

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

Ticker: 6182

**WAFER WORKS CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH A REPORT OF INDEPENDENT AUDITORS
AS OF DECEMBER 31, 2023 AND 2022
AND FOR THE YEARS THEN ENDED**

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Consolidated Financial Statements
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MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Wafer Works Corp. as of December 31, 2023 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

A handwritten signature in black ink, appearing to read "Pat Chiao", written in a cursive style.

Chiao, Pat

Chairman

March 15, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, 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\$10,047,814 thousand for the year ended December 31, 2023 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\$2,779,309 thousand, representing 10% of consolidated total assets, as of December 31, 2023 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. We have also 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, 2023 and 2022. 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\$388,754 thousand and NT\$529,520 thousand, representing 1.47% and 1.84% of the total consolidated assets, as of December 31, 2023 and 2022 respectively. And the related net revenues of NT\$1,277,086 thousand and NT\$1,816,629 thousand, representing 12.71% and 14.33% 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 2023 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, 2023 and 2022 and for the years then ended.

/s/Cheng, Ching-Piao

/s/Chang, Chih-Ming

Ernst & Young
March 15, 2024
Taipei, Taiwan,
Republic of China

Notices to Readers

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, 2023 and 2022

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2023		As of December 31, 2022	
Code	Accounts	Notes	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$3,835,472	15	\$5,423,876	19
1110	Financial assets at fair value through profit or loss	4, 6(2)	4,165	-	-	-
1136	Financial assets measured at amortized cost	4, 6(4), 8	315,799	1	203,775	1
1150	Notes receivable, net	4, 6(5), 8	5,107	-	21,815	-
1170	Accounts receivable, net	4, 6(6)	1,493,580	6	2,452,105	9
1200	Other receivables		28,167	-	88,535	-
1310	Inventories, net	4, 6(7)	2,779,309	10	3,089,355	11
1410	Prepayments	6(8)	271,756	1	338,561	1
1470	Other current assets		19,469	-	41,907	-
	Total current assets		<u>8,752,824</u>	<u>33</u>	<u>11,659,929</u>	<u>41</u>
15xx	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2), 6(15)	-	-	119	-
1517	Financial asset at fair value through OCI	4, 6(3)	109,694	-	112,141	-
1536	Financial assets measured at amortized cost	4, 6(4), 8	21,967	-	21,967	-
1600	Property, plant and equipment, net	4, 6(9), 8, 9	15,568,341	59	15,310,321	53
1755	Right-of-use assets, net	4, 6(22), 8	928,129	4	1,035,899	4
1780	Intangible assets, net	4, 6(10)	48,412	-	56,389	-
1840	Deferred tax assets	4, 6(26)	42,547	-	43,433	-
1915	Prepayment for equipment	9	853,324	4	400,119	2
1920	Refundable deposits	9	85,039	-	79,222	-
1990	Other non-current assets	9	20,499	-	48,904	-
	Total non-current assets		<u>17,677,952</u>	<u>67</u>	<u>17,108,514</u>	<u>59</u>
	Total Assets		<u>\$26,430,776</u>	<u>100</u>	<u>\$28,768,443</u>	<u>100</u>

(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, 2023 and 2022

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2023		As of December 31, 2022	
Code	Accounts	Notes	Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term loans	6(11), 8	\$961,218	4	\$999,704	3
2130	Contract liability	6(20), 9	431,022	2	47	-
2170	Accounts payable		356,353	1	806,031	3
2200	Other payables	6(12)	872,343	3	1,316,480	5
2230	Current income tax liabilities	4	420,857	2	629,560	2
2322	Current portion of long-term loans	6(16), 8	1,572,524	6	1,092,611	4
2281	Lease liability	4, 6(22)	69,735	-	64,352	-
2399	Other current liabilities	6(13)	4,244	-	4,697	-
	Total current liabilities		<u>4,688,296</u>	<u>18</u>	<u>4,913,482</u>	<u>17</u>
25xx	Non-current liabilities					
2527	Contract liability	6(20), 9	65,976	-	708,608	2
2530	Bonds payable	4, 6(15)	292,695	1	288,510	1
2540	Long-term loans	6(16), 8	2,320,146	9	3,239,631	11
2570	Deferred tax liability	4, 6(26)	95,649	-	-	-
2581	Lease liability	4, 6(22)	381,870	2	447,953	2
2630	Long-term deferred revenue	4, 6(14)	356,759	1	357,556	1
2640	Accrued pension liabilities	4, 6(17)	18,684	-	29,694	-
2645	Deposits received		48,108	-	66,765	-
	Total non-current liabilities		<u>3,579,887</u>	<u>13</u>	<u>5,138,717</u>	<u>17</u>
	Total liabilities		<u>8,268,183</u>	<u>31</u>	<u>10,052,199</u>	<u>34</u>
31xx	Equity attributable to shareholders of the parent					
3100	Capital	6(18)				
3110	Common stock		5,418,836	21	5,409,336	19
3200	Capital surplus	6(18)	4,105,199	16	4,074,419	14
3300	Retained earnings					
3310	Legal reserve		718,608	3	500,513	2
3320	Special reserve		265,458	1	326,457	1
3350	Unappropriated earnings		1,919,123	7	2,853,686	11
3400	Other components of equity		(431,111)	(2)	(265,458)	(1)
31xx	Equity attributable to the parent company		<u>11,996,113</u>	<u>46</u>	<u>12,898,953</u>	<u>46</u>
36xx	Non-controlling Interests	6(18)	6,166,480	23	5,817,291	20
	Total equity		<u>18,162,593</u>	<u>69</u>	<u>18,716,244</u>	<u>66</u>
	Total liabilities and equity		<u>\$26,430,776</u>	<u>100</u>	<u>\$28,768,443</u>	<u>100</u>

(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, 2023 and 2022

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

Code	Items	Notes	2023		2022	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(20)	10,047,814	100	12,677,431	100
5000	Operating costs	6(7), 6(23)	<u>(6,801,309)</u>	<u>(68)</u>	<u>(7,510,616)</u>	<u>(59)</u>
5900	Gross profit		<u>3,246,505</u>	<u>32</u>	<u>5,166,815</u>	<u>41</u>
6000	Operating expenses	6(23)				
6100	Sales and marketing		(172,396)	(2)	(239,906)	(2)
6200	General and administrative		(774,326)	(8)	(753,895)	(6)
6300	Research and development		(934,600)	(9)	(838,440)	(7)
6450	Expected credit gains (losses)	6(21)	<u>618</u>	<u>-</u>	<u>(820)</u>	<u>-</u>
	Total operating expenses		<u>(1,880,704)</u>	<u>(19)</u>	<u>(1,833,061)</u>	<u>(15)</u>
6900	Operating income		<u>1,365,801</u>	<u>13</u>	<u>3,333,754</u>	<u>26</u>
7000	Non-operating incomes and expenses	6(24)				
7100	Interest incomes		63,749	1	34,819	-
7010	Other incomes		253,826	2	102,646	1
7020	Other gains or losses		5,346	-	496,221	4
7050	Finance costs		<u>(238,020)</u>	<u>(2)</u>	<u>(261,058)</u>	<u>(2)</u>
	Total non-operating incomes and expenses		<u>84,901</u>	<u>1</u>	<u>372,628</u>	<u>3</u>
7900	Income before income tax		1,450,702	14	3,706,382	29
7950	Income tax expenses	4, 6(26)	<u>(342,430)</u>	<u>(3)</u>	<u>(703,091)</u>	<u>(5)</u>
8200	Net income		<u>1,108,272</u>	<u>11</u>	<u>3,003,291</u>	<u>24</u>
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		6,112	-	16,016	-
8316	Unrealized gains or losses on financial assets at fair value through other comprehensive income (loss)		<u>(47,922)</u>	<u>-</u>	<u>(51,819)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising on translation of foreign operations		<u>(204,915)</u>	<u>(2)</u>	<u>201,719</u>	<u>1</u>
	Total other comprehensive income (loss), net of tax		<u>(246,725)</u>	<u>(2)</u>	<u>165,916</u>	<u>1</u>
8500	Total comprehensive income (loss)		<u>861,547</u>	<u>9</u>	<u>3,169,207</u>	<u>25</u>
8600	Net income attributable to:					
8610	Stockholders of the parent		568,755	6	2,164,939	17
8620	Non-controlling Interests		<u>539,517</u>	<u>5</u>	<u>838,352</u>	<u>7</u>
			<u>1,108,272</u>	<u>11</u>	<u>3,003,291</u>	<u>24</u>
8700	Total comprehensive income (loss) attributable to:					
8710	Stockholders of the parent		432,039	5	2,241,954	18
8720	Non-controlling Interests		<u>429,508</u>	<u>4</u>	<u>927,253</u>	<u>7</u>
			<u>861,547</u>	<u>9</u>	<u>3,169,207</u>	<u>25</u>
9750	Earnings per share-basic (in NTD)	6(27)	<u>\$1.05</u>		<u>\$4.00</u>	
9850	Earnings per share-diluted (in NTD)	6(27)	<u>\$1.05</u>		<u>\$3.95</u>	

(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, 2023 and 2022

(Amounts Expressed In Thousands of New Taiwan Dollars)

	Items	Equity attributable to shareholders of the parent									Non-controlling Interests	Total equity	
		Capital		Capital surplus	Retained earnings			Other components of equity					Total
		Common stock	Bond conversion entitlement certificates		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)	Unearned Employee Compensation Expense			
Code		3100	3130	3200	3310	3320	3350	3410	3420	3490	31xx	36xx	3xxx
A1	Balance as of January 1, 2022	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 acquires 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
	Appropriation and distribution of 2022 earnings												
B1	Legal reserve				218,095		(218,095)				-		-
B3	Special reserve					(60,999)	60,999				-		-
B5	Cash dividends-common shares						(1,352,334)				(1,352,334)		(1,352,334)
D1	Net income for 2023						568,755				568,755	539,517	1,108,272
D3	Other comprehensive income (loss), net of tax, for 2023						6,112	(94,906)	(47,922)		(136,716)	(110,009)	(246,725)
D5	Total comprehensive income (loss)	-	-	-	-	-	574,867	(94,906)	(47,922)	-	432,039	429,508	861,547
O1	Non-controlling interests increase (decrease)											(80,319)	(80,319)
T1	Restricted Employee Stock and Other	9,500		30,780						(22,825)	17,455		17,455
Z1	Balance as of December 31, 2023	5,418,836	-	4,105,199	718,608	265,458	1,919,123	(285,333)	(122,953)	(22,825)	11,996,113	6,166,480	18,162,593

(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, 2023 and 2022

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	2023	2022	Code	Items	2023	2022
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	\$1,450,702	\$3,706,382	B00010	Proceeds from disposal of financial assets at fair value through other comprehensive income or loss	(45,500)	-
A20000	Adjustments:			B00040	Disposal (acquisition) of financial assets at amortized cost	(112,024)	(140,161)
A20010	Profit or loss not effecting cash flows:			B02700	Acquisition of property, plant and equipment	(2,246,270)	(3,428,934)
A20100	Depreciation (Including right of use assets)	1,653,037	1,603,359	B02800	Proceeds from disposal of property, plant and equipment	17,392	19,052
A20200	Amortization	12,927	11,275	B03700	Decrease (increase) in refundable deposits	(5,817)	(45,173)
A20300	Expected credit losses (gain on recovery)	(618)	820	B04500	Acquisition of intangible assets	(5,574)	(17,628)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(4,046)	1,994	B07100	Decrease (increase) in prepayments for equipment	(453,205)	634,809
A20900	Interest expense	238,020	261,058	B09900	Disposal of right-of-use asset	24,341	-
A21200	Interest income	(63,749)	(34,819)	B09900	Other investing activities	64,773	22,048
A21900	Share-based payment	73,352	5,540	BBBB	Net cash provided by (used in) investing activities	(2,761,884)	(2,955,987)
A22500	Loss (gain) on disposal of property, plant and equipment	1,408	8,484				
A23800	Impairment loss (reversal gain) on non-financial assets	11,841	(2,196)	CCCC	Cash flows from financing activities:		
A29900	Loss (gain) on government grants	(63,458)	(63,177)	C00100	Increase in short-term loans	(38,486)	(976,827)
A29900	Recognition of long-term prepayments for materials to loss	-	183,302	C01600	Issuance of corporate bonds	381,314	123,388
A29900	Recognition of Contract liabilities to income	-	(433,826)	C01700	Increase in long-term loans	(774,445)	(720,704)
A29900	Loss on disposal of right-of-use asset	545	-	C03000	Increase in guarantee deposits received	(18,657)	(29,226)
A30000	Changes in operating assets and liabilities:			C04020	Payments of lease liabilities	(82,094)	(66,386)
A31130	Notes receivable	16,708	197,986	C04500	Cash dividends	(1,488,550)	(848,641)
A31150	Accounts receivable	959,248	(51,065)	C05800	Increase (decrease) in non-controlling interests	-	(291,064)
A31180	Other receivable	59,704	(50,038)	CCCC	Net cash provided by (used in) financing activities	(2,020,918)	(2,809,460)
A31200	Inventories	310,046	(729,605)				
A31230	Prepayment	95,210	76,891	DDDD	Effect of exchange rate changes on cash and cash equivalents	(100,884)	172,689
A31240	Other current assets	22,438	522,011				
A32125	Contract liabilities	(211,657)	310,572	EEEE	Increase (decrease) in cash and cash equivalents	(1,588,404)	(312,699)
A32150	Accounts payable	(449,678)	134,784	E00100	Cash and cash equivalents at beginning of period	5,423,876	5,736,575
A32180	Other payable	(205,702)	149,714	E00200	Cash and cash equivalents at end of period	\$3,835,472	\$5,423,876
A32230	Other current liabilities	(1,287)	650				
A32240	Accrued pension liabilities	(4,898)	(4,566)				
A33000	Cash generated from operations	3,900,093	5,805,530				
A33100	Interest received	63,840	33,787				
A33300	Interest paid	(217,774)	(240,013)				
A33500	Income tax paid	(450,877)	(319,245)				
AAAA	Net cash provided by (used in) operating activities	3,295,282	5,280,059				

(The accompanying notes are an integral part of the consolidated financial statements.)

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WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As Of December 31, 2023, and 2022 and For the Years Then Ended

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

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 and sales of semiconductor materials;
- (2) Technical consulting business, service business and trading 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 and 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, 2023 and 2022 were authorized for issue by the Board of Directors on March 15, 2024.

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, 2023. The adoption of these new standards and amendments had no material impact on the Group.

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WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (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 of the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

(A) 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.

(B) 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.

(C) 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.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(D) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The Group assesses all standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as of 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	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

(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.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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, 2023 and 2022 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

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

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.

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WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			As of December 31,	
			2023	2022
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%	89.2615% (Note1)
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%	53.6413%
Silicon Technology Investment (Cayman) Corp.	Sharp Right Limited Co., Ltd	Trading company	100.00%	100.00%
Wafermaster Investment Corp.	Helitek Company Ltd.	Trading of semiconductor materials	100.00%	100.00%

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WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			As of December 31,	
			2023	2022
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	-%	-% (Note)

Note : 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.

Note1 : 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.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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 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.

(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 non-controlling interests in that foreign operation, instead of being recognized in profit or loss. 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.

(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.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

(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.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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.

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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.

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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.

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(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.

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

(11) Property, plant and equipment

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

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

Buildings	5~55 years
Machinery	2~15 years
Transportation	5~10 years
Office equipment	2~10 years
Other equipment	2~20 years

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

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

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(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.

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.

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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.

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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.

Group as a lessor

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.

For contracts containing both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

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(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).

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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.

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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.

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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.

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(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.

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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.

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(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.

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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.

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(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.

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Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2023	2022
Cash on hand	\$410	\$629
Checkings and savings	2,973,380	2,910,998
Time deposits	831,682	2,452,249
Resale agreements collateralized by corporate bonds	30,000	60,000
Total	<u>\$3,835,472</u>	<u>\$5,423,876</u>

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

	As of December 31,	
	2023	2022
Mandatorily measured at fair value through profit or loss:		
Embedded derivatives	\$-	\$119
Forward exchange agreement	4,165	-
Total	<u>\$4,165</u>	<u>\$119</u>
Current	\$4,165	\$-
Non-current	-	119
Total	<u>\$4,165</u>	<u>\$119</u>

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

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(3) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2023	2022
Equity instruments investments measured at fair value through other comprehensive income –		
Non-current:		
Listed companies stocks	\$171,458	\$171,485
Unlisted companies stocks	63,923	18,426
Valuation adjustment of financial assets as measured by fair value through profit and loss	(125,687)	(77,770)
Total	<u>\$109,694</u>	<u>\$112,141</u>

Financial assets at fair value through other comprehensive income were not pledged.

(4) Financial assets measured at amortized cost

	As of December 31,	
	2023	2022
Certificate of deposit – restricted	<u>\$337,766</u>	<u>\$225,742</u>
Current	\$315,799	\$203,775
Non-current	21,967	21,967
Total	<u>\$337,766</u>	<u>\$225,742</u>

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,	
	2023	2022
Notes receivables arising from operating activities	\$5,107	\$21,815
Less: loss allowance	-	-
Total	<u>\$5,107</u>	<u>\$21,815</u>

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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,	
	2023	2022
Trade receivables	\$1,501,288	\$2,460,536
Less: loss allowance	(7,708)	(8,431)
Total	<u>\$1,493,580</u>	<u>\$2,452,105</u>

(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, 2023 and 2022, are NT\$1,501,288 thousand and NT\$2,460,536 thousand, respectively. Please refer to Note 6(21) for more details on loss allowance of accounts receivable for year ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(7)Inventories

(a)Inventories consist of the following:

	As of December 31,	
	2023	2022
Raw materials	\$432,268	\$639,080
Supplies & parts	884,809	948,771
Work in progress	815,497	885,350
Finished goods	621,143	604,075
Merchandises	25,592	12,079
Total	<u>\$2,779,309</u>	<u>\$3,089,355</u>

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(b)The cost of inventories recognized in expenses amounted to NT\$6,801,309 thousand and NT\$7,510,616 thousand for the years ended December 31, 2023 and 2022, respectively. The following losses were included in cost of sales :

Item	For the year ended December 31,	
	2023	2022
Loss from inventory market decline	\$36,511	\$42,340
Loss from inventory write-off obsolescence	191	2,866
Total	<u>\$36,702</u>	<u>\$45,206</u>

(c)Inventories were not pledged.

(8)Prepayments

	As of December 31,	
	2023	2022
Office supplies	\$124,848	\$135,753
Other prepaid expenses	80,666	124,287
Prepayment for purchase	66,242	78,521
Total	<u>\$271,756</u>	<u>\$338,561</u>

(9)Property, plant and equipment

	As of December 31,	
	2023	2022
Owner occupied property, plant and equipment	<u>\$15,568,341</u>	<u>\$15,310,321</u>

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(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, 2023	\$259,131	\$4,430,332	\$20,604,794	\$34,158	\$391,466	\$413,351	\$1,824,224	\$27,957,456
Additions	-	(1,339)	(1,234)	-	-	-	2,015,971	2,013,398
Reclassification	-	711	2,299,887	-	102,185	29,840	(2,432,623)	-
Disposals	-	-	(122,876)	(549)	(9,914)	(6,448)	(1,603)	(141,390)
Exchange differences	-	(49,677)	(192,622)	(395)	(3,244)	(2,412)	(6,155)	(254,505)
As of December 31, 2023	<u>\$259,131</u>	<u>\$4,380,027</u>	<u>\$22,587,949</u>	<u>\$33,214</u>	<u>\$480,493</u>	<u>\$434,331</u>	<u>\$1,399,814</u>	<u>\$29,574,959</u>
Depreciation and impairment:								
As of January 1, 2023	\$-	\$841,767	\$11,267,346	\$27,510	\$262,648	\$247,864	\$-	\$12,647,135
Depreciation	-	129,534	1,357,832	2,425	52,457	30,022	-	1,572,270
Reversal of impairment losses	-	-	11,839	-	-	2	-	11,841
Disposals	-	-	(106,027)	(513)	(9,629)	(6,421)	-	(122,590)
Exchange differences	-	(8,265)	(89,694)	(334)	(2,254)	(1,491)	-	(102,038)
As of December 31, 2023	<u>\$-</u>	<u>\$963,036</u>	<u>\$12,441,296</u>	<u>\$29,088</u>	<u>\$303,222</u>	<u>\$269,976</u>	<u>\$-</u>	<u>\$14,006,618</u>
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	<u>\$259,131</u>	<u>\$4,430,332</u>	<u>\$20,604,794</u>	<u>\$34,158</u>	<u>\$391,466</u>	<u>\$413,351</u>	<u>\$1,824,224</u>	<u>\$27,957,456</u>

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	Land	Buildings	Machinery	Transportation	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
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	<u>\$-</u>	<u>\$841,767</u>	<u>\$11,267,346</u>	<u>\$27,510</u>	<u>\$262,648</u>	<u>\$247,864</u>	<u>\$-</u>	<u>\$12,647,135</u>
Net carrying amount as of:								
December 31, 2023	<u>\$259,131</u>	<u>\$3,416,991</u>	<u>\$10,146,653</u>	<u>\$4,126</u>	<u>\$177,271</u>	<u>\$164,355</u>	<u>\$1,399,814</u>	<u>\$15,568,341</u>
December 31, 2022	<u>\$259,131</u>	<u>\$3,588,565</u>	<u>\$9,337,448</u>	<u>\$6,648</u>	<u>\$128,818</u>	<u>\$165,487</u>	<u>\$1,824,224</u>	<u>\$15,310,321</u>

(b) For the year ended December 31, 2023, the Group recognized an impairment loss amounting to NT\$11,841 thousand on certain real estate to an extent of the recoverable value. The impairment loss has been recognized in the statement of comprehensive income.

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

(c) 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.

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(10)Intangible assets

	Computer software
Cost:	
As of January 1, 2023	\$77,869
Addition	5,574
Reduction	(4,025)
Exchange differences	(1,037)
As of December 31, 2023	<u>\$78,381</u>

Cost:	
As of January 1, 2022	\$63,766
Addition	17,628
Reduction	(4,357)
Exchange differences	832
As of December 31, 2022	<u>\$77,869</u>

Amortization:	
As of January 1, 2023	\$21,480
Amortization and Impairment	12,927
Decrease	(4,025)
Exchange differences	(413)
As of December 31, 2023	<u>\$29,969</u>

Amortization:	
As of January 1, 2022	\$14,409
Amortization and Impairment	11,275
Decrease	(4,357)
Exchange differences	153
As of December 31, 2022	<u>\$21,480</u>

Net carrying amount as of:	
December 31, 2023	<u>\$48,412</u>
December 31, 2022	<u>\$56,389</u>

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

	For the year ended	
	December 31,	
	2023	2022
Operating costs	\$1,013	\$306
General and administrative	11,850	10,693
Research and development	64	276
Total	<u>\$12,927</u>	<u>\$11,275</u>

(11) Short-term loans

	Interest Rate (%)	As of December 31,	
		2023	2022
Unsecured financial structure loans	1.32%~5.9725%	\$961,218	\$901,481
Secured financial structure loans	1.667%~2.61%	-	98,223
Total		<u>\$961,218</u>	<u>\$999,704</u>

The Group's unused short-term lines of credits amounted to NT\$7,773,711 thousand and NT\$6,804,412 thousand as of December 31, 2023 and 2022, respectively.

Please refer to Note 8 for more details of assets pledged as collaterals.

(12) Other payables

	As of December 31,	
	2023	2022
Accrued expense	\$713,740	\$919,442
Payable on equipment	146,202	379,074
Accrued interest payable	12,401	17,964
Total	<u>\$872,343</u>	<u>\$1,316,480</u>

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(13) Other current liabilities

(a) Other current liabilities consist of the following:

	As of December 31,	
	2023	2022
Other current liabilities	\$2,594	\$3,881
Deferred government grants income	1,650	816
Total	<u>\$4,244</u>	<u>\$4,697</u>

(b) Please refer to Note 6(14) for more details on the change of the deferred government grants income in 2023 and 2022.

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

(14) Deferred revenue

Government grants

	For the year ended December 31,	
	2023	2022
Beginning balance	\$358,372	\$392,894
Received during the period	68,331	22,545
Released to the statement of comprehensive income	(63,458)	(63,177)
Exchange differences	(4,836)	6,110
Ending Balance	<u>\$358,409</u>	<u>\$358,372</u>

	As of December 31,	
	2023	2022
Current	\$1,650	\$816
Non-current	356,759	357,556
Total	<u>\$358,409</u>	<u>\$358,372</u>

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The Group obtain Government grants because the local semiconductor industry in mainland China develops and throws facilities for manufacture. The grants relates to assets, so it recognizes to deferred revenue and install to recognize to revenue.

(15)Bonds payable

A. The details of the bonds payable as of December 31, 2023 and 2022 are as follows:

	As of December 31,	
	2023	2022
Liability component:		
Principal amount	\$297,600	\$297,600
Less: discounts on bonds payable	(4,905)	(9,090)
Subtotal	292,695	288,510
Less: current portion	-	-
Net	<u>\$292,695</u>	<u>\$288,510</u>
Embedded derivative - redemption, put options	<u>\$-</u>	<u>\$119</u>
Equity component - conversion right	<u>\$12,685</u>	<u>\$12,685</u>

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%

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- (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.

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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.

Due to the distribution of cash dividends at NT\$2.50 per ordinary share in 2023, 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\$62.7 since July 25, 2023.

(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.

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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.

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(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, 2023. The surplus due to the conversion amounted to NT\$1,938 thousand, recorded under additional paid-in capital.

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(16) Long-term loans

Details of long-term loan as of December 31, 2023 and 2022 are as follows:

Debtor	As of December 31, 2023	Maturity and Terms
Secured Long-Term Joint guarantee Loan from Land Bank of Taiwan and others	\$1,300,000	Effective January 16, 2023 to January 16, 2028. Grace period is 2 years from the initial draw-down date. The initial draw-down date is considered the 1st term and the following terms are defined as every 3 months since then. The remaining principal is repaid in installments of equal amount for 13 terms. Interest shall be paid monthly. The 1st to 4th payments will each repay 3% of the principal, 5th to 8th payments will be 5% each, 9th to 12th payments will be 7% each and the remaining principal will be repaid up at maturity.
Credit Long-Term Loan from Land Bank of Taiwan	5,120	Effective September 8, 2023 to September 8, 2026. Interest is paid monthly and calculated based on the outstanding principal balance, with the principal paid off at maturity.
Secured Long-Term Loan from Land Bank of Taiwan	79,187	Effective June 9, 2021 to June 15, 2027. Interest payments are due monthly for the first two years. Principal is prepaid from the third year monthly on the 15 th day of each month. Interest will be paid on the 15th of each month.
Secured Long-Term Loan from Land Bank of Taiwan	84,739	Effective June 9, 2021 to June 15, 2027. Interest payments are due monthly for the first two years. Principal is prepaid from the third year monthly on the 15th day of each month. Interest will be paid on the 15th of each month.

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Debtor	As of December 31, 2023	Maturity and Terms
Credit Long-Term Loan from Taiwan Cooperative Bank	10,583	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.
Credit Long-Term Loan from Taiwan Cooperative Bank	38,492	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	227,771	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.
Credit Long-Term Loan from Taiwan Cooperative Bank	12,326	Effective March 1, 2023 to February 15, 2030. 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 Bank of Taiwan	4,821	Effective March 1, 2023 to February 15, 2030. 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 Chang Hwa Bank	16,621	Effective March 1, 2023 to February 15, 2030. 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.

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Debtor	As of December 31, 2023	Maturity and Terms
Credit Long-Term Loan from Hua Nan Bank	11,184	Effective March 1, 2023 to February 15, 2030. Interest payments are due monthly for the first three years. Principal is prepaid from the fourth year monthly on the 15th day of each month.
Credit Long-Term Loan from Taiwan Business Bank	8,117	Effective March 1, 2023 to February 15, 2030. Interest payments are due monthly for the first three years. Principal is prepaid from the fourth year monthly on the 15th day of each month.
Secured Long-Term Joint guarantee Loan from Taiwan Cooperative Bank	381,498	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 Joint guarantee Loan from Taiwan Cooperative Bank	443,993	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.

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Debtor	As of December 31, 2023	Maturity and Terms
Secured Long-Term Loan from China Development Bank	615,600	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.
Credit Long-Term Loan from China Construction Bank	86,704	Effective May 24, 2023 to November 23, 2024. Interest is paid quarterly and calculated based on the outstanding principal balance, with the principal paid off at maturity.
Secured Long-Term Loan from China Development Bank	526,897	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	39,017	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	3,892,670	
Less: current portion	(1,572,524)	
Non-current portion	<u>\$2,320,146</u>	

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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 1 st to 4 th payments will each repay 3% of the principal, 5 th to 8 th payments will be 5% each, 9 th to 12 th 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, 2021 to June 15, 2027. Interest payments are due monthly for the first three years. Principal is prepaid form the fourth year monthly on the 15 th 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 15 th 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 15 th day of each month and interest shall be paid monthly.
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 15 th day of each month and interest shall be paid monthly.

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Debtor	As of December 31, 2022	Maturity and Terms
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 from the third year monthly on the 15 th day of each month. Interest will be paid on the 15 th 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 1 st 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 1 st to 3 rd 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 1 st 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 1 st to 3 rd payments will each repay 10% of the principal, and the remaining principal will be repaid up at maturity.
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.

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Debtor	As of December 31, 2022	Maturity and Terms
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	<u>\$3,239,631</u>	

(a) On December 26, 2022, the Company has entered into a 5-year agreement of syndicated loans in credit line of NT\$3,360,000 thousand, with Land Bank of Taiwan and 9 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.

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- (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 liquidity 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, 2023 and 2022, the interest rate intervals for long-term loans were 1.2%~7.88% and 1.33%~5.70%, respectively.
- (e) The Group received a low-interest government loan from the Ministry of Economic Affairs in the amounting NT\$542,690 thousand with a term of 5~7 years and annual interest rates of 1.20%~1.50% 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 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.

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.

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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, 2023 and 2022 are NT\$36,023 thousand and NT\$38,819 thousand, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

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\$5,448 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

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As of December 31, 2023 and 2022 the maturities of the Company's defined benefit plan were expected in 2035 and 2036.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
Current period service costs	\$126	\$129
Net interest of defined benefit	424	387
Previous period service cost	-	-
Settlement	-	-
Total	<u>\$550</u>	<u>\$516</u>

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

	As of		
	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Defined benefit obligation	\$66,042	\$73,454	\$86,160
Plan assets at fair value	<u>(47,358)</u>	<u>(43,760)</u>	<u>(35,884)</u>
Other non-current liabilities – net defined benefit liability on the consolidated balance sheets	<u>\$18,684</u>	<u>\$29,694</u>	<u>\$50,276</u>

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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, 2022	\$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
Current period service costs	126	-	126
Net interest of defined benefit	1,050	(626)	424
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	1,176	(626)	550
Remeasurement of net defined benefit liability(asset):			
Actuarial gains and losses arising from changes in demographic assumptions	107	-	107

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	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	(3,628)	-	(3,628)
Experience adjustments	(2,517)	-	(2,517)
Re-measurement on defined benefit assets	-	(74)	(74)
Subtotal	(6,038)	(74)	(6,112)
Payments from the plan	(2,550)	2,550	-
Contributions by employer	-	(5,448)	(5,448)
Effect of exchange rates	-	-	-
As of December 31, 2023	\$66,042	\$(47,358)	\$18,684

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

	As of December 31,	
	2023	2022
Discount rate	1.26%	1.43%
Expected rate of salary increases	1.92%	2.50%

Sensitivity analysis:

	Effect on the defined benefit obligation			
	2023		2022	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$3,694	\$-	\$4,890	\$-
Discount rate decrease by 0.5%	-	4,536	-	5,331
Future salary increase by 0.5%	4,482	-	5,246	-
Future salary decrease by 0.5%	-	3,690	-	4,864

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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, 2023 and 2022, the Company's authorized capital were both NT\$7,000,000 thousand, each share at par of NT\$10 divided into 700,000 thousand share. The Company's paid-in capital were NT\$5,418,836 thousand and NT\$5,409,336 thousand, respectively, divided into 541,884 thousand shares and 540,934 thousand shares, respectively. Each share has one voting right and a right to receive dividends.

The Company, upon resolution at the shareholders' meeting held on June 21, 2022, resolved to issue no more than 1,000,000 new shares through the employee stock option. Effective December 9, 2022 the application has been approved by the FSC with Order No. Jin-Guan-Cheng-Fa-Zi-1110365780. The board of directors subsequently resolved to set May 12, 2022 and January 5, 2024 as the base dates for capital increase, with a par value of \$10 per share, and issued 950 thousand and 50 thousand shares respectively.

The Company, upon resolution at the shareholders' meeting held on June 19, 2023, resolved to issue no more than 1,500,000 new shares through the employee stock option. Effective December 2, 2023 the application has been approved by the FSC with Order No. Jin-Guan-Cheng-Fa-Zi-1120356740. The board of directors subsequently resolved to set January 5, 2024 as the base dates for capital increase, with a par value of \$10 per share, and issued 810 thousand shares.

For the year ended December 31, 2021, the 7th unsecured convertible bonds in amount of NT\$2,400 thousand were converted into 35 thousand shares. The Board of directors on March 23, 2022 resolved the measurement date was on March 24, 2022.

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(b) Additional paid-in capital

	As of December 31,	
	2023	2022
Additional paid-in capital	\$3,065,181	\$3,065,181
All changes in interests in subsidiaries	965,314	965,314
Stock options – convertible rights	12,685	12,685
Restricted employee stock option	30,780	-
Other	31,239	31,239
Total	<u>\$4,105,199</u>	<u>\$4,074,419</u>

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.

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(2) Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets, as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting for final approval. And by the Company's policy, the portion of cash dividend shall not be less than 10% of total shareholders' bonus.

(3) Legal reserve

According to the Company Act, the Company has to set aside an amount for legal reserve from current year's earnings until such legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital either by shares or by cash.

(4) Special reserve

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

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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, 2023 and 2022, 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 2023 and 2022 were approved through the Board of Directors' meetings and shareholders' meetings held on March 15, 2024 and June 19, 2023, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2023	2022	2023	2022
Legal reserve	\$57,487	\$218,095		
Special reserve	142,828	(60,999)		
Common stock — cash dividend	352,783	1,352,334	\$0.65	\$2.5
Total	<u>\$553,098</u>	<u>\$1,509,430</u>		

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

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(d)Non-controlling interests

	For the year ended	
	December 31,	
	2023	2022
Beginning balance	\$5,817,291	\$5,221,172
Profit attributable to non-controlling interests	539,517	838,352
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(110,009)	88,901
Acquisition or disposal of subsidiaries	-	(218,294)
Issuance of employees share options by the subsidiary	55,897	5,540
Earning distribution to non-controlling interests	(136,216)	(118,380)
Ending balance	<u>\$6,166,480</u>	<u>\$5,817,291</u>

(19)Share-based payment plans

(a)Share-based payment plan for employees of the parent entity

Remuneration-based restricted employee stock option plan.

The Company, upon resolution at the shareholders' meeting held on June 21, 2022, resolved to issue no more than 1,000,000 new shares through the restricted employee share scheme at no cost, targeting employees who meet specific conditions. The registration became effective after filing with the Securities and Futures Bureau of the Financial Supervisory Commission. The board of directors resolved on May 5, 2023 to issue 950 thousand shares and set May 12, 2023 as the base date for capital increase. The actual number of new shares issued was 950 thousand shares and the share price on the grant date was \$42.4 per share.

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The employees eligible for the aforementioned restricted employee stock option may receive shares under the following conditions from the date of subscription:

Vesting conditions	Issue vesting proportion
Issue vesting proportion	40%
Two years from the grant date	30%
Three years from the grant date	30%

The rights of employees are restricted as follows before meeting the vesting conditions after receiving the new shares:

- A. Upon issuance, the restricted employee stock option plan shares shall be immediately entrusted/kept in custody, and senior executives must not request the return of such shares from the trustee for any reason or by any means before the vesting conditions are met.
- B. Prior to fulfilment of the vesting conditions, senior executives who receive the new shares are not allowed to sell, pledge, transfer, gift, create a right or dispose of the restricted employee stock option plan shares in any other way, except in the case of inheritance.
- C. In addition to the aforementioned restrictions, the rights of senior executives for restricted employee stock option plan shares granted through this method, before their vesting conditions are met, including but not limited to rights to dividends, bonuses, and capital reserve distributions, and rights to subscribe in cash capital increases, shall be the same as that of the Company's issued common shares. The related operational methods shall be conducted in accordance with the custody/trust agreement.
- D. Before the senior executives meet the vesting conditions, all shareholder rights, including attendance, proposals, speeches, voting rights at the company's shareholder meetings, and other related shareholder rights, are entrusted to be exercised by the trust/custody institution.

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E. During the vesting period, if the Company carries out capital reductions such as cash capital reductions or capital reductions to offset losses other than statutory capital reductions, the restricted employee stock option plan shares shall be cancelled in accordance with the reduction ratio. If it is a cash capital reduction, the returned cash must be entrusted/kept in custody and may only be delivered to senior executives after the vesting conditions have been met; however, if the vesting conditions are not met, the Company will reclaim such cash.

If employees voluntarily resign, retire, or are laid off, the restricted employee stock option plan shares that have not met the vesting conditions will be deemed as unvested starting from the effective date, and the shares will be recollected by the Company without compensation and cancelled.

On May 12, 2023, the Company issued 950 thousand restricted employee stock option through a capital increase, generating a capital surplus - employee stock options of \$30,780 thousand. As of December 31, 2023, the unearned employee compensation balance was \$22,825 thousand.

(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.

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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 December 31, 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

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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,			
	2023		2022	
	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	11,064	RMB 3.40	8,080	RMB 3.13
Granted	-	-	4,450	RMB 3.79
Forfeited	-	-	(1,466)	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	<u>11,064</u>	RMB 3.40	<u>11,064</u>	RMB 3.40
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)		-		-

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The information on the outstanding share options as of December 31, 2023 and 2022, are as follows:

	<u>exercise price</u>	<u>Weighted average remaining contractual life (Years)</u>
As at 31 December 2023		
share options outstanding at the end of the period	RMB 3.13	2 Years
As at 31 December 2023		
share options outstanding at the end of the period	RMB 3.79	7 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

The expense recognized for employee services received for the years ended December 31, 2023 and 2022, are shown in the following table:

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Total expense arising from equity-settled share-based payment transactions	<u>\$73,352</u>	<u>\$5,540</u>

No modification or cancellation of share-based payment plan has occurred in the year ended December 31, 2023.

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

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(20) Operating revenue

	For the year ended December 31,	
	2023	2022
Revenue from customer contracts		
Sale of goods	<u>\$10,047,814</u>	<u>\$12,677,431</u>

Analysis of revenue from contracts with customers during the years ended December 31, 2023 and 2022 are as follows:

(a) Disaggregation of revenue

	2023	2022
	Semi-conductor	Semi-conductor
	business	business
Sale of goods	<u>\$10,047,814</u>	<u>\$12,677,431</u>

The timing for revenue recognition:

At a point in time	<u>\$10,047,814</u>	<u>\$12,677,431</u>
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(b) Contract balances

A. Contract liabilities

	As of		
	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Sales of goods	<u>\$496,998</u>	<u>\$708,655</u>	<u>\$831,909</u>
Current	\$431,022	\$47	\$132,431
Non-current	<u>65,976</u>	<u>708,608</u>	<u>699,478</u>
Total	<u>\$496,998</u>	<u>\$708,655</u>	<u>\$831,909</u>

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Analysis of contract liabilities during the years ended December 31, 2023 are as follows:

	<u>Sales of goods</u>
The opening balance transferred to revenue	\$(212,003)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	346

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

	<u>Sales of goods</u>
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

(21)Expected credit losses (gains)

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating expenses – Expected credit losses (gains)		
Account receivables	<u>\$(618)</u>	<u>\$820</u>

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

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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, 2023 and 2022 are as follow:

A. The Group needs to consider the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

2023.12.31

	Neither past due (Note)	Past due					Total
		<=90 days	91-120 days	121-180 days	181-365 days	>=365 days	
Gross carrying amount	\$1,366,726	\$128,628	\$1,294	\$4,994	\$3,736	\$1,017	\$1,506,395
Loss ratio	0.22%	1%	5%	10%	50%	100%	
Lifetime expected credit losses	(2,973)	(1,286)	(65)	(499)	(1,868)	(1,017)	(7,708)
Carrying amount of trade receivables	\$1,363,753	\$127,342	\$1,229	\$4,495	\$1,868	\$-	\$1,498,687

2022.12.31

	Neither past due (Note)	Past due					Total
		<=90 days	91-120 days	121-180 days	181-365 days	>=365 days	
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

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

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B. The movement in the provision for impairment of notes receivable and accounts receivable for the years ended December 31, 2023 and 2022 are as follows:

	Notes receivable	Accounts receivable
Beginning balance as of January 1, 2023	\$-	\$8,431
Addition (reversal) for the current period	-	(618)
Effect of exchange rate	-	(105)
Ending balance as of December 31, 2023	<u>\$-</u>	<u>\$7,708</u>
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	<u>\$-</u>	<u>\$8,431</u>

(22)Leases

(a)Group as a lessee

The Group leases various properties, including real estate such as buildings, transportation equipment and other equipment. 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.

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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	Machinery and equipment	Other equipment	Total
Cost:					
2023.01.01	\$852,605	\$27,610	\$-	\$295,154	\$1,175,369
Additions	-	-	10,112	-	10,112
Disposals	(27,910)	-	-	-	(27,910)
Reclassification	(981)	-	-	282	(699)
Exchange differences	(9,473)	(4)	-	(13,876)	(23,353)
2023.12.31	<u>\$814,241</u>	<u>\$27,606</u>	<u>\$10,112</u>	<u>\$281,560</u>	<u>\$1,133,519</u>
Depreciation and impairment:					
2023.01.01	\$84,031	\$2,114	\$-	\$53,325	\$139,470
Depreciation	30,227	5,078	590	44,872	80,767
Disposals	(3,024)	-	-	-	(3,024)
Exchange differences	(1,125)	(74)	-	(10,624)	(11,823)
2023.12.31	<u>\$110,109</u>	<u>\$7,118</u>	<u>\$590</u>	<u>\$87,573</u>	<u>\$205,390</u>
Cost:					
2022.01.01	\$652,150	\$-	\$-	\$-	\$652,150
Additions	191,318	27,610	-	295,154	514,082
Exchange differences	9,137	-	-	-	9,137
2022.12.31	<u>\$852,605</u>	<u>\$27,610</u>	<u>\$-</u>	<u>\$295,154</u>	<u>\$1,175,369</u>

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	Land	Buildings	Machinery and equipment	Other equipment	Total
Depreciation and impairment:					
2022.01.01	\$59,910	\$-	\$-	\$-	\$59,910
Depreciation	23,498	2,052	-	44,281	69,831
Exchange differences	623	62	-	9,044	9,729
2022.12.31	<u>\$84,031</u>	<u>\$2,114</u>	<u>\$-</u>	<u>\$53,325</u>	<u>\$139,470</u>
Net carrying amount:					
2023.12.31	<u>\$704,132</u>	<u>\$20,488</u>	<u>\$9,522</u>	<u>\$193,987</u>	<u>\$928,129</u>
2022.12.31	<u>\$768,574</u>	<u>\$25,496</u>	<u>\$-</u>	<u>\$241,829</u>	<u>\$1,035,899</u>

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

(ii) Lease liabilities

	As of December 31,	
	2023	2022
Lease liabilities	<u>\$451,605</u>	<u>\$512,305</u>
Current	\$69,735	\$64,352
Non-current	<u>381,870</u>	<u>447,953</u>
Total	<u>\$451,605</u>	<u>\$512,305</u>

Please refer to Note 6(24)(d) for the interest on lease liabilities recognized during the years ended December 31, 2023 and 2022, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2023 and 2022.

B. Income and costs relating to leasing activities

	For the year ended December 31,	
	2023	2022
Short-term leased expense (rental expense)	<u>\$31,668</u>	<u>\$58,191</u>

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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,	
	2023	2022
Cash outflow relating to leases amount	\$113,762	\$124,577

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

	For the year ended December 31,					
	2023			2022		
	Cost of goods sold costs	Operating expense	Total	Cost of goods sold costs	Operating expenses	Total
Employee benefits						
Salaries & wages	\$965,160	\$508,491	\$1,473,651	\$1,081,575	\$463,651	\$1,545,226
Labor and health insurance	71,811	16,983	88,794	77,512	14,861	92,373
Pension	27,720	8,853	36,573	31,163	8,172	39,335
Other employee benefits	143,789	30,169	173,958	221,192	95,266	316,458
Depreciation	1,325,255	327,782	1,653,037	1,333,437	269,922	1,603,359
Amortization	1,013	11,914	12,927	306	10,969	11,275

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.

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Based on profit of the year ended December 31, 2023, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2023 to be 5.58% of profit of the current year and 0.78% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the year ended December 31, 2023 amount to NT\$45,000 thousand and NT\$6,300 thousand, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors 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. Employees' compensation and remuneration to directors for the year ended December 31, 2022 amount to NT\$150,000 thousand and NT\$10,500 thousand, respectively.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$45,000 thousand and NT\$6,300 thousand, respectively, in a meeting held on March 15, 2024. 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, 2023.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2022 amount to NT\$150,000 thousand and NT\$10,500 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, 2022.

(24) Non-operating income and expenses

(a) Interest income

	For the year ended December 31,	
	2023	2022
Financial assets measured at amortized cost		
Interest income	\$63,749	\$34,819

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(b)Other incomes

	For the year ended December 31,	
	2023	2022
Other income – others	\$253,826	\$102,646

(c)Other gains and losses

	For the year ended December 31,	
	2023	2022
Foreign exchange gains, net	\$25,054	\$152,045
Impairment (loss) reversal gain on property, plant and equipment	(11,841)	2,196
Others	(9,960)	(46,637)
Gains (losses) on financial assets at fair value through profit or loss	4,046	(1,994)
Losses on disposal of property, plant and equipment	(1,408)	(8,484)
Disposal of right-of-use asset loss	(545)	-
Recognition of contract liabilities to income	-	433,826
Recognition of long-term prepayments for materials to loss	-	(183,302)
Compensation income	-	148,571
Total	\$5,346	\$496,221

(d)Finance costs

	For the year ended December 31,	
	2023	2022
Interest on borrowings from bank	\$217,397	\$241,964
Interests on lease liabilities	16,438	14,969
Interests on bonds payable	4,185	4,125
Total	\$238,020	\$261,058

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(25) Components of other comprehensive income

For the year ended December 31, 2023

			Other	Tax relating to components of	Other
	Reclassification	comprehensive	other	comprehensive	comprehensive
	Arising during	during the	income, pre-	comprehensive	income, net of
	the period	period	tax	income	tax
Not to be reclassified to profit or loss in subsequent periods:					
Actuarial gain (loss) from defined benefit plans	\$6,112	\$-	\$6,112	\$-	\$6,112
Unrealized gains or losses on financial assets at fair value through other comprehensive income (loss)	(47,922)	-	(47,922)	-	(47,922)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(204,915)	-	(204,915)	-	(204,915)
Total of other comprehensive income	<u><u>\$(246,725)</u></u>	<u><u>\$-</u></u>	<u><u>\$(246,725)</u></u>	<u><u>\$-</u></u>	<u><u>\$(246,725)</u></u>

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For the year ended December 31, 2022

			Other	Tax relating to components of	Other
	Reclassification	comprehensive	other	comprehensive	Other
	Arising during	during the	income, pre-	comprehensive	income, net of
	the period	period	tax	income	tax
Not to be reclassified to profit or loss in subsequent periods:					
Actuarial gain (loss) from defined benefit plans	\$16,016	\$-	\$16,016	\$-	\$16,016
Unrealized gains or losses on financial assets at fair value through other comprehensive income (loss)	(51,819)	-	(51,819)	-	(51,819)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	201,719	-	201,719	-	201,719
Total of other comprehensive income	\$165,916	\$-	\$165,916	\$-	\$165,916

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(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,	
	2023	2022
Current income tax expense (income):		
Current income tax charge	\$282,246	\$714,464
Adjustments in respect of current income tax of prior periods	(36,363)	(9,256)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	96,547	(2,117)
Total income tax expense	<u>\$342,430</u>	<u>\$703,091</u>

(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,	
	2023	2022
Accounting income before tax from continuing operations	<u>\$1,450,702</u>	<u>\$3,706,382</u>
Tax payable at the enacted tax rates	\$627,069	\$1,205,225
Tax effect of revenues exempt from taxation	(292,968)	(476,066)
Tax effect of expenses not deductible for tax purposes	(52,400)	(112,282)
Tax effect of deferred tax assets/liabilities	63,516	80,838
Surtax on undistributed earnings	33,576	14,632
Adjustments in respect of current income tax of prior periods	(36,363)	(9,256)
Total income tax expense recognized in profit or loss	<u>\$342,430</u>	<u>\$703,091</u>

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

For the year ended December 31, 2023

	Beginning balance as of Jan. 1, 2023	Deferred tax income (expense) recognized in P/L	Exchange differences	Ending balance as of Dec. 31, 2023
Temporary differences				
Unrealized loss on inventory valuation	\$23,126	\$(5,003)	\$-	\$18,123
Unrealized exchange loss (gain)	1,481	4,941	-	6,422
Pension expense	1,967	-	-	1,967
Unrealized intragroup profits and losses	8,400	-	-	8,400
Unpaid liability transferred to revenue	275	-	-	275
Accumulated compensated absences expense	3,125	(80)	-	3,045
Bonus payable	4,002	(194)	-	3,808
Other expense	1,057	(562)	12	507
Investment Income	-	(95,649)	-	(95,649)
Deferred tax income/ (expense)		<u>\$(96,547)</u>	<u>\$12</u>	
Net deferred tax assets/(liabilities)	<u>\$43,433</u>			<u>\$(53,102)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$43,433</u>			<u>\$42,547</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$95,649</u>

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For the year ended December 31, 2022

	Beginning balance as of Jan. 1, 2022	Deferred tax income (expense) recognized in P/L	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 gains or losses	432	227	398	1,057
Deferred tax income/ (expense)		<u>\$2,117</u>	<u>\$398</u>	
Net deferred tax assets/(liabilities)	<u>\$40,918</u>			<u>\$43,433</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$40,918</u>			<u>\$43,433</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$-</u>

(d)Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets that have not been recognized as they may not be used to offset future taxable profits amount to NT\$392,620 thousand and NT\$302,904 thousand, respectively.

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(e) Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize deferred tax liability for taxes that would be payable on the unappropriated earnings of the Group's overseas subsidiaries before the year 2022, as the Group has determined that unappropriated earnings of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2023 and 2022, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, both aggregate to NT\$516,484 thousand.

(f) The following table contains the information of unused tax losses of the Group:

Subsidiaries

Year	Unused tax losses		Maturity
	As of Dec. 31, 2023	As of Dec. 31, 2022	
2013	\$-	\$186	2023
2014	121	121	2024
2015	190	190	2025
2020	224,014	146,801	2025
2021	223,997	189,080	2026
2022	297,330	202,139	2027
2023	212,282	-	2028
Total	<u>\$957,934</u>	<u>\$538,517</u>	

(g) The assessment of income tax returns

As at December 31, 2023, 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 2021
Subsidiary- Heli-Vantech Corp.	Assessed and approved up to 2021

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(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 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,	
	2023	2022
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$568,755	\$2,164,939
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	540,934	540,934
Basic earnings per share (in NT\$)	\$1.05	\$4.00
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$568,755	\$2,164,939
Gain or loss on valuation of redemption	95	1,595
Interest expense from convertible bonds	3,348	3,300
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$572,198	\$2,169,834

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	For the year ended December 31,	
	2023	2022
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	540,934	540,934
Effect of dilution:		
Employee compensation — stock (in thousand shares)	1,707	3,895
Restricted employee stock option	112	-
Convertible bonds (in thousand shares)	4,746	4,495
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	547,499	549,324
Diluted earnings per share (in NT\$)	\$1.05	\$3.95

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 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 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)

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(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:

Name	Country	As of December 31,	
		2023	2022
Silicon Technology Investment (Cayman) Corp.	Cayman	10.74%	10.74%
Wafer Works (Shanghai) Co., Ltd.	China	46.36%	46.36%
		As of December 31,	
		2023	2022
Accumulated balances of material non-controlling interest:			
Silicon Technology Investment (Cayman) Corp.		\$669,082	\$635,697
Wafer Works (Shanghai) Co., Ltd.		\$5,497,398	\$5,181,594
		For the year ended December 31,	
		2023	2022
Profit/(loss) allocated to material non-controlling interest:			
Silicon Technology Investment (Cayman) Corp.		\$57,740	\$105,602
Wafer Works (Shanghai) Co., Ltd.		\$481,777	\$732,750

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

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Silicon Technology Investment (Cayman) Corp. and Wafer Works (Shanghai) Co., Ltd. summarized information of profit or loss for the years ended December 31, 2023 and 2022 were as follows:

	For the year ended December 31,			
	2023		2022	
	Silicon	Wafer Works (Shanghai) Co., Ltd.	Silicon	Wafer Works (Shanghai) Co., Ltd.
Operating revenue	\$5,927,745	\$5,927,745	\$6,853,029	\$6,853,029
Profit/loss from continuing operation	1,019,467	1,039,240	1,526,102	1,580,612
Total comprehensive income	808,648	828,122	1,676,158	1,737,695

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

	As of December 31,	
	2023	2022
Current assets	\$4,247,263	\$5,171,463
Non-current assets	11,465,204	11,288,117
Current liabilities	2,955,083	2,342,174
Non-current liabilities	1,139,340	3,126,080

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

	As of December 31,	
	2023	2022
Current assets	\$4,226,946	\$5,153,642
Non-current assets	11,465,205	11,288,117
Current liabilities	2,862,292	2,249,360
Non-current liabilities	1,139,340	3,126,080

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

	For the year ended December 31,			
	2023		2022	
	Wafer Works (Shanghai)		Wafer Works (Shanghai)	
	Silicon	Co., Ltd.	Silicon	Co., Ltd.
Operating activities	\$2,319,419	\$2,338,912	\$3,464,080	\$3,520,295
Investing activities	(1,646,871)	(1,646,871)	(1,176,531)	(1,176,531)
Financing activities	(946,327)	(968,320)	(2,092,549)	(2,128,196)
Net increase/(decrease) in cash and cash equivalents	(292,319)	(294,818)	180,743	201,311

7. Related party transactions

(a) Key management personnel compensation

	For the year ended December 31,	
	2023	2022
Short-term employee benefit	\$47,356	\$42,550
Post-employment benefit	749	736
Total	<u>\$48,105</u>	<u>\$43,286</u>

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8. Assets pledged as collateral

The following table lists assets of the Group pledged as security:

Assets pledged for security	Carrying amount As of Dec. 31,		Secured liabilities
	2023	2022	
Notes receivable	\$-	\$6,093	Short-term loans
Financial assets measured at amortized cost-current	41,828	47,291	Customs duty guarantee and loans
Financial assets measured at amortized cost-current	143,915	156,484	Long-term loans
Financial assets measured at amortized cost-noncurrent	21,967	21,967	Land leased
Property, plant and equipment – land	259,131	259,131	Long-term loans
Property, plant and equipment – buildings	2,645,646	2,810,003	Long-term loans
Property, plant and equipment – machinery and equipment	1,504,205	1,780,174	Long-term loans
Property, plant and equipment –office equipment	1,033	2,457	Long-term loans
Property, plant and equipment –other equipment	1,896	3,456	Long-term loans
Right-of-use assets – land	251,566	263,911	Long-term loans
Right-of-use assets – land	201,981	274,089	Performance guarantee
Total	<u>\$5,073,168</u>	<u>\$5,625,056</u>	

9. Significant contingencies and unrecognized contract commitments

(a)The Group’s unused letters of credit (LC) as of December 31, 2023 were as follows:

Currency	LC Amount		Security
USD	USD	- thousand	RMB 200 thousand
JPY	JPY	- thousand	RMB 1,981 thousand

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

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- (b) As of December 31, 2023, 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	\$434,533	\$323,222	\$111,311
Equipment	2,078,257	1,532,126	546,131
Total	\$2,512,790	\$1,855,348	\$657,442

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

- (c) The Company signed a 3-year purchase contracts with Supplier A 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 B 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.
- (e) To develop long-term business and establishing long-term strategic alliances relation with ownstream suppliers. The Group 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, 2023, the Group's contracts liability are as follows:

Customer	Contract period	Contract liability balance
Customer A	2022.04.26~2024.12.31	\$239,667
Customer B	2022.01.01~2024.12.31	112,854
Customer C	2022.01.01~2024.12.31	57,277
Customer D	2022.01.01~2024.12.31	53,122
Customer E	2021.10.01~2024.12.31	20,534
Customer F	2022.01.01~2024.12.01	13,081
Total		\$496,535

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(h)As of December 31, 2023, the Group issued a tariff guarantee of NT\$38,500 thousand to the bank for the purpose of importing goods.

10. Losses due to major disasters

None.

11. Significant subsequent events

A.The subsidiary of the Company, Wafer Works (Shanghai) Co., Ltd. was officially listed on the Shanghai Stock Exchange's STAR Market on February 8, 2024 (stock abbreviation: Shanghai Fusion, stock code: 688584), with an issue price of RMB 22.66 per share. After the initial public offering, the total capital was 662,060,352 shares. The Company has assessed that there will be no significant impact on the Company's and its subsidiary's finances, business, or shareholders' rights and interests.

B.On March 15, 2024, the Company's board of directors resolved to issue restricted stock for employees. The number of shares to be issued shall not exceed 2,500 thousand shares, and the actual terms of issuance and subscription are subject to the approval of the shareholders' meeting.

12. Others

(1)Categories of financial instruments

<u>Financial assets</u>	As of December 31,	
	2023	2022
Financial asset at fair value through P/L:		
Mandatorily measured at fair value through P/L	\$4,165	\$119
Financial assets at fair value through OCI	109,694	112,141
Financial assets measured at amortized cost		
Cash and petty cash	3,835,472	5,423,876
Certificate of deposit – restricted	337,766	225,742
Notes receivables	5,107	21,815
Accounts receivables	1,493,580	2,452,105
Other receivables	28,167	88,535
Total	<u>\$5,813,951</u>	<u>\$8,324,333</u>

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<u>Financial liabilities</u>	As of December 31,	
	2023	2022
Financial liabilities at amortized cost:		
Short-term loans	\$961,218	\$999,704
Payable	1,228,696	2,122,511
Long-term loans (current portion included)	3,892,670	4,332,242
Bonds payable	292,695	288,510
Lease liabilities (including current portion)	451,605	512,305
Total	<u>\$6,826,884</u>	<u>\$8,255,272</u>

(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 activities. 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.

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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, 2023 and 2022 is increased/decreased by NT\$18,333 thousand and NT\$24,144 thousand, respectively.

When NTD strengthens/weakens against RMB by 1%, the profit for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$8,472 thousand and NT\$16,778 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.

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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, 2023 and 2022 to decrease/increase by NT\$4,854 thousand and NT\$5,326 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\$1,098 and NT\$1,122 on the equity attributable to the Group for the years ended December 31, 2023 and 2022, 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.

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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, 2023 and 2022, receivables from the top ten customers were accounted for 55.64% and 62.01% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5)Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

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Non-derivative financial instruments

	Less than 1					Over than	
	year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years	Total
As of Dec. 31, 2023							
Loans	\$2,700,962	\$906,834	\$540,907	\$455,065	\$544,795	\$14,813	\$5,163,376
Payables	1,228,696	-	-	-	-	-	1,228,696
Bonds payable	-	-	297,600	-	-	-	297,600
Lease Liabilities	83,412	83,586	80,709	46,380	30,025	195,634	519,746
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

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2023:

						Total liabilities from financing activities
	Short-term borrowings	Bonds payable	Long-term borrowings	Guarantee deposit received	Lease liabilities	
As of January 1, 2023	\$999,704	\$288,510	\$4,332,242	\$66,765	\$512,305	\$6,199,526
Cash flows	(38,486)	-	(393,131)	(18,657)	(82,094)	(532,368)
Non-cash changes						
Lease range changes	-	-	-	-	9,413	9,413
Interests on lease liabilities	-	-	-	-	16,438	16,438
Interest expense	-	4,185	-	-	-	4,185
Other	-	-	(1,730)	-	-	(1,730)
Currency rate change	-	-	(44,711)	-	(4,457)	(49,168)
As of December 31, 2023	\$961,218	\$292,695	\$3,892,670	\$48,108	\$451,605	\$5,646,296

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

	Short-term	Bonds	Long-term	Guarantee	Lease	Total
	borrowings	payable	borrowings	deposit	liabilities	liabilities
				received		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

(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.

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iii. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

iv. The fair value of other financial assets and liabilities is determined using discounted cash flow analysis. The interest rate and discount rate are selected with reference to those of similar financial instruments.

(b) Fair value of financial instruments measured at amortized cost

Other than the item is listed in the table below, the carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value:

	Carrying amount	
	2023	2022
Financial liabilities:		
Bonds payable	\$292,695	\$288,510
	Fair value	
	2023	2022
Financial liabilities:		
Bonds payable	\$288,464	\$282,512

(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.

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(8) Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2023 and 2022 are as follows:

Forward Foreign Exchange Contract

Forward foreign exchange contracts manage exposures of certain transactions but have not been designated as hedging instruments.

As of December 31, 2023 and 2022, the held forward foreign exchange contracts are as follows (foreign currency unit: thousand dollars):

Item	Amount	Term
As of December 31, 2023		
Forward foreign exchange contract	Sell USD 7,220	2023.11.21~2024.02.29
As of December 31, 2022		
None		

The counterparties for the aforementioned derivative financial instrument transactions are well-known domestic and foreign banks with good creditworthiness, therefore the credit risk is not high.

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

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.

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(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) 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.

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(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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
Forward exchange agreement	\$-	\$4,165	\$-	\$4,165
Financial assets at fair value through other comprehensive income				
Equity instruments investments measured at fair value through other comprehensive income	\$59,129	\$-	\$50,565	\$109,694

As of December 31, 2022

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

Transfers between Level 1 and Level 2 during the period

During the Years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

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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, 2023	\$5,066	\$119
Total gains and losses recognized for the year ended December 31, 2023:		
Amount recognized in profit or loss (presented in “ Other gains and losses ”)	-	(119)
Amount recognized in OCI(presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	45,500	-
Currency rate change	(1)	-
Ending balances as of December 31, 2023	<u>\$50,565</u>	<u>\$-</u>
Beginning balances as of January 1, 2022	\$4,566	\$2,113
Total gains and losses recognized for the year ended December 31, 2022:		
Amount recognised 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	<u>\$5,066</u>	<u>\$119</u>

Total gains and losses recognized in profit or loss for the years ended December 31, 2023 and 2022 in the table above contain gains and losses related to assets or liabilities on hand in the amount of NT\$(119) thousand and NT\$(1,994) thousand, respectively.

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WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy are as below:

As of December 31, 2023

	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\$5,057 thousand
Financial liabilities:					
At fair value through profit or loss					
Embedded derivatives	Binary tree-based model for valuation of convertible bonds	Volatility	23.14%	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\$0 thousand

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As of December 31, 2022

	Valuation	Significant	Quantitative	Relationship	
	techniques	unobservable inputs	information	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
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

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.

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(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, 2023:

	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))	\$-	\$-	\$288,464	\$288,464

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

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WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(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, 2023		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$86,373	30.705	\$2,652,088
RMB	\$328,539	4.335	\$1,424,270

Financial liabilities

Monetary items:			
USD	\$26,668	30.705	\$818,834
RMB	\$523,951	4.335	\$2,271,434

	As of December 31, 2022		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
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

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

The Group entities' functional currency is variety. It can not be disclosed 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 Group amounted to NT\$25,054 thousand and NT\$152,045 thousand respectively for the years ended December 31, 2023 and 2022.

(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, 2023: None.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2023: None.
- c. Securities held as of December 31, 2023 (excluding subsidiaries, associates and joint ventures): Please refer to Attachment 5.
- 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, 2023: 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, 2023: 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, 2023: None.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- 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, 2023: 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, 2023: Please refer to Attachment 3.
- i. Financial instruments and derivative transactions: Please refer to Attachment 12(8).
- j. Other: Significant intercompany transactions between the parent with subsidiaries or among subsidiaries were disclosed in Attachment 8.

(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, 2023: None.
 - (b) Endorsement/Guarantee provided to others for the year ended December 31, 2023: Please refer to Attachment 1.
 - (c) Securities held as of December 31, 2023 (excluding subsidiaries, associates and joint ventures): Please refer to Attachment 5.
 - (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, 2023: None.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

- (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, 2023: 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, 2023: 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, 2023: Please refer to Attachment 6.
- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2023: Please refer to Attachment 7.
- (i) Financial instruments and derivative transactions: None.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(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:

Investee company	Main businesses and products	Total Amount of Pain-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2023	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2023	Accumulated Inward Remittance of Earnings as of Dec. 31, 2023	Accumulated Investment in Mainland China as of Dec. 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Investment Limit on Investment Up
					Outflow	Inflow									
Wafer Works (Shanghai) Co., Ltd. (Note10)	R&D, production and sales of semiconductor materials	\$2,583,152 (Note1,3)	Reinvesting in a Mainland company through reinvestment in an existing company in a third location.	\$510,951	\$-	\$-	\$510,951	\$1,024,144	47.88%	\$490,371 (Note3,4,12)	\$5,525,659 (Note3,4,12)	\$117,468	\$510,951	\$2,206,113	No maximum (Note5)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Investee company	Main businesses and products	Total Amount of Pain-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2023	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2023	Accumulated Inward Remittance of Earnings as of Dec. 31, 2023	Accumulated Investment in Mainland China as of Dec. 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	per Limit on Investment Up
					Outflow	Inflow									
Wafer Works Epitaxial Corp.	R&D, production and sales of semiconductor materials	\$2,115,796 (Note3,6)	Reinvesting in a Mainland company through reinvestment in an existing company in a third location.	\$516,782	\$-	\$-	\$516,782	\$864,712	47.88%	\$864,712 (Note3,4,12)	\$1,776,273 (Note3,4,12)	\$-	\$516,782	\$562,736	
Wafer Works (Yangzhou) Corp.	R&D, production and sales of semiconductor materials	\$472,538 (Note3,7)	(Note2)	\$-	\$-	\$-	\$-	\$(28,258)	47.88%	\$(28,258) (Note3,4,12)	\$209,199 (Note3,4,12)	\$-	\$-	\$-	

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WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

Investee company	Main businesses and products	Total Amount of Pain-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2023	Net income(loss) of investee company	Percentage of Ownership	Investment income(loss) recognized	Carrying Value as of Dec. 31, 2023	Accumulated Inward Remittance of Earnings as of Dec. 31, 2023	Accumulated Investment in Mainland China as of Dec. 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	per Limit on Investment Up
					Outflow	Inflow									
Wafer Works (Zhengzhou) Corp.	R&D, production and sales of semiconductor materials	\$4,421,912 (Note3,8)	(Note 8)	\$-	\$-	\$-	\$-	\$436,166	47.88%	\$436,166 (Note3,4,12)	\$2,357,230 (Note3,4,12)	\$-	\$-	\$-	
HuaXin (Shanghai) Technology Co., Ltd.	Trading of semiconductor materials	\$30,211 (Note 10)	(Note 11)	\$30,211	\$-	\$-	\$30,211	\$(3,104)	100.00%	\$(3,104) (Note3,4,12)	\$(70,065) (Note3,4,12)	\$-	\$30,211	\$30,211	

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WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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

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, 2023.

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: 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 10: The paid-in capital is USD1,000 thousand, equivalent to NT\$30,211 thousand.

Note 11: An investee company in which the Company holds a 100% equity interest through reinvestment using the Company's own funds.

Note 12: Transactions between consolidated entities are eliminated in the consolidated financial statements.

WAFER WORKS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(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: Please refer to Attachment 8.
- (b) Sales and receivables with the related parties: Please refer to Attachment 8.
- (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 8.
- (g) The aforementioned transaction had been eliminated in the consolidated financial statements: Please refer to Attachment 8.

(4) Information on major shareholders:

None.

14. Segment information

- (1) The Group's revenue is primarily derived from the manufacture and sale of semiconductor wafers. The Group's chief operating decision maker reviews the consolidated operating results to make decisions about resources to be allocated to the segment and to assess its overall performance. Therefore, it operates as a single operating segment and the financial statements are prepared on the same basis as the significant accounting policies described in Note 4.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(2) Geographical information

(a) Revenue from external customers (Note)

	For the year ended December 31,	
	2023	2022
Taiwan	\$2,493,929	\$3,752,956
China (including Hong Kong)	2,868,198	3,547,828
United States	1,791,227	1,770,377
Other countries	2,894,460	3,606,270
Total	<u>\$10,047,814</u>	<u>\$12,677,431</u>

Note: The revenue information above is based on the location of the customer.

(b) Non-current assets

	As of December 31,	
	2023	2022
Taiwan	\$6,017,270	\$5,616,448
China	11,465,218	11,288,142
United States	21,256	26,264
Total	<u>\$17,503,744</u>	<u>\$16,930,854</u>

(3) Information about major customers

	For the year ended December 31,	
	2023	2022
Customer A	<u>\$1,499,234</u>	<u>\$1,925,335</u>

ATTACHMENT 1 (Endorsement/Guarantee provided to others for the year ended December 31, 2023)

(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		Limit of guarantee/endorsement amount for receiving party (Note3)	Maximum balance for the period (Note4)	Ending balance (Note5)	Actual amount provided (Note6)	Amount of collateral guarantee/endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsemen t amount (Note3)	Guarantee Provided by Parent Company (Note7)	Guarantee Provided by A Subsidiary (Note7)	Guarantee Provided to Subsidiaries in Mainland China (Note7)
		Company name	Relationship (Note2)										
1	Wafer Works (Shanghai) Corp.	Wafer Works (ZhengZhou) Corp.	Affiliated Company	\$4,798,445	\$929,005	\$614,434	\$614,434	\$-	5.12%	\$4,798,445	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.

Note4: Maximum amount of endorsements or guarantees for others in the current year.

Note5: At the end of the year, the Company assumes the responsibility of endorsement or guarantee as soon as the amount of endorsement or guarantee agreements or bills signed with banks is approved; moreover, any other related endorsements or guarantees should be included in the balance of endorsements or guarantees.

Note6: The actual amount drawn within the endorsement/guarantee balance by the Company being endorsed or guaranteed should be entered.

Note7: A "Y" should be filled in for endorsements or guarantees provided by a listed parent company for its subsidiary, by a subsidiary for its listed parent company, or originating from mainland China.

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, 2023)

(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 notes and accounts receivables(payable)	Note
Wafer Works Corp.	Helitek Company Ltd.	Affiliated Company	Sales	\$1,218,820	26.85%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	\$152,914	18.66%	Note
Wafer Works Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	\$282,672	6.23%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	\$35,932	4.38%	Note
Wafer Works Corp.	Wafer Works (YangZhou) Corp.	Affiliated Company	Purchases	\$100,993	7.30%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	\$(11,678)	(5.07)%	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, 2023)

(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	5.53	\$-	-	\$152,914	\$-
			\$152,914					
			(Note)					

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 unless otherwise specified)

Wafer Works Corp. and Subsidiaries

				Initial Investment		Investments as of December 31, 2023					
Investor Company	Investee Company	Address	Main businesses and products	Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book Value	Net income (loss) of investee company	Investment income (loss) recognized	Note
Wafer Works Corp.	Wafer Works Investment Corp.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	Investment Holding Company	USD 66,566	USD 66,566	66,566,226	100.00%	\$5,769,804	\$509,944	\$509,944	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%	3,347	14	14	Note
Wafer Works Investment Corp.	Silicon Technology Investment (Cayman) Corp.	Grand Pavilion, Hibiscus Way, P.O. Box 31119, KY1-1205, Grand Cayman, Cayman Islands	Investment Holding Company	USD 53,141	USD 53,141	Common stock 1 Preferred stock A 6,970,327 Preferred stock B 38,991,198	89.26%	5,451,566	537,689	479,949	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%	191,920	1,424	1,424	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%	(94,920)	-	-	Note
Wafermaster Investment Corp.	Helitek Company Ltd.	4033 Clipper CT Fremint, CA 94538-6540	Manufacturing and trading of semiconductor materials.	USD 2,200	USD 2,200	3,400,000 (Preferred stock 2,000,000)	100.00%	191,912	1,424	1,424	Note

Note : Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 5 (Securities held as of December 31, 2023) (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

Holding Company	Securities Type and Name	Relationship with the Company	Financial Statement Account	As of December 31, 2023			
				Shares/Units	Book Value	Percentage of ownership (%)	Fair value
Wafer Works Corp.	GaN Power Technology Co., Ltd.	-	Financial asset at fair value through OCI, noncurrent	4,550,000	\$45,500	10.00%	<u>\$45,500</u>
	Loss: Financial assets at fair value through other				-		
	comprehensive income, valuation adjustments						
	Net				<u>\$45,500</u>		
Wafer Works Investment Corp.	Can Yang Investments Limited	-	Financial asset at fair value through OCI, noncurrent	153,488	\$18,423	0.20%	<u>\$5,065</u>
	Loss: Financial assets at fair value through other				(13,358)		
	comprehensive income, valuation adjustments						
	Net				<u>\$5,065</u>		
Wafer Works Investment Corp.	Solargiga Energy Holdings Limited	-	Financial asset at fair value through OCI, noncurrent	96,227,822	\$165,836	2.90%	<u>\$57,090</u>
	Loss: Financial assets at fair value through other				(108,746)		
	comprehensive income, valuation adjustments						
	Net				<u>\$57,090</u>		
Heli-Vantech Corp.	New Solar Power Corp.	-	Financial asset at fair value through OCI, noncurrent	138,747	\$5,622	0.01%	<u>\$2,039</u>
	Loss: Financial assets at fair value through other				(3,583)		
	comprehensive income, valuation adjustments						
	Net				<u>\$2,039</u>		

ATTACHMENT 6 (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, 2023)

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

WAFER WORKS CORP. AND SUBSIDIARIES

Purchase (sales) Company	Counterparty	Relationship	Transactions			Details of non-arm's length transaction		Notes and accounts receivables(payable)			
			Purchases (Sales)	Amount	Percentage of total purchases (sales)(%)	Term	Unit Price	Term	Balance	Percentage of total notes and accounts receivables(payable)	Note
Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	\$229,262	82.11%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	\$29,104	93.61%	Note
Wafer Works (Zhengzhou) Corp.	Wafer Works Epitaxial Corp.	Affiliated Company	Sales	\$2,328,533	91.83%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	\$324,411	100.00%	Note
Wafer Works (Yangzhou) Corp.	Wafer Works Corp.	Affiliated Company	Sales	\$100,993	54.24%	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	\$11,678	32.17%	Note
Wafer Works Epitaxial Corp.	Wafer Works Corp.	Affiliated Company	Purchases	\$282,672	8.74%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	\$(35,932)	(8.94)%	Note
Helitek Company Ltd.	Wafer Works Corp.	Affiliated Company	Purchases	\$1,218,820	98.70%	Paid at 60 days after shipment arrival by using telegraphic transfer (T/T)	N/A	N/A	\$(152,914)	(99.82)%	Note

Note : Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 7 (Receivable from related parties with amounts exceeding the lower of 100 million dollars or 20 percent of capital stock as of December 31, 2023)

(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	Affiliated Company	Accounts receivables	5.87	\$-	-	\$213,359	\$-
	Epitaxial Corp.		\$324,411					
			(Note)					

Note : Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 8 (Intercompany Relationships and significant intercompany transactions)
(All the currencies are denominated in Thousands of New Taiwan Dollars unless otherwise specified)

WAFER WORKS CORP. AND SUBSIDIARIES

No. (Note1)	Company name	Counterparty	Nature of relationship (Note 2)	Intercompany transactions			
				Financial Statement Account	Amount	Terms	Percentage of consolidated total gross sales or total assets (Note3)
	<u>2023</u>						
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Operating revenues	\$23,663	Received at 150 days after shipment arrival by using telegraphic transfer (T/T)	0.24%
0	Wafer Works Corp.	Wafer Works Epitaxial Corp.	1	Operating revenues	282,672	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	2.81%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Operating revenues	1,218,820	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	12.13%
0	Wafer Works Corp.	Wafer Works (Zhengzhou) Corp.	1	Operating revenues	86,876	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.86%
0	Wafer Works Corp.	Wafer Works (Yangzhou) Corp.	1	Purchases	100,993	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	1.01%
0	Wafer Works Corp.	HuaXin (Shanghai) Technology Co., Ltd.	1	Accounts receivables	94,853	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 receivables	35,932	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.14%
0	Wafer Works Corp.	Helitek Company Ltd.	1	Accounts receivables	152,914	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.58%
0	Wafer Works Corp.	Sharp Right Limited Co., Ltd.	1	Accounts receivables	43,461	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.16%
0	Wafer Works Corp.	Sharp Right Limited Co., Ltd.	1	Other receivables	49,295	-	0.19%
0	Wafer Works Corp.	Wafer Works (Yangzhou) Corp.	1	Accounts payable	11,678	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.04%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	3	Operating revenues	229,262	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	2.28%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works (Yangzhou) Corp.	3	Operating revenues	19,856	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.20%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works (Zhengzhou) Corp.	3	Operating revenues	29,831	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.30%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works (Yangzhou) Corp.	3	Purchases	37,994	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.38%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	3	Accounts receivables	29,104	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.11%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works Epitaxial Corp.	3	Dividend receivables	632,940	-	2.39%
1	Wafer Works (Shanghai) Co., Ltd.	Wafer Works (Zhengzhou) Corp.	3	Dividend receivables	561,843	-	2.13%
2	Wafer Works Epitaxial Corp.	Wafer Works (Zhengzhou) Corp.	3	Operating revenues	89,103	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.89%
2	Wafer Works Epitaxial Corp.	Wafer Works (Zhengzhou) Corp.	3	Purchases	2,328,533	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	23.17%
2	Wafer Works Epitaxial Corp.	Wafer Works (Zhengzhou) Corp.	3	Accounts payable	324,411	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	1.23%
3	Wafer Works (Yangzhou) Corp.	Wafer Works (Zhengzhou) Corp.	3	Operating revenues	33,631	Received at 60 days after shipment arrival by using telegraphic transfer (T/T)	0.33%
3	Wafer Works (Yangzhou) Corp.	Wafer Works (Zhengzhou) Corp.	3	Other payables	18,360	-	0.07%

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 foreign 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.