,246	-	6,754	-
Future salary decrease by 0.5%	-	4,864	-	6,231

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.

(18)Equity

(a)Common stock

As of December 31, 2022 and 2021, 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$5,409,336 thousand and NT$5,408,984 thousand, respectively, divided into 540,933 thousand shares and 540,898 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

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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 7^{th} unsecured convertible bonds in amount of NT$2,400 thousand were converted into 35 thousand shares. The Board of directors on March 23, 2022 resolved the measurement date was on March 24, 2022.

(b)Additional paid-in capital

	As of December 31,	
	2022	2021
Additional paid-in capital	$3,065,181	$3,065,181
All changes in interests in subsidiaries	965,314	1,038,084
Stock options – convertible rights	12,685	12,685
Other	31,239	31,239
Total	$4,074,419	$4,147,189

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.

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

(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, 2022 and 2021, 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 2022 and 2021 were approved through the Board of Directors’ meetings and shareholders’ meetings held on March 15, 2023 and June 21, 2022, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2022	2021	2022	2021
Legal reserve	$218,096	$107,274		
Special reserve	(60,999)	(57,436)		
Common stock－cash dividend	1,352,334	730,261	2.5	1.35
Total	$1,509,431	$780,099		

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

Please refer to 6(23) for detail on employees' compensation and remuneration to directors and supervisors.

(d)Non-controlling interests

	For the year ended December 31,	
	2022	2021
Beginning balance	$5,221,172	$3,968,057
Profit attributable to non-controlling interests	838,352	490,905
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	88,901	(21,081)
Acquisition or disposal of subsidiaries	(218,294)	742,124
Issuance of employees share options by the subsidiary	5,540	41,167
Earning distribution to non-controlling interests	(118,380)	-
Ending balance	$5,817,291	$5,221,172

(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 on 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.

On November 7, 2022, the subsidiary was authorized by the Extraordinary Shareholders' meeting to issue employee share options with a total number of 4,450 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 and after the completion of the initial public offering and listing of the company from the grant date.

The fair value of the share options is estimated at the grant date using a Black-Scholes-model, taking into account the terms and conditions upon which the share options were granted.

The contractual term of each option granted is eight 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
2022.11.18	4,450	RMB 3.79

The following table lists the inputs to the model used for the plan granted during the period ended 31 December 2022 and 2020:

	For the year ended December 31, 2022	For the year ended December 31, 2020
Expected volatility (%)	43.36%	52.3%~59.0%
Risk-free interest rate (%)	2.43%	1.54%~1.77%
Expected option life (Years)	8 years	6 years
Option pricing model	Black-Scholes-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,			
	2022		2021	
	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	8,080	RMB 3.13
Granted	4,450	RMB 3.79	-	-
Forfeited	(1,466)	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	11,064	RMB 3.40	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)		-		-

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

The information on the outstanding share options as of December 31, 2022 and 2021, are as follows:

	exercise price	Weighted average remaining contractual life (Years)
As at 31 December 2022 share options outstanding at the end of the period	RMB 3.13	3 Years
As at 31 December 2022 share options outstanding at the end of the period	RMB 3.79	8 Years
As at 31 December 2021 share options outstanding at the end of the period	RMB 3.13	4 Years

The expense recognized for employee services received for the year ended 31 December 2022 and 2021, are shown in the following table:

	For the year ended December 31,	
	2022	2021
Total expense arising from equity-settled share-based payment transactions	$5,540	$64,783

Modification of share-based payment plan on June 28, 2022 .The contractual term of each option granted from six years to eight years.

No modification or cancellation of share-based payment plan has occurred in the year ended 31 December 2021.

(20) Operating revenue

	For the year ended December 31,	
	2022	2021
Revenue from customer contracts		
Sale of goods	$12,677,431	$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, 2022 and 2021 are as follows:

(a)Disaggregation of revenue

Analysis of revenue from contracts with customers during the years ended December 31, 2022 are as follows:

	Semi-conductor business	Solar business	Total
Sale of goods	$12,677,431	$-	$12,677,431
The timing for revenue recognition:			
At a point in time	$12,677,431	$-	$12,677,431

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
The timing for revenue recognition:			
At a point in time	$10,341,276	$-	$10,341,276

(b)Contract balances

A. Contract liabilities

	As of		
	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Sales of goods	$708,655	$831,909	$553,611
Current	$47	$132,431	$25,622
Non-current	708,608	699,478	527,989
Total	$708,655	$831,909	$553,611

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

Analysis of contract liabilities during the years ended December 31, 2022 are as follows:

	Sales of goods
The opening balance transferred to revenue	$(641,414)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	518,160

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

(21)Expected credit losses (gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses (gains)		
Account receivables	$820	$(1,091)

Please refer to Note 12 for more details on credit risk.

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

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, 2022 and 2021 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:

2022.12.31

		Past due					
	Neither past due (Note)	<=90 days	91-120 days	121-180 days	181-365 days	>=365 days	Total
Gross carrying amount	$2,021,936	$459,295	$180	$91	$849	$-	$2,482,351
Loss ratio	0.17%	1%	5%	10%	50%	100%	
Lifetime expected credit losses	(3,395)	(4,593)	(9)	(9)	(425)	-	(8,431)
Carrying amount of trade receivables	$2,018,541	$454,702	$171	$82	$424	$-	$2,473,920

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

Note: all the Group's note receivables were not past due.

(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, 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
Beginning balance as of January 1, 2022	$-	$93,742
Addition (reversal) for the current period	-	820
Write off for the current period	-	(86,266)
Effect of exchange rate	-	135
Ending balance as of December 31, 2022	$-	$8,431
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

(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.

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

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	Buildings	Other equipment	Total
Cost:				
2022.01.01	$652,150	$-	$-	$652,150
Additions	191,318	27,610	295,154	514,082
Disposals	-	-	-	-
Reclassification	-	-	-	-
Exchange differences	9,137	-	-	9,137
2022.12.31	$852,605	$27,610	$295,154	$1,175,369
2021.01.01	$655,285	$-	$-	$655,285
Additions	-	-	-	-
Disposals	-	-	-	-
Reclassification	-	-	-	-
Exchange differences	(3,135)	-	-	(3,135)
2021.12.31	$652,150	$-	$-	$652,150
Depreciation and impairment:				
2022.01.01	$59,910	$-	$-	$59,910
Depreciation	23,498	2,052	44,281	69,831
Disposals	-	-	-	-
Reclassification	-	-	-	-
Exchange differences	623	62	9,044	9,729
2022.12.31	$84,031	$2,114	$53,325	$139,470

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

	Land	Buildings	Other equipment	Total
2021.01.01	$39,931	$-	$-	$39,931
Depreciation	20,134	-	-	20,134
Disposals	-	-	-	-
Reclassification	-	-	-	-
Exchange differences	(155)	-	-	(155)
2021.12.31	$59,910	$-	$-	$59,910
Net carrying amount:				
2022.12.31	$768,574	$25,496	$241,829	$1,035,899
2021.12.31	$592,240	$-	$-	$592,240

Please refer to Note 8 for more details on right-of-use assets under pledge.

(ii)Lease liabilities

	As of December 31,	
	2022	2021
Lease liabilities	$512,305	$49,637
Current	$64,352	$5,681
Non-current	447,953	43,956
Total	$512,305	$49,637

Please refer to Note 6(24)(d) for the interest on lease liabilities recognized during the year ended December 31, 2022 and 2021, and refer to Note12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

B. Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
Short-term leased expense (rental expense)	$58,191	$81,738

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

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.

C. Cash outflow relating to leasing activities

	For the year ended December 31,	
	2022	2021
Cash outflow relating to leases amount	$124,577	$88,584

(23) Summary of employee benefits, depreciation and amortization by function is as follows:

	For the year ended December 31,					
	2022			2021		
	Cost of goods sold costs	Operating expense	Total	Cost of goods sold costs	Operating expenses	Total
Employee benefits						
Salaries & wages	$1,081,575	$463,651	$1,545,226	$891,857	$491,676	$1,383,533
Labor and health insurance	77,512	14,861	92,373	70,331	13,179	83,510
Pension	31,163	8,172	39,335	28,366	7,230	35,596
Other employee benefits	221,192	95,266	316,458	200,814	29,315	230,129
Depreciation	1,333,437	269,922	1,603,359	1,127,611	221,284	1,348,895
Amortization	306	10,969	11,275	765	11,670	12,435

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.

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

Based on profit of the year ended December 31 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 to be 5.28% of profit of the current year and 0.37% 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 December 31, 2022 amount to NT$150,000 thousand and NT$10,500 thousand, respectively. The Company estimated the amounts of the employees's compensation and remuneration to dircetors and supervisors for the year ended December 31, 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. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 amount to NT$75,000 thousand and NT$8,400 thousand, respectively.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT$150,000 thousand and NT$10,500 thousand, respectively, in a meeting held on March 15, 2023. 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, 2022.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2021 amount to NT$75,000 thousand and NT$8,400 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, 2021.

(24) Non-operating income and expenses

(a) Interest income

	For the year ended December 31,	
	2022	2021
Financial assets measured at amortized cost		
Interest income	$34,819	$10,765

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

(b)Other incomes

	For the year ended December 31,	
	2022	2021
Other income – others	$102,646	$81,455

(c)Other gains and losses

	For the year ended December 31,	
	2022	2021
Recognition of contract liabilities to income	$433,826	$-
Recognition of long-term prepayments for materials to loss	(183,302)	34,615
Foreign exchange gains (losses), net	152,045	(26,128)
Compensation income	148,571	-
Others	(46,637)	(51,218)
Gains (losses) on disposal of property, plant and equipment	(8,484)	(122,609)
Reversal of impairment loss on property, plant and equipment	2,196	129,993
Gains (losses) on financial assets at fair value through profit or loss	(1,994)	682
Gains (losses) on disposal of investments	-	618
Total	$496,221	$(34,047)

(d)Finance costs

	For the year ended December 31,	
	2022	2021
Interest on borrowings from bank	$241,964	$175,693
Interests on lease liabilities	14,969	1,304
Interests on bonds payable	4,125	1,768
Total	$261,058	$178,765

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

(25) Components of other comprehensive income

For the year ended December 31, 2022

	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	$16,016	$-	$16,016	$-	$16,016
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(51,819)	-	(51,819)	-	(51,819)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translating of a foreign operations	201,719	-	201,719	-	201,719
Total of other comprehensive income	$165,916	$-	$165,916	$-	$165,916

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

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)

(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,	
	2022	2021
Current income tax expense (income):		
Current income tax charge	$714,464	$333,815
Adjustments in respect of current income tax of prior periods	(9,256)	(6,911)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(2,117)	531
Total income tax expense	$703,091	$327,435

(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,	
	2022	2021
Accounting income before tax from continuing operations	$3,706,382	$1,868,912
Tax payable at the enacted tax rates	$1,205,225	$597,327
Tax effect of revenues exempt from taxation	(476,066)	(204,475)
Tax effect of expenses not deductible for tax purposes	(112,282)	(69,019)
Tax effect of deferred tax assets/liabilities	80,838	4,982
Surtax on undistributed earnings	14,632	5,531
Adjustments in respect of current income tax of prior periods	(9,256)	(6,911)
Total income tax expense recognized in profit or loss	$703,091	$327,435

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

(c)Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as Jan. 1, 2022	Deferred tax income (expense) recognized in P/L	Effect of tax rate change	Exchange differences	Ending balance as of Dec. 31, 2022
Temporary differences					
Unrealized loss on inventory valuation	$23,274	$(148)	$-	$-	$23,126
Unrealized exchange loss (gain)	2,204	(723)	-	-	1,481
Pension expense	1,967	-	-	-	1,967
Unrealized intragroup profits and losses	7,400	1,000	-	-	8,400
Unpaid liability transferred to revenue	275	-	-	-	275
Accumulated compensated absences expense	3,051	74	-	-	3,125
Bonus payable	2,315	1,687	-	-	4,002
Other expense	432	227	-	398	1,057
Deferred tax income/ (expense)		$2,117	$-	$398	
Net deferred tax assets/(liabilities)	$40,918				$43,433
Reflected in balance sheet as follows:					
Deferred tax assets	$40,918				$43,433
Deferred tax liabilities	$-				$-

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

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	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
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	$-				$-

(d)Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset future taxable profits amount to NT$302,904 thousand and NT$300,295 thousand, respectively.

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

(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, 2022 and 2021, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, aggregate to NT$516,484 thousand and NT$353,685 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, 2022	As of Dec. 31, 2021	Maturity
2012	$-	$164	2022
2013	186	186	2023
2014	121	121	2024
2015	190	190	2025
2019	-	230	2024
2020	146,801	148,994	2025
2021	189,080	226,028	2026
2022	202,139	-	2027
Total	$538,517	$375,913	

(g)The assessment of income tax returns

As at December 31, 2022, 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 2020
Subsidiary- Heli-Vantech Corp.	Assessed and approved up to 2020

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

(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,	
	2022	2021
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$2,164,939	$1,050,572
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	540,934	519,592
Basic earnings per share (in NT$)	$4.00	$2.02
(b) Diluted earnings per share		
Weighted average number of ordinary shares outstanding after dilution of the Company (in thousand shares)	$2,164,939	$1,050,572
Gain or loss on valuation of redemption	1,595	(682)
Interest expense from convertible bonds	3,300	1,414
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$2,169,834	$1,051,304
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	540,934	519,592
Effect of dilution:		
Employee bonus－stock (in thousand shares)	3,895	1,130
Convertible bonds (in thousand shares)	4,495	1,902

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

	For the year ended December 31,	
	2022	2021
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	549,324	522,624
Diluted earnings per share (in NT$)	$3.95	$2.01

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, 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)

Acquisition of additional interest in subsidiary

In August 2022, the Group acquired an additional 3.8815% of the voting shares of Silicon Technology Investment (Cayman) Corp., increasing its ownership to 89.2615%. A cash consideration of USD9,600,000 thousand (equivalent to NT$207,096 thousand) was paid to the non-controlling interest shareholders. The carrying amount of Silicon Technology Investment (Cayman) Corp. net assets (excluding goodwill on the original acquisition) was NT$5,870,282 thousand. Following is a schedule of additional interest acquired in Silicon Technology Investment (Cayman) Corp. including changes in non-controlling interests:

Cash paid to non-controlling interests	$(297,096)
Increase (decrease) to non-controlling interests	(224,326)
Difference recognized in capital surplus or retained earning within equity	$(72,770)

(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	2022	2021
Silicon Technology Investment (Cayman) Corp.	Cayman	10.74%	14.62%
Wafer Works (Shanghai) Co., Ltd.	China	46.36%	46.36%

	As of December 31,	
	2022	2021
Accumulated balances of material non-controlling interest:		
Silicon Technology Investment (Cayman) Corp.	$635,697	$746,767
Wafer Works (Shanghai) Co., Ltd.	$5,181,594	$4,474,405

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

	For the year ended December 31,	
	2022	2021
Profit/(loss) allocated to material non-controlling interest:		
Silicon Technology Investment (Cayman) Corp.	$105,602	$77,799
Wafer Works (Shanghai) Co., Ltd.	$732,750	$413,106

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Silicon Technology Investment (Cayman) Corp. and Wafer Works (Shanghai) Co., Ltd. summarized information of profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31,			
	2022		2021	
	Silicon	Wafer Works (Shanghai) Co., Ltd.	Silicon	Wafer Works (Shanghai) Co., Ltd.
Operating revenue	$6,853,029	$6,853,029	$5,771,086	$5,771,086
Profit/loss from continuing operation	1,526,102	1,580,612	945,149	946,572
Total comprehensive income	1,676,158	1,737,695	906,551	906,578

Silicon Technology Investment (Cayman) Corp. summarized information of financial position is as follows:

	As of December 31,	
	2022	2021
Current assets	$5,171,463	$4,841,518
Non-current assets	11,288,117	10,929,812
Current liabilities	2,342,174	3,229,700
Non-current liabilities	3,126,080	3,033,168

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

Wafer Works (Shanghai) Co., Ltd. summarized information of financial position is as follows:

	As of December 31,	
	2022	2021
Current assets	$5,153,642	$4,806,917
Non-current assets	11,288,117	10,929,812
Current liabilities	2,249,360	3,145,998
Non-current liabilities	3,126,080	3,033,168

Silicon Technology Investment (Cayman) Corp. and Wafer Works (Shanghai) Co., Ltd. summarized cash flow information is as follows:

	For the year ended December 31,			
	2022		2021	
	Silicon	Wafer Works (Shanghai) Co., Ltd.	Silicon	Wafer Works (Shanghai) Co., Ltd.
Operating activities	$3,464,080	$3,520,295	$1,361,929	$2,176,445
Investing activities	(1,176,531)	(1,176,531)	(1,515,365)	(1,515,365)
Financing activities	(2,092,549)	(2,128,196)	483,237	483,237
Net increase/(decrease) in cash and cash equivalents	180,743	201,311	298,812	300,247

7. Related party transactions

(a)Key management personnel compensation

	For the year ended December 31,	
	2022	2021
Short-term employee benefit	$42,550	$30,539
Post-employment benefit	736	659
Total	$43,286	$31,198

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

8. Assets pledged as collateral

Assets pledged for security	Carrying amount As of Dec. 31, 2022	2021	Secured liabilities
Refundable deposits	$-	$3,872	Litigation deposit
Notes receivable	6,093	125,945	Short-term loans
Financial assets measured at amortized cost-current	47,291	21,056	Customs duty guarantee and loans
Financial assets measured at amortized cost-current	156,484	54,558	Long-term loans
Financial assets measured at amortized cost-noncurrent	21,967	9,967	Land leased
Property, plant and equipment – land	259,131	259,131	Long-term loans
Property, plant and equipment – buildings	2,810,003	2,557,692	Long-term loans
Property, plant and equipment – machinery and equipment	1,780,174	450,130	Long-term loans
Property, plant and equipment – machinery and equipment	2,457	3,804	Long-term loans
Property, plant and equipment – machinery and equipment	3,456	4,906	Long-term loans
Property, plant and equipment – construction in progress and equipment awaiting inspection	-	455,415	Long-term loans
Right-of-use assets – land	263,911	267,759	Long-term loans
Right-of-use assets – land	274,089	276,012	Performance guarantee
Total	$5,625,056	$4,490,247	

9. Significant contingencies and unrecognized contract commitments

(a)The Group's unused letters of credit (LC) as of December 31, 2022 were as follows:

Currency	LC Amount		Security
USD	USD	1,323 thousand	RMB 6,390 thousand
JPY	JPY	24,000 thousand	

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

The security are classified under financial assets measured at amortized cost-current.

(b)As of December 31, 2022, 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	$571,735	$398,017	$173,718
Equipment	1,947,165	1,467,214	479,951
Total	$2,518,900	$1,865,231	$653,669

The above amount paid are classified under prepayment for equipment, construction in progress and equipment awaiting examination.

(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 Company and Supplier A signed an agreement to terminate the purchase contracts on August 18, 2022. The rights and obligations of both parties in the original contracts were terminated at the same time. Supplier A agreed to return part of the payment. The Company recognized loss of prepayment for purchasing materials in the amount of NT$183,302, booked under other losses for the year ended December 31, 2022.

(d)The Company signed a 3-year purchase contracts with Supplier B for the period from August 16, 2021 through August 16, 2024 for stabilizing the material sources and to enhance the relationship with the supplier. Under the agreements, installment prepayments which are to be offset by the Company's future purchase orders were agreed and paid by the Company.

(e)The Company signed a 3-year purchase contracts with Supplier C for the period from August 15, 2022 through December 31, 2025 for stabilizing the material sources and to enhance the relationship with the supplier. Under the agreements, installment prepayments which are to be offset by the Company's future purchase orders were agreed and paid by the Company.

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

(f)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 customer A. 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.

However, during the contract period, customer A 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 A 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 A appealed to the Taiwan High Court on October 31, 2017. On January 27, 2021, the Taiwan High Court dismissed the appeal. Customer A 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 Company and Customer A ended the proceedings in accordance with the result of the reconciliation in the Taiwan High Court. Based on the result of the reconciliation, the Company confiscated the prepayment from Customer A and collected the damages on September 8, 2022.

(g)To develop long-term business and establishing long-term strategic alliances relation with ownstream suppliers. The Company is entitled to receive in advance specific payments in an installment basis while customers shall put their purchase orders in compliance with the regulation within the agreement by using its prepayment. As of December 31, 2022, the Group’s contracts are as follows:

Customer	Contract period	Contract liability balance
Customer B	2018.10.01~2022.12.31	$3,806
Customer C	2022.01.01~2024.12.31	149,747
Customer D	2021.10.01~2023.09.30	23,877
Customer E	2022.01.01~2024.12.31	84,650
Customer F	2022.01.01~2023.12.01	50,988
Customer G	2022.01.01~2024.12.31	57,786
Customer H	2022.04.26~2024.12.31	337,754
Total		$708,608

(h)As of December 31, 2022, the Group issued a tariff guarantee of NT$29,000 thousand to the bank for the purpose of importing goods.

10. Losses due to major disasters

None.

11. Significant subsequent events

A.On March 15, 2023, the Company's board of directors resolved to issue restricted stock for employees. The number of shares to be issued shall not exceed 1,500,000 shares, and the actual terms of issuance and subscription are subject to the approval of the shareholders' meeting.

B.On March 15, 2023, the Company's board of directors resolved to have Wafer Works (Shanghai) Co., Ltd. go for an initial public offering of RMB ordinary shares and apply to be listed on the Science and Technology Innovation Board of Shanghai Stock Exchange. Due to amendments to local regulations, adjustments and new commitments, the Company assessed that there was no significant impact on the finance, business or shareholders' equity of the Company and its subsidiaries. The above commitments can be found on the "Market Observation Post System" on TWSE website.

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

12. Others

(1)Categories of financial instruments

Financial assets	As of December 31,	
	2022	2021
Financial asset at fair value through P/L:		
Mandatorily measured at fair value through P/L	$119	$2,113
Financial assets at fair value through OCI	112,141	149,325
Financial assets measured at amortized cost		
Cash and petty cash	5,423,876	5,736,575
Restricted assets	225,742	85,581
Notes receivables	21,815	219,801
Accounts receivables	2,452,105	2,401,995
Other receivables	88,535	37,427
Total	$8,324,333	$8,632,817

Financial liabilities	As of December 31,	
	2022	2021
Financial liabilities at amortized cost:		
Short-term loans	$999,704	$1,976,531
Payable	2,122,511	1,948,840
Long-term loans (current portion included)	4,332,242	4,800,867
Bonds payable	288,510	284,385
Lease liabilities (including current portion)	512,305	49,637
Total	$8,255,272	$9,060,260

(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, 2022 and 2021 is increased/decreased by NT$24,144 thousand and NT$8,598 thousand, respectively.

When NTD strengthens/weakens against RMB by 1%, the profit for the years ended December 31, 2022 and 2021 is decreased/increased by NT$16,778 thousand and NT$18,473 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, 2022 and 2021 to decrease/increase by NT$5,326 thousand and NT$6,609 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$1,122 and NT$1,495 on the equity attributable to the Group for the year ended December 31, 2022 and 2021, 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, 2022 and 2021, receivables from the top ten customers were accounted for 62.01% and 44.80% 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.

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

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.

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, 2022							
Loans	$2,302,065	$2,022,727	$1,238,233	$166,116	$33,504	$-	$5,762,645
Payables	2,122,511	-	-	-	-	-	2,122,511
Bonds payable	-	-	-	297,600	-	-	297,600
Lease Liabilities	80,614	80,824	80,998	80,883	46,922	226,746	596,987
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
Bonds payable	-	-	-	-	297,600	-	297,600
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)

(6)Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Bonds payable	Long-term borrowings	Guarantee deposit received	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	$1,976,531	$284,385	$4,800,867	$95,991	$49,637	$7,207,411
Cash flows	(976,827)	-	(597,316)	(29,226)	(66,386)	(1,669,755)
Non-cash changes						
Lease range changes	-	-	-	-	514,082	514,082
Interests on lease liabilities	-	-	-	-	14,969	14,969
Interest expense	-	4,125	-	-	-	4,125
Other	-	-	595	-	-	595
Currency rate change	-	-	128,096	-	3	128,099
As of December 31, 2022	$999,704	$288,510	$4,332,242	$66,765	$512,305	$6,199,526

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

(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 fair 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.

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

(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	
	2022	2021
Financial liabilities:		
Bonds payable	$288,510	$284,385

	Fair value	
	2022	2021
Financial liabilities:		
Bonds payable	$282,512	$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

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2022 and 2021 are as follows:

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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Embedded derivative	$-	$-	$119	$119
Financial assets at fair value through other comprehensive income				
Equity instruments investments measured at fair value through other comprehensive income	$107,075	$-	$5,066	$112,141

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Convertible bond	$-	$-	$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

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

Transfers between Level 1 and Level 2 during the period

During the Years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets	
	At fair value through OCI	At fair value through P/L
	Stock	Derivative financial instruments
Beginning balances as of January 1, 2022	$4,566	$2,113
Total gains and losses recognized for the year ended December 31, 2022:		
Amount recognized in profit or loss (presented in " Other gains and losses ")	-	(1,994)
Amount recognized in OCI(presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income")	-	-
Currency rate change	500	-
Ending balances as of December 31, 2022	$5,066	$119
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	$4,566	$2,113

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

Total gains and losses recognized in profit or loss for the year ended December 31, 2022 and 2021 in the table above contain gains and losses related to assets or liabilities on hand in the amount of NT$(1,994) thousand and NT$853 thousand, 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, 2022

	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	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group’s equity by NT$507 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 profit or loss					
Embedded derivatives	Binary tree-based model for valuation of convertible bonds	Volatility	43.08%	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$10 thousand

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	10% 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 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 Group's profit or loss by NT$150 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial 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 Financial 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.

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

(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, 2022

	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))	$-	$-	$282,512	$282,512

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)

(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, 2022		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$138,917	30.71	$4,266,148
RMB	$241,001	4.41	$1,063,314
Financial liabilities			
Monetary items:			
USD	$60,297	30.71	$1,851,739
RMB	$621,638	4.41	$2,741,070

	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

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$152,045 thousand and NT$(26,128) thousand respectively for the years ended December 31, 2022 and 2021.

(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)Information on significant transactions:

a. Financing provided to others for the year ended December 31, 2022: None.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2022: Please refer to Attachment 1.

c. Securities held as of December 31, 2022 (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, 2022: 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, 2022: 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, 2022: 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, 2022: 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, 2022: 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, 2022: Please refer to Attachment 5.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2022: Please refer to Attachment 1.

(c) Securities held as of December 31, 2022 (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, 2022: 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, 2022: 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, 2022: 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, 2022: 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, 2022: 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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Wafer Works (Shanghai) Co., Ltd. (Note10)	R&D, production and sales of semiconductor materials	$2,627,380 (Note1&3)	-	$510,951	$-	$-	$510,951	$1,628,534	47.88%	$779,760 (Note3,4&14)	$5,250,379 (Note3,4&14)	$-

(Amounts Expressed in Thousands of New Taiwan Dollars 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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Wafer Works Epitaxial Corp.	R&D, production and sales of semiconductor materials	$2,152,022 (Note3&6)	-	$516,782	$-	$-	$516,782	$1,099,295	47.88%	$1,097,559 (Note3,4&14)	$1,693,811 (Note3,4&14)	$-
Wafer Works (Yangzhou) Corp.	R&D, production and sales of semiconductor materials	$480,629 (Note3&7)	Note 2	$-	$-	$-	$-	$35,365	47.88%	$35,365 (Note3,4&14)	$236,888 (Note3,4&14)	$-
Wafer Works (Zhengzhou) Corp.	R&D, production and sales of semiconductor materials	$4,497,623 (Note3&8)	Note 8	$-	$-	$-	$-	$666,986	47.88%	$666,986 (Note3,4&14)	$2,375,189 (Note3,4&14)	$-

(Amounts Expressed in Thousands of New Taiwan Dollars 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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	R&D, production and sales of semiconductor materials	$- (Note3,9&13)	Note 9	$-	$-	$-	$-	$(13,886)	-% (Note13)	$(13,886) (Note3,4,13&14)	$- (Note3,4,13&14)	$-
HuaXin (Shanghai) Technology Co., Ltd.	Selling business	$30,211 (Note11)	Note 12	$30,211	$-	$-	$30,211	$(115,158)	100.00%	$(115,158) (Note3,4&14)	$(68,166) (Note3,4&14)	$-

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

Investee company	Accumulated Investment in Mainland China as of Dec. 31, 2022	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: 53.6413% shares of Wafer Works (Shanghai) Co., Ltd. owned by Silicon Technology Investment (Cayman) Corp. But 89.2615% 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, 2022.

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: The Company resolved at its shareholder's meeting held on April 8, 2022 that its subsidiary, Wafer Works (Zhengzhou) Corp. merge with another subsidiary: Zhengzhou Airport Economy Zone Wafer Works Technology. Wafer Works (Zhengzhou) Corp. is the surviving company. Zhengzhou Airport Economy Zone Wafer Works Technology Corp. is the dissolved company. The cancellation of registration was completed on June 30, 2022.

Note 14: 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) Property transaction amounts and resulting gain or loss: None.

(d) The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 1.

(e) The amount of maximum financing, the balance interest rates, and lump sum interest expense: None.

(f) 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.

(g) 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, 2022				
Revenue				
External customers	$12,677,431	$-	$-	$12,677,431
Inter-segment	-	-	-	-
Total revenue	$12,677,431	$-	$-	$12,677,431
Segment profit	$3,003,291	$-	$-	$3,003,291
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

Information on assets and liabilities of the reportable segmant.

	Semi-conductor business	Solar business	Adjustments & eliminations	Consolidated
As of Dec. 31, 2022				
Segment assets	$28,768,443	$-	$-	$28,768,443
As of Dec. 31, 2021				
Segment assets	$27,357,697	$-	$-	$27,357,697

(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,	
	2022	2021
Taiwan	$3,752,956	$3,002,631
China (including Hong Kong)	3,547,828	3,544,739
United States	1,770,377	1,251,464
Other countries	3,606,270	2,542,442
Total	$12,677,431	$10,341,276

Note: The revenue information above is based on the location of the customer.

(b) Non-current assets

	As of December 31,	
	2022	2021
Taiwan	$5,616,448	$4,478,557
China	11,288,142	10,929,823
United states	26,264	729
Total	$16,930,854	$15,409,109

(3) Information about major customers

	For the year ended December 31,	
	2022	2021
Customer A	$1,925,335	$1,106,825

ATTACHMENT 1（Endorsement/Guarantee provided to others for the year ended December 31, 2022）

（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
1	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	Affiliated Company	$5,159,581	$1,969,122	$1,582,472	$1,005,584	$-	12.27%	$5,159,581	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, 2022）

（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.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	$463,796	7.01%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$86,443	6.75%	Note
Wafer Works Corp.	Helitek Company Ltd.	Affiliated Company	Sales	$1,713,537	25.90%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$287,633	22.45%	Note
Wafer Works Corp.	Wafer Works (ZhengZhou) Corp.	Affiliated Company	Sales	$115,847	1.75%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$35,799	2.79%	Note
Wafer Works Corp.	Wafer Works (YangZhou) Corp.	Affiliated Company	Purchases	$280,017	12.21%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(24,999)	(5.67)%	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, 2022）

（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 $287,633 (Note)	6.17	$-	-	$163,539	$-
Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	Affiliated Company	Accounts receivable $103,195 (Note)	0.49	$-	-	$585	$-

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

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment: Ending balance	Initial Investment: Beginning balance	Investments as of 31 December 2022: 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 66,566	USD 62,766		66,566,226	100.00%	$5,509,855	$701,938	$697,704	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%	4,159	-	-	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 53,141	USD 43,541	Common stock Preferred stockA Preferred stockB	1 6,970,327 38,991,198	89.26%	5,174,036	793,351	687,749	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%	190,548	16,534	16,534	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%	(94,936)	-	-	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	(Preferred stock	3,400,000 2,000,000)	100.00%	190,540	16,541	16,541	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, 2022）

（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	$180,240	$-	$-	4.35%	2	$-	Business turnover	$-	-	$-	$708,577 (Note 3)	$708,577 (Note 3)
1	Wafer Works Epitaxial Corp.	Wafer Works (Shanghai) Co., Ltd.	Other receivables -related parties	Yes	$180,240	$-	$-	4.35%	2	$-	Business turnover	$-	-	$-	$708,577 (Note 3)	$708,577 (Note 3)
2	Silicon Technology Investment (Cayman) Corp.	Wafer Works (Shanghai) Co., Ltd.	Other receivables -related parties	Yes	$40,554	$-	$-	4.35%	2	$-	Business turnover	$-	-	$-	$1,161,946 (Note 4)	$1,161,946 (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, 2022.

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, 2022.

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, 2022) (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, 2022			
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	$18,426	0.20%	$5,066
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(13,360)		
	Net				$5,066		
Wafer Works Investment Corp.	Solargiga Energy Holdings Limited	-	Financial asset at fair value through OCI, noncurrent	96,227,822	$165,863	2.8951%	$104,209
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(61,654)		
	Net				$104,209		
Heli-Vantech Corp.	New Solar Power Corp.	-	Financial asset at fair value through OCI, noncurrent	138,747	$5,622	0.01%	$2,866
	Loss: financial assets at fair value through other comprehensive income,valuation adjustments				(2,756)		
	Net				$2,866		

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, 2022）

（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
Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	$336,823	84.18%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$35,778	35.67%	Note
Wafer Works (Zhengzhou) Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	$2,540,777	87.36%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$469,283	92.92%	Note
Wafer Works (YangZhou) Corp.	Wafer Works Corp.	Affiliated Company	Sales	$280,017	72.41%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$24,999	53.44%	Note
Wafer Works Epitaxial Corp.	Wafer Works (Zhengzhou) Corp.	Affiliated Company	Sales	$143,997	2.26%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$25,654	1.87%	Note
Wafer Works Epitaxial Corp.	Wafer Works Corp.	Affiliated Company	Purchases	$463,796	12.14%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(86,443)	(12.02)%	Note
Helitek Company Ltd.	Wafer Works Corp.	Affiliated Company	Purchases	$1,713,537	98.25%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(287,633)	(99.37)%	Note
Wafer Works (Zhengzhou) Corp.	Wafer Works Corp.	Affiliated Company	Purchases	$115,847	9.65%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	$(35,799)	(11.57)%	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, 2022）

（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 (Zhengzhou) Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Accounts receivable $469,283 (Note)	6.30	$-	-	$-	$-

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）

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)
	2022						
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Operating income	$61,586	Received at 150 days after shipment arrival by using telegraphic transfer (T/T)	0.49%
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Operating income	463,796	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	3.66%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Operating income	1,713,537	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	13.52%
0	Wafer Works Corp.	Wafer Works (ZhengZhou) Corp.	1	Operating income	115,847	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.91%
0	Wafer Works Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	1	Operating income	11,700	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.09%
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Purchases	67,679	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.53%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Purchases	21,951	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.17%
0	Wafer Works Corp.	Wafer Works (YangZhou) Corp.	1	Purchases	280,017	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	2.21%
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Accounts receivable	103,196	Received at 150 days after shipment arrival by using telegraphic transfer (T/T)	0.36%
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Accounts receivable	86,443	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.30%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Accounts receivable	287,633	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	1.00%
0	Wafer Works Corp.	Sharp Right Limited Co., Ltd.	1	Accounts receivable	43,468	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.15%
0	Wafer Works Corp.	Wafer Works (ZhengZhou) Corp.	1	Accounts receivable	35,799	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.12%
0	Wafer Works Corp.	Sharp Right Limited Co., Ltd.	1	Other receivables	49,301	-	0.17%
0	Wafer Works Corp.	Wafer Works (YangZhou) Corp.	1	Accounts payable	24,999	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.09%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	3	Operating income	336,823	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	2.66%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works (YangZhou) Corp.	3	Operating income	22,137	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.17%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works (ZhengZhou) Corp.	3	Operating income	41,183	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.32%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works (YangZhou) Corp.	3	Purchases	67,320	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.53%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	3	Accounts receivable	35,778	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.12%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works (ZhengZhou) Corp.	3	Accounts receivable	46,521	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.16%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	3	Dividend receivables	149,921	-	0.52%
2	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Purchases	2,540,777	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	20.04%
2	Wafer Works Epitaxial Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Purchases	36,901	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.29%
2	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts receivable	25,654	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.09%
2	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Operating income	143,997	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	1.14%
2	Wafer Works Epitaxial Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts payable	469,283	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	1.63%
3	Wafer Works (YangZhou) Corp.	Wafer Works (ZhengZhou) Corp.	3	Operating income	28,805	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.23%
3	Wafer Works (YangZhou) Corp.	Wafer Works (ZhengZhou) Corp.	3	Accounts receivable	15,892	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.06%
4	Wafer Works (ZhengZhou) Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Purchases	55,907	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.44%
4	Wafer Works (ZhengZhou) Corp.	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	3	Revenue arising from the rendering of services	22,263	-	0.18%
5	Zhengzhou Airport Economy Zone WaferWorks Technology Corp.	Wafer Works (ZhengZhou) Corp.	3	Rent revenue	17,573	-	0.14%

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).

Note 4: Amounts in foregin currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 5: Transactions exceeding NT$10,000 thousand have been disclosed.

VI. 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.

VII . Review and Analysis of Financial Status and Performance, and Risk Assessment

I. Financial status

Unit: NTD thousand; %

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	11,746,265	11,659,929	(86,336)	(0.74)
Property, plant and equipment	13,402,062	15,310,321	1,908,259	14.24
Intangible assets	49,357	56,389	7,032	14.25
Other assets	2,160,013	1,741,804	(418,209)	(19.36)
Total assets	27,357,697	28,768,443	1,410,746	5.16
Current liabilities	4,943,226	4,913,482	(29,744)	(0.60)
Non-current liabilities	5,733,269	5,138,717	(594,552)	(10.37)
Total liabilities	10,676,495	10,052,199	(624,296)	(5.85)
Share capital	5,409,336	5,409,336	0	0.00
Capital surplus	4,147,189	4,074,419	(72,770)	(1.75)
Retained earnings	2,229,962	3,680,656	1,450,694	65.05
Other Equity	(326,457)	(265,458)	60,999	(18.69)
Non-controlling interest	5,221,172	5,817,291	596,119	11.42
Total Equity	16,681,202	18,716,244	2,035,042	12.20

The changes of more than 20% and NTD10 million will be analyzed:
(1) Retained earnings: Primarily due to the increase of profitability in 2022.

II. Financial performance

Unit: NTD thousand; %

Item \ Year	2021	2022	Difference	
			Amount	%
Operating revenues	10,341,276	12,677,431	2,336,155	22.59
Operating costs	(6,722,996)	(7,510,616)	(787,620)	11.72
Gross profit	3,618,280	5,166,815	1,548,535	42.80
Operating expenses	(1,628,776)	(1,833,061)	(204,285)	12.54
Operating profit	1,989,504	3,333,754	1,344,250	67.57
Non-operating incomes and expenses	(120,592)	372,628	493,220	(409.00)
Income before Income Tax	1,868,912	3,706,382	1,837,470	98.32
Income tax expenses	(327,435)	(703,091)	(375,656)	114.73
Net income	1,541,477	3,003,291	1,461,814	94.83
Other comprehensive income (loss)	58,520	165,916	107,396	183.52
Total comprehensive income (loss)	1,599,997	3,169,207	1,569,210	98.08

1. The changes of more than 20% and NTD10 million will be analyzed:
   (1) Operating revenues, gross profit, operating net profit, income before income tax and net income: Primarily due to the semiconductor industry experienced a phenomenal up cycle in 2022, with the price increase, which also leads to an increase in net profit. So the company's financial performance grew in 2022, relevant increase in various profitability indicators.
   (2) Non-operating income and expenses: due to the increase of exchange gains and compensation income.
   (3) Income tax expenses: Because of the revenue growth in 2022, resulting in the relative pre-tax profit increased, and
   the income tax expenses also increased.
   (4) Other comprehensive incomes: The decrease was mainly due to decrease in currency exchange loss arising from translation of foreign operations in 2022.
2. Expected sales volume and its basis, possible impacts on future financial business of the Company, and response plans:

   Mainly due to the factors of domestic and foreign market situations, company development strategies, new product development plans, and actual business conditions, the overall business targets of the Company and subsidiaries in 2022 are showing steady growth as compared to the sales in 2021

   To meet the 2022 business targets, the Company and its subsidiaries will continue to cultivate semiconductor products based on regional market demands, build relationships with upstream and downstream partners, and constantly explore market shares and develop new products. In response to future business growth, the company will continue to appropriately plan its financial structure.

III. Cash flow

1. Analysis of changes in cash flow for the most recent year

Unit: NTD thousand

Cash at Beginning of Year	Net Cash Flow from Operating Activities	Net Cash Flow from Investing and Financing Activities	Cash at End of Year	Remedial Measures for Cash Flow Shortfalls	
				Investment Plans	Financing Plans
3,862,033	1,942,252	(2,567,350)	3,236,935	Not applicable	Not applicable

Analysis of cash flow
(1) Operating activities: the net cash provided by operating activities in 2022 is NTD1,942,252 thousand which is mainly due to the income before income tax of NTD2,680,620 thousand.
(2) Investment activities: the increased capital expenditures in 2022 have led to net cash outflow due to investment activities.
(3) Financing activities: repayment of loans and payment of dividends in 2022 has led to net cash inflow due to financing activities.

2. Corrective measure to be taken in response to liquidity: Not applicable.

3. Liquidity analysis for the coming year:

Unit: NTD thousand

Cash at Beginning of Year	Net Cash Flow from Operating Activities	Net Cash Flow from Investing and Financing Activities	Cash at End of Year	Remedial Measures for Cash Flow Shortfalls	
				Investment Plans	Financing Plans
3,236,935	1,084,832	(2,260,838)	2,060,929	Not applicable	Not applicable

Liquidity analysis for the coming year
(1) Operating activities: continued profit is expected with net cash inflow from operation.
(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 the Company for payment of cash dividends.

IV. Effect upon financial operations of major capital expenditures during the most recent year: for the Company’s 2022 capital expenditure, please refer to the Consolidated Cash Flow Statement in “VI. Finance Overview”. There are 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.

V. Reinvestment policies, main reasons for profit or loss and improvement plans from recent year, and investment plans for the coming year.

1. The Company’s current investment policy for the year
   The investment plans of the group mainly focus on industrial-related business, to concentrate on the development of its own business and enhancing overall operating performance.
2. Main reason for profit or loss
   There is no major profit or loss of reinvestments reported on the 2022 Consolidated Statement of the Company.
3. Improvement plan
   There is no major profit or loss of reinvestments reported on the 2022 Consolidated Statement of the Group.
4. Investment plan for the coming year

The Company will continue to integrate upstream and downstream suppliers at a proper time depending on the operating conditions to expand the market share.

VI. Risk items in the most recent year and as of the date of the publication date of the annual report.

Organization and operation of risk management:

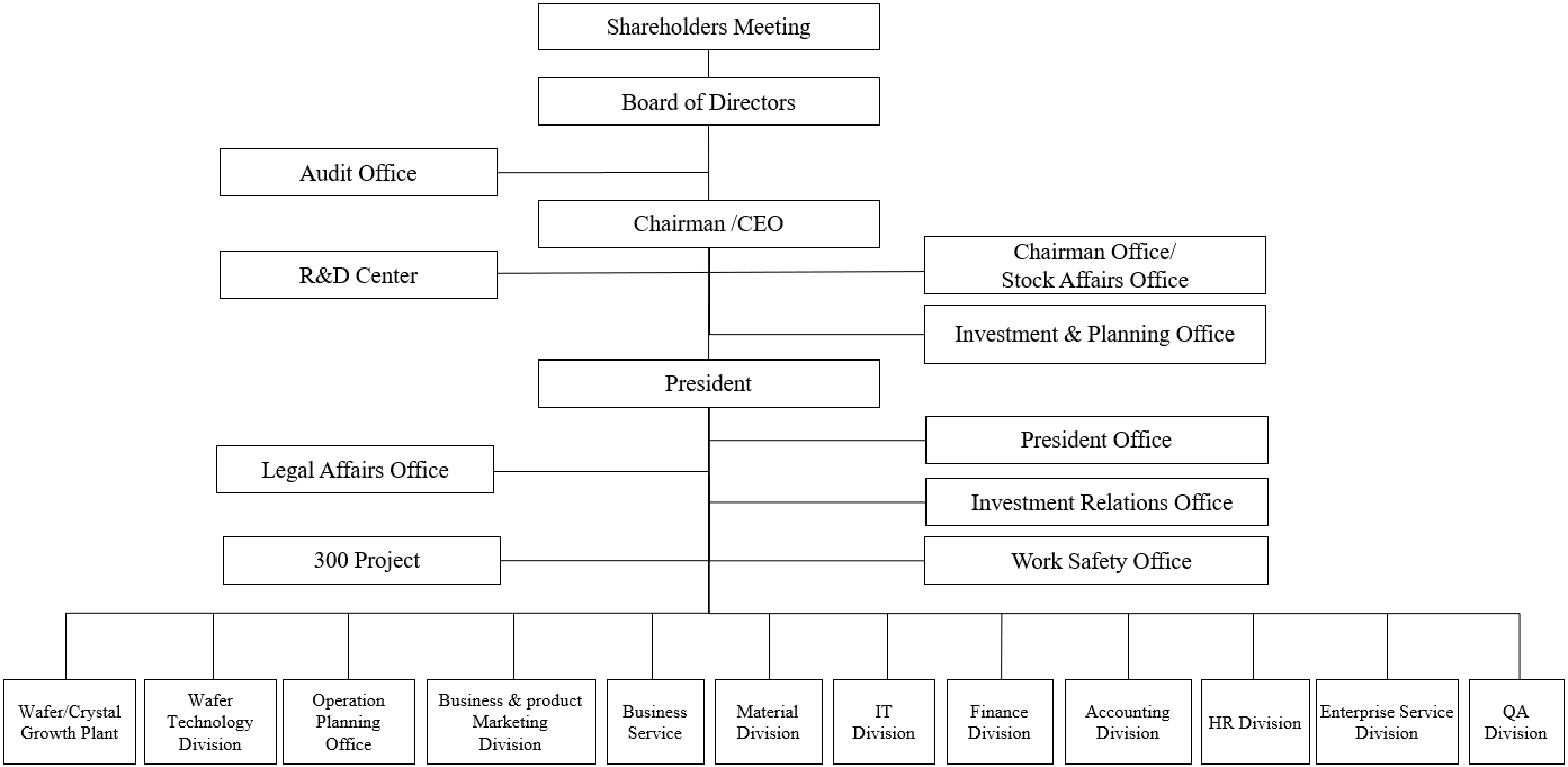
The Company has strengthened corporate risk management in recent years, in line with the most recent risk management development trend, to detect, evaluate, report, and treat risk cautiously. The risk control of the Company can be divided into three levels (mechanisms): the organizer or the person in charge is called 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 management meeting hosted by the President, which is in charge of feasibility study and assessment of various risks; the "Third Mechanism" is the review by Legal Affairs Division, Audit Division and the approval from Board of Directors. The Company prefers the proper protection and comprehensive risk control by the entire staff, so that the Company can better implement risk management.

Prior to the preparation of the annual budget and determination of annual objectives, the Company will conduct a SWOT (strength, weakness, opportunity, threat) analysis in conjunction with the actively developed management by objectives and risk management; the self-assessment of the annual internal control system, and begins with a risk assessment to determine whether or not all risk items can be effectively prevented under the 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.

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, financial derivatives transactions, and financial management and investment	Finance Division, President Office	Management Meeting	Board of Directors and Audit Committee: Decision making and final control of risk management Audit Division: Inspection, assessment, supervision, improvement tracing, and reporting of risks
3. R&D plan 4. Changes of technology and industry	New Product and Technology Division, R & D Center, Research for crystalline Materials, Wafer Technology Division	Technology Meeting, Management Meeting	
5. Changes of policies and laws 6. Change of corporate image 7. Investment, reinvestment and M&A benefits	President Office, Legal Affairs Office, Investment & Planning Office	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, 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	Management Meeting	
14. Personnel behavior, ethics and conduct 15. Personal, property, and environmental safety	All units	Management Meeting	
16. Information and communication security	Information Technology Division	Management Meeting	
17. Litigation and non-litigation matters	Legal Affairs Office	President Office	
18. Compliance with SOP and regulations	All units	Quality Assurance, Work Safety, and Audit Unit	
19. Other operational matters	All units	President Office	

Organizational structure



I. Effects on the Company’s profits (losses) from fluctuations of interest and exchange rate and changes in inflation, and response measures to be taken in the future:

1. The impact of interest rate variation on the Company’s profit and loss and future response measures

(1) The impact of interest rate variation on the profit and loss of the Company and subsidiaries

The interest expenses of the Company and its subsidiaries in 2021and 2022 were NTD 178,765,000 and NTD 261,058,000 respectively, which account for 1.73% and 2.06% of the operating revenues of the Company and its subsidiaries respectively. Therefore, the impact of interest rate variation on the profit and loss of the Company and its subsidiaries is limited.

(2) The Company’s specific response measures to interest rate variation

The Company and its subsidiaries will timely adjust the capital utilization in the future depending on the variety of financial interest rates to reduce its impact on the profit and loss of the Company and its subsidiaries. In addition, the financing tools of the capital market are also timely used to reduce the cost of capital acquisition.

2. The impact of variation of exchange rate on the profit and loss of the Company and its subsidiaries and future response measures

(1) The Company and its subsidiaries primarily focus on export sales, with the majority of transactions conducted in US dollars, and the import of raw materials conducted in foreign currencies. To limit net position to exchange rate changes, the Company and its subsidiaries have used the principle of natural hedging of offsetting liabilities and assets. The Finance Division will closely monitor the evolution of exchange rates in order to determine the way to adjust product selling prices to secure the Company's profit and reduce the risk of exchange rate fluctuations. According to the information indicated in the table below, the change in the exchange rate during the last two years has had an impact on the Group's revenue and profit.

Unit: NTD thousand；%

Year / Item	2021	2022
Net foreign exchange profit (loss) (A)	(26,128)	152,045
Net operating revenue(B)	10,341,276	12,677,431
Proportion of net operating revenue (A) /(B)	-0.25	1.20
Net profit (loss)	1,541,477	3,003,291
Proportion of profit (loss) for the year (% absolute value)	1.69	5.06

(2) The company’s specific response measures to the variation of exchange rate

1) Compose regularity of foreign exchange and exchange rate reports to monitor the ever-changing fluctuations in the foreign exchange market to make effective hedging decisions.

2) Coordinate with sales and procurement divisions to adjust the payment terms of foreign customers to reduce the exchange risk through natural hedging.

3) Adjust the foreign currency borrowing position to avoid the risk of appreciation of NTD.

3. Effect of changes in inflation rate on the Company's profits (losses) and response measure to be taken in the future

(1) The impact of inflation on the profit and loss of the Company and its subsidiaries

So far, the impact of inflation on the Company's and its subsidiaries' profit and loss is not obvious. The Company and its subsidiaries will continue to monitor price fluctuations in order to adjust the selling price and control related costs properly, and the Company will take response actions as needed.

(2) The Company's specific measures in response to inflation

In addition to process improvement and cost savings, the Company will also head towards the development of high-value-added products.

II. The Company's policy regarding high-risk investments, high leveraged investments, loans to other parties, endorsement and guarantees, derivatives transactions and the main reasons for the profits/losses generated by the Company and response measures to be taken in the future

1. Main reasons for engaging in high-risk investments and high leveraged investments and the future response measures

(1) Main reasons for engaging in high-risk investment and high leveraged investments

The Company and its subsidiaries did not engage in any high-risk investments and high leveraged investment in the most recent year and as of the date of publication of the annual report.

(2) Response measures in the future

The Company and its subsidiaries are focused on their own business, with financial operations that are conservative and consistent. The money has not been used for any high-risk or high leveraged investments.

2. Lending funds to other parties and endorsement and guarantee

(1) Reasons for lending funds to others and endorsement and guarantee

1) Lending funds to others

The Group's lending to others in accordance with the "Procedures for Lending Funds to Other Parties", and the balance is zero as of the date of publication of the annual report.

2) Endorsement and guarantee

The Group's engagement in endorsement and guarantee is in accordance with the "Procedures for Endorsement and Guarantee", and the balance is zero as of the date of publication of the annual report.

(2) Response measures in the future

The Company has formulated the "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee", and the Company will conduct announcements and declarations process in accordance with laws and regulations.

(3) The Company’s policy regarding financial derivatives transactions and the main reasons for the profits/losses generated by the Company and response measures to be taken in the future

1) Policies of engagement in the financial derivatives transactions

The Group’s engagement in the financial derivatives transactions is subject to Article 12 Procedures for the acquisition or disposal of financial derivatives transactions of the “Procedures for Assets Acquisition or Disposal”. The Group's involvement in financial derivatives transactions is primarily for hedging purposes, thus the choice of trading commodities is mostly for minimizing risks associated with the Group's commercial activities.

2) Main reasons for the profit or loss

The Group did not engage in any financial derivatives transactions in 2021 and 2022.

3) Response measures to be taken in the future

Financial derivatives transactions are subject to strict regulations of the Company. The trading of financial derivatives transactions is primarily for hedging purposes, with the choice of trading commodities mostly for avoiding risk originating from the Group's commercial operations. In order to prevent credit risk, the Company will additionally select financial institutions with better conditions for the engagement of hedging transactions based on the Company's operational requirements.

III. R&D work to be carried out in the future, and further expenditures expected to research and development work:

For details please refer to operation overview/ business content/ business scope/ new products and services planned to be developed in this annual report; operation overview/ business content/ technology and R&D overview.

IV. Effect on the Company’s finance and business resulting from crucial changes of global policies and laws, as well as response measures to be taken:

1. The Group’s finance and business have not been affected by any crucial change in global policies and laws in 2021 up to the date this public disclosure was printed.

2. Response measures: In addition to paying attention to global industrial news and changes in both laws and policies, all divisions of the Group collect information and message in territory relating to production and business to clutch changes in policies and laws, and thus notify the Company's senior executives and relevant divisions immediately to adopt proper hedging measures. Therefore, the Company can well prepare to respond to changes in global significant policies and laws.

V. Effect on the Company’s crisis management of changes in the Company’s corporate image, and response measures to be taken in the future:

1. Major risk assessment items such as information security risk assessment and response measures.

(1) Information security risk management structure: established Information Security Committee to review and amend Information Security Policy Management

Measures and relevant operational rules. Information technology division should be responsible for the implementation of management measures and risk assessment.

(2) Information security risk awareness: regular advocacy and training of information security policies for all employees; formulating personnel arrival, transfer, and departure management procedures, and signing of a confidentiality agreement with clear notification of confidential matters.

(3) External cyber attack threat: periodical 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) Data loss pervention: implemented DLP tool to control access rights of classified confidential information, and kept the system logs of the error and correction or unauthorized access.

(5) System security management: established system access of identity, portable storage device (such as USB), physical access, and information assets inventory management mechanisms to prevent unauthorized accesses of system, network, software and hardware.

(6) System operation and maintenance interruption:

1) In order to ensure sustainable business operation and prevent malfunction of system software/hardware and database, the backup of information system and disaster recovery drills have been regularly implemented to ensure that critical business activities can be timely restored.

2) 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 the scope of insurance and claim evaluation, the Company did not take out the information security insurance. However, the Company has signed a maintenance contract with the software/hardware suppliers to prevent the interruption of information system service.

2. Emergency Response management: established emergency reporting procedure of information security risk events, and executed periodically system disaster recovery drills to make sure the quick control and proper handling of a sudden information security event.

VI. Effects on the Company’s crisis management of changes in the Company’s corporate image, and response measures to be taken in response:

1. The Company follows the code of integrity management, is committed to maintaining a positive corporate reputation, and shares its version and performance through open channels of communication. As of the publication date of the annual report, there are no negative reports that damage the Company's image.

2. Response measures: The Company has internal control, risk management and spokesperson mechanism and other measures. We build clear and prompt channels of

communication as well as management processes for different situations of emergency. Material information is released in a way that complies with the law in order to protect the rights of investors and the Company's reputation.

VII. Expected benefits and possible risks associated with any merger and acquisitions, and response measures being or to be taken:

The Company did not engage in any merger or acquisition in the most recent year and as of the date of publication of the annual report; therefore, it is not applicable.

VIII. Expected benefits and possible risks associated with any plant expansion, and response measures being or to be taken:

1. The Company has carried out production expansion in all factories in order to meet market demands and to fulfill customer orders. The expected benefits for the Group is the increases of revenue and market share to achieve a sufficient economic scale, reduce the production cost per unit, and enhance profitability.

2. Possible risk: market demands have been reduced by a harsh global economy, severe competition for production expansions in the industry, and the launch of alternative products.

3. Response measures: the Group has excellent technical R&D teams, and the Company has been deeply involved in this industry for years to fully understand the trend and demand for silicon wafers. To maintain the leadership position, the Company can continue to develop its competitive niche through the presence in the China market.

IX. Risks associated with concentrated sales and material procurement, and response measures being or to be taken:

1. Diversify suppliers and control primary raw material sources: the Company has dispersed various procurement sources of important raw materials to secure sufficient supply and to reduce the risk of concentration. The Company has carried out a supplier assessment and conducted an annual audit to strengthen the partnership with suppliers and to be fully aware of the status of suppliers.
2. Disperse customer base: the Company has actively approached new customers and developed new applications. The customers are widely spread among Europe, America, Japan, Taiwan, China, and the Asia Pacific region. They are all world- renowned integrated device manufacturers (IDMs) and Foundries. Therefore the sources of the revenues are not concentrated in just a few customers.

X. Substantial transfer or change of stock equity of Directors or shareholders who hold over 10% of company shares, and response measures being or to be taken: None.

There is no significant amount of equity being transferred by 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.

XI. Effect and risk to the Company associated with any change in ownership, and response measures being or to be taken:

There is no change in ownership of the Company in the most recent year and as of the date of publication of annual report; therefore, it is not applicable.

XII. The dealing status of the case of lawsuit or non-lawsuit events, determinations, or administrative disputes about the Company and its Directors, President, the person in charge, or shareholders who hold over 10% of company shares shall be listed; if the results will have a huge impact on shareholders' rights or security's price: None.

XIII. Other important risks and response measures being or to be taken:

1. Environment, and occupational safety and health management

(1) Based on the philosophies of corporate sustainable development, environment and resources protection responsibilities, and protection of employees' safety and health. The Company has conducted assessments of all possible emergency situations, natural disasters, environmental impacts, and work risks, and established responsive plans and process flows. In terms of environmental protection, and occupational safety and health management, the operation control of the Company is in compliance with international standards and is annually certified by the environmental management system (ISO14001) and occupational safety and health management system (ISO45001).

(2) The Company's major objectives and management plans are summarized as below:

Plan	Objective/target
Evaluation of optimizing three-pipe acid supply operation in Yangmei Plant	Enhance personnel safety during acid supply
Operation optimizing of acid supply room of Longtan Plant	Optimization of the acid supply room of Longtan plant
Planning of the solar energy construction system	Increase green electricity to reduce impact on the environment
Enhancement of chemical safety	Enhancement of employee safety with regard to chemical use
Electricity and water conservation scheme	Reduction of greenhouse gas emissions and promotion of environmental sustainability

(3) Continuously promotes safe workplace and safety protection measures

1) Occupational disaster prevention plans

To achieve the goal of zero occupational disasters, the Company formulates an annual occupational disaster prevention plan and implementation plan that is strictly executed by following the schedule and content. The implementation will be supervised by the audit system, and the occupational disaster prevention plan can be amended during the quarterly occupational Safety and Health Committee Meeting. The annual occupational disaster prevention plan is then formulated in accordance with the resolutions of Safety and Health Committee Meeting, so that the Company can gradually reduce the potential hazard risks of the workplace through the PDCA method (Plan/ Do/ Check/ Act) to reach the ultimate goal of zero occupational disasters.

2) Implementation of automatic inspection

When facing different operation environments, production processes, and operations the employees can suffer from occupational injuries due to the factors of unsafe operation, equipment, or management. The company has actively promoted automatic inspection, hoping to find out the potential hazard factors through the implementation of this measure for the purpose of improvement and effective control. The scope of such inspection covers equipment, operating environment, operation machines, and mobile vehicles.

3) Operation environment monitoring

When monitoring the working environment, a working environment measurement plan, including sampling strategies is formulated, starting from data collection, raw materials, process flow, and hazard substances check. Through observation, interview records, and investigations, similar exposure groups are identified and those with the greatest possible exposure will be sampled. The work environment measurement items also include physical and chemical factors.

4) Environmental protection, safety and health assessment of hazardous chemical substances

Before deciding to use new chemical substances, they must be reviewed and evaluated by Work Safety Office of the Company. The environmental safety and health risks in various activities of chemical storage, transportation, use and disposal in the process, and through engineering improvement, personal protective equipment, safe operation education and training to ensure that the environmental safety and health risks of new chemical substances are effectively controlled.

5) General safety management, training, and audit

Environmental, safety and health committee meetings are held regularly, and various preventive measures are taken at the same time, such as high-risk operation management, contractor management, chemical safety management, personal protective equipment requirements and safety audit management. It has also established complete disaster response procedures and conducted regular drills to minimize the loss of employees and company assets and the social and environmental impacts caused by disasters.

6) Emergency response

The emergency response plan needs to be considered comprehensively and improved and drilled continuously. The Company's emergency response plan includes rapid response to incidents, disaster recovery and establishment of response procedures for potential disasters. Emergency drills and fire evacuation drills are held annually to ensure disaster losses are minimized.

7) Employee health promotion

The Company has hired a full-time nurse to provide the employees with various health care programs. The employees can use the gym built by the Company to have physical exercises to reduce physical and mental pressure and enhance personal health. Every month, an occupational medicine physician will provide consultation, tracking, and proper health education after employees’ health examinations to help the employees manage their health.

For the protection of the employees’ health at the workplace, the Company continues to promote and improve the maternal protection plan, the plan for preventing repetitive operations from resulting in musculoskeletal disease, and the plan for preventing abnormal work from resulting in disease, to improve the work environment and create a healthy workplace.

2. Risks and opportunities of climate change

Wafer Works has identified and analyzed possible operation risks and potential impacts, and proposed corresponding strategies. The Company has established the monitor and control mechanisms. In addition, the new climate change related laws and regulations could result in significantly increased overall energy costs.

(1) Physical climate risks

Climate change would lead to increased frequencies and severity of storms, floods, and droughts, thus resulting in impacts on the 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 to face climate change. The total days of the Company’s operation interruption due to poor weather in 2021 were 0 days.

(2) Risks and opportunities of water resources

Concerning the dangers and opportunities associated with a lack of water resources in the plant, the Company has continued to study the extension of the plant's water recycling and reclamation system. The hope is that the plant's water resources can be recycled to reduce water consumption and environmental effect while improving water resource management and optimizing the water supply management system to continuously recycle water resources, allowing every drop of water to be reused many times before being released.

(3) Risks and opportunities of electricity resources

It is inevitable that green energy becomes the future global trend. The Company continues to evaluate the installation of solar power generation system in the plant, hoping that some of the electricity can be provided by clean energy to reduce the emission of greenhouse gas.

(4) Innovation and R&D

Regarding product innovation and R&D, the factory is developing low-voltage power, ultra-low turn-on resistance IC substrate chips and high-voltage power, low turn-on resistance IC epitaxy chips. Low energy consumption products have also been fully developed and innovated, in an attempt to reduce the products’ greenhouse gas emissions.

3. Risks transfer

(1) Transfer of personal risks: in addition to labor insurance, national health insurance, and other insurances statutorily required in the local region of each subsidiary, the Company also provides group insurance to enhance the employees’ welfare and to properly transfer the risks.

(2) Transfer of property risks: for properties with risks, the 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 risks.

(3) Directors and Officers Liability Insurance: the Company provides the Directors and Officers Liability Insurance as stipulated in the Articles of Incorporation, and authorizes the Board of Directors to determine the coverage of this insurance. The limit of liability of "Directors and Officers Liability Insurance" taken out by the Company recently is USD 16.5 million, which can reduce and disperse the major damage to the Company and shareholders caused by the illegal acts of directors and managers in order to ensure the rights and interests of the shareholders.

VII. Other important matters:

1. Depreciation method and service life of fixed assets

At the conclusion of each year, the salvage value, durability, and depreciation method of an asset are evaluated. If the expected value differs from the previous estimate, the difference is considered an accounting estimate modification. Depreciation is calculated using the straight-line approach over the projected durability of the assets listed below:

Houses and buildings 5–55 years
Machinery 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 financial information transparency

The license acquisition situations of the Company's personnel related to financial information transparency are as below:

Certified Internal Auditors (CIA): one employee in the Audit Division

License of Internal Auditor of The Institute of Internal Auditors – Chinese Taiwan: one employee in the Audit Division

3. Internal Material Information Processing Operation

The Company has formulated the "Procedures for Handling Material Information and Preventing Insider Trading" and submitted it to the Board of Directors of Wafer Works and had been approved in November, 2022. The Company had organized an internal advocacy meeting to announce these procedures to all employees, managers, and directors to prevent any violation or insider trading.

4. The company's key performance indicators (KPI)

In addition to regularly comparing the financial performance indicators (such as debt ratio, earnings per share, cash conversion days, and capital expenditures) with the competitors in the industry, the Group has also set non-financial indicators, such as market share, process yield, quality cost, employee output value, and customer satisfaction…etc, to monitor the group's competitive edges and current situation of the industry. With a series of collection and analysis, the Company gets to ensure the competitive edges over the competitors in the industry.

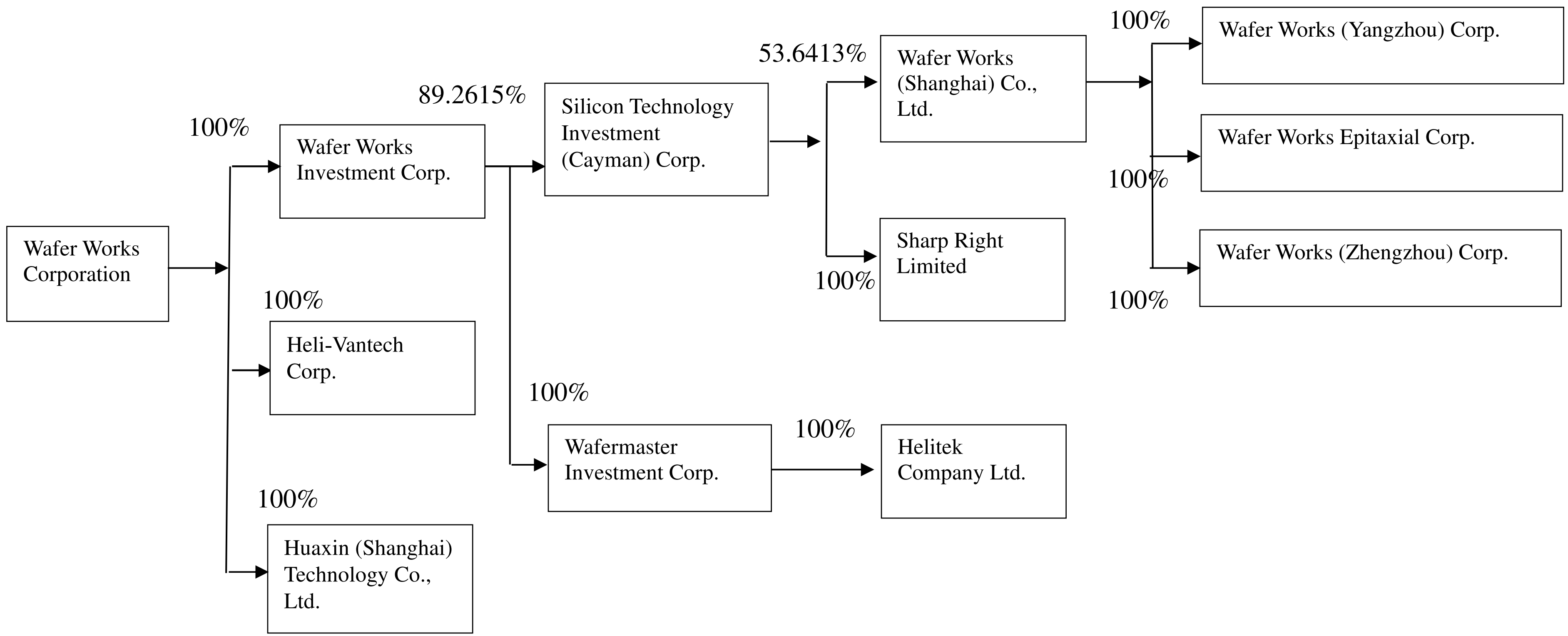
VIII. Special Disclosure

I. Information of affiliated enterprises

1. Information of affiliated enterprises

1) Affiliated organization chart

December 31, 2022



2) Profiles of affiliated enterprises

As of December 31, 2022

Company	Date of Incorporation	Address	Paid-in Capital	Major business/ Production Items
Wafer Works Investment Corp.	2004.12	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 66,566 thousand	Investment holding
Heli-Vantech Corp.	1998.08	No. 1, Pingguo Road, Yangmei District, Taoyuan City	NTD 5,000 thousand	Design and retail of electronic materials, wafer manufacture
Silicon Technology Investment (Cayman) Corp.	1997.08	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	USD 41,983 thousand	Investment holding
Wafermaster Investment Corp.	2004.12	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 5,084 thousand	Investment holding
Huaxin (Shanghai) Technology Co., Ltd.	2019.12	Room 1803, No. 411 (B), Ruijin 2nd Road, Huangpu District, Shanghai	USD 1,000 thousand	Sales business
Wafer Works (Shanghai) Co., Ltd.	1994.12	No. 558, Changta Road, Shihudang Town, Songjiang District, Shanghai	RMB 595,854 thousand	Design, processing, and sales of semiconductor silicon wafer
Wafer Works Epitaxial Corp.	2005.06	No. 48, Section 2, No. 8228, Beiqing Road, Qingpu District, Shanghai	RMB 488,050 thousand	Design, processing, and sales of semiconductor epi wafer
Sharp Right Limited	2007.01	Rooms 2006-8.20/F., Two Chinachem Exchange Square, 338 king's Road, North Point, Hong Kong	USD 1,000	International trade
Helitek Company Ltd.	1994.02	4033 Clipper CT Fremont, CA 94538-6540	USD 2,200 thousand	Sales of semiconductor silicon wafer materials
Wafer Works (Yangzhou) Corp.	2010.09	No. 6, Mabohe 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 1,020,000 thousand	Design, processing, and sales of semiconductor silicon wafer

3) Common shareholders of the company and its subsidiaries or its affiliates with actual of deemed control: None.

4) Business scope and affiliated enterprises: as stated in the profiles of the affiliates.

5) Information of Directors, Supervisors and Presidents of Affiliates

As of December 31, 2022

Company name	Title	Name or Representative	Shareholding	
			Shares	%
Wafer Works Investment Corp.	Director	Ping-Hai, Chiao (Note 1)	66,566,226	100%
Heli-Vantech Corp.	Chairman	Ping-Hai, Chiao (Note 1)	500,000	100%
Silicon Technology Investment (Cayman) Corp.	Director	Ping-Hai, Chiao (Note 2)	45,961,526	89.26%
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	Su-Sheng, Liu (Note 3)	285,301,286	47.88%
Wafer Works Epitaxial Corp.	Chairman	Su-Sheng, Liu (Note 4)	-	47.88%
Sharp Right Limited	Director	Ping-Hai, Chiao (Note 3)	-	89.26%
Helitek Company Ltd.	President	Ping-Hai, Chiao (Note 5)	3,400,000	100%
Wafer Works (Yangzhou) Corp.	Chairman	Hai-Bo, Shang	-	47.88%
Wafer Works (Zhengzhou) Corp.	Chairman	Su-Sheng, Liu (Note 4)	-	47.88%

Note 1: Representative of Wafer Works Corporation.

Note 2: Representative of 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 affiliates

As of December 31, 2022 Unit: NTD thousand

Company name	Capital	Total assets	Total liabilities	Net worth	Operating Revenue	Operating Income (Loss)	Net Income	Earnings per share (NTD)
Wafer Works Investment Corp.	2,044,249	5,563,457	-	5,563,457	-	(83)	701,938	10.43
Heli-Vantech Corp.	5,000	4,490	331	4,159	-	-	-	-
Silicon Technology Investment (Cayman) Corp.	1,289,306	5,810,049	317	5,809,732	-	(46,803)	793,351	17.29
Wafermaster Investment Corp.	156,127	190,548	-	190,548	-	(7)	16,534	3.28
Huaxin (Shanghai) Technology Co., Ltd.	30,211	43,682	111,848	(68,166)	129,149	(113,145)	(115,157)	-
Wafer Works (Shanghai) Co., Ltd.	2,627,380	12,304,112	1,237,814	11,066,298	400,143	(139,408)	1,580,611	2.65
Wafer Works Epitaxial Corp.	2,152,022	6,475,963	2,933,078	3,542,885	6,368,996	1,292,075	1,099,679	-
Sharp Right Limited	39	26	94,962	(94,936)	-	-	-	-
Helitek Company Ltd.	67,562	529,520	338,980	190,540	1,816,629	26,996	16,541	7.45
Wafer Works (Yangzhou) Corp.	480,629	535,760	38,033	497,727	386,690	32,764	35,377	-
Wafer Works (Zhengzhou) Corp.	4,497,623	7,400,433	2,329,742	5,070,691	2,908,295	658,926	667,219	-
Zhengzhou Airport Economy Zone Wafer Works Technology Corp.	-	-	-	-	92,808	(34,238)	(13,891)	-

2. Declaration of consolidated financial statements of subsidiaries:

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Wafer Works Corp. as of December 31, 2022 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 15, 2023

3. Affiliation reports: Not applicable

II. Private placement of securities in the most recent year and up to the date of publication of the annual report: None.

III. Subsidiaries' holding or disposal of shares in the most recent year and up to the date of publication of the annual report: None.

IV. Other necessary supplements: None.

V. Situations listed in Article 36, paragraph 3, subparagraph 2 of Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred: None.