

GlobalWafers Co., Ltd. and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

Address: No.8, Industrial East Road 2, Science-Based Industrial
Park, Hsinchu, Taiwan, R.O.C.
Telephone: (03)5772255

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of GlobalWafers Co., Ltd. as of and for the year ended December 31, 2021 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 International Financial Reporting Standards No. 10, "Consolidated Financial Statements", as endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements are included in the consolidated financial statements. Consequently, GlobalWafers Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: GlobalWafers Co., Ltd.

Chairman: Doris Hsu

Date: March 15, 2022



安侯建業聯合會計師事務所
KPMG

新竹市300091新竹科學園區展業一路11號
No. 11, Prosperity Road I, Hsinchu Science Park,
Hsinchu City 300091, Taiwan (R.O.C.)

Telephone 電話 + 886 3 579 9955
Fax 傳真 + 886 3 563 2277
Internet 網址 home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of GlobalWafers Co., Ltd.:

Opinion

We have audited the consolidated financial statements of GlobalWafers Co., Ltd. (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”), and the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. Based on our judgment, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue recognition

Please refer to note 4(15) “Revenue recognition” for accounting policy and note 6(19) “Revenue from contracts with customers” of the consolidated financial statements for further information.

Description of key audit matter:

The Group's revenues are derived from the sales of semiconductor materials and components. Revenue recognition is also dependent on whether the specified sales terms in each individual contract are met. In consideration of the high volume of sales transactions generated from world-wide operations, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of revenue recognition policies and assessing whether revenue recognition policies are appropriate based on sales terms and revenue recognition criteria; understanding the design and process of implementation of internal controls and testing operating effectiveness; testing selected sales samples and agreeing to customer orders, delivery note and related documentation supporting sales recognition; testing sales cut-off, on a sample basis, for transactions incurred within a certain period before or after the balance sheet date by reviewing related sales terms, inspecting delivery documents, and other related supporting document to evaluate whether the revenue was recorded in proper period.

2. Goodwill impairment assessment

Please refer to the note 4(13) "Impairment of non-financial assets" for accounting policy, note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" for goodwill impairment assessment, and note 6(9) "Intangible assets" for further details.

Description of key audit matter:

The Group is in a capital intensive industry, with goodwill arising from business combinations. Moreover, the Group operates in an industry in which the operations are easily influenced by various external factors, such as market conditions and governmental policies. Therefore, the assessment of impairment of goodwill is critical. The assessment procedures, including identification of cash-generating units, valuation models, selection of key assumptions and calculations of recoverable cash inflows, depend on the management's subjective judgments, which contained uncertainty in accounting estimations. Consequently, this is one of the key areas in our audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included assessing triggering events identified by the management for impairment indicators existing in a cash-generating unit, assessing whether the assumptions used for evaluating the recoverable amount are reasonable; evaluating the achievement of prior year financial forecasts; inspecting the calculations of recoverable amounts; assessing the assumptions used for calculating recoverable amounts and cash flow projections; performing sensitivity analysis based on key factors; assessing whether the accounting policies for goodwill impairment test and other relevant information have been appropriately disclosed.

Other Matter

The Company has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are An-Chin Cheng and Mei-Yu Tseng.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd. and subsidiaries

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 65,894,422	44	22,439,481	24	2100	Short-term borrowings (note 6(11))	\$ 6,264,000	4	9,871,000	10
1110	Financial assets at fair value through profit or loss— current (note 6(2))	3,450	-	5,656,668	6	2120	Financial liabilities at fair value through profit or loss— current (note 6(2))	198,479	-	45,953	-
1170	Notes and accounts receivable, net (note 6(4))	9,048,069	6	7,962,618	8	2130	Contract liabilities— current (note 6(19))	7,322,051	5	3,639,970	4
1180	Accounts receivable due from related parties, net (note 7)	69,645	-	74,812	-	2170	Notes and accounts payable	4,032,930	3	3,640,950	4
130X	Inventories (note 6(5))	7,295,021	5	7,207,731	8	2180	Accounts payable to related parties (note 7)	307,520	-	254,514	-
1476	Other financial assets— current (notes 8 and 9)	3,753,000	2	5,588,381	6	2201	Payroll and bonus payable	2,403,861	2	2,408,567	3
1479	Other current assets (notes 6(10) and 7)	2,600,908	2	656,678	1	2216	Dividends payable	3,481,896	3	3,481,896	4
Total current assets		88,664,515	59	49,586,369	53	2230	Current tax liabilities	2,111,964	1	2,035,186	2
Non-current assets:						2399	Other current liabilities (note 6(13))	4,935,594	3	3,953,350	4
1513	Financial assets at fair value through profit or loss— non-current (note 6(2))	18,368,712	12	117,204	-	Total current liabilities		31,058,295	21	29,331,386	31
1517	Financial assets at fair value through other comprehensive income— non-current (note 6(3))	185,073	-	101,475	-	Non-Current liabilities:					
1550	Investments accounted for using equity method (note 6(6))	1,691,344	1	1,202,176	1	2527	Contract liabilities— non-current (note 6(19))	21,312,889	14	13,088,058	14
1600	Property, plant and equipment (notes 6(7), 7 and 8)	33,943,256	23	37,111,052	39	2500	Financial liabilities at fair value through profit or loss— non-current (notes 6(2), (12) and 8)	178,637	-	-	-
1755	Right-of-use assets (note 6(8))	705,346	-	657,121	1	2530	Convertible bonds payable (note 6(12))	26,143,969	17	-	-
1780	Intangible assets (note 6(9))	2,365,551	2	2,797,463	3	2531	Ordinary bonds payable (note 6(12))	18,980,771	13	-	-
1840	Deferred tax assets (note 6(15))	1,887,241	1	2,230,787	2	2570	Deferred tax liabilities (note 6(15))	4,797,611	3	4,942,689	5
1980	Other financial assets— non-current (notes 8 and 9)	1,328,297	1	260,393	-	2670	Other non-current liabilities (note 6(13))	705,286	1	852,997	1
1900	Other non-current assets (note 6(10))	1,505,641	1	787,577	1	2640	Net defined benefit liabilities (note 6(14))	1,836,015	1	2,481,587	3
Total non-current assets		61,980,461	41	45,265,248	47	Total non-current liabilities		73,955,178	49	21,365,331	23
						Total liabilities		105,013,473	70	50,696,717	54
						Equity (note 6(16)):					
						Equity attributable to shareholders of GlobalWafers Co., Ltd.:					
						3110	Ordinary share	4,372,500	3	4,372,500	5
						3200	Capital surplus	25,174,389	16	23,470,919	25
						Retained earnings:					
						3310	Legal reserve	5,349,684	4	4,060,325	4
						3320	Special reserve	1,734,138	1	2,291,256	2
						3350	Unappropriated retained earnings	15,713,128	10	12,270,817	13
								22,796,950	15	18,622,398	19
						3400	Other equity interest	(6,135,557)	(4)	(1,734,138)	(2)
						3500	Treasury shares	(576,779)	-	(576,779)	(1)
						Total equity		45,631,503	30	44,154,900	46
Total assets		\$ 150,644,976	100	94,851,617	100	Total liabilities and equity		\$ 150,644,976	100	94,851,617	100

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd. and subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(19) and 7)	\$ 61,130,592	100	55,358,788	100
5000	Operating costs (notes 6(5), (20) and 7)	<u>37,844,704</u>	<u>62</u>	<u>34,790,674</u>	<u>63</u>
	Gross profit from operations	<u>23,285,888</u>	<u>38</u>	<u>20,568,114</u>	<u>37</u>
	Operating expenses (notes 6(20) and 7):				
6100	Selling expenses	1,440,578	2	1,233,877	2
6200	Administrative expenses	2,082,733	4	2,431,832	4
6300	Research and development expenses	2,069,507	3	1,624,308	3
6450	Expected credit losses (gains) (note 6(4))	<u>(322)</u>	<u>-</u>	<u>(8,752)</u>	<u>-</u>
	Total operating expenses	<u>5,592,496</u>	<u>9</u>	<u>5,281,265</u>	<u>9</u>
	Net operating income	<u>17,693,392</u>	<u>29</u>	<u>15,286,849</u>	<u>28</u>
	Non-operating income and expenses:				
7100	Interest income (note 6(21))	142,808	-	243,546	-
7020	Other gains and losses (notes 6(21) and 7)	(1,083,006)	(2)	1,158,228	2
7050	Finance costs (notes 6(12), (21) and 7)	<u>(307,741)</u>	<u>(1)</u>	<u>(73,656)</u>	<u>-</u>
		<u>(1,247,939)</u>	<u>(3)</u>	<u>1,328,118</u>	<u>2</u>
	Income before income tax	16,445,453	26	16,614,967	30
7950	Income tax expense (note 6(15))	<u>4,575,416</u>	<u>7</u>	<u>3,511,336</u>	<u>6</u>
	Net income	<u>11,870,037</u>	<u>19</u>	<u>13,103,631</u>	<u>24</u>
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans	173,476	-	(248,547)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	537,528	1	617,826	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(15))	<u>34,695</u>	<u>-</u>	<u>(38,521)</u>	<u>-</u>
	Total items that may not be reclassified subsequently to profit or loss	<u>676,309</u>	<u>1</u>	<u>407,800</u>	<u>1</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations (note 6(6))	(6,158,184)	(10)	(75,886)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(15))	<u>1,219,237</u>	<u>2</u>	<u>15,178</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(4,938,947)</u>	<u>(8)</u>	<u>(60,708)</u>	<u>-</u>
8300	Other comprehensive income (after tax)	<u>(4,262,638)</u>	<u>(7)</u>	<u>347,092</u>	<u>1</u>
	Total comprehensive income	<u>\$ 7,607,399</u>	<u>12</u>	<u>13,450,723</u>	<u>25</u>
	Net income attributable to:				
	Shareholders of GlobalWafers Co., Ltd	\$ 11,870,037	19	13,103,614	24
	Non-controlling interests	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>
		<u>\$ 11,870,037</u>	<u>19</u>	<u>13,103,631</u>	<u>24</u>
	Total comprehensive income attributable to:				
	Shareholders of GlobalWafers Co., Ltd	\$ 7,607,399	12	13,450,706	25
	Non-controlling interests	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>
		<u>\$ 7,607,399</u>	<u>12</u>	<u>13,450,723</u>	<u>25</u>
	Earnings per share (NT Dollars) (note 6(18))				
	Basic earnings per share	\$ <u>27.27</u>		<u>30.11</u>	
	Diluted earnings per share	\$ <u>25.97</u>		<u>30.03</u>	

See accompanying notes to consolidated financial statements.

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd. and subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to shareholders of GlobalWafers Co., Ltd.

	Retained earnings						Other equity interest		Total other equity interest	Treasury shares	Total	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Gains (losses) from equity instrument measured at fair value through other comprehensive income					
Balance at January 1, 2020	\$ 4,372,500	24,776,630	2,686,883	1,133,596	14,965,441	18,785,920	(2,530,493)	239,237	(2,291,256)	(576,779)	45,067,015	6,235	45,073,250
Net income for the year	-	-	-	-	13,103,614	13,103,614	-	-	-	-	13,103,614	17	13,103,631
Other comprehensive income for the year	-	-	-	-	(210,026)	(210,026)	(60,708)	617,826	557,118	-	347,092	-	347,092
Comprehensive income for the year	-	-	-	-	12,893,588	12,893,588	(60,708)	617,826	557,118	-	13,450,706	17	13,450,723
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	1,373,442	-	(1,373,442)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	1,157,660	(1,157,660)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(13,057,110)	(13,057,110)	-	-	-	-	(13,057,110)	-	(13,057,110)
Cash dividends distribution from capital surplus	-	(1,305,711)	-	-	-	-	-	-	-	-	(1,305,711)	-	(1,305,711)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(6,252)	(6,252)
Balance at December 31, 2020	4,372,500	23,470,919	4,060,325	2,291,256	12,270,817	18,622,398	(2,591,201)	857,063	(1,734,138)	(576,779)	44,154,900	-	44,154,900
Net income for the year	-	-	-	-	11,870,037	11,870,037	-	-	-	-	11,870,037	-	11,870,037
Other comprehensive income for the year	-	-	-	-	138,781	138,781	(4,938,947)	537,528	(4,401,419)	-	(4,262,638)	-	(4,262,638)
Comprehensive income for the year	-	-	-	-	12,008,818	12,008,818	(4,938,947)	537,528	(4,401,419)	-	7,607,399	-	7,607,399
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	1,289,359	-	(1,289,359)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(7,834,266)	(7,834,266)	-	-	-	-	(7,834,266)	-	(7,834,266)
Reversal of special reserve	-	-	-	(557,118)	557,118	-	-	-	-	-	-	-	-
Equity component of convertible bonds	-	1,703,470	-	-	-	-	-	-	-	-	1,703,470	-	1,703,470
Balance at December 31, 2021	<u>\$ 4,372,500</u>	<u>25,174,389</u>	<u>5,349,684</u>	<u>1,734,138</u>	<u>15,713,128</u>	<u>22,796,950</u>	<u>(7,530,148)</u>	<u>1,394,591</u>	<u>(6,135,557)</u>	<u>(576,779)</u>	<u>45,631,503</u>	<u>-</u>	<u>45,631,503</u>

See accompanying notes to consolidated financial statements.

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)

GlobalWafers Co., Ltd. and subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Income before income tax	\$ 16,445,453	16,614,967
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	5,686,691	5,165,290
Amortization expenses	210,393	356,495
Expected credit losses (gains)	(322)	(8,752)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	341,769	(457,641)
Interest expense	307,741	73,656
Interest income	(142,808)	(243,546)
Dividend income	(284,293)	(2,210)
Shares of profit of associates accounted for using equity method	(68,396)	(36,809)
Loss on disposal of property, plant and equipment	(15,269)	5,559
Provisions for inventory valuation (reversal of gains)	(19,493)	144,385
Total adjustments	<u>6,016,013</u>	<u>4,996,427</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(1,079,657)	110,868
Inventories	(18,577)	(490,308)
Prepayments for purchase of materials	(2,680,114)	-
Other operating assets	24,643	221,566
Other financial assets	(8,739)	(40,290)
Total changes in operating assets	<u>(3,762,444)</u>	<u>(198,164)</u>
Contract liabilities	12,544,383	(3,472,070)
Notes and accounts payable (including related parties)	382,470	57,983
Net defined benefit liabilities	(428,837)	(495,042)
Other operating liabilities	927,065	85,024
Total changes in operating liabilities	<u>13,425,081</u>	<u>(3,824,105)</u>
Total changes in operating assets and liabilities	<u>9,662,637</u>	<u>(4,022,269)</u>
Total adjustments	<u>15,678,650</u>	<u>974,158</u>
Cash inflow generated from operations	32,124,103	17,589,125
Interest received	120,737	242,694
Dividends received	284,293	2,210
Interest paid	(62,258)	(70,946)
Income taxes paid	(3,165,314)	(3,199,524)
Net cash flows from operating activities	<u>29,301,561</u>	<u>14,563,559</u>

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd. and subsidiaries

Consolidated Statements of Cash Flows(Continued)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	(95,357)
Acquisition of financial assets at fair value through profit or loss	(13,579,261)	(5,611,917)
Proceeds from disposal of financial assets at fair value through profit or loss	124	2,103,746
Cash dividends from associates accounted for using equity method	33,158	18,270
Acquisition of property, plant and equipment	(5,590,544)	(8,167,167)
Proceeds from disposal of property, plant and equipment	64,104	97,282
Increase in refundable deposits	-	(1,288)
Acquisition of intangible assets	(6,256)	(3,631)
Increase in other financial assets	798,254	(1,811,690)
Net cash flows used in investing activities	<u>(18,280,421)</u>	<u>(13,471,752)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(3,607,000)	(15,000)
Proceeds from issuing bonds	46,812,845	-
Decrease in guarantee deposits received	(35,031)	(156,249)
Payment of lease liabilities	(180,213)	(159,280)
Cash dividends paid	(7,834,266)	(10,880,925)
Change in non-controlling interests	-	(6,252)
Net cash flows from (used in) financing activities	<u>35,156,335</u>	<u>(11,217,706)</u>
Effect of exchange rate changes on cash and cash equivalents	(2,722,534)	(256,132)
Net increase (decrease) in cash and cash equivalents	43,454,941	(10,382,031)
Cash and cash equivalents at beginning of period	<u>22,439,481</u>	<u>32,821,512</u>
Cash and cash equivalents at end of period	<u><u>\$ 65,894,422</u></u>	<u><u>22,439,481</u></u>

See accompanying notes to consolidated financial statements.

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd. and subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

1. Company history

GlobalWafers Co., Ltd. (the “Company”) had been a semiconductor operating unit of Sino-American Silicon Products Inc. (“SAS”) and the Company, along with its assets and liabilities, was spun off from SAS on October 1, 2011. The Company was incorporated in October 18, 2011, and authorized by the Hsinchu Science Park Bureau (HSPB). Its registered office is located at No. 8, Industrial East Road 2, Science-Based Park, Hsinchu, Taiwan (R.O.C.). As of December 31, 2021, the consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”). The Group engages mainly in the research, development, production, design, and sales of semiconductor ingots and wafers, and is also engaged in the technology and management consulting service for related products.

On December 2, 2016, the Group acquired the entire outstanding shares of SunEdison Semiconductor Limited (“SunEdison”), who was a semiconductor wafer fabrication and supplier, and had been leading silicon wafer designs since its inception. SunEdison's R&D and manufacturing strongholds spread over the United States, Europe and Asia, and also dedicated to developing the next generation high-performance semiconductor wafers. The Company expands its sales network and upgrades its research and development capability through this acquisition.

In order to simplify the operating structure of the Group, the Company merged with Taisil Electronic Materials Corporation (Taisil), a 99.99% equity held subsidiary, on February 1, 2020, wherein the Company became the existing company and Taisil as the dissolved entity, based on the resolution approved during the board meeting of the Company held on December 27, 2019.

The Company’s common shares have been listed on Taipei Exchange (“TPEX”) since September 25, 2015, and were delisted from the Emerging Market at the same date.

2. Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2022.

3. New standards, amendments and interpretations adopted:

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(2) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment— Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts— Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

4. Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations), International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C (hereinafter referred to as the “IFRSs endorsed by the FSC”).

(2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- (a) Financial instruments at fair value through profit or loss are measured at fair value;
- (b) Financial assets at fair value through other comprehensive income are measured at fair value;
- (c) Cash-settled shared-based-payment liability is measured at fair value;
- (d) The defined benefit liabilities (assets) are measured at fair value of the plan assets, less the present value of the defined benefit obligation and the asset ceiling, as explained in note 4(17).

B. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for alike transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership		Note
			December 31, 2021	December 31, 2020	
The Company	Global Semiconductor Inc. (GSI)	Investment activities	100%	100%	
The Company	GlobalWafers Inc. (GWI)	Investment activities	100%	100%	
The Company	GlobalWafers Japan Co., Ltd. (GWJ)	Manufacturing and trading of silicon wafers	100%	100%	
The Company	GWafers Singapore Pte. Ltd. (GWafers Singapore)	Investment activities	100%	100%	
The Company	Sunrise PV Four Co., Ltd. (SPV4)	Electricity activities	100%	100%	
The Company	Sunrise PV Five Co., Ltd. (SPV5)	Electricity activities	100%	100%	
The Company	GlobalWafers Holding Co., Ltd. (GWH)	Investment activities	100%	100%	

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership		Note
			December 31, 2021	December 31, 2020	
GSI	Kunshan Sino Silicon Technology Co., Ltd. (SST)	Processing and trading of ingots and wafers	100%	100%	
GWJ	MEMC Japan Ltd. (MEMC Japan)	Manufacturing and trading of silicon wafers	100%	100%	
SST	MEMC Electronic Materials Sdn Bhd (MEMC Sdn Bhd)	Research and development, manufacturing and trading of silicon wafers	100%	100%	
GWafers Singapore	GlobalWafers Singapore Pte. Ltd. (GWS)	Investment, marketing and trading activities	100%	100%	note (1)
GWS	GlobalWafers B.V. (GWBV)	Investment activities	100%	100%	
GWBV	MEMC Electronic Materials, SpA (MEMC SpA)	Manufacturing and trading of silicon wafers	100%	100%	
MEMC SpA	MEMC Electronic Materials France SarL(MEMC SarL)	Trading	100%	100%	
MEMC SpA	MEMC Electronic Materials GmbH (MEMC GmbH)	Trading	- %	100%	note(2)
GWBV	MEMC Korea Company (MEMC Korea)	Manufacturing and trading of silicon wafers	100%	100%	
GWBV	MEMC Ipoh Sdn Bnd (MEMC Ipoh)	Manufacturing and trading of silicon wafers	100%	100%	
GWBV	GlobiTech Incorporated (GTI)	Manufacturing and trading of epitaxial wafers and silicon wafers	100%	100%	
GWBV	Topsil Globalwafers A/S (Topsil A/S)	Manufacturing and trading of silicon wafers	100%	100%	
GWBV	GlobalWafers GmbH (GW GmbH)	Manufacturing and trading of silicon wafers	100%	100%	

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership		Note
			December 31, 2021	December 31, 2020	
GTI	MEMC LLC	Research and development, manufacturing and trading of silicon wafers	100%	100%	
Topsil A/S	Topsil Semiconductor sp z o.o. (Topsil PL)	Manufacturing and trading of silicon wafers	100%	100%	

Note: The Group's organizational restructuring was as follows:

(1) The original name was SunEdison.

(2) MEMC GmbH was dissolved in December 2021.

C. Subsidiaries excluded from the consolidated financial statements: None.

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an equity investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan Dollars at the average rate. Exchange differences are recognized in other comprehensive income.

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- 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.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- 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 issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

(7) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income – equity investment, or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

GlobalWafers Co., Ltd. and subsidiaries
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On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(c) Fair value through profit or loss (FVTPL)

All the above financial assets not classified as amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, guarantee deposits paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured by 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

GlobalWafers Co., Ltd. and subsidiaries
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Lifetime ECL are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(e) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

GlobalWafers Co., Ltd. and subsidiaries
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(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(d) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(e) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

GlobalWafers Co., Ltd. and subsidiaries
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(f) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(g) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted-average-cost method and includes expenditure incurred in acquiring the inventories, production or conversion cost, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal capacity.

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

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

GlobalWafers Co., Ltd. and subsidiaries
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The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under additional paid in capital. If the additional paid in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- (a) Buildings: 2 to 56 years
- (b) Machinery and equipment: 1 to 20 years
- (c) Other equipment and leased assets: 1 to 40 years
- (d) Buildings constitute mainly buildings, mechanical and electrical power equipment, and related engineering, wastewater treatment and sewage system, etc. Each such part is depreciated based on its useful life of 25 to 56 years, 25 years, and 4 to 15 years, respectively.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Lessee

At inception of a contract, the Group assesses whether a 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.

A. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (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 under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise an extension or termination option; or
- (e) there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right of use asset, or in profit and loss if the carrying amount of the right of use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right of use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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The Group has elected not to recognize right of use assets and lease liabilities for short term leases with 12 months or less and leases of low value assets, including other equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- (a) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- (b) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (c) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- (d) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

B. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(12) Intangible assets

A. Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

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Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or a cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

A. Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land and the related expense are recognized when the land is contaminated. A provision for site restoration of lease land and the related expense are recognized over the term of the lease.

B. Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(15) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The accounting policies for the Group's main types of revenue are explained below.

A. Sale of goods

The Group engages mainly in the research, development, production, design, and sales of semiconductor ingots and wafers. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

B. Services

The Group provides services to its customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Revenue recognition for fixed-price contracts is based on the ratio of services actually provided to total services as of the reporting date, which is determined by the percentage of labor performed to the total amount of labor to be performed.

If the situation changes, the estimates of revenue, cost, and degree of completion will be revised, and the increase or decrease in the period when the management is aware of the change in the situation will be reflected in profit or loss.

(16) Government grants and government subsidies

The Group recognizes an unconditional government grant as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(17) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided.

B. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(18) Share-based payment

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(19) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations, or items recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized except for the following:

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (a) the same taxable entity; or
 - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(20) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee remuneration that could be settled in the form of stock.

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(21) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in the accounting estimates during the period and the impact of those changes in the following period.

There is no critical judgment made in applying accounting policies.

The accounting policies which involved the estimation and assumption uncertainty that may cause adjustments in the subsequent period and have been updated to reflect the impact of COVID-19 are as below:

Goodwill impairment assessment

The assessment of the impairment of goodwill requires the Group to make subjective judgment to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amounts of the relevant CGUs. Please refer to note 6(9) for further description of the assessment of goodwill impairment.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Group strives to use the observable market inputs when measuring assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Group recognizes the transfer on the reporting date. For the assumption used in fair value measurement, please refer to note 6(22) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 5,130	8,618
Demand deposits	17,992,884	18,171,462
Time deposits	46,690,182	3,604,213
Repurchase agreement	1,206,226	655,188
	\$ 65,894,422	22,439,481

Please refer to note 6(22) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

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

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss — current:		
Forward exchange contracts	\$ 3,450	52,356
Stocks listed on domestic markets	-	5,604,312
	\$ 3,450	5,656,668
Financial assets mandatorily measured at fair value through profit or loss — non-current:		
Privately offered funds	\$ 195,163	117,204
Overseas securities held	18,173,549	-
	\$ 18,368,712	117,204
Financial liabilities designated as at fair value through profit or loss — current:		
Forward exchange contracts	\$ 198,479	11,672
Swap exchange contracts	-	34,281
	\$ 198,479	45,953
Financial liabilities designated as at fair value through profit or loss — non-current:		
Embedded derivatives of convertible bonds	\$ 178,637	-

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Please refer to note 6(21) for the amount remeasured at fair value through profit or loss.

During the year ended December 31, 2021 and 2020, the dividends of \$276,229 thousand and \$2,210 thousand, respectively, were incurred from investments in financial assets mandatorily measured at fair value through profit or loss.

The Group uses derivative instruments to hedge certain currency risk arising from the Group's operating activities. The Group held the following derivative instruments, which were not qualified for hedge accounting, and accounted them as mandatorily measured at fair value through profit or loss financial assets and held-for-trading financial liabilities as of December 31, 2021 and 2020:

December 31, 2021				
	Contract amount (in thousands)		Currency	Maturity date
Forward exchange contracts sold	USD	29,550	USD to EUR	January 26, 2022~ March 25, 2022
Forward exchange contracts sold	USD	1,930	USD to KRW	January 28, 2022
Forward exchange contracts purchased	JPY	50,000	JPY to EUR	February 25, 2022
Forward exchange contracts purchased	JPY	208,426	JPY to KRW	January 28, 2022
Forward exchange contracts purchased	EUR	5	EUR to KRW	January 28, 2022
Forward exchange contracts purchased	JPY	14,000,000	JPY to NTD	January 25, 2022~ May 26, 2022
December 31, 2020				
	Contract amount (in thousands)		Currency	Maturity date
Forward exchange contracts sold	USD	24,100	USD to EUR	January 26, 2021~ February 25, 2021
Forward exchange contracts sold	USD	2,560	USD to KRW	January 29, 2021
Forward exchange contracts purchased	JPY	20,000,000	JPY to NTD	January 20, 2021~ June 11, 2021
Forward exchange contracts purchased	JPY	50,000	JPY to EUR	February 25, 2021
Forward exchange contracts purchased	JPY	245,381	JPY to KRW	January 29, 2021
Forward exchange contracts purchased	EUR	111	EUR to KRW	January 29, 2021
Swap exchange contracts	USD	80,000	USD to NTD	January 29, 2021~ February 3, 2021

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

	December 31, 2021	December 31, 2020
Equity investment in domestic entities	\$ <u>185,073</u>	<u>101,475</u>

The Group designated the equity investments shown above as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

For the year ended December 31, 2021 and 2020, the dividend income of \$8,064 thousand and \$0 thousand, respectively, related to equity investments at fair value through other comprehensive income, was recognized, respectively.

For market risk, please refer to note 6(22).

The financial assets mentioned above were not pledged as collateral.

(4) Notes and accounts receivable, net

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 122,250	149,634	168,881
Accounts receivable	8,932,587	7,820,329	7,928,927
Accounts receivable-fair value through other comprehensive income	-	-	7,487
Less: allowance for sales discounts and returns	<u>(6,768)</u>	<u>(7,345)</u>	<u>(15,676)</u>
	<u>\$ 9,048,069</u>	<u>7,962,618</u>	<u>8,089,619</u>

The Group applied the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

The credit loss provision of power plant segment was determined as follows:

December 31, 2021			
	Gross amount of notes and accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ <u>9,020</u>	0%	<u>-</u>
December 31, 2021			
	Gross amount of notes and accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ <u>1,988</u>	0%	<u>-</u>

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The credit loss provision of semiconductor segment (including related parties) was determined as follows:

	December 31, 2021		
	Gross amount of notes and accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ 8,904,782	0%	-
1 to 30 days past due	196,553	0%	-
31 to 60 days past due	4,978	0%	-
61 to 90 days past due	60	0%	-
91 to 120 days past due	-	0%	-
121 to 150 days past due	1,306	0%	-
151 to 180 days past due	-	0%	-
More than 181 days past due	6,768	100%	6,768
	\$ 9,114,447		6,768

	December 31, 2020		
	Gross amount of notes and accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ 7,956,346	0%	-
1 to 30 days past due	76,019	0%	-
31 to 60 days past due	1,755	33%	577
61 to 90 days past due	83	0%	-
121 to 150 days past due	-	0%	-
151 to 180 days past due	-	0%	-
More than 181 days past due	6,768	100%	6,768
	\$ 8,040,971		7,345

The movements in the allowance for doubtful accounts related to notes and accounts receivable were as follows:

	2021	2020
Balance on January 1	\$ 7,345	15,676
Impairment losses (gains) recognized	(322)	(8,752)
Foreign exchange losses (gains)	(255)	421
Balance on December 31	\$ 6,768	7,345

The notes and accounts receivable mentioned above were not pledged as collateral.

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(5) Inventories

	December 31, 2021	December 31, 2020
Finished goods	\$ 1,627,502	2,414,530
Work in progress	2,276,601	1,470,148
Raw materials	3,390,918	3,323,053
	<u>\$ 7,295,021</u>	<u>7,207,731</u>

Components of operating costs were as follows:

	2021	2020
Cost of sales	\$ 37,771,783	34,524,415
Provisions for inventory valuation loss (reversal of gains)	(19,493)	144,385
Unallocated fixed manufacturing expense	92,414	121,874
	<u>\$ 37,844,704</u>	<u>34,790,674</u>

The inventories mentioned above were not pledged as collateral.

(6) Investments accounted for using equity method

A summary of financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2021	December 31, 2020
Associates	<u>\$ 1,691,344</u>	<u>1,202,176</u>

A. Associates

The associates of the Group accounted for using the equity method were individually insignificant, and their summarized financial information included in the consolidated financial statements of the Group was as follows:

	December 31, 2021	December 31, 2020
The carrying amount of investments in the individually insignificant associates	<u>\$ 1,691,344</u>	<u>1,202,176</u>
	<u>2021</u>	<u>2020</u>
Amount of individually insignificant associates' interests attributable to the Group:		
Net income	\$ 68,396	36,809
Other comprehensive income (loss)	453,930	611,708
Total	<u>\$ 522,326</u>	<u>648,517</u>

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For the years ended December 31, 2021 and 2020, the cash dividends of the invested companies were \$33,158 thousand and \$18,270 thousand, respectively, which were recognized as deductions of investments accounted for using the equity method.

B. Collateral

The investments accounted for using equity method mentioned above were not pledged as collateral as of December 31, 2021 and 2020.

(7) Property, plant and equipment

A. The movements of cost and depreciation of the property, plant and equipment of the Group were as follows:

					Construction in progress and equipment awaiting inspection	
	Land	Buildings	Machinery and equipment	Other equipment		Total
Cost:						
Balance at January 1, 2021	\$ 2,733,191	18,001,372	61,716,645	4,288,522	1,586,391	88,326,121
Additions	-	5,368	6,977	529,746	5,029,164	5,571,255
Disposals	-	(273,862)	(15,971,285)	(364,695)	(3,290)	(16,613,132)
Reclassification	60,539	350,270	1,549,522	1,011,376	(2,929,419)	42,288
Transfer and others	(2,391)	(164)	(54,872)	(7,515)	(4,570)	(69,512)
Effect of changes in exchange rates	(300,532)	(1,635,701)	(6,282,589)	(344,884)	(133,237)	(8,696,943)
Balance at December 31, 2021	<u>\$ 2,490,807</u>	<u>16,447,283</u>	<u>40,964,398</u>	<u>5,112,550</u>	<u>3,545,039</u>	<u>68,560,077</u>
Balance at January 1, 2020	\$ 2,841,533	16,516,799	49,230,253	3,534,394	8,798,532	80,921,511
Additions	-	35,871	455,254	356,647	6,726,691	7,574,463
Disposals	-	(33,882)	(717,038)	(116,914)	-	(867,834)
Reclassification and transfer	(23,626)	1,769,783	11,021,899	1,021,771	(13,822,990)	(33,163)
Effect of changes in exchange rates	(84,716)	(287,199)	1,726,277	(507,376)	(115,842)	731,144
Balance at December 31, 2020	<u>\$ 2,733,191</u>	<u>18,001,372</u>	<u>61,716,645</u>	<u>4,288,522</u>	<u>1,586,391</u>	<u>88,326,121</u>
Depreciation :						
Balance at January 1, 2021	\$ -	8,734,310	40,288,093	2,192,666	-	51,215,069
Depreciation for the year	-	668,406	4,463,458	388,666	-	5,520,530
Disposals	-	(269,489)	(15,942,111)	(356,697)	-	(16,568,297)
Reclassification	-	117,524	(636,642)	519,118	-	-
Effect of changes in exchange rates	-	(925,375)	(4,427,124)	(197,982)	-	(5,550,481)
Balance at December 31, 2021	<u>\$ -</u>	<u>8,325,376</u>	<u>23,745,674</u>	<u>2,545,771</u>	<u>-</u>	<u>34,616,821</u>
Balance at January 1, 2020	\$ -	8,261,026	36,167,515	1,795,603	-	46,224,144
Depreciation for the year	-	690,922	4,014,388	298,816	-	5,004,126
Disposals	-	(24,948)	(710,203)	(29,842)	-	(764,993)
Reclassification and transfer	-	(19,086)	(551,845)	590,777	-	19,846
Effect of changes in exchange rates	-	(173,604)	1,368,238	(462,688)	-	731,946
Balance at December 31, 2020	<u>\$ -</u>	<u>8,734,310</u>	<u>40,288,093</u>	<u>2,192,666</u>	<u>-</u>	<u>51,215,069</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment awaiting inspection</u>	<u>Total</u>
Carrying amounts:						
Balance at December 31, 2021	\$ <u>2,490,807</u>	<u>8,121,907</u>	<u>17,218,724</u>	<u>2,566,779</u>	<u>3,545,039</u>	<u>33,943,256</u>
Balance at January 1, 2020	\$ <u>2,841,533</u>	<u>8,255,773</u>	<u>13,062,738</u>	<u>1,738,791</u>	<u>8,798,532</u>	<u>34,697,367</u>
Balance at December 31, 2020	\$ <u>2,733,191</u>	<u>9,267,062</u>	<u>21,428,552</u>	<u>2,095,856</u>	<u>1,586,391</u>	<u>37,111,052</u>

B. Collateral

For the years ended December 31, 2021 and 2020, the property, plant and equipment was pledged as collateral for long-term borrowings and credit lines. Please refer to note 8.

(8) Right-of-use assets

The Group leases many assets including land, buildings, machinery and other equipment. The carrying amounts on right-of-use assets were presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Cost :					
Balance at January 1, 2021	\$ 567,936	146,862	1,409	243,149	959,356
Additions	55,250	20,151	287	162,570	238,258
Reclassification	-	-	-	(2,539)	(2,539)
Disposals and transfer	-	(14,434)	(1,385)	(122,312)	(138,131)
Effect of changes in exchange rates	(2,884)	(17,114)	(27)	(25,023)	(45,048)
Balance at December 31, 2021	\$ <u>620,302</u>	<u>135,465</u>	<u>284</u>	<u>255,845</u>	<u>1,011,896</u>
Balance at January 1, 2020	\$ 575,509	147,201	37,494	166,884	927,088
Additions	-	1,685	-	44,295	45,980
Reclassification	-	-	(35,358)	35,358	-
Transfer and transfer	(7,746)	(1,114)	(116)	(5,036)	(14,012)
Effect of changes in exchange rates	173	(910)	(611)	1,648	300
Balance at December 31, 2020	\$ <u>567,936</u>	<u>146,862</u>	<u>1,409</u>	<u>243,149</u>	<u>959,356</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Depreciation and impairment losses:					
Balance at January 1, 2021	\$ 69,110	56,945	929	175,251	302,235
Depreciation	39,120	27,515	513	99,013	166,161
Reclassification	-	-	-	(2,539)	(2,539)
Disposals and transfer	-	(14,434)	(1,385)	(121,464)	(137,283)
Effect of changes in exchange rates	1,791	(6,850)	(16)	(16,949)	(22,024)
Balance at December 31, 2021	<u>\$ 110,021</u>	<u>63,176</u>	<u>41</u>	<u>133,312</u>	<u>306,550</u>
Balance at January 1, 2020	\$ 37,923	29,253	10,237	78,618	156,031
Depreciation	39,714	29,739	730	90,981	161,164
Reclassification	-	-	(9,735)	9,735	-
Disposals and transfer	(8,531)	(1,325)	(116)	(4,943)	(14,915)
Effect of changes in exchange rates	4	(722)	(187)	860	(45)
Balance at December 31, 2020	<u>\$ 69,110</u>	<u>56,945</u>	<u>929</u>	<u>175,251</u>	<u>302,235</u>
Carrying amounts:					
Balance at December 31, 2021	<u>\$ 510,281</u>	<u>72,289</u>	<u>243</u>	<u>122,533</u>	<u>705,346</u>
Balance at January 1, 2020	<u>\$ 537,586</u>	<u>117,948</u>	<u>27,257</u>	<u>88,266</u>	<u>771,057</u>
Balance at December 31, 2020	<u>\$ 498,826</u>	<u>89,917</u>	<u>480</u>	<u>67,898</u>	<u>657,121</u>

(9) Intangible assets

Intangible assets included trademarks, patents and computer software. The cost and amortization of the intangible assets of the Group were as follows:

	<u>Goodwill</u>	<u>Patents and trademarks</u>	<u>Development costs</u>	<u>Computer software</u>	<u>Total</u>
Cost:					
Balance at January 1, 2021	\$ 2,327,364	1,757,731	296,841	69,839	4,451,775
Additions	-	-	-	6,256	6,256
Reclassification	-	-	-	525	525
Effect of changes in exchange rates	(221,241)	(3,535)	(24,018)	(1,981)	(250,775)
Balance at December 31, 2021	<u>\$ 2,106,123</u>	<u>1,754,196</u>	<u>272,823</u>	<u>74,639</u>	<u>4,207,781</u>
Balance at January 1, 2020	\$ 2,421,056	1,702,745	104,671	-	4,228,472
Additions	-	-	-	3,631	3,631
Reclassification	-	61,616	185,985	69,827	317,428
Effect of changes in exchange rates	(93,692)	(6,630)	6,185	(3,619)	(97,756)
Balance at December 31, 2020	<u>\$ 2,327,364</u>	<u>1,757,731</u>	<u>296,841</u>	<u>69,839</u>	<u>4,451,775</u>

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	<u>Goodwill</u>	<u>Patents and trademarks</u>	<u>Development costs</u>	<u>Computer software</u>	<u>Total</u>
Amortization:					
Balance at January 1, 2021	\$ -	1,384,540	207,941	61,831	1,654,312
Amortization for the year	-	192,907	13,699	3,787	210,393
Effect of changes in exchange rates	-	(3,314)	(17,460)	(1,701)	(22,475)
Balance at December 31, 2021	<u>\$ -</u>	<u>1,574,133</u>	<u>204,180</u>	<u>63,917</u>	<u>1,842,230</u>
Balance as of January 1, 2020	\$ -	997,181	3,708	-	1,000,889
Amortization for the year	-	331,480	14,436	2,866	348,782
Reclassification	-	61,616	185,985	69,827	317,428
Effect of changes in exchange rates	-	(5,737)	3,812	(10,862)	(12,787)
Balance at December 31, 2020	<u>\$ -</u>	<u>1,384,540</u>	<u>207,941</u>	<u>61,831</u>	<u>1,654,312</u>
Carrying amounts:					
Balance at December 31, 2021	<u>\$ 2,106,123</u>	<u>180,063</u>	<u>68,643</u>	<u>10,722</u>	<u>2,365,551</u>
Balance at January 1, 2020	<u>\$ 2,421,056</u>	<u>705,564</u>	<u>100,963</u>	<u>-</u>	<u>3,227,583</u>
Balance at December 31, 2020	<u>\$ 2,327,364</u>	<u>373,191</u>	<u>88,900</u>	<u>8,008</u>	<u>2,797,463</u>

Goodwill impairment testing

For the purpose of impairment testing, goodwill was allocated to the semiconductor business segment. The Group's goodwill has been tested for impairment at least once at the end of each annual reporting period and the recoverable amount is determined based on discounted cash flows.

For the years ended December 31, 2021 and 2020, the recoverable amount of the semiconductor business was estimated based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

As of December 31, 2021 and 2020, the recoverable amount was greater than its carrying amount and no impairment loss was recognized.

The key assumptions used in the estimation of value in use were as follows.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	4.97 %	7.89 %
Growth rate	2.46 %	3.42 %

The discount rate was a pre-tax measure based on the rate of ten-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

Cash flow projections are based on five-year financial budgets estimated by the management.

The intangible assets mentioned above were not pledged as collateral.

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(10) Other assets — current and non-current

	December 31, 2021	December 31, 2020
Prepayment for materials	\$ 3,261,805	632,057
Refundable tax and overpaid tax	390,564	331,234
Others	454,180	480,964
	<u>\$ 4,106,549</u>	<u>1,444,255</u>

(11) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured borrowings	<u>\$ 6,264,000</u>	<u>9,871,000</u>
Unused credit lines	<u>\$ 26,576,668</u>	<u>16,225,687</u>
	0.2%	0.56%~
Range of interest rates at year end	<u>0.6446%</u>	<u>0.6446%</u>

The Group did not provide the bank with assets pledged as collateral for its short-term borrowings.

(12) Bonds payable

The details of bonds payable were as follows:

	December 31, 2021
Unsecured ordinary bonds	\$ 18,980,771
Unsecured convertible bonds	26,143,969
Total	<u>\$ 45,124,740</u>

On April 21, 2021, the Group's Board of Directors resolved to issue the first unsecured ordinary bonds for the year ended December 31, 2021, and issued through the Taipei Fubon Commercial Bank Co., Ltd. on May 11, 2021. The Group issued the five-year unsecured ordinary bonds, amounting to \$6,500,000 thousand and the coupon rate is consistent with a fixed rate of 0.62% and with the maturity date on May 11, 2026.

On April 21, 2021, the Group's Board of Directors resolved to issue the second unsecured ordinary bonds for the year ended December 31, 2021, and issued through the Taipei Fubon Commercial Bank Co., Ltd. on August 19, 2021. The Group issued the three-year and five-year unsecured ordinary bonds, amounting to \$12,500,000 thousand, which were divided into A and B bonds, depending on the different issuance conditions. The issuance amounts were \$7,100,000 thousand and \$5,400,000 thousand, respectively, with coupon rate 0.5% and 0.6%, and the maturity dates were August 19, 2024 and August 19, 2026, respectively.

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On April 21, 2021, the Group's Board of Directors resolved to issue the first unsecured overseas convertible bonds on the Singapore Exchange Limited, which had been approved by the Financial Supervisory Commission with approval No.1100342091 on May 19, 2021. The Group issued the five-year unsecured convertible bond, amounting to US\$1,000,000 thousand without coupon rate, with the maturity date on June 1, 2026.

The details of unsecured convertible bonds were as follows:

	<u>December 31, 2021</u>
Total convertible bonds issued	\$ 27,565,891
Unamortized discounted convertible bonds payable	(1,421,922)
Cumulative converted amount	-
Convertible bonds balance at year-end	<u>\$ 26,143,969</u>
Embedded derivative – call and put options, included in financial liabilities at fair value through profit or loss	<u>\$ 178,637</u>
Proceeds from issuance (less transaction cost amounted to \$77,517 thousand)	\$ 27,834,483
Equity components (less transaction cost allocated to equity component of \$4,744 thousand)	(1,703,470)
Embedded derivatives instruments – put/ call options (transaction cost allocated \$473 thousand)	<u>(169,791)</u>
Liability components at the issuance date (less transaction cost allocated to liability component of \$72,300 thousand)	25,961,222
Interest expense at an effective interest rate of 1.2%	<u>182,747</u>
Liability components at December 31, 2021	<u>\$ 26,143,969</u>

Except for early redemptions, repurchases and cancellations, exercise of conversion rights by the bondholders, statutory requirements and the cessation of transfer period as otherwise provided in the Trust Deed, from the day following the three months after the issuance of the bonds to (1) ten days before the maturity date or (2) the fifth business day prior to the date of early redemption of the bonds (hereinafter referred to as the "conversion period"), the bondholders may request the issuing company to convert the bonds into shares of common stock newly issued by the issuing company in accordance with the provisions of the relevant laws and the Trust Deed.

The conversion price was 140% of the closing price of the Company's common shares on the Taipei Exchange on the pricing date, which was NT\$1,040.12. The number of common shares to be delivered upon conversion of any bond will be determined by the principal amount of the bonds multiplied by the fixed exchange rate, which is NT\$27.912 to US\$1, which was determined on the pricing date and divided by the conversion price in effect on the date of conversion. After the issuance of the bonds, the conversion price shall be adjusted in accordance with the relevant anti-dilution provisions of the contract. However, due to the payment of cash dividends by the Group, the conversion price of the bonds was adjusted from NT\$1,040.20 to NT\$1,028.46 on July 22, 2011, the day after the ex-dividend base date, in accordance with the aforementioned provisions.

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As of December 31, 2021, the first adjustment to the conversion price of the bonds has been executed.

The above-mentioned convertible bonds included liabilities and equity components. The equity component was recognized as the capital surplus. The effective interest rate originally recognized for the liability component was 1.2%.

(13) Lease liabilities

The carrying amounts of lease liabilities of the Group were as follows:

	December 31, 2021	December 31, 2020
Current	\$ <u>150,941</u>	<u>92,842</u>
Non-current	\$ <u>560,232</u>	<u>576,129</u>

For the maturity analysis, please refer to note 6(22) "Financial instruments".

The amounts recognized in profit or loss were as follows:

	For the year ended December 31, 2021	2020
Interest on lease liabilities	\$ <u>9,172</u>	<u>8,794</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>3,698</u>	<u>1,786</u>
Expenses relating to short-term leases	\$ <u>10,490</u>	<u>6,172</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>3,944</u>	<u>736</u>

The amounts recognized in the statement of cash flows were as follows:

	For the year ended December 31, 2021	2020
Total cash outflow for leases	\$ <u>198,345</u>	<u>176,768</u>

Land leases' additional rent payments that are based on changes in local price indices and the public facilities construction costs re-invested annually in each park will be adjusted after being assessed.

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(14) Employee benefits

A. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value was as follows:

	December 31, 2021	December 31, 2020
Total present value of obligations	\$ (7,494,835)	(8,125,593)
Fair value of plan assets	<u>5,658,820</u>	<u>5,644,006</u>
Recognized liabilities for defined benefit obligations	<u>\$ (1,836,015)</u>	<u>(2,481,587)</u>

The plans entitle a retired employee to receive a pension benefit based on years of service prior to retirement.

(a) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$360,575 thousand, as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

Under the employee defined benefit plans of the Group's subsidiary in Korea, the plan assets comprised of time deposits bearing annual interest rates ranging from 1.74%~2.20%.

In Italy, the Group's subsidiary contributes an amount to the National Social Security Institute (INPS) for the employee defined benefit plan.

Under the employee defined benefit plans of the entities located in the United States, plan assets are comprised of trust funds with different grades of risks and returns. Plan asset portfolio consists of a variety of financial instruments including cash, equity securities, and income funds.

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(b) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group were as follows:

	2021	2020
Defined benefit obligation at January 1	\$ 8,125,593	8,413,828
Current service costs and interest cost	406,718	231,060
Re-measurements for defined benefit obligations		
—Actuarial gains and losses arising from experience adjustments	212,435	155,471
—Actuarial gains and losses resulting from changes in demographic assumptions	(104,082)	280,829
—Actuarial gains and losses resulting from changes in financial assumptions	(79,354)	83,476
Past service credit	-	6,459
Benefits paid	(600,380)	(463,540)
Expected settlement of benefit obligations	-	(424,645)
Effects of changes in exchange rates	(466,095)	(157,345)
Defined benefit obligation at December 31	<u>\$ 7,494,835</u>	<u>8,125,593</u>

(c) Movements in fair value of defined benefit plan assets

The movements in fair value of the defined benefit plan assets of the Group were as follows:

	2021	2020
Fair value of plan assets at January 1	\$ 5,644,006	5,463,438
Interest revenue	82,833	125,523
Re-measurements for defined benefit obligations		
—Return on plan asset (excluding interest revenue)	249,816	491,454
Contributions made	442,881	253,801
Benefits paid	(500,694)	(308,756)
Expected settlement of benefit obligations	-	(191,699)
Effects of changes in exchange rates	(260,022)	(189,755)
Fair value of plan assets at December 31	<u>\$ 5,658,820</u>	<u>5,644,006</u>

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(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	2021	2020
Current service costs	\$ 312,285	94,242
Net interest of defined benefit obligation	11,600	11,295
Past service credit	-	6,459
	\$ 323,885	111,996
Operating cost	\$ 295,330	78,108
Selling expenses	9,814	10,978
Administration expenses	10,393	11,982
Research and development expenses	8,348	10,928
	\$ 323,885	111,996

(e) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.28%~3.29%	0.03%~3.06%
Future salary increase rate	1.6%~5.7%	0.8%~5.75%

The estimated amount of contribution to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$165,646 thousand.

The weighted-average durations of the defined benefit obligation are 4.19 years to 10.5 years.

(f) Sensitivity analysis

When the actuarial assumptions had changed 0.25% as of the December 31, 2021 and 2020, the impact on the present value of the defined benefit obligation would be as follows:

Actuarial assumptions	Impact on defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
December 31, 2021		
Discount rate	\$ (138,568)	145,873
Future salary increase rate	\$ 55,144	(51,201)
December 31, 2020		
Discount rate	\$ (188,734)	200,367
Future salary increase rate	\$ 67,641	(61,906)

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Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, assuming other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in previous periods. There was no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

B. Defined contribution plans

The Group contributes at the rate of 6% of each employee's monthly wages for the Company's domestic subsidiaries to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group's contribution to the Bureau of Labor Insurance requires no additional legal or constructive obligations thereafter.

The total periodic pension costs of other subsidiaries were recognized as current expenses in accordance with the local regulations of their respective jurisdictions where they are domiciled.

The Company's domestic subsidiaries' pension costs incurred from contributions to the defined contribution plan were \$64,653 thousand and \$61,339 thousand for the years of 2021 and 2020, respectively. Such contributions were made to the Bureau of the Labor Insurance.

The Group recognized the pension costs of \$251,670 thousand and \$189,711 thousand for its overseas subsidiaries in the years of 2021 and 2020, respectively.

(15) Income tax

A. Income tax expense

The components of income tax expenses in 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense	\$ 3,238,417	3,437,666
Deferred tax expense	<u>1,336,999</u>	<u>73,670</u>
	<u><u>\$ 4,575,416</u></u>	<u><u>3,511,336</u></u>

The amounts of income tax (benefit) recognized in other comprehensive income in 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit obligations	\$ <u>34,695</u>	<u>(38,521)</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	\$ <u><u>(1,219,237)</u></u>	<u><u>(15,178)</u></u>

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Reconciliations of income tax and income before income tax for 2021 and 2020 were as follows:

	2021	2020
Income before income tax	\$ <u>16,445,453</u>	<u>16,614,967</u>
Income tax using the Company's domestic tax rate	3,289,091	3,322,993
Effect of tax rates in foreign jurisdictions	383,215	431,352
Shares of profit of foreign subsidiaries accounted for using equity method	1,558,500	1,797,820
Tax effect of permanent differences	315,188	(165,394)
Investment tax credits	(363,578)	(606,077)
Changes in unrecognized temporary differences and others	(607,000)	(721,417)
Tax-refunded for repatriated offshore funds to Taiwan	<u>-</u>	<u>(547,941)</u>
	\$ <u>4,575,416</u>	<u>3,511,336</u>

B. Deferred tax assets and liabilities

- (a) The deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
Tax effect of deductible temporary differences	\$ <u>701,464</u>	<u>678,731</u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

- (b) The deferred tax liabilities have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>(2,151,112)</u>	<u>(1,535,975)</u>

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2021 and 2020. Also, the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences were not recognized as deferred tax liabilities.

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(c) Recognized deferred tax assets and liabilities

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Effect of changes in exchange rates	December 31, 2021
Assets:					
Allowance for inventory valuation	\$ 259,559	24,640	-	(22,267)	261,932
Defined benefit obligations	332,741	(11,305)	(1,648)	5,922	325,710
Unrealized exchange losses	17,471	(74,152)	-	46	(56,635)
Equity-method investments	12,556	(2,547)	-	-	10,009
Depreciation differences of property, plant and equipment	501,317	146,490	-	(62,293)	585,514
Expected credit loss of accounts receivable	147,548	(1,518)	-	(15,507)	130,523
Others	959,595	(236,484)	-	(92,923)	630,188
	<u>\$ 2,230,787</u>	<u>(154,876)</u>	<u>(1,648)</u>	<u>(187,022)</u>	<u>1,887,241</u>
Liabilities:					
Equity method investments	\$ (3,075,516)	(927,212)	1,186,190	-	(2,816,538)
Depreciation differences of property, plant and equipment	(1,253,801)	(142,773)	-	116,572	(1,280,002)
Others	(613,372)	(112,138)	-	24,439	(701,071)
	<u>\$ (4,942,689)</u>	<u>(1,182,123)</u>	<u>1,186,190</u>	<u>141,011</u>	<u>(4,797,611)</u>
	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Effect of changes in exchange rates	December 31, 2020
Assets:					
Allowance for inventory valuation	\$ 163,197	70,708	-	25,654	259,559
Defined benefit obligation	448,658	(140,599)	(4,718)	29,400	332,741
Loss carryforwards	106,800	(105,208)	-	(1,592)	-
Unrealized exchange losses	127,732	(62,918)	-	(47,343)	17,471
Equity method investments	60,889	(24,793)	(23,540)	-	12,556
Depreciation differences of property, plant and equipment	163,567	304,418	-	33,332	501,317
Expected credit loss of accounts receivable	91,619	(1,621)	-	57,550	147,548
Others	692,578	231,768	-	35,249	959,595
	<u>\$ 1,855,040</u>	<u>271,755</u>	<u>(28,258)</u>	<u>132,250</u>	<u>2,230,787</u>
Liabilities:					
Equity method investments	\$ (2,932,566)	(224,907)	81,957	-	(3,075,516)
Depreciation differences of property, plant and equipment	(852,033)	(76,594)	-	(325,174)	(1,253,801)
Others	(960,980)	(43,924)	-	391,532	(613,372)
	<u>\$ (4,745,579)</u>	<u>(345,425)</u>	<u>81,957</u>	<u>66,358</u>	<u>(4,942,689)</u>

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C. Assessment of tax filings

As of December 31, 2021, income tax returns of the Company for the years through 2019 were assessed by the tax authority.

(16) Capital and other equity

A. Ordinary shares

As of December 31, 2021 and 2020, the authorized ordinary shares of the Company amounted to \$6,000,000 thousand, which was divided into 600,000 thousand shares, with a par value of \$10 per share, of which \$200,000 thousand was reserved for employee stock options, convertible preferred stock, and convertible corporate bonds. The issued and outstanding shares of ordinary shares amounted to \$4,372,500 thousand.

The Company increased capital in GDRs of \$680,000 thousand, and issued 68,000 thousand shares of ordinary shares on the Luxembourg on April 26, 2017. The price issued per share was US\$6.9. The total issuance amount is US\$469,200 thousand. The cash increase was approved by the Financial Supervisory Commission and the record date of capital increase was on April 26, 2017. All shares issued were paid and registered. The total amount issued was equivalent to \$14,141,688 thousand on the day's closing exchange rates. The total premium amounting to \$13,355,424 thousand was recognized on capital surplus after deducting the related issuance cost of \$106,264 thousand.

B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 23,406,252	23,406,252
Employee stock options	60,727	60,727
Equity component of convertible bonds	1,703,470	-
Difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	3,940	3,940
	\$ 25,174,389	23,470,919

According to the R.O.C Company Act, capital surplus can firstly be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus arising from premium on issuance of capital stock and the fair value of donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, to increase ordinary shares by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary shares outstanding.

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According to the R.O.C Company Act Section 241, the capital surplus may be distributed as cash dividends or stock dividends to the shareholders in proportion to the number of shares held. Distribution of capital surplus, by way of cash dividends, should be approved by the Board of Directors in a meeting attended by two-thirds of the total number of directors, with half of the directors' agreement, and reported during the shareholders' meeting. The distribution of earnings through issuance of new shares shall be resolved during the stockholders' meeting.

Based on the resolution approved during the Board of Directors meeting on March 17, 2020, the cash dividends of \$1,305,711 thousand, at \$3 per share, will be distributed out of capital surplus. Related information is available at the Market Observation Post System.

C. Retained earnings

On June 23, 2020, the amendment to the Company's Articles of Incorporation was approved during the stockholders' meeting. The proposal of surplus earning distribution or loss off-setting for the first half fiscal year, together with the business report and financial statements, shall be forwarded to the audit committee for auditing before the end of the second half of the fiscal year; thereafter, be submitted to the Board of Directors for approval.

Distribution of earnings, by way of cash, shall be approved in the Board of Directors meeting. The distribution of earnings through issuance of new shares shall be resolved in the stockholders' meeting.

According to the Company's Articles of Incorporation, earnings distribution on a semiannual basis shall be distributed in the following order:

- (a) Offset the cumulative deficits;
- (b) 10% of the current-period earning should be set aside for legal reserve, until the accumulated legal reserve equals the Company's issued capital;
- (c) Set aside special reserve in accordance with relevant laws or regulations or as requested by the authorities;
- (d) After deducting items (a), (b), and (c) above from the earnings, the remaining undistributed earnings of current and previous years, if any, will be proposed for distribution by the Board of Directors. According to the R.O.C Company Act Section 240(5), it was authorized that the distribution of earnings, in whole or in part by way of cash dividends, shall be made after a resolution has been approved by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and the resolution is reported to shareholders in their meeting. If the distribution of earnings is made by issuance of new shares, wherein the resolution will be approved during the shareholders meeting.

After considering both the long-term development of the business and the goal of stable growth of earnings per share, the distribution of dividends to shareholders should not be less than 50% of the distributable earnings, which is calculated using the net income of the current year, minus, legal reserve and special reserve. Distribution of cash dividends should not be less than 50% of the total dividends.

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(a) Legal reserve

According to the R.O.C Company Act. Section 241, the legal reserve may be distributed as cash dividends or stock dividends to the shareholders in proportion to the number of shares held. Distribution of legal reserve, by way of cash dividends, should be approved by the Board of Directors in a meeting attended by two-thirds of the total number of directors, with half of the directors' agreement; thereafter, be reported in the shareholders' meeting. The distribution of legal reserve through issuance of new shares shall be resolved during the stockholders' meeting.

(b) Special reserve

In accordance with Regulatory Rule No. 1010012865 issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings based on the ruling. Under such regulation, the Company is required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the current-period net debit balance of other equity interests. A portion of undistributed prior-period earnings shall be set aside as a special reserve, which does not qualify for earnings distribution, to account for cumulative net debit balance of other equity interests pertaining to prior periods. The only distributable special reserve is the portion that exceeds the total net debit balance of the other equity interests. The carrying amounts of special reserve were \$1,734,138 thousand and \$2,291,256 thousand as of December 31, 2021 and 2020, respectively.

(c) Earnings distribution

On May 4, 2021, the Board of Directors of the Company decided on the amount of cash dividends for the profit distribution proposal for 2020. Other earnings distribution had reached the statutory resolution threshold through electronic voting on June 24, 2021, and the shareholders' meeting was expected to be held on August 24, 2021.

The distributions of cash dividends per share for the first half of 2021, the second half of 2020, the first half of 2020 and the year of 2019, were approved by the Board of Directors on December 7, 2021, May 4, 2021, December 9, 2020, and March 17, 2020, respectively. The distribution of dividends was as follows:

	The first half of 2021	2020	The first half of 2020	2019
Dividends distributed to ordinary shareholders:				
Cash	<u>\$ 3,481,896</u>	<u>7,834,266</u>	<u>3,481,896</u>	<u>9,575,214</u>

Cash dividends per share for the first half of 2021 was \$8. Cash dividends per share for the year of 2020 was \$18, among which \$8 was distributed in the first half of 2020. Cash dividends per share for the year of 2019 was \$22.

The above-mentioned information is available on the Market Observation Post System website.

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D. Treasury shares

In 2018, in accordance with the requirements under section 28-2 of the Securities and Exchange Act, the Company repurchased 2,013 thousand shares at an amount of \$576,779 thousand as treasury shares, in order to transfer the shares to its employees. As of December 31, 2021, a total of 2,013 thousand shares has yet to be transferred.

In accordance with the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the amount of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital surplus. In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

E. Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	Total
January 1, 2021	\$ (2,591,201)	857,063	(1,734,138)
Foreign exchange differences (net of tax)	(4,938,947)	-	(4,938,947)
Unrealized gains from financial assets measured at fair value through other comprehensive income	<u>-</u>	<u>537,528</u>	<u>537,528</u>
December 31, 2021	<u>\$ (7,530,148)</u>	<u>1,394,591</u>	<u>(6,135,557)</u>
January 1, 2020	<u>(2,530,493)</u>	<u>239,237</u>	<u>(2,291,256)</u>
Foreign exchange differences (net of tax)	(60,708)	-	(60,708)
Unrealized gains from financial assets measured at fair value through other comprehensive income	<u>-</u>	<u>617,826</u>	<u>617,826</u>
December 31, 2020	<u>\$ (2,591,201)</u>	<u>857,063</u>	<u>(1,734,138)</u>

(17) Share-based payment

The Group signed a cash-settled share-based payment contract with its certain employees. According to the agreement, the vesting period is 4 years, and the employees have to fulfill their required service condition, which requires that at each vesting date (February 28, 2019 to 2022), the employees shall be still employed by the Group. At each vesting date, the employee is entitled to 25% of the awards. Furthermore, the value of cash award is determined by the stock price of the Company at each vesting date and the performance of each employee.

As of December 31, 2021 and 2020, the stock prices of the Company were \$888.0 and \$708.0, respectively. For the years 2021 and 2020, the amounts of \$204,334 thousand and \$164,352 thousand, respectively, were recognized by the Group as compensation costs.

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(18) Earnings per share (“EPS”)

A. Basic earnings per share

	<u>2021</u>	<u>2020</u>
Net income attributable to the shareholders of the Company	\$ <u>11,870,037</u>	<u>13,103,631</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	<u>435,237</u>	<u>435,237</u>
Basic earnings per share (dollars)	\$ <u>27.27</u>	<u>30.11</u>

B. Diluted earnings per share

	<u>2021</u>	<u>2020</u>
Net income attributable to the shareholders of the Company	\$ 11,870,037	13,103,631
Interest expense on convertible bonds, net of tax	<u>152,897</u>	<u>-</u>
Net income attributable to the shareholders of the Company (diluted)	\$ <u>12,022,934</u>	<u>13,103,631</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	435,237	435,237
Effect of the conversion of convertible bonds (in thousands of shares)	27,065	-
Effect of the employee remuneration issued by stock (in thousands of shares)	<u>626</u>	<u>1,079</u>
	<u>462,928</u>	<u>436,316</u>
Diluted earnings per share (dollars)	\$ <u>25.97</u>	<u>30.03</u>

(19) Revenue from contracts with customers

A. Disaggregation of revenues

	<u>2021</u>			<u>2020</u>		
	<u>Semiconductor Segment</u>	<u>Power plant Segment</u>	<u>Total</u>	<u>Semiconductor Segment</u>	<u>Power plant Segment</u>	<u>Total</u>
Primary geographical markets:						
Taiwan	\$ 11,100,571	27,439	11,128,010	10,734,985	4,239	10,739,224
Northeast Asia (Japan and Korea)	19,609,054	-	19,609,054	16,824,092	-	16,824,092
Asia - others	11,958,537	-	11,958,537	11,011,666	-	11,011,666
America	8,132,016	-	8,132,016	7,231,434	-	7,231,434
Europe	9,915,560	-	9,915,560	7,218,230	-	7,218,230
Other areas	<u>387,415</u>	<u>-</u>	<u>387,415</u>	<u>2,334,142</u>	<u>-</u>	<u>2,334,142</u>
	\$ <u>61,103,153</u>	<u>27,439</u>	<u>61,130,592</u>	<u>55,354,549</u>	<u>4,239</u>	<u>55,358,788</u>

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	2021			2020		
	Semiconductor Segment	Power plant Segment	Total	Semiconductor Segment	Power plant Segment	Total
Major product categories:						
Semiconductor wafers\$	60,623,123	-	60,623,123	55,138,940	-	55,138,940
Semiconductor ingot	361,301	-	361,301	113,541	-	113,541
Electricity revenue	-	27,439	27,439	-	4,239	4,239
Others	118,729	-	118,729	102,068	-	102,068
	<u>\$ 61,103,153</u>	<u>27,439</u>	<u>61,130,592</u>	<u>55,354,549</u>	<u>4,239</u>	<u>55,358,788</u>

B. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities	<u>\$ 28,634,940</u>	<u>16,728,028</u>	<u>20,200,098</u>

For details on accounts receivables and allowance for impairment, please refer to note 6(4).

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2021 and 2020, which was included in the contract liability balance at the beginning of the period, was \$3,576,362 thousand and \$2,999,561 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the wafer sales contracts, in which revenue is recognized when products are delivered to customers.

(20) Remuneration to employees and directors

In accordance with the Articles of Incorporation, the Company should contribute between 3% and 15% of the profit as employee compensation and no higher than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and compensation for employees is approved by the Board of Directors. Remuneration to directors is paid in cash. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions. A resolution for employee remuneration in the form of shares has to be approved first in the Board of Directors meeting, wherein at least half of the votes are needed, and two thirds of the members are present during the meeting; thereafter, to be reported during the shareholders' meeting.

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For the years ended December 31, 2021 and 2020, the Company accrued and recognized its employee remuneration amounting to \$440,456 thousand and \$463,953 thousand and directors' remuneration amounting to \$45,000 thousand and \$44,500 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's Articles of Incorporation, and expensed under operating costs or expenses. If there would be any changes in accounting estimates the changes shall be accounted for as profit or loss in the following year. If, however, the shareholders determine that the employee remuneration is to be distributed through issuance of shares, the calculation of distributable shares shall be calculated using the stock price on the day before a resolution was made by the Board of Directors. The amounts as stated in the 2021 and 2020 consolidated financial statements were not significantly different from those approved in the Board of Directors meetings.

(21) Non-Operating income and expenses

A. Interest income

	<u>2021</u>	<u>2020</u>
Interest income		
Interest income	\$ <u>142,808</u>	<u>243,546</u>

B. Other gains and losses

	<u>2021</u>	<u>2020</u>
Foreign exchange gains (losses), net	\$ 611,424	(456,515)
Gains (losses) on disposal of property, plant and equipment	15,269	(5,559)
Realized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	(703,632)	1,463,255
Termination fees	(1,566,000)	-
Dividend income	284,293	2,210
Others	<u>275,640</u>	<u>154,837</u>
	\$ <u>(1,083,006)</u>	<u>1,158,228</u>

C. Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense—borrowings	\$ (62,354)	(64,862)
Interest expense—bonds	(236,215)	-
Interest expense—lease liabilities	<u>(9,172)</u>	<u>(8,794)</u>
	\$ <u>(307,741)</u>	<u>(73,656)</u>

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(22) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The main customers of the Group are from the silicon wafer and related industries. The Group generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Group is mainly influenced by the silicon wafer industry. As of December 31, 2021 and 2020, 43% and 46%, respectively, of the Group's accounts receivable (including related parties) were from the top 10 customers. Although there is a potential for concentration of credit risk, the Group routinely assesses the collectability of the accounts receivable and makes a corresponding allowance for doubtful accounts.

(c) Credit risk of receivables

For credit risk exposure on notes and accounts receivables, please refer to note 6(4).

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2021							
Non-derivative financial liabilities							
Short-term borrowings \$	6,264,000	(6,270,264)	(6,270,264)	-	-	-	-
Notes and accounts payable (including related parties)	4,340,450	(4,340,450)	(4,340,450)	-	-	-	-
Accrued payroll and bonus	2,403,861	(2,403,861)	(1,446,238)	(957,623)	-	-	-
Accrued remuneration of directors (other current liabilities)	45,000	(45,000)	-	(45,000)	-	-	-
Lease liabilities	711,173	(757,308)	(88,253)	(70,681)	(70,274)	(161,046)	(367,054)
Ordinary bonds	18,980,771	(19,470,000)	(40,300)	(67,900)	(108,200)	(19,253,600)	-
Convertible bonds	26,143,969	(27,565,891)	-	-	-	(27,565,891)	-
Dividends payable	3,481,896	(3,481,896)	(3,481,896)	-	-	-	-
Other accrued expenses (other current liabilities)	1,566,000	(1,566,000)	(1,566,000)	-	-	-	-
Derivative financial instruments							
Forward exchange contracts:							
Outflows	195,029	(4,477,795)	(4,477,795)	-	-	-	-
Inflows		4,282,766	4,282,766				
	<u>\$ 64,132,149</u>	<u>(66,095,699)</u>	<u>(17,428,430)</u>	<u>(1,141,204)</u>	<u>(178,474)</u>	<u>(46,980,537)</u>	<u>(367,054)</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2020							
Non-derivative financial liabilities							
Short-term borrowings	\$ 9,871,000	(9,880,689)	(9,379,885)	(500,804)	-	-	-
Notes and accounts payable (including related parties)	3,895,464	(3,895,464)	(3,895,464)	-	-	-	-
Accrued payroll and bonus	2,408,567	(2,408,567)	(1,160,995)	(1,247,572)	-	-	-
Accrued remuneration of directors (other current liabilities)	44,500	(44,500)	-	(44,500)	-	-	-
Lease liabilities	668,971	(720,082)	(61,981)	(53,497)	(89,632)	(154,103)	(360,869)
Dividends payable	3,481,896	(3,481,896)	(3,481,896)	-	-	-	-
Derivative financial instruments:							
Swap exchange contracts							
Outflows	34,281	(2,311,480)	(2,311,480)	-	-	-	-
Inflows	-	2,277,199	2,277,199	-	-	-	-
Forward exchange contracts:							
Outflows	-	(6,241,053)	(6,241,053)	-	-	-	-
Inflows	(40,684)	6,281,737	6,281,737	-	-	-	-
	<u>\$ 20,363,995</u>	<u>(20,424,795)</u>	<u>(17,973,818)</u>	<u>(1,846,373)</u>	<u>(89,632)</u>	<u>(154,103)</u>	<u>(360,869)</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2021		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 1,417,652	27.68	39,240,607
JPY	3,488,964	0.2405	839,096
EUR	59,807	31.32	1,873,153
CNY	668,265	4.344	2,902,943
<u>Non-Monetary Items</u>			
USD	22,650	27.68	Note
JPY	208,426	0.2405	Note

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December 31, 2021			
	Foreign currency	Exchange rate	NTD
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	430,463	27.68	11,915,217
JPY	23,118,837	0.2405	5,560,080
EUR	161,763	31.32	5,066,422
CNY	65,388	4.344	284,048
<u>Non-Monetary Items</u>			
USD	8,830	27.68	Note
JPY	14,050,000	0.2405	Note
December 31, 2020			
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 490,516	28.48	13,969,881
JPY	896,275	0.2763	247,641
EUR	40,085	35.02	1,403,781
<u>Non-Monetary Items</u>			
USD	19,900	28.48	Note
JPY	15,295,381	0.2763	Note
EUR	111	35	Note
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	317,396	28.48	9,039,437
JPY	25,393,211	0.2763	7,016,144
EUR	11,976	35.02	419,410
<u>Non-Monetary Items</u>			
USD	86,760	28.48	Note
JPY	5,000,000	0.2763	Note

Note: The fair value of forward exchange contracts was measured at the reporting date. For related information, please refer to note 6(2).

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(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, borrowings, and accounts payable, that are denominated in foreign currencies. A weakening (strengthening) of 1% of the NTD against the USD and JPY as of December 31, 2021 and 2020, would have increased or decreased the net income before income tax by \$220,300 thousand and decrease or increase by \$8,537 thousand, respectively. The analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis was performed on the same basis for comparative years.

(c) Foreign exchange gains and losses on monetary items

Since the Group has many kinds of functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed by an aggregate amount. For years of 2021 and 2020, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$611,424 thousand and \$(456,515) thousand, respectively.

D. Interest rate analysis

Please refer to the notes on liquidity risk management for interest rate exposure of the Group's financial liabilities.

The following sensitivity analysis is based on the exposure to interest rates. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased or decreased by 0.25%, the Group's net income before income tax would have increased or decreased by \$29,335 thousand and \$20,773 thousand, for the years ended December 31, 2021 and 2020, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's bank deposits and borrowings with variable rates.

E. Other price risk

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31,			
	2021		2020	
	Other comprehensive income before tax	Net income before income tax	Other comprehensive income before tax	Net income before income tax
Prices of securities at the reporting date				
Increasing 5%	\$ 9,254	908,677	5,074	280,216
Decreasing 5%	(9,254)	(908,677)	(5,074)	(280,216)

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F. Fair value of financial instruments

(a) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Forward exchange contract	\$ 3,450	-	3,450	-	3,450
Overseas securities held	18,173,549	18,173,549	-	-	18,173,549
Privately offered fund	195,163	-	-	195,163	195,163
	<u>\$ 18,372,162</u>	<u>18,173,549</u>	<u>3,450</u>	<u>195,163</u>	<u>18,372,162</u>
Financial assets at fair value through other comprehensive income					
Stock listed on domestic market	<u>\$ 185,073</u>	<u>185,073</u>	<u>-</u>	<u>-</u>	<u>185,073</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 65,894,422	-	-	-	-
Notes and accounts receivable (including related parties)	9,117,714	-	-	-	-
Other financial assets—current and non-current	5,081,297	-	-	-	-
	<u>\$ 80,093,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss					
Forward exchange contract	\$ 198,479	-	198,479	-	198,479
Embedded derivatives of convertible bonds	178,637	-	178,637	-	178,637
	<u>\$ 377,116</u>	<u>-</u>	<u>377,116</u>	<u>-</u>	<u>377,116</u>

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		December 31, 2021			
		Carrying amount	Fair value		
			Level 1	Level 2	Level 3
					Total
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 6,264,000	-	-	-	-
Notes and accounts payable (including related parties)	4,340,450	-	-	-	-
Accrued remuneration of directors (other current liabilities)	45,000	-	-	-	-
Ordinary bonds	18,980,771	-	-	-	-
Convertible bonds	26,143,969	-	-	-	-
Lease liabilities-current and non-current	711,173	-	-	-	-
Other accrued expenses (other current liabilities)	1,566,000	-	-	-	-
	\$ 58,051,363	-	-	-	-
		December 31, 2020			
		Carrying amount	Fair value		
			Level 1	Level 2	Level 3
					Total
Financial assets at fair value through profit or loss					
Forward exchange contract	\$ 52,356	-	52,356	-	52,356
Overseas securities held	5,604,312	5,604,312	-	-	5,604,312
Privately offered fund	117,204	-	-	117,204	117,204
	\$ 5,773,872	5,604,312	52,356	117,204	5,773,872
Financial assets at fair value through other comprehensive income					
Stock listed on domestic market	\$ 101,475	101,475	-	-	101,475
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 22,439,481	-	-	-	-
Notes and accounts receivable (including related parties)	8,037,430	-	-	-	-
Other financial assets—current and non-current	5,848,774	-	-	-	-
	\$ 36,325,685	-	-	-	-

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	December 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Forward exchange contract	\$ 11,672	-	11,672	-	11,672
Swap exchange contract	34,281	-	34,281	-	34,281
	<u>\$ 45,953</u>	<u>-</u>	<u>45,953</u>	<u>-</u>	<u>45,953</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 9,871,000	-	-	-	-
Notes and accounts payable (including related parties)	3,895,465	-	-	-	-
Lease liabilities – current and non-current	668,971	-	-	-	-
	<u>\$ 14,435,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Valuation techniques for financial instruments measured at fair value

i. Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments in an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique, including a model using observable market data at the reporting date.

ii. Derivative financial instruments

Measurements of the fair value of derivative instruments are based on the valuation techniques generally accepted by market participants, such as the discounted cash flow or option pricing models. The fair value of forward currency is usually determined based by the forward currency exchange rate.

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(c) Reconciliation of Level 3 fair value

	Financial assets measured at fair value through profit or loss
January 1, 2021	\$ 117,204
Addition in investment	27,819
Recognized in profit or loss	50,140
December 31, 2021	\$ 195,163
January 1, 2020	\$ 95,163
Addition in investment	29,064
Recognized in profit or loss	(7,023)
December 31, 2020	\$ 117,204

(d) The fair value of the Group's financial instruments that use Level 3 inputs to measure fair value was based on the price of the third party. The Group did not disclose quantified information and sensitivity analysis on significant unobservable inputs because the unobservable inputs used in fair value measurement were not established by the Group.

(e) As of December 31, 2021 and 2020, there was no transfer at fair value level.

(23) Financial risk management

A. Overview

The Group has exposures to the following risks from its financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board is responsible for developing and monitoring company's risk management policies. Internal auditors assist the Board of Directors to monitor and review the risk management control and internal procedures regularly and report them to the board of directors.

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The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results of which are reported to the audit committee.

C. Credit risk

The Group's potential credit risk is derived primarily from cash and accounts receivable. The Group maintains its cash in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Group. As a result, the Group believes that there is no concentration of credit risk for cash.

For the year ended December 31, 2020, the Company only provided endorsements for its 100% owned subsidiaries.

D. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Group has sufficient capital and working capital to fulfill contract obligations.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (NTD), but also include the Chinese Yen (CNY), US Dollar (USD), Euro (EUR) and Japanese Yen (JPY). These transactions are denominated in NTD, USD, EUR and JPY.

Interest is denominated in the currency used in borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily NTD, but also include USD.

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In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances.

(b) Interest rate risk

The Group holds variable-rate assets and liabilities, which cause the exposure to interest rate risk in cash flows.

(24) Capital management

The Board of Directors policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

The Group's debt-to-equity ratios at the end of the reporting periods were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 105,013,473	50,696,717
Less: cash and cash equivalents	<u>(65,894,422)</u>	<u>(22,439,481)</u>
Net debt	\$ 39,119,051	28,257,236
Total equity	\$ 45,631,503	44,154,900
Debt-to-equity ratio	<u>85.73 %</u>	<u>64.00 %</u>

The increase in other current liabilities resulted in the debt-to-equity ratio to increase as at December 31, 2021.

(25) Cash flow information

A. For acquiring right-of-use assets by lease, please refer to note 6(8).

B. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Foreign exchange movement and others	December 31, 2021
Short-term borrowings	\$ 9,871,000	(3,607,000)	-	6,264,000
Lease liabilities	668,971	(180,213)	222,415	711,173
Bonds payable	-	46,812,845	(1,688,105)	45,124,740
Guarantee deposit received	<u>35,031</u>	<u>(35,031)</u>	<u>-</u>	<u>-</u>
Total liabilities from financing activities	\$ 10,575,002	42,990,601	(1,465,690)	52,099,913

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	January 1, 2020	Cash flows	Foreign exchange movement and others	December 31, 2020
Short-term borrowings	\$ 9,886,000	(15,000)	-	9,871,000
Lease liabilities	788,026	(159,280)	40,225	668,971
Guarantee deposit received	192,733	(156,249)	(1,453)	35,031
Total liabilities from financing activities	<u>\$ 10,866,759</u>	<u>(330,529)</u>	<u>38,772</u>	<u>10,575,002</u>

7. Related-party transactions:

- (1) Parent company and ultimate controlling company

Sino-American Silicon Product Inc. (“SAS”) is both the parent company and the ultimate controlling party of the Group. As of December 31, 2021, it owns 51.17% of all shares outstanding of the Company and has issued the consolidated financial statements available for public use.

- (2) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Sino-American Silicon Product Inc. (“SAS”)	The parent company
Taiwan Specialty Chemical Co., Ltd.	Subsidiary of SAS
Actron Technology Corp.	Associate of the parent company
Crystalwise Technology Inc.	Associate of the parent company
Accu Solar Corporation	Associate of the parent company

- (3) Key management personnel compensation

Key management personnel compensation comprised of:

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$ 307,220	271,528
Post-employment benefits	706	706
	<u>\$ 307,926</u>	<u>272,234</u>

The Group provided a car costing \$1,500 thousand, for key management use in 2021 and 2020, respectively.

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(4) Significant transactions with related parties

A. Sales

The amounts of significant sales by the Group to related parties were as follows:

	For the years ended December 31,	
	2021	2020
Parent company	\$ 16,476	5,954
Other related parties	289,885	224,490
	\$ 306,361	230,444

The sales price for sales to the related parties was determined by market price and adjusted according to the sales area and sales volume.

The credit terms for third parties were 0 to 120 days after month-end both in 2021 and 2020, while those for related parties were 30 to 90 days after month-end both in 2021 and 2020.

B. Purchases and process outsourcing

The amounts of purchases and process outsourcing by the Group from related parties were as follows:

Related parties	For the years ended December 31,	
	2021	2020
Parent company	\$ 2,090,471	1,061,951
Other related parties	157	442
	\$ 2,090,628	1,062,393

The prices of purchases and process outsourcing were determined by market rates.

The payment terms to third parties were 0 to 120 days after month-end both in 2021 and 2020, while those of related parties were 30 days after the following month-end both in 2021 and 2020.

C. Receivables from related parties

The receivables from related parties were as follows:

Items	Categories	December 31, 2021	December 31, 2020
Receivable from related parties	Parent company	\$ 2,701	582
Receivable from related parties	Other related parties	65,929	72,414
		\$ 68,630	72,996

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D. Payables to related parties

The payables to related parties were as follows:

<u>Items</u>	<u>Categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payable to related parties	Parent company	\$ 180,466	207,834
Payable to related parties	Other related parties	450	273
		<u><u>\$ 180,916</u></u>	<u><u>208,107</u></u>

E. Prepayments

The prepayments to the parent company were for material purchases which were paid in full. As of December 31, 2021 and 2020, the balance of prepayments, which were recognized as other current assets, amounted to \$1,717,408 thousand and \$0 thousand, respectively.

F. Payment on behalf of others

The receivables from related parties and payables to related parties generated from material purchases, insurance and utilities payments and manpower support of related parties as of December 31, 2021 and 2020 were as follows:

<u>Related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Parent company	\$ 149	116
Parent company	(123)	(1,643)
Other related parties	-	(76)
	<u><u>\$ 26</u></u>	<u><u>(1,603)</u></u>

G. Transactions of property, plant and equipment

- (a) Purchase amounts of property, plant and equipment from related parties were summarized as follows:

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Parent company	\$ 246,742	94,311
Other related parties	85,542	55,398
	<u><u>\$ 332,284</u></u>	<u><u>149,709</u></u>

As of December 31, 2021 and 2020 the prepayment for equipment was \$36,745 thousand and \$32,435 thousand, respectively; the payables were \$98,313 thousand and \$35,797 thousand, respectively.

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- (b) Disposal amounts of property, plant and equipment to related parties were summarized as follows:

Related parties	For the years ended December 31,	
	2021	2020
Parent company	\$ <u>-</u>	<u>260</u>

As of December 31, 2020, the consideration from the above transactions had been fully received.

H. Leases

The Group rented the plant from the parent company. A two-year lease contract was signed. The total value of the contract was \$21,579 thousand, please refer to note 6(13). For the year ended December 31, 2021, the Group recognized the amount of \$86 thousand as the interest expense. As of December 31, 2021, the balance of lease liabilities amounted to \$16,221 thousand.

I. Others

- (a) The Group provides other services for related parties, including service support, machine usage, human resources and plant lease, etc. Details of related other income and receivables from related parties were as follows:

Related parties		For the years ended December 31,	
		2021	2020
Parent Company and other related parties		\$ <u>5,431</u>	<u>9,580</u>

Items	Categories	December 31, 2021	December 31, 2020
Receivable to related parties	Parent company	\$ 777	1,267
Receivable to related parties	Other related parties	89	433
		\$ <u>866</u>	<u>1,700</u>

- (b) The related parties charged the Group for their services, including administrative assistance, technical service, legal work appointment, and plant lease. Details of related other expenses and payables to related parties were as follows:

Related parties		For the years ended December 31,	
		2021	2020
Parent company and other related parties		\$ <u>110,421</u>	<u>38,411</u>

Items	Categories	December 31, 2021	December 31, 2020
Payable to related parties	Parent company	\$ 27,985	8,891
Payable to related parties	Other related parties	183	-
		\$ <u>28,168</u>	<u>8,891</u>

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8. Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposits (recognized in other financial assets — current)	Guarantees of acceptances bill	\$ -	17,423
Property, plant and equipment	Credit lines of borrowings	2,306,056	3,093,503
Time deposits (recognized in other financial assets — non-current)	Guarantee for gas consumption from CPC Corporation	2,000	2,000
Time deposits (recognized in other financial assets — non-current)	Guarantee payment for import VAT	5,000	5,000
Time deposits (recognized in other financial assets — non-current))	Guarantee for the lease contract with the Hsinchu Science Industrial Park Bureau	40,687	40,679
Time deposits (recognized in other financial assets — non-current)	Guarantee for bank financing projects	138,400	142,400
		<u><u>\$ 2,492,143</u></u>	<u><u>3,301,005</u></u>

9. Commitments and contingencies:

(1) Significant unrecognized contractual commitments

- A. As of December 31, 2021 and 2020, the purchase amounts for future procurement from suppliers under the existing agreements were \$12,913,705 thousand and \$1,024,391 thousand, respectively.
- B. As of December 31, 2021 and 2020, the Group's unused letters of credit amounted to \$322,187 thousand and \$94,554 thousand, respectively.
- C. As of December 31, 2021 and 2020, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to \$9,231,668 thousand and \$1,404,731 thousand, respectively.
- D. As of December 31, 2021 and 2020, a guarantee letter for the Customs Administration and research and development projects issued by the bank amounted to \$48,000 thousand and \$14,000 thousand, respectively.
- E. The Group signed a long-term sales contract with certain customers and received advance payments. The customer is required to order minimum quantity according to the contract. As of December 31, 2021 and 2020, a guarantee letter for the customer issued by the bank amounted to \$905,394 thousand and \$88,651 thousand, respectively.

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- F. The Company has made an application of the Management, Utilization, and Taxation of Repatriated Offshore Funds Act to the tax authorities on November 28, 2019 and February 21, 2020. The application was approved and the fund was repatriated. Up to 5% of the funds could be withdrawn and freely utilized. The remaining 95% can only be withdrawn for the investments approved by the Ministry of Economic Affairs, R.O.C. upon the elapse of five full years after the date of depositing the fund into a segregated foreign exchange deposit account. The Company has made an application to utilize the fund for capital investment. The fund is planned to utilize for factory expansion, purchase of factory's facilities and other related capital expenditure. As of December 31, 2021 and 2020, the balances of the account were \$3,944,367 thousand and \$5,491,302 thousand, respectively, recorded as other current financial assets and other non-current financial assets.
- G. GlobalWafers Co., Ltd.'s board resolved to acquire Siltronic AG outstanding shares at EUR125 per share on December 9, 2020. The business combination with Siltronic AG would maximize the shareholders benefits. GlobalWafers Co., Ltd. and Siltronic AG signed a business combination agreement on December 10, 2020, wherein the Group issued a EUR50 million letter of payment guarantee through the bank.

The Company also signed an irrevocable undertaking agreement with Wacker Chemie AG (Wacker Chemie). It was approved by German Federal Financial Supervisory Authority (BaFin) on December 21, 2020, to publish the offer document outlining terms of the voluntary public takeover offer for the acquisitions of all no-par value registered shares in Siltronic AG.

On January 22, 2021, the final offer price was adjusted to EUR145 per share, and the acceptance period of takeover offer was due on March 1, 2021. The Group signed the letter of payment guarantee with an amount up to EUR4.2 billion (equivalent to acquisition consideration) through the bank. As of January 31, 2022, the Company did not obtain the approval from the German government in due course.

(2) Contingent liabilities: None

10. Losses due to major disasters: None

11. Subsequent Events:

As of January 31, 2022, the closing date of the transaction, the Company failed to obtain the approval of the German Government, therefore, the Company's public offer for Siltronic and the related contract lapsed due to the failure to fulfill the conditions.

The 13.67% shares of Siltronic acquired by the Company in the market may be freely disposed of, and there is no restriction on the holding period. The 56.60% of Siltronic shares that should have been sold during the public offer period remained with the original shareholders, and were converted to outstanding common shares on February 8, 2022, for which the Company has no obligation to perform.

In addition, according to the business combination agreement between the Company and Siltronic, a termination fee of EUR 50 million was payable to Siltronic for failure to obtain the required approval from the competent authorities, which had been provisionally recorded in other current liabilities.

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12. Other:

A summary of the employee benefits, depreciation, and amortization expenses, by function is as follows:

By item	For the years ended December 31,					
	2021			2020		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	7,623,702	2,193,218	9,816,920	7,337,765	1,838,266	9,176,031
Labor and health insurance	1,028,471	213,824	1,242,295	1,050,990	173,736	1,224,726
Pension	552,217	87,991	640,208	281,561	81,485	363,046
Others	206,991	58,335	265,326	130,701	45,453	176,154
Depreciation	5,525,012	161,679	5,686,691	5,030,822	134,468	5,165,290
Amortization	206,671	3,722	210,393	347,433	9,062	356,495

13. Other disclosures:

(1) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- A. Loans to other parties: Please refer to Table 1.
- B. Guarantees and endorsements for other parties: Please refer to Table 2.
- C. Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Individual securities acquired or disposed of with accumulated amounts exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 4.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 5.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 6.

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- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 7.
- I. Trading in derivative instruments: Please refer to note 6(2).
- J. Business relationships and significant intercompany transactions: Please refer to Table 8.

(2) Information on investees: Please refer to Table 9.

(3) Information on investment in mainland China:

- A. The names of investees in Mainland China, the main businesses and products and other information: Please refer to Table 10(1).
- B. Limitation on investment in Mainland China: Please refer to Table 10(2).
- C. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the "Information on significant transactions".

(4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sino-American Silicon Product Inc.		222,727,000	51.17 %

14. Segment information:

(1) General information

The Group's reportable segments and their operations are as follows:

A. Semiconductor Segment

It engages in the research, development, production, design and sales of semiconductor ingots and wafers.

B. Power plant Segment

In order to obtain the source of green power, the segment engages in generating electricity, transporting of electricity, manufacturing of electrical machinery, and sales of electricity during the period.

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(2) Product and service information

	2021			
	Semiconductor segment	Power plant segment	Reconciliation and elimination	Total
Revenue				
External customers	\$ 61,103,153	27,439	-	61,130,592
Intersegment	-	-	-	-
Total revenue	<u>\$ 61,103,153</u>	<u>27,439</u>	<u>-</u>	<u>61,130,592</u>
Interest expense	<u>\$ 307,680</u>	<u>61</u>	<u>-</u>	<u>307,741</u>
Depreciation and amortization	<u>\$ 5,884,220</u>	<u>12,864</u>	<u>-</u>	<u>5,897,084</u>
Reportable segment profit or loss	<u>\$ 11,798,220</u>	<u>3,421</u>	<u>-</u>	11,801,641
Share of profit (loss) of associates accounted for using equity method				68,396
				<u>\$ 11,870,037</u>
Reportable segment assets				
December 31, 2021	<u>\$ 147,473,088</u>	<u>1,480,544</u>	<u>-</u>	\$ 148,953,632
Equity method investments				1,691,344
				<u>\$ 150,644,976</u>
Reportable segment liabilities				
December 31, 2021	<u>\$ 104,859,367</u>	<u>154,106</u>	<u>-</u>	<u>105,013,473</u>
2020				
	Semiconductor segment	Power plant segment	Reconciliation and elimination	Total
Revenue				
External customers	\$ 55,354,549	4,239	-	55,358,788
Intersegment	-	-	-	-
Total revenue	<u>\$ 55,354,549</u>	<u>4,239</u>	<u>-</u>	<u>55,358,788</u>
Interest expense	<u>\$ 73,656</u>	<u>-</u>	<u>-</u>	<u>73,656</u>
Depreciation and amortization	<u>\$ 5,519,586</u>	<u>2,199</u>	<u>-</u>	<u>5,521,785</u>
Reportable segment profit or loss	<u>\$ 13,066,106</u>	<u>716</u>	<u>-</u>	13,066,822
Share of profit (loss) of associates accounted for using equity method				36,809
				<u>\$ 13,103,631</u>
Reportable segment assets				
December 31, 2020	<u>\$ 92,445,122</u>	<u>1,204,319</u>	<u>-</u>	\$ 93,649,441
Equity method investments				1,202,176
				<u>\$ 94,851,617</u>
Reportable segment liabilities				
December 31, 2020	<u>\$ 50,660,189</u>	<u>36,528</u>	<u>-</u>	<u>50,696,717</u>

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

(3) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

A. The Group's revenue from external customers and the relevant customer contract revenue, please refer to note 6(19).

B. Non-current assets:

<u>Geographical information</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Korea	\$ 13,283,323	15,931,775
United States	5,342,424	7,789,564
Japan	7,393,672	6,960,047
Taiwan	7,589,990	5,361,832
Italy	2,732,540	3,259,190
Others	<u>2,048,682</u>	<u>1,866,547</u>
	<u>\$ 38,390,631</u>	<u>41,168,955</u>

(4) Major customers information

Sales to individual customers representing greater than 10% of net sales of the Group:

	<u>For the years ended December 31, 2021</u>	<u>2020</u>
Group C	<u>\$ 12,789,073</u>	<u>10,936,309</u>

GlobalWafers Co., Ltd. and Subsidiaries

Loans to other parties

For the year ended December 31, 2021

Table 1

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
0	The Company	GlobalWafers GmbH	Receivable from related parties	Yes	6,866,000	-	-	0.45%	2	-	Operating capital	-	-	-	18,252,601	18,252,601
0	The Company	SPV5	Receivable from related parties	Yes	10,000	10,000	10,000	1.00%	2	-	Operating capital	-	-	-	18,252,601	18,252,601
0	The Company	GWH	Receivable from related parties	Yes	500,000	500,000	-	1.00%	2	-	Operating capital	-	-	-	18,252,601	18,252,601
1	GWJ	MEMC Japan	Receivable from related parties	Yes	1,443,000	1,443,000	745,550	0.59%	2	-	Operating capital	-	-	-	16,451,608	16,451,608
1	GWJ	The Company	Receivable from related parties	Yes	5,667,660	3,607,500	2,886,000	0.56%	2	-	Operating capital	-	-	-	16,451,608	16,451,608
1	GWJ	The Company	Receivable from related parties	Yes	5,106,080	-	-	0.55%	1	7,245,440	Business between two parties	-	-	-	7,245,440	16,451,608
2	MEMC SpA	GlobalWafers B.V.	Receivable from related parties	Yes	1,888,150	1,722,600	1,722,600	0.45%	2	-	Operating capital	-	-	-	8,678,590	8,678,590
2	MEMC SpA	GlobalWafers Singapore	Receivable from related parties	Yes	2,680,860	2,442,960	1,908,946	3.44%	2	-	Operating capital	-	-	-	8,678,590	8,678,590
3	GlobalWafers Singapore	GlobalWafers B.V.	Receivable from related parties	Yes	2,853,500	936,857	936,857	1.20%	2	-	Operating capital	-	-	-	40,588,738	40,588,738
3	GlobalWafers Singapore	GlobalWafers GmbH	Receivable from related parties	Yes	4,291,250	3,915,000	3,915,000	0.45%	2	-	Operating capital	-	-	-	40,588,738	40,588,738
3	GlobalWafers Singapore	The Company	Receivable from related parties	Yes	12,270,050	11,902,400	7,287,384	0.80%~1.20%	2	-	Operating capital	-	-	-	40,588,738	40,588,738
4	GTI	MEMC LLC	Receivable from related parties	Yes	199,745	193,760	-	1.75%	2	-	Operating capital	-	-	-	9,776,708	9,776,708
4	GTI	The Company	Receivable from related parties	Yes	1,426,750	1,384,000	1,384,000	0.80%	2	-	Operating capital	-	-	-	9,776,708	9,776,708
5	GlobalWafers B.V.	GlobalWafers GmbH	Receivable from related parties	Yes	4,806,200	4,384,800	2,662,000	0.45%	2	-	Operating capital	-	-	-	40,277,615	40,277,615
6	GWH	SPV4	Receivable from related parties	Yes	50,000	50,000	10,000	1.00%	2	-	Operating capital	-	-	-	100,161	100,161

Note 1: The nature of financing purposes:

(1) Represents entities with business transaction with the Group.

(2) Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note 2: For entities who have business transactions with the Company, the amount of financing shall not exceed the amount of business transaction for the current year. For the purpose of lending operating capital, the amount of financing offered to a single company and to an investee whose voting shares, directly or indirectly, owned by the Company shall not exceed 40 percent of the lender's net worth.

Note 3: The total amount available for financing purposes shall not exceed 40 percent of the lender's net worth. The total amount available for financing to investees whose voting shares, directly or indirectly, owned by the Company shall not exceed 40 percent of the Company's net worth.

Note 4: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

GlobalWafers Co., Ltd. and Subsidiaries
Guarantees and endorsements for other parties
For the year ended December 31, 2021

Table 2

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3, 4)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	GlobalWafers GmbH	2	136,894,509	112,244,400	91,485,720	6,577,200	-	200.49 %	136,894,509	Y	N	N
0	The Company	GWH	2	136,894,509	1,300,000	1,300,000	-	-	2.85 %	136,894,509	Y	N	N
0	The Company	SPV4	2	136,894,509	100,000	100,000	-	-	0.22 %	136,894,509	Y	N	N
0	The Company	SPV5	2	136,894,509	79,800	79,800	79,800	-	0.17 %	136,894,509	Y	N	N
0	The Company	GWS	2	136,894,509	1,260,000	1,252,800	1,252,800	-	2.75 %	136,894,509	Y	N	N
1	GTI	MEMC LLC	2	48,883,540	428,025	415,200	93,013	-	4.25 %	48,883,540	N	N	N

Note 1: The characters of guarantees and endorsements are coded as follows:

(1) The issuer is coded "0".

(2) The investee is coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:

(1) Ordinary business relationship.

(2) Subsidiary which owned more than 50 percent by the guarantor.

(3) An investee owned more than 50 percent in total by both the guarantor and its subsidiary.

(4) An investee owned more than 90 percent by the guarantor or its subsidiary.

(5) Fulfillment of contractual obligations by providing mutual endorsements and guarantor for peer or joint builders in order to undertake a construction project.

(6) An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

(7) The companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for per-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The total amount of external endorsements and/or guarantees shall worth no more than triple of the Company's net worth.

Note 4: The total amount of external endorsements and/or guarantees for any single company shall not exceed 10 percent of the Company's net worth. However, for subsidiaries shall not exceed 3 times of the Company's net worth.

GlobalWafers Co., Ltd. and Subsidiaries

Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures)

December 31, 2021

Table 3

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance				Highest Percentage of ownership (%) during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	CDIB Capital Growth Partners L.P.	None	Financial assets at fair value through profit or loss, mandatorily measured at fair value — non-current	-	195,163	3.85 %	195,163	3.85 %	
The Company	Siltronic AG	None	Financial assets at fair value through profit or loss — non-current	650	2,879,639	2.17 %	2,879,639	2.17 %	
GlobalWafers GmbH	Siltronic AG	None	Financial assets at fair value through profit or loss — non-current	2,851	12,631,231	9.50 %	12,631,231	9.50 %	
GWBV	Siltronic AG	None	Financial assets at fair value through profit or loss — non-current	600	2,662,679	2.00 %	2,662,679	2.00 %	
The Company	WT Microelectronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,518	185,073	0.32 %	185,073	0.32 %	

GlobalWafers Co., Ltd. and Subsidiaries

**Individual securities acquired or disposed of with accumulated amounts exceeding the lower of than NT\$300 million or 20% of the capital stock
For the year ended December 31, 2021**

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount (Note)
GWBV	Siltronic AG	Financial assets at fair value through profit or loss — non-current	-	None	600	2,688,372	-	-	-	-	-	-	600	2,662,679
GlobalWafers GmbH	Siltronic AG	Financial assets at fair value through profit or loss — non-current	-	None	-	-	2,851	12,631,231	-	-	-	-	2,851	12,631,231
The Company	Siltronic AG	Financial assets at fair value through profit or loss — non-current	-	None	650	2,915,490	-	-	-	-	-	-	650	2,879,639

Note: Ending balance including unrealized gain or loss.

GlobalWafers Co., Ltd. and Subsidiaries

Acquisition of individual real estate with amount exceeding the lower than NT\$300 million or 20% of the capital stock

For the year ended December 31, 2021

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
MEMC Korea	Property, plant and equipment	October 5, 2018	1,814,200	To the progress of the project	Sungdo Eng. Company	Non-related parties	-	-	-	-	Fair value	For operating purpose	None
MEMC Korea	Property, plant and equipment	September 2018	330,175	To the progress of the project	L.Keeley Construction	Non-related parties	-	-	-	-	Fair value	For operating purpose	None

GlobalWafers Co., Ltd. and Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower than NT\$300 million or 20% of the capital stock

For the year ended December 31, 2021

Table 6

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	SAS	Parent Company	Purchase	2,090,471	15 %	Net 30 days from the end of the next month upon issuance of invoice	-	-	(177,872)	(4)%	
The Company	GTI	Indirectly held subsidiaries	Purchase	2,073,802	3 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(359,256)	(4)%	
The Company	SST	Indirectly held subsidiaries	Purchase	2,061,886	3 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(379,953)	(4)%	
The Company	GWJ	Directly held subsidiaries	Purchase	6,697,405	11 %	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(1,872,552)	(21)%	
The Company	Topsil A/S	Indirectly held subsidiaries	Purchase	866,388	1 %	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(192,461)	(2)%	
The Company	GWS	Indirectly held subsidiaries	Purchase	712,957	1 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(122,445)	(1)%	
GWS	The Company	Indirectly held subsidiaries	Purchase	6,583,737	11 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(1,209,905)	(13)%	
MEMC Korea	The Company	Indirectly held subsidiaries	Purchase	1,762,010	3 %	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(463,477)	(5)%	
MEMC SpA	The Company	Indirectly held subsidiaries	Purchase	811,078	1 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(155,577)	(2)%	
GTI	The Company	Indirectly held subsidiaries	Purchase	3,606,789	6 %	Net 45 days from the end of the month upon issuance of invoice	-	-	(450,697)	(5)%	
SST	The Company	Indirectly held subsidiaries	Purchase	1,090,130	2 %	Net 30 days from the end of the month upon issuance of invoice	-	-	(83,416)	(1)%	

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
GWJ	The Company	Directly held subsidiaries	Purchase	2,619,443	4 %	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(735,503)	(8)%	
Topsil A/S	The Company	Indirectly held subsidiaries	Purchase	396,400	1 %	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(77,771)	(1)%	
Actron Technology	The Company	Associate of the parent company	Purchase	289,612	- %	Net 60 days from the end of the next month upon issuance of invoice	-	-	(65,911)	(1)%	
MEMC Sdn Bhd	The Company	Indirectly held subsidiaries	Purchase	123,758	- %	Net 60 days from the end of the month upon issuance of invoice	-	-	(17,452)	-%	
GWS	MEMC LLC	Indirectly held subsidiaries	Purchase	1,399,475	2 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(219,690)	(2)%	
GWS	MEMC LLC	Indirectly held subsidiaries	Sale	(639,618)	(1) %	Net 60 days from the end of the month upon issuance of invoice	-	-	125,959	1%	
GWS	MEMC Sdn Bhd	Indirectly held subsidiaries	Purchase	1,671,021	3 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(295,483)	(3)%	
GWS	MEMC Sdn Bhd	Indirectly held subsidiaries	Sale	(628,577)	(1) %	Net 60 days from the end of the month upon issuance of invoice	-	-	105,615	1%	
GWS	MEMC SpA	Indirectly held subsidiaries	Purchase	3,701,587	6 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(651,383)	(7)%	
GWS	MEMC SpA	Indirectly held subsidiaries	Sale	(4,148,873)	(7) %	Net 60 days from the end of the month upon issuance of invoice	-	-	742,296	8%	
GWS	MEMC Korea	Indirectly held subsidiaries	Purchase	1,432,638	2 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(263,573)	(3)%	
GWS	MEMC Japan	Indirectly held subsidiaries	Purchase	4,067,502	7 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(729,443)	(8)%	
GWS	MEMC Japan	Indirectly held subsidiaries	Sale	(1,534,937)	(3) %	Net 60 days from the end of the month upon issuance of invoice	-	-	263,177	3%	

Note: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

GlobalWafers Co., Ltd. and Subsidiaries

Receivables from related parties with amounts exceeding the lower than NT\$100 million or 20% of the capital stock

December 31, 2021

Table 7

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	GTI	Indirectly held subsidiaries	450,697	9.10	-		268,332	-
The Company	GWJ	Directly held subsidiaries	735,503	4.52	-		311,828	-
The Company	GWS	Indirectly held subsidiaries	1,209,905	6.05	-		1,209,905	-
The Company	MEMC Korea	Indirectly held subsidiaries	463,477	4.96	-		379,126	-
The Company	MEMC SpA	Indirectly held subsidiaries	155,577	5.11	-		151,219	-
SAS	The Company	Parent Company	177,872	11.06	-		177,872	-
GTI	The Company	Indirectly held subsidiaries	359,256	6.50	-		359,256	-
SST	The Company	Indirectly held subsidiaries	379,953	5.95	-		360,797	-
GWJ	The Company	Directly held subsidiaries	1,872,552	3.59	-		1,220,081	-
GWS	The Company	Indirectly held subsidiaries	122,445	8.34	-		80,866	-
Topsil A/S	The Company	Indirectly held subsidiaries	192,461	6.79	-		191,085	-
GWS	MEMC Sdn Bhd	Indirectly held subsidiaries	105,615	5.57	-		105,615	-
GWS	MEMC Japan	Indirectly held subsidiaries	263,177	5.92	-		263,177	-
GWS	MEMC SpA	Indirectly held subsidiaries	742,296	6.83	-		742,296	-
GWS	MEMC LLC	Indirectly held subsidiaries	125,959	5.66	-		125,959	-
MEMC Sdn Bhd	GWS	Indirectly held subsidiaries	295,483	5.70	-		295,483	-
MEMC SpA	GWS	Indirectly held subsidiaries	651,383	6.26	-		651,383	-
MEMC Korea	GWS	Indirectly held subsidiaries	263,573	5.99	-		134,282	-
MEMC Japan	GWS	Indirectly held subsidiaries	729,443	5.52	-		729,443	-
MEMC LLC	GWS	Indirectly held subsidiaries	219,690	9.71	-		219,690	-
GWJ	The Company	Directly held subsidiaries	2,886,000	-	-		481,000	-
				(Note 3)				

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
GTI	The Company	Indirectly held subsidiaries	1,384,000	- (Note 3)	-		-	-
GWS	The Company	Indirectly held subsidiaries	7,287,384	- (Note 3)	-		-	-

Note 1: The amount received in subsequent period as of February 25, 2022.

Note 2: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

Note 3: Receivables from related-party for financing purpose.

GlobalWafers Co., Ltd. and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2021

Table 8

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets (Note 3,4)
0	The Company	SAS	2	Purchase	2,090,471	Net 30 days from the end of the next month upon issuance of invoice	3.42%
0	The Company	GTI	1	Purchase	2,073,802	Net 60 days from the end of the month upon issuance of invoice	3.39%
0	The Company	SST	1	Purchase	2,061,886	Net 60 days from the end of the month upon issuance of invoice	3.37%
0	The Company	GWJ	1	Purchase	6,697,405	Net 60 to 90 days from the end of the month upon issuance of invoice	10.96%
0	The Company	GWJ	1	Accounts payable	1,872,552	Net 60 to 90 days from the end of the month upon issuance of invoice	1.24%
0	The Company	Topsil A/S	1	Purchase	866,388	Net 30 to 60 days from the end of the month upon issuance invoice	1.42%
0	The Company	GTI	1	Sale	3,606,789	Net 45 days from the end of the month upon issuance of invoice	5.90%
0	The Company	SST	1	Sale	1,090,130	Net 30 days from the end of the month upon issuance of invoice	1.78%
0	The Company	GWJ	1	Sale	2,619,443	Net 60 to 90 days from the end of the month upon issuance of invoice	4.28%
0	The Company	GWS	1	Purchase	712,957	Net 60 days from the end of the month upon issuance of invoice	1.17%
0	The Company	MEMC Korea	1	Sale	1,762,010	Net 30 to 60 days from the end of the month upon issuance of invoice	2.88%
0	The Company	GWS	1	Sale	6,583,737	Net 60 days from the end of the month upon issuance of invoice	10.77%
0	The Company	MEMC SpA	1	Sale	811,078	Net 60 days from the end of the month upon issuance of invoice	1.33%
1	GWS	MEMC LLC	3	Sale	639,618	Net 60 days from the end of the month upon issuance of invoice	1.05%
1	GWS	MEMC LLC	3	Purchase	1,399,475	Net 60 days from the end of the month upon issuance of invoice	2.29%
1	GWS	MEMC SpA	3	Purchase	3,701,587	Net 60 days from the end of the month upon issuance of invoice	6.06%
1	GWS	MEMC SpA	3	Sale	4,148,873	Net 60 days from the end of the month upon issuance of invoice	6.79%

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets (Note 3,4)
1	GWS	MEMC Korea	3	Purchase	1,432,638	Net 60 days from the end of the month upon issuance of invoice	2.34%
1	GWS	MEMC Japan	3	Sale	1,534,937	Net 60 days from the end of the month upon issuance of invoice	2.51%
1	GWS	MEMC Japan	3	Purchase	4,067,502	Net 60 days from the end of the month upon issuance of invoice	6.65%
1	GWS	MEMC Sdn Bhd	3	Purchase	1,671,021	Net 60 days from the end of the month upon issuance of invoice	2.73%
1	GWS	MEMC Sdn Bhd	3	Sale	628,577	Net 60 days from the end of the month upon issuance of invoice	1.03%
1	GWS	The Company	2	Intercompany Loan	7,287,384	-	4.84%
2	GWJ	The Company	2	Intercompany loan	2,886,000	-	1.92%

Note 1: The characters of business transactions between parent company and its subsidiaries are coded as follows:

1. The parent company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The relationships with transactions are as follows:

- (1) Parent company to its subsidiaries.
- (2) Subsidiaries to the parent company.
- (3) Transactions between subsidiaries.

Note 3: The ratio of the transaction amount of the consolidated total sales revenue and consolidated total assets are calculated as follows:

- (1) For transaction amount accounted for as asset or liability, the ratio is calculated based on the closing balance amount of the consolidated total assets.
- (2) For transaction amount accounted for as profit or loss, the ratio is calculated based on the accumulated amount at the end of the financial period of the consolidated total sales revenue.

Note 4: The table represented the amount of significant transaction exceeding 1 percent of the consolidated operating revenue or total assets.

GlobalWafers Co., Ltd. and Subsidiaries

Information on investees

For the year ended December 31, 2021

Table 9

(In Thousands of New Taiwan Dollars/other currencies)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of Ownership during the year	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of Ownership	Carrying value				
The Company	GWJ	Cayman	Investment activities	1,427 (USD48)	1,427 (USD48)	0.01	100.00 %	1,824	100.00 %	1	1	Subsidiary
The Company	GSI	Cayman	Investment in various businesses and triangular trade centers with subsidiaries in Mainland China	756,809 (USD26,555)	756,809 (USD26,555)	25,000	100.00 %	2,258,662	100.00 %	459,294	455,025	Subsidiary
The Company	GWJ	Japan	Manufacturing and trading of silicon wafers	5,448,015	5,448,015	128	100.00 %	16,436,066	100.00 %	1,795,646	1,795,279	Subsidiary
The Company	GWafers Singapore	Singapore	Investment activities	17,378,877	17,378,877	541,674	100.00 %	38,958,825	100.00 %	5,462,710	5,467,460	Subsidiary
The Company	HONG-WANG Investment Co., Ltd.	Taiwan	Investment activities	309,760	309,760	30,976	30.98 %	1,691,344	30.98 %	220,804	68,396	Associate
The Company	SPV4	Taiwan	Electricity activities	1,045,000	1,045,000	104,500	100.00 %	1,050,119	100.00 %	4,948	4,948	Subsidiary
The Company	SPV5	Taiwan	Electricity activities	278,000	122,000	27,800	100.00 %	276,319	100.00 %	(1,527)	(1,527)	Subsidiary
The Company	GWH	Taiwan	Investment activities	250,000	250,000	25,000	100.00 %	250,403	100.00 %	469	469	Subsidiary
GWJ	MEMC Japan	Japan	Manufacturing and trading of silicon wafers	373,413 (JPY100,000)	373,413 (JPY100,000)	750	100.00 %	2,755,254	100.00 %	198,616	-	Notes 2 and 3
Topsil A/S	Topsil PL	Poland	Manufacturing and trading of silicon wafers	-	-	0.1	100.00 %	-	100.00 %	-	-	Notes 2 and 3
GWafer Singapore	GWS	Singapore	Investment activities	14,671,320 (USD406,898)	14,671,320 (USD406,898)	299,445	100.00 %	45,502,198	100.00 %	5,466,903	-	Notes 2 and 3
GWS	GWBV	Netherlands	Investment activities	11,213,730 (USD362,763)	11,213,730 (USD362,763)	0.1	100.00 %	40,277,615	100.00 %	3,809,075	-	Notes 2 and 3
GWBV	MEMC SpA	Italy	Manufacturing and trading of silicon wafers	6,732,641 (USD204,788)	6,732,641 (USD204,788)	65,000	100.00 %	8,678,590	100.00 %	850,595	-	Notes 2 and 3
MEMC SpA	MEMC SarL	France	Trading	1,316 (USD40)	1,316 (USD40)	0.5	100.00 %	2,030	100.00 %	625	-	Notes 2 and 3
MEMC SpA	MEMC GmbH	Germany	Trading	-	4,622 (USD141)	-	- %	-	- %	-	-	Notes 2 and 3

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of Ownership during the year	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of Ownership	Carrying value				
GWBV	MEMC Korea	Korea	Manufacturing and trading of silicon wafers and sale	11,851,262 (USD384,605)	11,851,262 (USD384,605)	25,200	100.00 %	17,283,919	100.00 %	2,184,873	-	Notes 2 and 3
GWBV	GTI	United States	Manufacturing and trading of epitaxial wafers and sale	2,779,849 (USD91,262)	2,779,849 (USD91,262)	1	100.00 %	10,916,070	100.00 %	895,489	-	Notes 2 and 3
GWBV	MEMC Ipoh	Malaysia	Manufacturing and trading of silicon wafers and sale	93,907 (USD1,323)	93,907 (USD1,323)	612,300	100.00 %	3,348	100.00 %	(109)	-	Notes 2 and 3
GWBV	GlobalWafers GmbH	Germany	Trading	827 (USD27)	827 (USD27)	25	100.00 %	(161,505)	100.00 %	(171,165)	-	Notes 2 and 3
GWBV	Topsil A/S	Denmark	Manufacturing and trading of silicon wafers and sale	1,843,604 (USD60,996)	1,843,604 (USD60,996)	1,000	100.00 %	1,945,237	100.00 %	137,093	-	Notes 2 and 3
GTI	MEMC LLC	United states	Manufacturing and trading of silicon wafers and sale	543,384 (USD17,839)	543,384 (USD17,839)	-	100.00 %	3,909,498	100.00 %	279,273	-	Notes 2 and 3
SST	MEMC Sdn Bhd	Malaysia	Manufacturing and trading of silicon wafers and sale	898,016 (USD27,315)	898,016 (USD27,315)	1,036	100.00 %	1,006,506	100.00 %	68,216	-	Notes 2 and 3

Note 1: A limited company.

Note 2: The investees are indirectly held subsidiaries of the Company.

Note 3: The investor's profits and losses included the profits and losses of the investees; therefore, the investee's profits and losses need not be disclosed.

Note 4: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

GlobalWafers Co., Ltd. and Subsidiaries

The names of investees in Mainland China, the main businesses and products and other information

For the year ended December 31, 2021

Table 10

(In Thousands of New Taiwan Dollars/other currencies)

(1) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
SST	Processing and trading of ingots and wafers	769,177 (Note 5)	Note 1	713,300 (USD21,729)	-	-	713,300 (USD21,729)	459,207	100%	100%	459,207	2,198,254	-

(2) Limitation on investment in Mainland China

Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	713,300 (USD21,729)	1,101,933 (USD35,000) (Note 3)	27,378,902 (Note 4)

Note 1: Investments through GSI.

Note 2: The basis for investment income (loss) recognition is from the audited financial statements.

Note 3: Initial investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the Historical Foreign Exchange Rate.

Note 4: Pursuant to the 'Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area' dated on August 29, 2008, the total amount of investment shall not exceed 60% of the Group's net worth on December 31, 2021.

Note 5: Retained earnings transferred to capital was included.