



GlobalWafers Co., Ltd.
環球晶圓股份有限公司

Stock Symbol : 6488

GlobalWafers Co., Ltd.

2022 Annual Report

The annual report may be accessed on the website at:

Information website: <http://mops.twse.com.tw>

Corporate website: <http://www.sas-globalwafers.com>

Prepared by GlobalWafers Co., Ltd.

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Translation - In case of any discrepancy between Chinese and English versions, the Chinese version shall prevail.

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Chunan Plant

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Tel: (+886)-37-582-533

Taisil Branch

Address: No.2, Yanxin 1st Road, Hsinchu Science Park, Hsinchu, Taiwan

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Japan Subsidiary

Niigata

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Tokuyama

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Tel: (+81) 834-41-3001

Sekikawa

Address: 278 Tatsutashin, Sekikawa, Iwafune District, Niigata Prefecture, Japan

Tel: (+81) 254-64-0254

Oguni Silicon Crystal Center

Address: 378 Ogunimachi, Oguni, Nishiokitama District, Yamagata Prefecture, Japan

Tel: (+81) 238-62-5926

Utsunomiya

Address: 11-2 Kiyohara Industrial Park, Utsunomiya City Tochigi Prefecture, Japan

Tel: (+81) 28 667 6333

Korea Subsidiary

Cheonan Plant

Address: 854, Manghyang-Ro, Seonggeo-eup, Sebuk-gu, Cheonan-Si, Chungcheongnam-do, 331-831
Korea

Tel: (+82) 41 550 4114

China Subsidiary

Kunshan Plant

Address: No. 303 Hanpu Road, Chengbei, Kunshan, Jiangsu, China

TEL:(+86) 512-5778-1262

Malaysia Subsidiary

Kuala Lumpur Plant

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Malaysia

Tel: (+603) 7877 3277

Singapore Subsidiary

Address: Block D #01-41A, 11 Lorong 3 Toa Payoh, Singapore 319579

Tel: (+65) 6361 9720

US Subsidiary

Texas Plant

Address: 200 F.M. 1417 West Sherman, Texas, USA 75092

Tel: (+1) 903 957 1999

Missouri Plant

Address: 501 Pearl Drive, St. Peters, Missouri, USA 63376

Tel: (+1) 636 474 5000

Italy Subsidiary

Merano Plant

Address: Via Nazionale, 59, 39012 Merano (Bolzano), Italy

Tel: (+39) 0473 333 333

Novara Plant

Address: SpA Viale Gherzi, 31, 28100 Novara, Italy

Tel: (+39) 0321 33 4444

Denmark Subsidiary

Copenhagen Plant

Address: Siliciumvej 1, 3600 Frederikssund, Copenhagen, Denmark

Tel: (+45) 47 36 56 00

3. Stock Transfer Agency

Agency name: Stock Agency Department, Yuanta Securities

Address: B1, No. 210, Sec. 3, Chengde Rd., Taipei, Taiwan

Website: <http://www.yuanta.com.tw/>

Tel: +886-2-2586-5859

4. External Auditor

Name of Accounting Firm: KPMG Taiwan

Name of CPAs: An-Chih Cheng, Mei-Yu Tseng

Address: 68F, No. 7, Sec. 5, Hsinyi Rd., Taipei, Taiwan

Website: <http://www.kpmg.com.tw>

Tel: +886-2-8101-6666

5. The Name of Exchanges Where the Company's Securities are Traded Offshore, and the Method By Which To Access Information On Said Offshore Securities

Global Depositary Receipt (GDR) Agency: Luxembourg Stock Exchange

Website: <https://www.bourse.lu/security/US37891E1038/250465>

Overseas Euro-Convertible Bonds : Singapore Exchange Limited

Website: <https://www.sgx.com> ; ISIN RegS: XS2344277178

6. Company Website

<http://www.sas-globalwafers.com>

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Attachment 1. 2022 Consolidated Financial Statements with Independent Auditors’ Report

Attachment 2. 2022 Standalone Financial Statements with Independent Auditors’ Report

Attachment 3. Affiliation Report

One. Letter to Shareholders

Dear Shareholders,

Thank you for sparing time to attend GlobalWafers' 2023 general shareholders' meeting. We also appreciate the care and support extended by you to the Company.

As the pandemic gradually slows down, countries are opening their borders and returning to the real economy. The demand for personal consumables brought about by the pandemic has decelerated and returned to normal. In addition, the weak demand for products such as notebooks due to inflation has led to the reduced demand for small-sized wafers, raising inventory levels. But with downstream suppliers adjusting their shipments, inventories are expected to gradually shrink in 2023. Demand for large-sized and special wafers (FZ, SOI) continues to be robust due to the strong demand from automotive and industrial applications. With the incentive policies for EVs, net zero emissions, etc., the compound semiconductor's market scale is expected to expand rapidly. In 2022, GlobalWafers showed outstanding results with an annual growth of 14.98% in consolidated revenue, which amounted to NT\$70.29 billion, generating NT\$30.34 billion in gross profit, NT\$24.98 billion in operating profit, NT\$20.11 billion in profit before tax, NT\$15.37 billion in net profit, and NT\$35.31 EPS, with revenue, gross profit, operating profit, profit before tax, net profit, and EPS hitting record highs!

The following is a summary report on the 2022 operation results, the 2023 business plan summary, future company development, external competition, regulatory environment and overall economic environment:

I. Operating Results in 2022

(I) Business Plan Implementation Results

Unit: NT\$ thousands

Year Item	2022	2021	Percent Change (%)
	(IFRSs)	(IFRSs)	
Revenue	70,286,871	61,130,592	14.98%
Cost of Goods Sold	39,945,282	37,844,704	5.55%
Gross Profit	30,341,589	23,285,888	30.30%
Operating Expenses	5,358,576	5,592,496	-4.18%
Operating Income	24,983,013	17,693,392	41.20%
Profit Before Tax	20,106,928	16,445,453	22.26%
Net Profit	15,367,386	11,870,037	29.46%

While the macroeconomics is so uncertain, GlobalWafers has outperformed and maintained the high profitability as always through signing long-term agreements with clients, flexible allocation and strict control over costs.

(II) Budget Implementation: The Company had not announced its financial forecast for 2022.

(III) Profitability Analysis

Item		2022	2021	
Financial Structure	Debt to Asset Ratio	67.95%	69.71%	
	Long-Term Funds to PPE Ratio (PPE-plant, property, equipment)	338.60%	352.31%	
Profitability Analysis	Return on Assets Ratio	9.83%	9.85%	
	Return on Equity Ratio	30.75%	26.44%	
	Percentage in Paid-In Capital	Operating Profit	574.01%	404.65%
		Profit Before Tax	461.98%	376.11%
	Net Profit Margin	21.86%	19.42%	
Earnings Per Share (NT\$)	35.31	27.27		

(IV) Financial Income and Expenditure

The Company's 2022 operating revenue is NT\$70,286,871 thousands, the cost of goods sold is NT\$39,945,282 thousands, the operating expenses is NT\$5,358,576 thousands. The non-operating revenue and expenditure is net expenditure NT\$4,876,085 thousands and profit before tax is NT\$20,106,928 thousands, net profit after tax is NT\$15,367,386 thousands, financial income and expenditure are normal.

(V) Research and Development Status

1. R&D expenditure in 2022

Unit: NT\$ thousands

Item/Year	2022	2021
R&D Expenses	2,089,325	2,069,507
Revenue	70,286,871	61,130,592
R&D Expenses to Revenue (%)	2.97%	3.39%

2. R&D results in 2022

Name of technology or product

- (1) Ultra low resistivity ingot with Phosphorus doped
- (2) Ultra low resistivity ingot with Arsenic doped
- (3) Ultra low resistivity ingot with Boron doped
- (4) Ultra low resistivity ingot with Antimony wafers
- (5) SOI substrate for 5G RF device application
- (6) Low defects ultra-high flatness Silicon substrate for Advanced IC process
- (7) Ultra High Resistivity wafers with low oxygen
- (8) Counter doped high resistivity with low oxygen silicon wafers for power applications
- (9) SOI wafer and bonding wafer for high power electronic device
- (10) High strength silicon substrate for GaN_HEMT application
- (11) Perfect Silicon
- (12) Engineered Customizable Application Specific "ECAS®" wafer
- (13) 4"~ 8" GaN on Silicon Epi wafer
- (14) 6" N type SiC Epi wafer

3. Future R&D plan:

- (1) SiC wafer for next generation high power automotive electronic device application
- (2) Epi-substrate for GaN_HEMT application
- (3) High strength and ultra thin silicon substrate with nano structure
- (4) SOI substrate for next generation RF device application
- (5) Engineered Customizable Application Specific “ECAS®” wafer SOI(ECAS-SOI)
- (6) 8” Diamond wire SAW process development
- (7) Semi insulating and large diameter SiC crystal and the wafer

II. Summary of the Business Plan for 2023

(I) Operating Philosophy

Actively grasp the market trends and international events. Flexible allocation with stable shipment to meet customers’ needs under the impact of politics and the pandemics.

Actively enhance the yield and debottleneck to maximize the existing capacities, prudently control capital expenditure to ensure the production expansion plan is completed as scheduled.

Actively develop the GaN/Si/SiC products, and work with strategic partners to maximize the complementary synergies in terms of materials.

Expand the collaboration among government, industry, and academy, deploy our advanced manufacturing process for niche applications and accelerate the development of new technologies.

Improve operational performance of all businesses, integrate research and maintenance, production, marketing, etc., across regions for optimal benefits.

Comply with the principle of “responsible growth,” fulfill environmental corporate social responsibilities, occupational health and safety and corporate governance, and pursue sustainable growth.

(II) Estimated Sales Volume and the Basis:

According to the research report released by the World Semiconductor Trade Statistics (WSTS) in November 2022, inflation has led to a sluggish consumer demand. In 2022, the world’s semiconductor market amounted to USD 580.1 billion, an annual growth of 4.4%. It is expected that the overall market for semiconductors in 2023 will drop from 2022’s historical high by 4.1%.

In terms of product category, the weakest semiconductor sector is the memory industry, which will drop by 12.6% YoY. In addition, discrete devices, sensors, and analog IC will maintain their growth momentum, with a growth rate of 12.4%, 16.3% and 20.8% respectively.

From a regional perspective, the United States is the region with the strongest growth momentum in the global semiconductor market and is expected to grow by 17%. The European and Japanese markets are expected to grow by 12.6% and 10%, and the Asian market will decline by 2%, making it the weakest region in the global semiconductor market.

The WSTS predicts that during 2023 the global semiconductor market will decrease by 4.1% to USD 556.5 billion, with a decline of 17% in the memory sector. In addition, discrete components, optoelectronics, sensors, and analog IC will show a slight growth of 2.8%, 3.7%, 3.7% and 1.6% respectively.

As the macroeconomics and foreign exchange rates are still volatile, the impact on the global semiconductor market is still uncertain. The above-mentioned are the best forecasts based on the

current situation.

(III) Important Production and Marketing Policies:

- (1) Actively invest in the development of large-sized wafers and special products (compound semiconductors, SOI, FZ), maximize our leading edge with existing technologies, and quickly branch into emerging applications and advanced manufacturing processes.
- (2) Prudentially control the rising costs resulting from the pandemic and inflation, secure the sources of key materials and parts to ensure smooth production.
- (3) Utilize the broad presence around the world to flexibly allocate capacities, avoid transportation plights and supply customers locally.
- (4) Continuously research and develop patents and strategic positioning to enhance the core advantages.

(IV) Development Strategies of the Company in the Future

- (1) Use the Group's high-end leading technologies to develop GaN/Si/SiC chips suitable for applications of next-generation products, and aim towards large-sized heavily-doped silicon wafer and power semiconductor epitaxy technological development, becoming the world's largest silicon wafer supplier with the most comprehensive products.
- (2) Implement green manufacturing, fulfill corporate social responsibility, enhance the corporate governance to cement the foundation of sustainable operation.
- (3) By adopting renewable energies, enhancing the energy efficiency, carbon removal and purchasing carbon offset products to achieve the goal of 100% clean energy utilization by 2050.
- (4) Construct a resilient and flexible local supply chain and diversify suppliers to respond to the pandemic and geopolitics impact swiftly.
- (5) Increase the scale of operations through production expansion, and at the same time, keep abreast of industry trends, actively seek government subsidies, and increase competitiveness in the silicon wafer industry.
- (6) Actively sign long-term agreements with key partners to enhance cooperation.

(V) Effect of External Competition, Regulatory Environment and Overall Economic Environment

- (1) With the development and application of the semiconductor industry, its related products have penetrated people's life. The use of semiconductor products can be seen in daily activities. Therefore, the semiconductor industry boom links with macroeconomics considerably. Due to the Company's wide customer base, the end products spread across various industries and application areas, such as automotive products, power products, memory, etc., which can reduce the cyclical risk from the of a single industry. When the macroeconomics is not good, the Company can diversify risks and stabilize operations.
- (2) The semiconductor wafer industry has undergone decades of development and has established entry barriers built by technology and patents. However, in the face of new competitors with significant funds, we will closely observe the industry's development. In order to prevent the new manufacturers from actively joining and leading to declining product prices and affect sales and profit, we will continue to combine the technological advantages with our global presence around the world to develop niche products with core technology capabilities, and we will also increase the added value of the product and minimize the cost to increase profit margins.

- (3) The drastic changes in the international circumstances and regional trade conflicts have shocked the macroeconomy. However, GlobalWafers has production facilities around the world and thus is able to allocate resources flexibly in response to related laws and regulations and lower the impact of taxes on the operating costs. Our client base is distributed all over the world, which also effectively diversifies the impacts from the pandemic to the revenue and lower the economic risks from overdependence on a single area. GlobalWafers also keeps close relationships with customers and establishes a resilient local supply chain and business continuity plan (BCP) to cope with various challenges flexibly.
- (4) Carbon neutrality is an international key issue. The governmental regulations, investment institutions, customers, and the national policies of trade partners have increasingly scrutinized requirements for energy saving and carbon reduction. The power costs and the carbon tariff at the export destinations are a severe test for the survival ability of enterprises. GlobalWafers owns multiple solar power plants, and subsidiaries around the world use clean energies to adapt to the local policies; in addition, thanks to the profound operation and maintenance experience of solar energy from the parent company, Sino-American Silicon Products Inc., GlobalWafers continuously and comprehensively applies various green solutions and expands the ratio of green power utilization, while monitoring various impacts from the extreme climate, to minimize the operating risks.

Looking forward, although the rapidly changing world environment, including drastic changes in financial policies and exchange rate fluctuations, has brought substantial impacts to the global economy, the various demands in wireless communications, automotive semiconductors, computing and data storage (cloud), industrial/Internet of Things, etc., provide the semiconductor industry with structural support, creating momentum for sustainable growth. Technological progress has driven the volume of semiconductor products and growth in unit content. The industry focuses on cost synergy, increasing the demand for large-sized wafers. With the strategies of expanding existing production capacities and building new plants, GlobalWafers actively develops large-sized wafers and compound semiconductors used in advanced processes, augmenting its proportion in the product spectrum significantly, thus further optimizing its product portfolio. By doing so, GlobalWafers is able to grasp the business opportunities of terminal technology innovation, which further cements its leading advantages.

Chairperson: Hsiu-Lan Hsu



President: Mark Lynn England



Chief Account: Yu-Ting Lo



Two. Company Profile

I. Date of incorporation: October 18, 2011

II. Company history

October 2011	Official incorporation of GlobalWafers Co., Ltd. (carved out from SAS semiconductor business unit), with the paid-in capital of NT\$1,800,000 thousand.
April 2012	GlobalWafers acquired all the semiconductor silicon wafer-related business in the subsidiaries of the Japanese-based Company, Covalent Materials Corporation, with the paid-in capital of NT\$3,175,000 thousand.
August 2013	Passed the ISO14001 certification.
December 2013	Passed the Taiwan Intellectual Property Management System (TIPS) certification.
December 2013	Received the 2013 Occupational Health Initiation Mark certified by Health Promotion Administration, Ministry of Health and Welfare.
July 2014	TS16949: passed the 2009 certification
September 2014	IPO
October 2014	Emerging Stock Listing
January 2015	With the paid-in capital of NT\$3,492,500 thousand upon capital increase.
April 2015	Applied for listing on TPEX.
September 2015	With the paid-in capital of NT\$3,692,500 thousand upon capital increase.
September 2015	Listed on TPEX.
April 2016	2015 Best Supplier Award from Texas Instrument (TI)
July 2016	Completed the acquisition of the semiconductor business of Topsil Semiconductor Materials A/S in Denmark.
August 2016	Passed the Occupational Safety and Health System OHSAS 18001:2007 certification.
August 2016	Passed the ISO 14001:2015 certification
August 2016	TOSHMS/CNS 15506 : Passed the 2011 certification
December 2016	Completed the acquisition of SunEdison Semiconductor Limited successfully.
April 2017	Ranked in the top 20% of all TPEX-listed companies in the 2016 Corporate Governance Evaluation of the third term organized by the Securities and Futures Institute
May 2017	With the paid-in capital of NT\$4,372,500,000 upon participation in the GDR issuance.
May 2017	Received the Excellent Vendor Award from HHGrace.
June 2017	Received the Front End Direct Materials Supplier of the Year Award from ON Semiconductor. (The Front End Direct Materials Supplier of the Year Award)
July 2017	Passed the IATF 16949:2016 certification.
December 2017	Received the 2017 M&A Outstanding Achievement Award from MAPECT.

January 2018	Received The Asset Triple A Country Award Taiwan–Best GDR in 2017. (The Asset Triple A Country Award Taiwan – Best GDR)
April 2018	Ranked in the top 20% of all TPEX-listed companies in the 2017 Corporate Governance Evaluation of the fourth term organized by the Securities and Futures Institute
June 2018	Passed the Cleaner Production Assessment System of the Green Factory Label certification.
November 2018	Received the Golden Tower Award of the “QCC Taiwan Continuous Improvement Award of 31st term” organized by the Corporate Synergy Development Center.
November 2018	The subsidiary, Taisil Electronic, received two silver top awards and one bronze top award of the “QCC Taiwan Continuous Improvement Award of 31st term” organized by the Corporate Synergy Development Center.
December 2018	President of the subsidiary, Taisil Electronic, Yin-sheng Hsueh received the “National Manager Excellence Award-Excellent President” for the 36th term organized by the Chinese Professional Management Association.
January 2019	GlobalWafers Hsinchu Plant passed the golden award certification for Green Building (renovation).
April 2019	Ranked in the top 5% among TPEX-listed companies in the 2018 Corporate Governance Evaluation of the fifth term organized by Securities and Futures Institute
May 2019	2019 Happy Enterprise Award of Technology Industries
July 2019	Best Quality Award from HHGrace
October 2019	Certified with the Green Factory Label by the Industry Development Bureau
November 2019	SGS ISO 45001 Plus Award
December 2019	Received the Golden Tower Award of the “2019 Taiwan Continuous Improvement Award” organized by the Corporate Synergy Development Center.
December 2019	The materials from the subsidiary of GlobalWafers, Taisil Electronic, received the Golden Tower Award of the “2019 Taiwan Continuous Improvement Award” organized by the Corporate Synergy Development Center.
April 2020	Ranked in the top 5% among TPEX-listed companies in the 2019 Corporate Governance Evaluation of the sixth term organized by Securities and Futures Institute
September 2020	Both the Hsinchu Plant and Chunan Plant won the Extra Excellency Award for “2020 Outstanding Enterprise of Waste Reduction and Circular Economy,” sponsored by the Science Park
December 2020	Received the Golden and Silver Tower Award in “2020 Taiwan Continuous Improvement” organized by the Corporate Synergy Development Center.
December 2020 to January 2022	On December 9, 2020, GlobalWafers resolved the tender offer for the outstanding ordinary shares of Siltronic AG with an offer price of EUR 125 per share via the subsidiary, GlobalWafers GmbH. Both parties entered the business combination agreement on December 9, 2020. On January 22, 2021, the final offer consideration was increased to EUR 145 per share, and achieved a final acceptance level of 70.27% at the end of the offer period, March 1, 2021. However, as of January 31, 2022, the approval

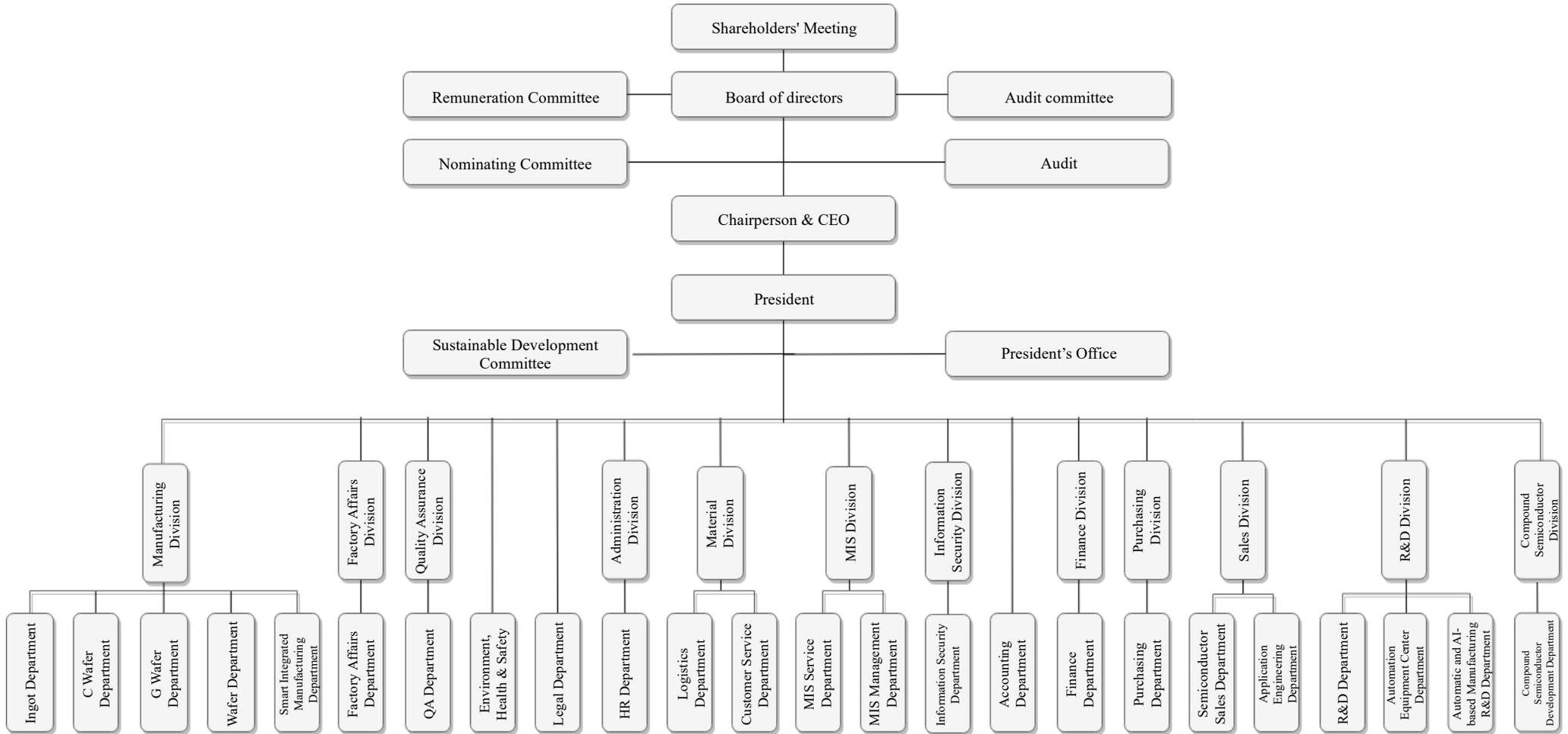
	from the German government was not obtained, the takeover offer and the agreements which came into existence as a result of the offer were not completed and lapsed.
March 2021	The Utsunomiya Plant (MJL) was awarded the “Eruboshi” label for the business promoting female participation and career advancement in the workplace.
March 2021	GlobalWafers is rated with a long-term issuer's credit rating of "twAA-" and short-term issuer's credit rating of “twA-1+,” with the outlook “stable” by Taiwan Ratings.
April 2021	Ranked in the top 5% among TPEX-listed companies in the 2020 Corporate Governance Evaluation of the seventh term organized by the Securities and Futures Institute
May 2021	Issuance of the first tranche of the unsecured corporate bonds
June 2021	Issuance of the first offshore euro convertible corporate bonds for USD1 billion
August 2021	Issuance of the second tranche of the unsecured corporate bonds
November 2021	Awarded the Copper Award of “the Third Term of National Enterprise Environmental Protection Award” from the Environmental Protection Administration, Executive Yuan
November 2021	Awarded the Best Trading Contribution in the 2021 “Awards for Excellent Trading Businesses,” from the Bureau of Foreign Trade, MOEA
December 2021	Mr. Ming-Huei Chien, CFO, was awarded the “National Manager Excellence Award-Excellent Financial Manager” from the 39th Chinese Professional Management Association
December 2021	Won one Gold Tower Award for the “2021 Taiwan Continuous Improvement Competition” held by the Corporate Synergy Development Center
January 2022	Both the Hsinchu Plant and Chunan Plant were awarded the Health Promotion Certification Mark by the Health Promotion Administration, Ministry of Health and Welfare
March 2022	GlobalWafers was rated with a long-term issuer’s credit rating of "twAA-" and short-term issuer’s credit rating of “twA-1+,” with a “stable” outlook by Taiwan Ratings.
April 2022	Received the Supplier Excellence Award by Texas Instruments
April 2022	Ranked in the top 5% of all TPEX-listed companies in the 2021 Corporate Governance Evaluation of the eighth term organized by the Securities and Futures Institute
September 2022	Received the Excellent Vendor Award from HHGrace
October 2022	Formally joined the RE100 Initiative, promising to use 100% renewable energy by 2050
November 2022	Chairperson Hsiu-Lan Hsu was awarded Asia's Power Businesswomen in 2022 by Forbes
November 2022	Received the National Enterprise Environmental Protection Award, Taiwan Corporate Sustainability Award
December 2022	Received three Silver Tower Awards of the “2022 Taiwan Continuous Improvement Award” organized by the Corporate Synergy Development Center.
December 2022	Production Vice President of Taisil Branch, Mr. Chun-Jung Huang, was awarded the 40th “National Manager Excellence Award - Production Manager Award” from the Chinese Professional Management Association.

December 2022	Chunan Plant's strong foundation in green processes won itself the 2022 Excellent Energy-Saving Manufacturer award
December 2022	GlobalWafers was selected in the 2022 Taiwan Best-in-Class 100
March 2023	GlobalWafers' long-term issuer's credit rating of "twAA-" and short-term issuer's credit rating of "twA-1+" with the outlook "stable" are confirmed by Taiwan Ratings.
April 2023	Ranked in the top 5% of all TPEX-listed companies in the 2022 Corporate Governance Evaluation of the ninth term organized by the Securities and Futures Institute

Three. Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Business of Major Departments

Department	Business Item
Chairman	Set the Company's target, make management strategies, make the Company's management policies, and execute matters handed over by Board of Directors' resolutions and matters decided by shareholders' meeting
Audit Office	Check and evaluate the soundness, rationality and effectiveness of the Company's internal control system. Responsible for the promotion, auditing and reporting of the internal control system.
President and President's Office	Execute matters handed over by Board of Directors' resolutions, promote management system and project business, draft and make business plans, manage and supervise head of the department to achieve planning objectives, and evaluate and analyze business performance
Manufacturing Division	Responsible for product production, yield and abnormal management, raw material use and scrap management, site maintenance and safety implementation, manpower planning and training, and planning and implementation of capacity expansion, assessing and introducing new equipment and instrument, responsible for improving, maintaining and servicing the production equipment.
Factory Affairs Division	Construction, maintenance, and service of the plants and facilities.
Quality Assurance Division	Responsible for the formulation and management of product quality standards and inspection specifications, feeding, instrumentation, process and product quality inspection, and promotion of quality improvement activities.
Environment, Health & Safety	<ol style="list-style-type: none"> 1. Define the labor safety & health management plans, and instruct related departments to implement the same. 2. Plan and supervise the labor safety & health audit and management conducted by various departments. 3. Plan and supervise the checkpoints and inspection on safety & health facilities. 4. Plan and implement the labor safety & health educational training. 5. Supervise the investigation, treatment, statistics and analysis on labors' occupational disasters. 6. Provide the information and suggestions about labor safety & health management. 7. Plan and supervise the execution of environmental protection plans.
Legal Department	Consultation about legal affairs and compliance.
Administration Division	<ol style="list-style-type: none"> 1. Plan, recruit and reserve human resources; implement personnel regulations and systems, educational training and welfare policies. 2. Evaluation and supply of group meals, setting regulations of uniforms, planning of travel and accommodation, management of vehicles, access control, environment cleaning, purchase and payment of miscellaneous materials 3. Employee health management and consultation, emergency first aid and regular education and training, occupational injury prevention and

Department	Business Item
	treatment, evaluating work resumption/allocation, promoting health - related projects, employee group insurance, and implementation of occupational safety regulations.
Material Division	<ol style="list-style-type: none"> 1. Manage production schedules and arrange allocation of production capacity. 2. Handle customers' order and shipment, communication and after-services.
MIS Division	<ol style="list-style-type: none"> 1. Maintain software and hardware equipment related to information system. 2. Plan and execute computerization.
Information Security Division	Coordinate the establishment, implementation, risk management and compliance of the policies related to the cyber securities and protection
Accounting Department	<ol style="list-style-type: none"> 1. Establish, boost and control the preparation of the Company's annual budget, and review the results thereof. 2. Plan, establish, execute and amend the accounting system. 3. Preparation of financial structure, changes of income and accounting reports, and analysis and interpretation thereon. 4. Tax planning.
Finance Division	<ol style="list-style-type: none"> 1. Allocate the Company's financial capital and negotiate with financial institutions for credit facilities. 2. Execute the plans related to any specific projects.
Purchasing Division	Execute the purchasing operations, evaluate new vendors, and manage raw materials and collaborative vendors.
Sales Division	<ol style="list-style-type: none"> 1. Make marketing strategy, expand sales market, make communication with customers and provide after-sales service. 2. Responsible for collection of market information, customer service and product application, and assistance in the development and promotion of new products.
R&D Division	Research, develop and test products; improve production technologies, yield rate and production capacity; work with academic units to research, develop and improve production equipment.
Compound Semiconductor Division	leading technology and equipment development for wide band gap compound semiconductor materials such as SiC and GaN.

II. Directors, Supervisors, President, Vice President, Associates and Heads of Departments

(I) Information of directors and supervisors

April 21, 2023 Unit: Share; %

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected (Inaugurated)	Term of Office	Date of Initial Election	Shares Held at the Time of Election		Current Shareholding		Shares Held by Spouse and Minor Children		Shares Held in the Name of Others		Experience (Education)	Concurrent Position in the Company and Other Companies at Present	Other Heads, Directors or Supervisors with Relations Such as Spouses or Parents			Remarks
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	Taiwan R.O.C.	Hsiu-Lan Hsu	Female 61-70 years old	2021.08.24	Three years	2011.10.01	847,879	0.19%	847,879	0.19%	-	-	-	-	MA in Computer Science from University of Illinois/President of Sino-American Silicon Products Inc.	Note 1	VP, R&D and Manufacturing	Wen-Ching Hsu	Sister and Brother	Note 8
Director	Taiwan R.O.C.	Sino-American Silicon Products Corporation Representative: Ming-Kuang Lu	Male, 71-80 years old	2021.08.24 2021.08.24	Three years Three years	2011.10.01 2011.10.01	222,727,000 1,000,000	51.17% 0.23%	222,727,000 1,000,000	51.17% 0.23%	- 290,000	- 0.07%	- -	- -	Honorary Doctor of Engineering of National Chiao Tung University/Chairman of Sino-American Silicon/President of Lite-On Semiconductor Corp./President of Xuxing Science and Technology Corporation/Vice President of Xuli Corporation	Note 2	None None	None None	None None	-
Director	Taiwan R.O.C.	Sino-American Silicon Products Inc. Representative: Tang-Liang Yao	Male 61-70 years old	2021.08.24 2021.08.24	Three years Three years	2011.10.01 2011.10.01	222,727,000 200,293	51.17% 0.05%	222,727,000 200,293	51.17% 0.05%	- 674	- 0.00%	- -	- -	MA in Management from Tamkang University/President of Sino-American Silicon Products Inc./Assistant Vice President of the Manufacturing Division of Xuxing Science and Technology Corporation	Note 3	None None	None None	None None	-

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected (Inaugurated)	Term of Office	Date of Initial Election	Shares Held at the Time of Election		Current Shareholding		Shares Held by Spouse and Minor Children		Shares Held in the Name of Others		Experience (Education)	Concurrent Position in the Company and Other Companies at Present	Other Heads, Directors or Supervisors with Relations Such as Spouses or Parents			Remarks
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relationship	
Director	Taiwan R.O.C.	Kuo-Chow Chen	Male 61-70 years old	2021.08.24	Three years	2014.05.26	665,773	0.15%	665,773	0.15%	-	-	-	-	Tainan Nan Ying Senior Commercial & Industrial Vocational School/Chairman of Nan Hai Corp./Board Director of COTA Bank	Note 4	None	None	None	-
Independent Director	Taiwan R.O.C.	Jeng-Ywan Jeng	Male, 61-70 years old	2021.08.24	Three years	2018.06.25	-	-	-	-	-	-	-	-	Ph.D. in Mechanical Engineering of University of Liverpool/Dean of Engineering College of National Taiwan University of Science and Technology/Chairman of Additive Manufacturing Association of Taiwan	Note 5	None	None	None	-
Independent Director	Taiwan R.O.C.	Chung-Yu Wang	Male 71-80 years old	2021.08.24	Three years	2021.08.24	-	-	-	-	-	-	-	-	Honorary Doctorate of Chemical Engineering in Chung Yuan University/Advanced Management Program, Harvard University/Chairperson of Taisil Electronic Materials Corporation./Chairperson of China Steel Corporation/Chairperson of Tong Lung Metal Industry Co., Ltd./Chairperson of Kaohsiung MRT	Note 6	None	None	None	-

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected (Inaugurated)	Term of Office	Date of Initial Election	Shares Held at the Time of Election		Current Shareholding		Shares Held by Spouse and Minor Children		Shares Held in the Name of Others		Experience (Education)	Concurrent Position in the Company and Other Companies at Present	Other Heads, Directors or Supervisors with Relations Such as Spouses or Parents			Remarks
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	Taiwan R.O.C.	Ming-Ren Yu	Male 51-60 years old	2021.08.24	Three years	2021.08.24	-	-	-	-	-	-	-	MBA from New York University/Vice President of J.P. Morgan/Coretronic Corporation CFO & President of Backlight Module Business Group/Executive Vice President of Yuanta Securities Co., Ltd. In Investment Banking Department/Senior Vice President & Executive Director of FIH Mobile Limited/Chief Financial Officer of Elite Material Co., Ltd.	Note 7	None	None	None	-	

Note 1: CEO of GlobalWafers (concurrent), Chairperson and CEO of Sino-American Silicon Products Inc., Representative of Institutional Director of Actron Technology Corporation, Director of Crystalwise Technology Inc., Representative of Institutional Director of Advanced Wireless Semiconductor Company, Chairperson of Taiwan Specialty Chemicals Corporation, Representative of Institutional Director of SAS Sunrise Inc., Chairperson of Sunrise PV Three Co., Ltd., Chairperson of SAS Holding Co., Ltd., Chairperson of Sustainable Energy Solution Co., Ltd., Chairperson of Sunrise PV Four Co., Ltd., Chairperson of GlobalWafers Holding Co., Ltd., Director of GlobalSemiconductor Inc., Chairperson & CEO of GlobiTech Incorporated, Chairperson of GlobalWafers Japan Co., Ltd., Chairperson of MEMC Japan Limited, Vice Chairperson of Kunshan Sino Silicon Technology Co., Ltd., Chairperson of Topsil GlobalWafers A/S, Director of GlobalWafers Singapore Pte., Ltd., Director of GlobalWafers B.V., Director of MEMC Korea Company, and Chairperson of GlobalWafers America, LLC.

Note 2: Director and Honorary Chairperson of Sino-American Silicon Products Inc., Director of Actron Technology Corporation, Chairman of REC Technology Corporation, Chairman of Biggest Solutions Inc., Representative of Institutional Director Formerica Optoelectronics Inc., Independent Director of LITE-ON Technology Corporation, Representative of Institutional Director SAS Holding Co., Ltd., and Representative of Institutional Director GlobalWafers Holding Co., Ltd.

Note 3: Vice Chairman of Sino-American Silicon Products Inc., Chairman and CEO of Actron Technology Corporation, Chairman and CEO of Crystalwise Technology Inc., Representative of Institutional Director Advanced Wireless Semiconductor Company, Representative of Institutional Director Taiwan Specialty Chemicals Corporation, Representative of Institutional Director REC Technology Corporation, Representative of Institutional Director Ding-Wei Technology Co., Ltd., Director of Shanghai Sawyer Shenkai Technology Material Co., Ltd., Director of Yuan Hong Technical Materials Ltd., Representative of Institutional Director Sunrise PV Three Co., Ltd., Representative of Institutional Director SAS Holding Co., Ltd., Director of GlobalWafers Holding Co., Ltd., Director of GlobiTech Incorporated, Director of GlobalWafers Japan Co., Ltd., Chairman of Kunshan Sino Silicon Technology Co., Ltd., Director of GWafers Singapore Pte. Ltd., and Director of GlobalWafers America, LLC.

Note 4: Director of Nan-hai Photoelectric Co., Ltd.

Note 5: Professor, Engineering Department, National Taiwan University of Science and Technology, Independent Director of Ant Precision Industry Co., Ltd., Independent Director of Actron Technology Corporation.

Note 6: Director of CX Technology Corporation, Independent Director of Chih Lien Industrial Co., Ltd.

Note 7: Currently the CFO of Taiwan Cement Corp.

Note 8: Where the chairperson of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

The Chairman of the Company also serves as the Chief Executive Officer. This is in consideration of the Company's operating scale and to improve overall operating efficiency. The Company has separately appointed the position of President. The division of authorities between CEO and President is different. The CEO is for planning (the major function is to formulate the Company's operation guidelines, annual budget plan, important customer relationship maintenance, strategic alliance planning, reinvestment positioning planning and tracking of the actual achievement of the annual plan); the President is responsible for the execution (responsible for the execution, coordination of the company's business, and commands and supervises subordinates to achieve operational goals, while implementing the Company's policies and the operational strategies and related operational matters planned by the CEO); both of them complement each other; The Company's Chairman currently serves as the CEO; this will effectively implement the Company's development blueprint planned by the Board of Director to the planning and execution, as well as enable the Board of Directors to better grasp the Company's operation. More than half of the Board members of the Company do not serve concurrently as employees or manager, and the Board of Directors has three independent director seats. Each functional committee member is held by independent directors, to fully discuss various important issues and make suggestions to the Board of Directors, for enhancing the supervisory function of the Board of Directors and implementing corporate governance.

1. Major shareholders of corporate shareholders:

Name of corporate shareholder	Major shareholder of corporate shareholder
Sino-American Silicon Products Inc.	Hong-Wang Investment Company (4.27%); China Life Insurance Co., Ltd. (2.51%); Wei-Lian Technology Co., Ltd. (2.24%); Cathay Life Insurance Company, Ltd. (1.97%); Ming-Kuang Lu (1.91%); Ching-Chao Chang (1.89%); Hong-Mao Investment Co., Ltd. (1.78%); Nan Shan Life Insurance Co. Ltd (1.64%); Morgan Stanley & Co. International Plc (1.62%); WT Microelectronics Co., Ltd. (1.35%).

2. Major shareholders of corporate shareholders, who are juristic persons:

Name of the juristic person	Major shareholders of institution
Hong-Wang Investment Company	Wei-Lian Technology Co., Ltd. (39.02%), GlobalWafers (30.98%), Actron Technology Corporation (30.00%)
Wei-Lian Technology Co., Ltd.	Hong-Mao Investment Co., Ltd. (32.48%)
Hong-Mao Investment Co., Ltd.	Christian Chinese Trust, Hope and Love Foundation (17.50%), Peace Taiwan Trust, Hope and Love Culture and Education Foundation (17.50%), Social Welfare Charitable Trust Social Welfare Foundation (17.50%) and Weisheng Trust, Hope and Love Charity Foundation (17.50%).
WT Microelectronics Co., Ltd.	WPG Holding (19.71%), ASMEDIA Technology Inc. (17.52%)、Shao Yang Investment Co., Ltd. (7.34%)、Yuanta Taiwan Dividend Plus ETF (4.06%)、Cheng, Wen-Tsung (2.40%)、Cibc World Markets Inc (2.10%), Mega International Commercial Bank Finance Department (1.79%), First Private High No. 5 (1.74%), Mercuries Life Insurance (1.27%), New Labor Pension Fund (1.18%)

(II) Information disclosure for professional qualification and experience of directors and supervisors, and independent directors' independence:

Conditions Name	Professional qualification and experience	Independence status	Number of Other Public Issuing Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Hsiu-Lan Hsu	<p>Ms. Hsiu-Lan Hsu obtained her master degree in Computer Science from University of Illinois, the U.S. She served as Sales Assistant President, Vice President, and President of Sino-American Silicon; since Globalwafers was spun off from SAS, Ms. Hsu has served as the Chairperson of Globalwafers; currently she also serves as the Chairperson of SAS concurrently.</p> <p>Ms. Hsu has worked in the semiconductor industry for more the three decades. As an executive, she has involved in commerce, legal affairs, finance, and accounting fields required for the Company's operation, with abundant experience, as well as the expertise and abilities required for the Company's operation.</p> <p>Ms. Hsiu-Lan Hsu does not have any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p>	Not Applicable	-
Director Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	<p>Ming-Kuang Lu is an honorary PhD in Engineering of National Chiao Tung University, honorary PhD in Engineering of Tatung University, and ITRI Laureate. Mr. Lu served as president of Lite-On Semiconductor Corp. and Lite-On Power Semiconductor, and Chairperson of SAS, and Chairperson of Actron Technology Corporation. Currently he is the Honorary Chairperson of SAS.</p> <p>Mr. Lu has worked in the semiconductor industry for more the four decades. He had frequently outperformed in terms of corroborate management, with excellent management ability, unique forward-looking vision, commercial negotiation skills, and deep knowledge of finance and accounting, with sufficient intelligence and expertise required for the Company's operation.</p> <p>Mr. Ming-Kuang Lu does not have any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p>	Not Applicable	1
Director Sino-American Silicon Products Inc. Representative: Tang-Liang Yao	<p>Mr. Tang-Liang Yao obtained a master degree from the Business Administration Institute of Tamkang University. He served as the President of SAS, and Assistant President of Lite-On Power Semiconductor; currently, he is the Chairperson of Crystalwise, Vice</p>	Not Applicable	-

Conditions Name	Professional qualification and experience	Independence status	Number of Other Public Issuing Companies in Which the Individual is Concurrently Serving as an Independent Director
	<p>Chairperson of SAS, as well as Chairperson of Actron Technology Corporation.</p> <p>Mr. Yao has spent 40 years in the industry, with rich knowledge about production, manufacturing, and management. The multiple-year experience as an executive enables Mr. Yao to be very familiar about the operation and management of a company, with abundant cross-discipline corporate experience, to furnish unique insights and advice depending on different macroeconomic and industrial scenarios.</p> <p>Mr. Tang-Liang Yao does not have any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p>		
Director Kuo-Chow Chen	<p>Mr. Kuo-Chow Chen graduated from Nanying Commerce and Industry, and served as Chairman of Nanhai Optoelectronics Technology Co., Ltd. and Director of Sanxin Commercial Bank.</p> <p>Mr. Kuo-Chow Chen is very familiar with the capital market and financial system, and he is also sensitive to the industry. He can provide instant views and insights on the company's operation direction and strategy, and provides adjustment directions and suggestions.</p> <p>Mr. Kuo-Chow Chen does not have any of the circumstances in the subparagraphs of Article 30 of the Company Act.</p>	Not Applicable	-
Independent Director Jeng-Ywan Jeng	<p>Mr. Jeng-Ywan Jeng obtained PhD in Machinery Engineering from University of Liverpool, U.K.; currently he is Distinguished Professor in National Taiwan University of Science and Technology.</p> <p>Mr. Jeng's research field includes additive manufacturing (3D printing or rapid prototyping), laser processing, corporate R&D patents and knowledge Management, cross-field integration. His broad knowledge is very beneficial to the Company's R&D direction and IP management.</p> <p>Mr. Jeng-Ywan Jeng does not have any of the circumstances in the subparagraphs of Article 30 of the Company Act, and qualified for the requirements of the professional qualification in Article 2 of the "Regulations Governing Appointment of Independent Directors and Compliance</p>	<p>Mr. Jeng-Ywan Jeng is qualified for the requirements of the professional qualification in Article 3 and Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," including but not limited to: him/herself, spouse, or relative within the second degree of kinship serving as a director, supervisor, or employee of the company or any of its affiliates; himself, spouse, or relative within the second degree of kinship not holding the Company's shares (or under other's name); not serving as a director, supervisor, or employee of the companies having certain relationship with the Company; compensation received for providing auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate in the past two years not exceeding the statutory</p>	2

Conditions Name	Professional qualification and experience	Independence status	Number of Other Public Issuing Companies in Which the Individual is Concurrently Serving as an Independent Director
	Matters for Public Companies.”	limit.	
Independent Director Chung-Yu Wang	<p>Mr. Chung-Yu Wang is an honorary PhD of Department of Chemical Engineering, Chung Yuan Christian University; he had served the Chairperson of many companies, including China Steel, Taisil Electronic, Tong Lung Metal, and Kaohsiung Rapid Transit Corporation. He also served as the Chairperson of Taiwan Steel & Iron Industries Association, ROC-USA Business Council, and Chinese International Economic Cooperation Association, as well as the president of World Steel Association. Mr. Wang also served as the member of the Legislative Yuan of 5th Term. His cross-industry and management experience brings the valuable reference and advices from different aspects.</p> <p>Mr. Chung-Yu Wang does not have any of the circumstances in the subparagraphs of Article 30 of the Company Act, and qualified for the requirements of the professional qualification in Article 2 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</p>	<p>Mr. Chung-Yu Wang is qualified for the requirements of the professional qualification in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," including but not limited to: him/herself, spouse, or relative within the second degree of kinship serving as a director, supervisor, or employee of the company or any of its affiliates; himself, spouse, or relative within the second degree of kinship not holding the Company's shares (or under other's name); not serving as a director, supervisor, or employee of the companies having certain relationship with the Company; compensation received for providing auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate in the past two years not exceeding the statutory limit.</p>	1
Independent Director Ming-Ren Yu	<p>Mr. Ming-Ren Yu obtained MBA from New York University. He served as Vice President of JP Morgan Chase Bank, CEO and President of Backlight Modules Business Group of Coretronic Corporation; Executive VP of Yuanta Securities, and Senior VP and Executive Director of FIH Mobile Limited and the CFO of Elite Material Co., Ltd.</p> <p>Mr. Yu has worked both in the banking and industry, and thus obtained broad finance knowledge and rich practical operations in the industry. Mr. Yu's expertise, knowledge, and finance specialty are essential to the fast-growing GlobalWafers.</p> <p>Mr. Ming-Ren Yu does not have any of the circumstances in the subparagraphs of Article 30 of the Company Act, and qualified for the requirements of the professional qualification in Article 2 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</p>	<p>Mr. Ming-Ren Yu is qualified for the requirements of the professional qualification in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies,” including but not limited to: him/herself, spouse, or relative within the second degree of kinship serving as a director, supervisor, or employee of the company or any of its affiliates; himself, spouse, or relative within the second degree of kinship not holding the Company's shares (or under other's name); not serving as a director, supervisor, or employee of the companies having certain relationship with the Company; compensation received for providing auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate in the past two years not exceeding the statutory limit.</p>	-

(III) The board of directors' diversity and independence:

I. The board of directors' diversity:

The Company's "Corporate Governance Best-Practice Principles" has expressly defined the formation of the Board members and ability to be held by the members. The Company has also established the diversified policy for the Board members. The composition of the board of directors has been determined by taking diversity into consideration, and appropriate policy on diversity based on the Company's business operations, operating dynamics, and development has been formulated, as the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture.
- II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Board members shall be equipped with knowledge, skills, and attainments generally required for performing their tasks. In order to accomplish the preferred governance goals of the Company, the Board of Directors shall generally be equipped with the following capabilities:

- I. Operational Judgment Ability
- II. Accounting and Financial Analysis Ability
- III. Business Management Ability
- IV. Ability to conduct crisis management
- V. Industrial Knowledge
- VI. International Market Perspective
- VII. Leadership Ability
- VIII. Decision-making Ability

The implementation of diversity by board members is illustrated as follows

Diversified Core Items	Gender	Age			Concurrently serving as the Company's employee	Seniority as an independent director		Operational Judgment Ability	Accounting and Financial Analysis Ability	Business Management Ability	Ability to conduct crisis management	Industrial Knowledge	Industrial technology	International Market Perspective	Leadership Ability	Decision-making Ability	Professor in colleges
		51-60 years old	61-70 years old	71-80 years old		Within 3 years	3-6 years										
Name of Directors																	
Hsiu-Lan Hsu	Female		✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	
Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	Male			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	
Sino-American Silicon Products Inc. Representative: Tang-Liang Yao	Male		✓					✓	✓	✓	✓	✓	✓	✓	✓	✓	
Kuo-Chow Chen	Male		✓					✓	✓	✓	✓	✓		✓	✓	✓	
Jeng-Ywan Jeng (Independent Director)	Male		✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chung-Yu Wang (Independent Director)	Male			✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	
Ming-Ren Yu (Independent Director)	Male	✓				✓		✓	✓	✓	✓			✓	✓	✓	

The Company's 5th-term Board of Directors consists of seven directors, including three independent directors. They include one female director, and also hold abundant educational backgrounds and experience in business administration, professional technology, business and finance, namely the knowledge, skills and literacy required by their job duties. Of the seven current directors of the Company, 14% are directors with employee status, 43% are independent directors, and 14% are female directors. Two of the three independent directors have a term of less than three years, and one between three and six years. The Company values the Board members' industrial experiences. The goal is to have the majority of directors have semiconductor related experience; among the current directors, 71% have semiconductor related experience. Further, the Company also values the proportion of the Board members' genders. The Company aims to elect at least one female director, and for the time being, the Company has one female director, accounting for 14% of the whole directors. In the future, based on various considerations of directors, the Company will strive to increase female directors.

II. The board of directors' independence:

The Company's 5th-term Board of Directors consists of seven directors, including three independent directors, accounting for 43%. All independent directors are qualified for the independence requirement set forth in Article 3, and the concurrent post restriction set forth in Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." The composition of the board has no circumstances provided in paragraph 3 and 4 of Article 26-3, the Securities and Exchange Act (spouses or relatives within the second degree of kinship among directors). The composition of the board meets the independence requirement.

(II) President, assistant presidents, vice assistant presidents, and the supervisors of all the company's divisions and branch units:

April 21, 2023 Unit: Share; %

Title (Note 1)	Nationality	Name	Gender	Date Elected (Inaugurated)	Shareholding		Shareholding under spouse or underage children		Shares Held in the Name of Others		Experience (Education)	Concurrent Positions in Other Companies	Managers Who are Spouses or Within Two Degrees of Kinship			Remarks
					Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relationship	
CEO	Taiwan R.O.C.	Hsiu-Lan Hsu	Female	2011.10.01	847,879	0.19%	-	-	-	-	MA in Computer Science from University of Illinois/President of Sino-American Silicon Products Inc.	Note 1	VP, R&D and Manufacturing	Wen-Ching Hsu	Sister and Brother	Note 7
President	U.S.	Mark Lynn England	Male	2014.10.01	-	-	-	-	-	-	University of Texas, Austin, Texas. BBA, Engineering Management/Global Wafers Co. Ltd. V.P., Sales & Marketing/Texas Instruments Manager, Product Engineering	Note 2	None	None	None	-
R&D Vice President Manufacturing Vice President	Taiwan R.O.C.	Wen-Ching Hsu	Male	2014.09.02	17,778	0.00%	-	-	-	-	PhD, Institute of NanoEngineering and MicroSystems, National Tsing Hua University/Researcher, Chemical Engineering Institute, ITRI/VP, R&D Center, Sino-American Silicon	None	CEO	Hsiu-Lan Hsu	Sister and Brother	-
Administrative Vice President Materials Vice President	Taiwan R.O.C.	Wei-Wen Chen	Male	2014.09.02	10,700	0.00%	-	-	-	-	Master of Finance, National Taiwan University/Master of Engineering, Cornell University/Senior Associate VP, Supply Chain Center, APAC, NXP Semiconductors	Note 3	None	None	None	-
Sales & Marketing Vice President	Taiwan R.O.C.	Sheng-Hsiung Hung	Male	2015.03.19	-	-	-	-	-	-	Master, Manufacturing Engineering, Boston University/VP, Marketing and R&D, Kunshan Sino Silicon Technology Co., Ltd.	Note 4	None	None	None	-
Procurement Vice President	Taiwan R.O.C.	Jing-Wen Chou	Female	2016.07.01	10,400	0.00%	-	-	-	-	MBA, Long Island University/Procurement Manager, Wistron NeWeb Corporation/Project Manager, Symbol Technologies	None	None	None	None	-
Corporate Development Vice President	Taiwan R.O.C.	Chung-Wei Lee	Male	2017.03.21	-	-	-	-	-	-	Master of Business Administration, Meiji University, Japan/Executive Vice President and President of Covalent Materials Taiwan/Associate of MITSUI & CO. (Taiwan), LTD.	Note 5	None	None	None	-
Sales Assistant VP	Taiwan R.O.C.	Tien-wen Yu	Male	2018.03.20	8,510	0.00%	-	-	-	-	Department of Business Administration, Taipei Junior College of Business/Vice Director, Marketing, Sino-American Silicon	Note 6	None	None	None	-
Vice President of Finance	Taiwan R.O.C.	Ming-Hui Chien	Male	2014.09.02	19,730	0.00%	-	-	-	-	Master, Institute of Business Administration, National Taipei University/Manager, Sales Management, JihSun International Bank/Finance Manager, Sunrise Global	Note 7	None	None	None	-
Accounting Manager	Taiwan R.O.C.	Yu-Ting Lo	Female	2018.03.23	-	-	-	-	-	-	Department of Accounting, National Cheng Kung University/Audit Manager, KPMG/Accounting Assistant Manager, LITE-ON Technology/Accounting Assistant Manager, Sunplus Innovation Technology	None	None	None	None	-

Title (Note 1)	Nationality	Name	Gender	Date Elected (Inaugurated)	Shareholding		Shareholding under spouse or underage children		Shares Held in the Name of Others		Experience (Education)	Concurrent Positions in Other Companies	Managers Who are Spouses or Within Two Degrees of Kinship			Remarks
					Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	Relationship	
President of Taisil Branch	Taiwan R.O.C.	Yin- Sheng Hsueh	Male	2020.01.02	-	-	-	-	-	-	PhD., Graduate School of Material Engineering, Ohio State University/Taisil Electronic Materials Corp.	None	None	None	None	-
R&D Vice President of Taisil Branch	Taiwan R.O.C.	Liang- Chin Chen	Male	2020.02.01	-	-	-	-	-	-	PhD, Graduate School of Chemical Engineering and Materials, University of Minnesota/Technical Director, Siltronic AG/VP, Engineering Technology and R&D, Taisil Electronic Materials Corp.	None	None	None	None	-
QA/Product Integration Vice President of Taisil Branch	Taiwan R.O.C.	Yao-Yi Huang	Male	2020.02.01	-	-	-	-	-	-	EMBA from National Tsing Hua University/Quality Assurance and Product Integration Vice President of Taisil Electronic Materials Corp., MEMC Global Customer Quality Director, UMC Central Quality Assurance Senior Manager	None	None	None	None	-
Production Vice President of Taisil Branch	Taiwan R.O.C.	Chun- Jung Huang	Male	2020.02.01	-	-	-	-	-	-	Master, Institute Mechanical Engineering, National Cheng Kung University/VP, Production, Taisil Electronic Materials Corp.	None	None	None	None	-
Projects Vice President of Taisil Branch	Taiwan R.O.C.	Chun- Wei Huang	Male	2020.02.01	-	-	-	-	-	-	Department of Power Mechanical Engineering, National Tsing Hua University/Associate VP, Project, Taisil Electronic Materials Corp.	None	None	None	None	-

Note 1: Chairperson and CEO of Sino-American Silicon Products Inc., Representative of Institutional Director of Actron Technology Corporation, Director of Crystalwise Technology Inc., Representative of Institutional Director of Advanced Wireless Semiconductor Company, Chairperson of Taiwan Specialty Chemicals Corporation, Representative of Institutional Director of SAS Sunrise Inc., Chairperson of Sunrise PV Three Co., Ltd., Chairperson of SAS Holding Co., Ltd., Chairperson of Sustainable Energy Solution Co., Ltd., Chairperson of Sunrise PV Four Co., Ltd., Chairperson of GlobalWafers Holding Co., Ltd., Director of GlobalSemiconductor Inc., Chairperson & CEO of GlobiTech Incorporated, Chairperson of GlobalWafers Japan Co., Ltd., Chairperson of MEMC Japan Limited, Vice Chairperson of Kunshan Sino Silicon Technology Co., Ltd., Chairperson of Topsil GlobalWafers A/S, Director of GlobalWafers Singapore Pte., Ltd., Director of GlobalWafers B.V., Director of MEMC Korea Company, and Chairperson of GlobalWafers America, LLC.

Note 2: Currently the director and president of GlobiTech Incorporated, director of GlobalWafers Japan Co., Ltd., director of GlobalWafers Singapore Pte. Ltd., director of MEMC Korea Company, director and president of MEMC LLC, and director and president of GlobalWafers America, LLC.

Note 3: Supervisor of GlobalWafers Japan Co., Ltd (concurrent), Supervisor of MEMC Japan Limited, Supervisor of Kunshan Sino Silicon Technology Co., Ltd., Director of Topsil GlobalWafers A/S, Independent Director of High Power Lighting Corp.

Note 4: Director of Kunshan Sino Silicon Technology Co., Ltd., Director of Kunshan SST Trading Co.,Ltd. .

Note 5: Vice President of Corporate Development and Spokesperson of Sino-American Silicon Products Inc.

Note 6: Director of Kunshan SST Trading Co.,Ltd. .

Note 7: Corporate Governance Officer of GlobalWafers Co., Ltd., Corporate Governance Officer of Sino-American Silicon Products Inc., Representative of Institutional Supervisor Advanced Wireless Semiconductor Company, Corporate Governance Officer of Taiwan Specialty Chemicals, Representative of Institutional Supervisor Sunrise PV Three Co., Ltd., Representative of Institutional Director Sustainable Energy Solution Co.,Ltd., Representative of Institutional Director Sunrise PV Four Co., Ltd., Chairperson of Xuxin Electric Power Company, Representative of Institutional

Director Hong Wong Investment Corporation, Director of GlobiTech Incorporated, Director of GlobalWafers Japan Co., Ltd., Director of Kunshan Sino Silicon Technology Co., Ltd., Director of MEMC Electronic Materials S.p.A., Director of MEMC Electronic Materials Sdn. Bhd., and Director of GlobalWafers GmbH.

Note 8: Where the chairperson of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

The Chairman of the Company also serves as the Chief Executive Officer. This is in consideration of the Company's operating scale and to improve overall operating efficiency. The Company has separately appointed the position of President. The division of authorities between CEO and President is different. The CEO is for planning (the major function is to formulate the Company's operation guidelines, annual budget plan, important customer relationship maintenance, strategic alliance planning, reinvestment positioning planning and tracking of the actual achievement of the annual plan); the President is responsible for the execution (responsible for the execution, coordination of the company's business, and commands and supervises subordinates to achieve operational goals, while implementing the Company's policies and the operational strategies and related operational matters planned by the CEO); both of them complement each other; The Company's Chairman currently serves as the CEO; this will effectively implement the Company's development blueprint planned by the Board of Director to the planning and execution, as well as enable the Board of Directors to better grasp the Company's operation. More than half of the Board members of the Company do not serve concurrently as employees or manager, and the Board of Directors has three independent director seats. Each functional committee member is held by independent directors, to fully discuss various important issues and make suggestions to the Board of Directors, for enhancing the supervisory function of the Board of Directors and implementing corporate governance.

(III) Remuneration of Directors, Supervisors, President, and Vice President Paid in the Most Recent Year (2022)

1. Remunerations to general and independent directors

December 31, 2022 Unit: NT\$ thousands

Title	Name	Remuneration of Directors								Ratio of the Sum of Items A, B, C, and D to Net Income After Tax (%)		Relevant Remuneration Received by Directors Who are Also Employees								Sum up of 7 items (A+B+C+D+E+F+G) and its ratio to Net Income		Compensation paid to directors from an invested company other than the company's subsidiary or from the parent company
		Remuneration (A)		Severance Pay (B)		Director Remuneration (C)		Business Execution Cost (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Remuneration of employees (G) (Note)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the financial statements			
Director	Hsiu-Lan Hsu	10	10	0	0	48,360	51,160	175	175	48,545	51,345	3,638	3,638	0	0	50,000	0	50,000	0	102,183	104,983	62,386
	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu																					
	Sino-American Silicon Products Inc. Representative: Tang-Liang Yao																					
Independent Director	Kuo-Chow Chen	2,180	2,180	0	0	6,000	6,000	135	135	8,315	8,315	0	0	0	0	0	0	0	8,315	8,315	0	
	Jeng-Ywan Jeng																					
	Chung-Yu Wang																					
	Ming-Ren Yu									0.0541%	0.0541%											

1. Please specify the remuneration policies, standards, and packages, the procedure for determining remuneration for independent directors, and its linkage to operating performance and future risk exposure:
 In addition to the monthly fixed remuneration for independent directors and the transportation subsidies for attending the Board of Directors, the Company may consider the degree of participation and contribution of independent directors to the Company's operations, and take into account the results of the director's performance appraisal, to decide the distribution of director's remuneration to the independent directors from the director's remuneration appropriated from the annual profit, if any.
 The aforesaid remuneration allocated to the independent directors, shall be deliberated and approved by the Remuneration Committee, and submitted to the Board of Directors for approval.

2. Except as disclosed in the preceding table, the remuneration received by the directors of the Company in recent years for the services provided to all companies in the financial statements (e.g. as consultants to non-employees, etc.): None.

Range of Remuneration

Range of Remuneration Paid to Each Director of the Company	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Below NT\$1,000,000				
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Independent director Jeng-Ywan Jeng, Chung-Yu Wang, Ming-Ren Yu	Independent director Jeng-Ywan Jeng, Chung-Yu Wang, Ming-Ren Yu	Independent director Jeng-Ywan Jeng, Chung-Yu Wang, Ming-Ren Yu	Independent director Jeng-Ywan Jeng, Chung-Yu Wang, Ming-Ren Yu
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	-	-	-	-
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	General directors: Hsiu-Lan Hsu, Sino-American Silicon Products Corporation (Representative : Ming-Kuang Lu, Tang-Liang Yao), Kuo-Chow Chen	General directors: Hsiu-Lan Hsu, Sino-American Silicon Products Corporation (Representative : Ming-Kuang Lu, Tang-Liang Yao), Kuo-Chow Chen	General directors: Sino-American Silicon Products Corporation Representative: Ming-Kuang Lu, Tang-Liang Yao), Kuo-Chow Chen	General directors: Sino-American Silicon Products Corporation Representative: Ming-Kuang Lu, Tang-Liang Yao), Kuo-Chow Chen
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	General directors: Hsiu-Lan Hsu	General directors: Hsiu-Lan Hsu
More than NT\$100,000,000	-	-	-	-
Total	A total of 7 persons	A total of 7 persons	A total of 7 persons	A total of 7 persons

2. Remunerations paid to president and vice presidents in the recent year (2022)

December 31, 2022 Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and allowances (C)		Employee compensation (D) (Note 2)				Sum up of 4 items (A+B+C+D) and its ratio to Net Income (%)		Compensation paid to directors from an invested company other than the company's subsidiary or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash amount	Stock	Cash amount	Stock			
CEO	Hsiu-Lan Hsu	38,210	45,688	1,145	1,145	55,684	59,390	105,100	0	106,750	0	200,140	212,973	1,650
President	Mark Lynn England													
Vice President	Wen-Ching Hsu													
Vice President	Wei-Wen Chen													
Vice President	Sheng-Hsiung Hung													
Vice President	Jing-Wen Chou													
Vice President	Chung-Wei Lee													
President of Taisil Branch	Yin-Sheng Hsueh													
Vice President of Taisil Branch	Liang-Chin Chen													
Vice President of Taisil Branch	Yao-Yi Huang													
Vice President of Taisil Branch	Chun-Jung Huang													
Vice President of Taisil Branch	Chun-Wei Huang													
												1.30%	1.39%	

Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents of the Company	Name of Presidents and Vice Presidents	
	The Company	Companies in the consolidated financial statements
Below NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Chung-Wei Lee	Chung-Wei Lee
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Wei-Wen Chen	—
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Sheng-Hsiung Hung, Liang-Chin Chen, Yao-Yi Huang, Chun-Jung Huang, Chun-Wei Huang	Wei-Wen Chen, Sheng-Hsiung Hung, Liang-Chin Chen, Yao-Yi Huang, Chun-Jung Huang, Chun-Wei Huang
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Mark Lynn England, Wen-Ching Hsu, Jing-Wen Chou, Yin-Sheng Hsueh	Mark Lynn England, Wen-Ching Hsu, Jing-Wen Chou, Yin-Sheng Hsueh
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive)~ NT\$100,000,000 (exclusive)	Hsiu-Lan Hsu	Hsiu-Lan Hsu
More than NT\$100,000,000	—	—
Total	A total of 12 persons	A total of 12 persons

3. Name of managers to whom distributing employee remuneration, and distribution

December 31, 2022 Unit: NT\$ thousands

	Title	Name	Stock	Cash amount	Total	The ratio of sum to net income (%)
Manager	CEO	Hsiu-Lan Hsu	-	117,000	117,000	0.76%
	President	Mark Lynn England				
	Vice President	Wen-Ching Hsu				
	Vice President	Wei-Wen Chen				
	Vice President	Sheng-Hsiung Hung				
	Vice President	Jing-Wen Chou				
	Vice President	Chung-Wei Lee				
	Sales Assistant VP	Tien-wen Yu				
	Vice President of Finance	Ming-Hui Chien				
	Accounting Manager	Yu-Ting Lo				
	Taisil branch President	Yin-Sheng Hsueh				
	Taisil branch Vice President	Liang-Chin Chen				
	Taisil branch Vice President	Yao-Yi Huang				
	Taisil branch Vice President	Chun-Jung Huang				
Taisil branch Vice President	Chun-Wei Huang					

(IV) Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, president, and vice presidents, and the respective proportion of such remuneration to the income after tax referred to in the entity or standalone financial statements, as well as the policies, standards, and packages by which it was paid, the procedures through which the remuneration was determined, and its association with business performance and future risks:

1. Analysis on the proportion of amount of remuneration paid in the last 2 years to the Company's directors, supervisors, president, and vice presidents to the income after tax:

Unit: %

Title	2022		2021	
	Total remuneration as a percentage of net profit after tax (%)		Total remuneration as a percentage of net profit after tax (%)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director	0.37%	0.39%	0.40%	0.42%
President and Vice President	1.30%	1.39%	1.52%	1.58%

2. The policies, standards, and packages by which the remuneration was paid, the procedures through which the remuneration was determined, and its association with business performance and future risks:

(1) The remuneration of the directors of the Company includes three major items: directors' compensation, directors' remuneration, and service expense; these are handled pursuant to the Company's Articles of Incorporation and relevant regulations. The president and vice president's remuneration include of salary, bonus and employee remuneration, which are determined based on the company's Articles of Incorporation and approval authority.

(2) The procedures for determining remuneration

In accordance with the Articles of Incorporation of the Company: "If there is profit made by the Company in the year, the Company shall allocate 3%-15% of the profit as employee bonuses, and up to 3% as directors' remuneration." The determination of directors' remuneration is based on the degree of participation and contribution of the directors to the Company's operations, and taking into account the results of their directors' performance appraisal, pursuant to the Company's Articles of Incorporation and the "Allocation Rules of Directors' Remuneration." The remuneration received by the president and vice president is determined based on the Articles of Incorporation and the operational performance limit set forth in the annual budget approved by the Board of Directors each year, while taking into account their positions, responsibilities assumed and contributions to the Company, as well as the industry standards It is agreed. The remunerations are handled pursuant to the procedures of "Management Measures for Managers' Compensation" and "Employee Remuneration Distribution Procedures."

The Company established the Remuneration Committee on September 2, 2014. The Committee is engaged in reviewing the assessment on performance of directors and managers, as well as the policies, standards, and packages by which the remuneration is paid, and reviewing the content and amount of directors and managers' remunerations periodically, to report to the Board of Directors.

(3) The correlation with business performance and future risks

The performance appraisal and remuneration of the directors and managers of the Company refer to their positions, participation in the Company's operations, personal performance contributions (including financial indicators such as revenue and profit achievement rate, and non-financial indicators such as laws and internal control compliance, or special achievement) and taking into account the usual standards of the peers, while comprehensively considering the amount of remuneration, payment methods, and future risks faced by the Company. It is highly related to the Company's operating responsibilities and overall performance.

III. Implementation of Corporate Governance

(I) (1) Operation of the Board of Directors

The office of the directors for this term is from August 24, 2021 to August 23, 2024. the Board of Directors held nine meetings during 2022, and the attendance of directors is summarized as follows:

Title	Name	Attendance in Person	No. of presence by proxy	Actual presence (attendance) rate (%)	Remarks
Chairman	Hsiu-Lan Hsu	9	0	100%	5th Term (elected on August 24, 2021)
Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	8	1	89%	
Director	Sino-American Silicon Products Inc. Representative: Tang-Liang Yao	9	0	100%	
Director	Kuo-Chow Chen	9	0	100%	
Independent Director	Jeng-Ywan Jeng	9	0	100%	
Independent Director	Chung-Yu Wang	9	0	100%	
Independent Director	Ming-Ren Yu	9	0	100%	

Other mentionable items:

I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act: Article 14-3 is not applicable as the Company has established an Audit Committee.

(I) Any documented objections or qualified opinions raised by independent directors against the Board's resolutions in relation to matters other than those described above: None.

II. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

1. 7th Meeting of the 5th-term Board of Directors on May 3, 2022:

- Content of motion: Allocation of Directors' Remuneration of the Company of 2021
- Recused directors: all directors recused separately
- Reason of recusal and participation of vote: The proposal is voted one by one for each individual director; and each director recused him/herself for his/her own remuneration due to conflict of interest, not participating discussion and voting.

2. 7th Meeting of the 5th-term Board of Directors on May 3, 2022:

- Content of motion: The Company's Allocation of Managers and employees Remuneration of 2021
- Recused directors: Hsiu-Lan Hsu
- Reason of recusal and participation of vote: Chairperson, Hsiu-Lan Hsu, also concurrently serves as the CEO, a manager position. She recused herself due to conflict of interest, not participating discussion and voting.

3. 9th Meeting of the 5th-term Board of Directors on August 2, 2022

- Content of motion: Proposal to adjust the salary of the Company's managers.
- Recused directors: Hsiu-Lan Hsu

- Reason of recusal and participation of vote: Chairperson, Hsiu-Lan Hsu, also concurrently serves as the CEO, a manager position. She recused herself due to conflict of interest, not participating discussion and voting.
4. 10th Meeting of the 5th-term Board of Directors on September 1, 2022
- Content of motion: Proposal for the Company to purchase shares of GlobalWafers B.V. from GlobalWafers Singapore Pte. Ltd.
 - Recused directors: Hsiu-Lan Hsu
 - Reason of recusal and participation of vote: Chairperson Hsiu-Lan Hsu concurrently serves as a director of GlobalWafers Singapore Pte.Ltd. She recused herself due to conflict of interest and did not participate in discussion and voting.

III. Implementation of the Board of Directors Appraisal:

Evaluation Cycle: Once a year

Evaluation periods: Performance evaluation for January 1, 2022 to December 31, 2022

Reported to the Board of Directors on: March 14, 2023

Evaluation scope	Evaluation method	Evaluation content	Evaluation results
Board of directors	Self-evaluation by directors	<ol style="list-style-type: none"> 1. Their degree of participation in the company's operations. 2. Improvement in the quality of decision making by the board of directors. 3. The composition and structure of the board of directors. 4. The election of the directors and their continuing professional education. 5. Internal controls 	The average score reached the standard and above in all aspects, showing that the Board of Directors is operating in good condition and meets corporate governance requirements.
Individual Members of the Board of Directors	Self-evaluation by directors	<ol style="list-style-type: none"> 1. Their grasp of the company's goals and missions. 2. Their recognition of director's duties. 3. Their degree of participation in the company's operations. 4. Their management of internal relationships and communication. 5. Their professionalism and continuing professional education. 6. Internal controls 	The average score reached the standard and above in all aspects, showing that directors hold a highly positive opinion of the board's overall operations.
Audit committee	Self-evaluation by directors	<ol style="list-style-type: none"> 1. Their degree of participation in the company's operations. 2. Understanding of the Audit Committee's responsibilities 3. Improvement of the Audit Committee's decision-making quality 4. Composition of the Audit Committee and member selection 5. Internal controls 	The average score reached the standard and above in all aspects, showing that the Audit Committee is operating in good condition and meets corporate governance requirements.
Remuneration Committee	Self-evaluation by directors	<ol style="list-style-type: none"> 1. Their degree of participation in the company's operations. 2. Understanding of the Remuneration Committee's responsibilities 	The average score reached the standard and above in all aspects, showing that the Remuneration

		<ol style="list-style-type: none"> 3. Improvement of the Remuneration Committee's decision-making quality 4. Composition of the Remuneration Committee and member selection 	Committee is operating in good condition and meets corporate governance requirements.
Nomination Committee	Self-evaluation by directors	<ol style="list-style-type: none"> 1. Their degree of participation in the company's operations. 2. Understanding of the Nominating Committee's duties 3. Improvement of the Nominating Committee's decision-making quality 4. Composition of the Nominating Committee and member selection 	The average score reached the standard and above in all aspects, showing that the Nominating Committee is operating in good condition and meets corporate governance requirements.

IV. Objective of enhancing the Board's functions in the current and recent years and the assessment to the implementation:

1. Appoint independent directors and establish the Audit Committee to strengthen professional directors' independent functions to supervise the operation of the Board of Directors: The Company held the special shareholders' meeting on January 19, 2015 to reelect directors and also elect 3 independent directors. At the same time, the Company established the Audit Committee to replace supervisors.
2. The Company established the Remuneration Committee to assist the Board of Directors in executing and evaluating the Company's entire remuneration and welfare systems, and reviewing whether the remuneration to directors and managers is adequate periodically.
3. Set up the Nomination Committee to assist the Company in finding, reviewing and nominating candidates for directors and senior managers, and constructing and developing the organizational structure of the Board of Directors and committees.
4. Continue to upgrade the information transparency: The Company designates dedicated personnel to handle the disclosure of the Company's information and update the information on the Company's website, and sets up the investors section to provide business information, and the stakeholders section to provide the stakeholders with multiple unblocked and valid communication channels.
5. Upgrade the competence and professional knowledge of Board of Directors: The Company has established the "Regulations Governing Procedure for Board of Directors Meetings" to strengthen the competence of the Board of Directors. Meanwhile, the Company encourages the Board members to attend various professional courses and promotes related laws & regulations at the Board meetings to upgrade the Board's ability to make decision and satisfy related laws and regulations.
6. Appoint the Corporate Governance Officer to help directors perform duties and upgrade the performance of the Board of Directors: The Company passed the motion for appointment of Corporate Governance Officer, and established the "Standard Operational Procedure to Handle Directors' Requests" at the Board Meeting on May 7, 2019. The corporate governance officer shall be responsible for dealing with the requirements by directors in a manner which may help the directors perform their duties timely and effectively, so as to enhance the Company's support to directors sand also strengthen the Company's compliance with corporate governance-related laws and regulations.

(II) Operations of Audit Committee or Supervisors' attendance to the Board meetings

Operations of Audit Committee:

The Company established the Audit Committee to replace supervisors on January 19, 2015.

The office of this term of Audit Committee members is from August 24, 2021 to August 23, 2024. During 2022, the Audit Committee had convened nine meetings (A), and the attendance of independent directors are as following:

Title	Name	Attendance in Person (B)	No. of presence by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	Jeng-Ywan Jeng	9	0	100%	The third session (elected on August 24, 2021)
Independent Director	Chung-Yu Wang	9	0	100%	
Independent Director	Ming-Ren Yu	9	0	100%	

For the professional qualifications and experience of members of the Audit Committee, please refer to the relevant content of this annual report "III. Corporate Governance Report/II. Directors' Information/(II) Directors' Professional Qualifications and Information Disclosure of Independent Directors' Independence"

Formation and operations of Audit Committee:

- (I) The fair expression of the Company's financial statements.
- (II) Selection (dismissal) of the external auditor and his competence, qualification, independence and performance.
- (III) Effective implementation of the Company's internal control.
- (IV) The Company's compliance with related laws and rules.
- (V) Control over the Company's existing or potential risks.

Other mentionable items:

- I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, independent directors' dissent, qualified opinion, or material recommendations, resolution of the Audit Committee and the Company's handling of said resolution:
 - (I) Matters listed in Article 14-5 of the Securities and Exchange Act: All of the motions have been approved by all members present at the Committee meetings and then by all directors present at the Board meetings in 2022. The motions are stated as following (V. Annual operations of the Audit Committee).
 - (II) Aside from said circumstances, resolution(s) not passed by the Audit Committee but receiving the consent of two-thirds of the whole directors: None.
- II. In instances where a director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of motions, reason for not voting and actual voting counts: None.
- III. Communication between independent directors and internal auditing officers as well as external auditors (such as items discussed, means of communication and results on the Company's finance and business, etc.):
 - (I) Communication between independent directors and internal auditing officers, as well as external auditors
 - 1. The Company's internal auditing officers communicate with the Audit Committee members for the audit report result and their follow-up report periodically.
 - 2. The Company's external auditors report to independent directors the result of their audit or review on the financial statements of the Company and its subsidiaries, as well as other matters to be communicated as required by laws, at the Audit Committee meetings each quarter.

(II) The summary of the communication between independent directors and internal auditing officers in 2022

Date	Focus of communication	Recommendations and results
2022.03.15 Audit committee	2021 Internal audit report 2021 Statement of Declaration on Internal Control System	No objection.
2022.05.03 Audit committee	Internal audit report of Q1 2022	No objection.
2022.08.02 Audit committee	Internal audit report of Q2 2022	No objection.
2022.11.01 Audit committee	Internal audit report of Q3 2022 2023 Internal audit plan	No objection.

(III) The summary of the communication between independent directors and external auditors in 2022

Date	Focus of communication	Recommendations and results
2022.03.15 Audit committee	Report on the result of audit on 2021 consolidated financial statements and standalone financial statements, and review and communication about the effects of application of accounting principles and amendments to laws & regulations.	No objection.
2022.05.03 Audit committee	Report on the result of audit on the consolidated financial statements of Q1 2022, and review and communication about the effects of application of accounting principles and amendments to laws & regulations.	No objection.
2022.08.02 Audit committee	Report on the result of audit on the consolidated financial statements of Q2 2022, and review and communication about the effects of application of accounting principles and amendments to laws & regulations.	No objection.
2022.11.01 Audit committee	Report on the result of audit on the consolidated financial statements of Q3 2022, and review and communication about the effects of application of accounting principles and amendments to laws & regulations.	No objection.

IV. Summary of the annual major tasks of Audit Committee:

The Audit Committee held a total of 9 meetings in 2022 to review the following motions:

1. Review on financial statements and accounting policies & procedures:
Review on the 2021 financial statements, and Q1 to Q3 financial statements of 2022.
3. Appraisal on internal control system and validity thereof:
Review on internal audit report and validity of 2021 internal control system;
3. Amendments to the procedures for acquisition or disposition of assets, derivatives trading, loaning of fund to others, endorsements or guarantees for others; transactions of substantial assets, derivatives, loaning of fund and endorsements or guarantees
4. Appointment (dismissal), remuneration, competence, independence and performance of external auditors:
Review on the competence, independence and performance of external auditors in 2021

5. Appointment/dismissal of financial, accounting or internal audit managers;
6. Review the Company's acquisition of Siltronic AG's equity and group organization restructuring

V. Annual operations of Audit Committee:

Audit committee Term/Date	Content of motion	Matters listed in Article 14-5 of Securities and Exchange Law	Resolution results of the Audit Committee and the Company's Treatment of the Audit Committee's Opinions
The third session 3rd meeting 2022.01.12	1. Proposal of offering guarantee to a subsidiary for it to sign a long-term supply agreement with a customer, and receive the prepayment.	√	Approved by all members present at the Audit Committee meeting and passed by all directors present at the Board meeting.
The third session 4th meeting 2022.01.28	1. Proposal of the material capital expenditure of the Company and subsidiaries	√	
The third session 5th meeting 2022.03.15	1. Motion for report on undertaking of derivatives trading.	√	
	2. Motion for report on internal audit report.	√	
	3. Motion for assessment report on independence and performance of the Company's external auditors.	√	
	4. The Company's business report and financial statements for 2021	√	
	5. Revision of the Company's "Procedures for Acquisition or Disposal of Assets"	√	
	6. To meet the Company's financial needs, it is proposed to conduct public offerings of securities.	√	
	7. The Company applies commercial paper underwriting limit from a financial institute	√	
	8. Declaration of Internal Control System of 2021	√	
	9. The Company's 2021 Audit Fees of CPAs	√	
	10. Proposal of offering guarantee to a subsidiary for it to sign a long-term supply agreement with a customer, and receive the prepayment.	√	
	11. Fund lending to subsidiaries	√	
	12. The Company and the subsidiaries' overdue receivable were all actual transactions, so such receivables need not to be listed as fund loaning to others.	√	
	13. Capital increase of the German subsidiary, GlobalWafers GmbH	√	
The third session 6th meeting 2022.05.03	1. Motion for report on undertaking of derivatives trading.	√	
	2. Motion for report on Internal audit report.	√	
	3. Proposal for the Audit Committee to sign contracts on behalf of the Company for transactions within the group	√	
	4. Motion for the Company's consolidated financial statements of Q1 2022.	√	
	5. The 2021 earning distribution table and the proposal of the earning distribution for the latter half of 2021.	√	
	6. Cash dividend issuance via capital reserve	√	
	7. Apply bank credit line for the Company's subsidiary, and the Company serves as the guarantor.	√	
	8. The proposal of making endorsement/guarantee to the subsidiary, GlobalWafers GmbH. As GlobalWafers GmbH's net worth in the 2021 Q1 financial statement was lower than half of the paid-in capital, it is intended to take the follow-up control measures based on the Company's regulations for making endorsement/guarantee.	√	
The third session 7th meeting 2022.06.21	1. Proposal to sign long-term supply agreement with a customer and for a subsidiary to collect prepayment/deposit with guarantee provided by the Company	√	
The third session 8th 2022.08.02	1. Motion for report on undertaking of derivatives trading.	√	
	2. Motion for report on Internal audit report.	√	
	3. Motion for the Company's consolidated financial statements of Q2 2022.	√	
	4. Apply bank credit line for the Company's subsidiary, and the Company serves as the guarantor.	√	
	5. Proposal to increase the capital of German subsidiary GlobalWafers GmbH to raise funds needed to purchase Siltronic AG shares held by GlobalWafers B.V.	√	
The third session 9th 2022.09.01	1. Proposal to restructure the group organization in response to the implementation of the CFC (Controlled Foreign Company) bill	√	
	2. Proposal for the Company to purchase shares of GlobalWafers B.V. from GlobalWafers Singapore Pte. Ltd.	√	

The third session 10th meeting 2022.11.01	1. Proposal for the Company to purchase 0.05% equity of German subsidiary GlobalWafers GmbH from Dutch subsidiary GlobalWafers B.V.	V
	2. Motion for report on Internal audit report.	V
	3. Motion for the Company's consolidated financial statements of Q3 2022.	V
	4. 2023 Internal audit plan	V
	5. Amendment to the Company's Internal Control System	V
	6. Apply bank credit line for the Company's subsidiary, and issuance of a letter of support (LOS).	V
	7. Proposal to cancel the guarantee provided by the Company to sign a long-term supply agreement with a customer and for a subsidiary to receive the deposit in advance	V
	8. Proposed amendment to the Company's Procedures for Lending Funds to Others	V
The third session 11th meeting 2022.12.06	1. The Company's earnings allocation for the first half of 2022	V
	2. Cash dividend issuance via capital reserve	V
	3. The Company's 2022 Audit Fees of CPAs	V
	4. Establishment of the Company's "General principles and methods for pre-approval for non-assurance services"	V
	5. Revision of the Company's "Procedures for Acquisition or Disposal of Assets"	V
	6. Apply bank credit line for the Company's subsidiary, and the Company serves as the guarantor.	V

(III) Status of corporate governance, and deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof:

Evaluation Item	Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established and disclosed the Corporate Governance Best-Practice Principles on the website based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”	No significant difference
II. Shareholding structure & shareholders’ rights of the Company				No significant difference
(I) Whether the Company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?	V		(I) The Company entrusts Shareholders Service Dept. of Yuanta Securities Co., Ltd. to handle the problems posed by shareholders on behalf of it, and also establishes the spokesman system to deal with related matters, as well as the pages specifically for Investors and Stakeholders on the website dedicated to accepting any questions or suggestions.	
(II) Whether the Company controls the list of major shareholders and the controlling parties of such shareholders?	V		(II) The Company monitors the shareholding of directors, managerial officers, and major shareholders with 10% and above shares. The Company reports related information on the Market Observation Post System each month.	
(III) Whether the Company establishes or implements some risk control and firewall mechanisms between the Company and its affiliate?	V		(III) The Company’s internal control covers the corporate risk management activities and operating activities. The Company establishes the “Regulations Governing Supervision on Subsidiaries of GlobalWafers” to fulfill the risk control mechanism against subsidiaries. The Company also established the "Regulations for Financial Supervision and Management of Affiliated Enterprises" and	

Evaluation Item	Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(IV) Whether the Company has established internal policies that prevent insiders from trading securities based on non-public information?	V		<p>"Operating Procedure for Transactions of Group Members and Specific Companies with Related Parties" to govern the purchases/sales, acquisition or disposition of assets, endorsements/guarantees and loaning of fund by the affiliates.</p> <p>(IV) The Company establishes the “Procedure for Prevention of Insider Trading” to prohibit insiders from trading securities based on non-public information.</p>	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Whether the Board of Directors has diversified policies regulated and implemented substantively according to the composition of the members?</p> <p>(II) Whether the Company, in addition to establishing the Remuneration Committee and Audit Committee, pursuant to laws, is willing to establish any other functional committees voluntarily?</p>	V	V	<p>(I) The Company’s “Corporate Governance Best-Practice Principles” has expressly defined the formation of the Board members and ability to be held by the members. The Company has also established the diversified policy for the Board members. For the education and experience, professional quality, independence, and diversity of each director, please refer to “Three. Corporate Governance Report/II. Information of Directors” in the annual report. The information above is also disclosed in the Company’s website.</p> <p>(II) The Articles of Incorporation expressly state that the Company may establish functional committees subordinated to the Board of Directors. Establishment and functions of the related committees shall comply with the regulations established by the competent authority. The functional committees which the Company have established are stated as following: The Remuneration Committee established in 2014 consists of 3 independent directors. The Audit Committee established in 2015 consists of 3 independent directors. The Corporate</p>	No significant difference

Evaluation Item	Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(III) Does the company established the Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company perform a regular performance evaluation each year and submit the results of performance evaluations to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination, and additional office terms?	V		<p>Sustainability Committee established in 2017 consists of the management team, and Chairman of Board acts as the Committee Chairman responsible for reporting the status and results to the Board of Directors periodically. In 2020, the Nomination Committee was established, consisting of the Chairman and two independent directors.</p> <p>(III) The Company has established the “Regulations Governing Performance Appraisal on Board of Directors and Functional Committees”. At the end of each year, according to the overall planning of President’s Office, the performance appraisal on the entire Board of directors, individual Board member and functional committees (including Audit Committee, Remuneration Committee and Nomination Committee) will be carried out in the form of the internal self-appraisal questionnaire. The appraisal result will be reported to the Board of Directors and served as the reference for remuneration of individual director, and election or nomination of directors, and also the suggestions about improvement on the operations and functions of the Board of Directors and functional committees. The scope of appraisal covers the level of participation in the Company’s operations, upgrading of the decision making of meetings, formation and structure of the Board of Directors and functional committees, election of directors and committee members, continuing education and internal control, et al.. The Company has completed the 2022 performance appraisal on the Board of Directors and functional committees. The appraisal report was already reported</p>	

Evaluation Item	Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(IV) Whether the Company assesses the independence of the external auditor periodically?	V		<p>to the Board meeting on March 14, 2023 and disclosed on the Company’s website.</p> <p>(IV) The Company established the "Regulations Governing Appraisal on Independence and Performance External Auditors." The Company will assess the external auditors' independence, competence and performance each year, and began to evaluate AQIs this year. Evaluation results are reported to the Audit Committee and Board of Directors for approval. The Company has completed the 2022 evaluation of the independence and competence of external auditors. The evaluation report was already reported to the Audit Committee meeting and the Board meeting on March 14, 2023.</p> <p>The scope of evaluation of independence covers 15 indicators, including whether the external auditors hold the position as directors/supervisor or manages of customers, or any other positions which may render material effect to the audited cases, whether the external auditors have direct or indirect material financial interest with the Company, whether the external auditors have significant business relations and employment relations with the Company, and whether the external auditors promote, or act as the broker for, the stock or other securities issued by the Company. The performance indicators include service quality, level of profession and timeliness. Evaluation items of the AQIs include professionalism, independence, quality control, supervision, and innovation ability, as well as 13 indicators, such as audit experience and hours of training, project quality control</p>	

Evaluation Item	Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			review EQCR, percentage of non-audit services, external inspection deficiencies and handling, and innovation plans or initiatives.	
IV. Do TWSE/TPEX Listed Companies appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors’ compliance of law, handling matters related to board meetings and shareholders’ meetings according to law, and recording minutes of board meetings and shareholders’ meetings)?	V		<p>The Company resolved at the Board meeting on May 7, 2019 that the Company’s financial officer, Director Ming-huei Chien, should hold the position as the Company’s corporate governance officer concurrently (who has the experience in the management of finance, shareholders’ service and parliamentary procedures for TWSE/TPEX-listed companies for more than three years), responsible for leading and guiding the President’s Office to process corporate governance-related affairs and provide directors with support. The functions to be performed by him include:</p> <ol style="list-style-type: none"> 1. Convention of the Board meetings and shareholders’ meetings under laws. 2. Preparation of the Board meeting and shareholders’ meeting minutes. 3. Helping directors with their duties and continuing education. 4. Providing directors with the information needed to perform their duties. 5. Helping directors comply with laws. 6. Report to the board of directors results of whether independent directors had the qualifications required by law during their nomination, election, and term. 7. Handle changes of directors. 8. Other requirements under the Articles of Incorporation. <p>The status of business executed by the corporate governance officer this year:</p> <ol style="list-style-type: none"> 1. Set and plan the review on the corporate governance-related regulations, and add and amend the same to fulfill the compliance. 	No significant difference

Evaluation Item	Status			Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons											
	Yes	No														
			<p>2. Provide the directors with the information needed to perform their duties, and help the directors with their compliance.</p> <p>3. Arrange the continuing education courses for individual directors (each director shall attend the training for at least 6 hours each year, provided that each new director shall attend the training for at least 12 hours in one year).</p> <p>4. Plan each Board meetings, notify all directors at least within 7 days prior to the meetings, provide sufficient parliamentary information, and send the Board meeting minutes within 20 days after the meetings.</p> <p>5. Pre-register the shareholders’ meetings pursuant to laws, produce the meeting notices, meeting handbook, annual reports and meeting minutes, and complete corporate registration in case of changes (amendments to the Articles of Incorporation, and election of directors).</p> <p>The corporate governance officer should take at least twelve hours of continuing education courses per year. Status of the continuing education courses attended by the corporate governance officer until the date of publication of the annual report:</p> <table border="1"> <thead> <tr> <th>Training Date</th> <th>Sponsored by</th> <th>Course Name</th> <th>Number of Training Hours</th> </tr> </thead> <tbody> <tr> <td>2022.07.29</td> <td>Taiwan Corporation Governance Association</td> <td>Corporate Governance and Securities and Exchange Act</td> <td>3.0</td> </tr> <tr> <td>2022.08.25</td> <td>Taipei Exchange</td> <td>The advocacy conference on Insider</td> <td>3.0</td> </tr> </tbody> </table>	Training Date	Sponsored by	Course Name	Number of Training Hours	2022.07.29	Taiwan Corporation Governance Association	Corporate Governance and Securities and Exchange Act	3.0	2022.08.25	Taipei Exchange	The advocacy conference on Insider	3.0	
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V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V			The Company has appointed the spokesman and deputy spokesman, and also set up the stakeholder section on the Company’s website as the contact for various stakeholders. The dedicated personnel will be responsible for answering related questions. The Company also disclosed in its Sustainability report "Chapter One. Negotiation and Identification of Stakeholders" how to identify various stakeholders (including employees, customers, investors, suppliers, government entities and media, et al.), and the communication channels between the Company and various stakeholders, method of response, frequency of communication, and their	No significant difference																

Evaluation Item	Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			concerns. The aforesaid information is disclosed in the Stakeholders Section of the Company's website, and reported in the annual report of the "Corporate Sustainability Committee" to be submitted to the Board of Directors each year. The most recent report was on August 2, 2022.	
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company entrusts Yuanta Securities Co., Ltd. to act as the Company's shareholders service agent to handle shareholders service affairs on behalf of the Company.	No significant difference
VII. Information Disclosure				
(I) Whether the Company has established a website that discloses financial, business, and corporate governance-related information?	V		(I) The Company has set up the website dedicated to providing financial, business, and corporate governance-related information.	No significant difference
(II) Whether there are other means for disclosure adopted by the Company (e.g. set up an English website, with the personnel dedicated to gathering and disclosing relevant information, properly implement the spokesman system, and post the meetings minutes with institutional investors on the Company website, et al.)?	V		(II) The Company has set up an English website and designated dedicated personnel to collect and disclose the Company's information. Since the Company was listed on TWSE, it has completed the publication and regulatory filing of the relevant information pursuant to the requirements by the competent authority and related laws. The shareholders may access and learn the Company's information and important messages (including the information about meetings with institutional investors) on the MOPS or the Company's website. The Company does practice the spokesman and deputy spokesman systems.	No significant difference
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and		V	(III) The Company has many of overseas subsidiaries and the accounting firm takes a long time to audit the annual financial statements. Therefore, the Company announce and declare the annual statements	

Evaluation Item	Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?			within the statutory period of three months after the end of the fiscal year Because the quarterly financial statements are reviewed by the CPAs, the Company may arrange for an early announcement and report of the first, second, and third quarter financial statements and monthly operating conditions before the prescribed deadline, to improve the transparency and timeliness of the company’s information disclosure.	All except the annual financial report
VIII. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>(I) Employee rights and employee care: The Company is used to valuing the labor-management relationship and treating the employees in good faith, and also protect the employees’ legal interests and rights pursuant to the Labor Standards Act. Meanwhile, the Company builds the fair relationship of mutual trust and reliance with the employees via various employee welfare policies and excellent educational training systems.</p> <p>(II) Investor relations: Disclose the information sufficiently via the MOPS and the Company’s website to enable the investors to understand the Company’s overview of operation, and communicate with investors via the shareholders’ meeting and spokesman.</p> <p>(III) Supplier relations: The Company maintains fair interactive relations with the suppliers, and conducts audits from time to time to ensure the suppliers’ quality.</p> <p>(IV) Stakeholders' interests: The Company has appointed the spokesman and deputy spokesman, and also set up the stakeholder section on the Company’s website to help the stakeholders communicate with the Company and provide suggestions to the Company to maintain the</p>	No significant difference

Evaluation Item	Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>legal interests and rights deserved by them.</p> <p>(V) Continuing education of directors: All of the Company’s directors shall hold the related professional knowledge, attend the related courses pursuant to laws and satisfy the continuing education hours as required.</p> <p>(VI) Implementation of risk management policies and risk measurements: The Company is used to managing the risk stably, and establishes the related internal regulations and internal control system to prevent various risks. Meanwhile, the internal audit unit will audit the status of the internal control system, periodically or from time to time.</p> <p>(VII) Implementation of customer policy: The Company maintains the fair and stable relations with customers and adopts the policy taking customers as the priority, in order to create profit for the Company.</p> <p>(VIII) Maintenance of liability insurance for directors: The Company has taken out the liability insurance for its directors to enhance the protection on shareholders’ equity, and disclosed the relevant information in the corporate governance section on the MOPS.</p>	
<p>IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies: In the 9th Corporate Governance Evaluation if 2022, the Company ranked in the Top 5% among TPEX-listed companies. The improvements already made and those that will be made are as follows:</p> <p>(I) Improvements</p> <ol style="list-style-type: none"> 1. To report ESG implementation and environmental performance overview indicators to the Board on a quarterly basis. 2. Strengthened measures to prevent insider trading, and expressly prohibit insiders from trading their shares during the lock-up period, which is within 30 days before annual financial statements are announced and within 15 days before quarterly financial statements are announced. 				

Evaluation Item	Status		Abstract Illustration	Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
(II) Remaining deficiencies				
1. Planned to increase the number of independent directors				

(IV) Composition, functions, and operation of Remuneration Committee

1. Information of Remuneration Committee Members

March 31, 2023

Identity	Conditions	Professional qualification and experience	Independence status	Number of Other Public Issuing Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
	Name			
Independent Director (Convener)	Jeng-Ywan Jeng	Please refer to the contents of “Three. Corporate Governance Report/II.	Please refer to the contents of “Three. Corporate Governance Report/II.	2
Independent Director	Chung-Yu Wang	Information of directors/(II) Information disclosure for professional qualification and experience of directors and supervisors, and independent directors’ independence.”	Information of directors/(II) Information disclosure for professional qualification and experience of directors and supervisors, and independent directors’ independence.”	1
Independent Director	Ming-Ren Yu	Information disclosure for professional qualification and experience of directors and supervisors, and independent directors’ independence.”	Information disclosure for professional qualification and experience of directors and supervisors, and independent directors’ independence.”	-

2. Duties of Remuneration Committee:

The Committee shall perform the following duties loyally with due diligence as a good administrator, and submit its suggestions to the Board of Directors for discussion.

- (1) Periodically review the performance appraisal on the Company’s directors and managers, and remuneration policy, system, standard and structure.
- (2) Periodically evaluate and review the contents and amount of the Company’s remuneration to directors and managers.

3. Operations of Remuneration Committee

- (1) The Company's Remuneration Committee consists of three members and all independent directors.
- (2) The term of office of the current members: From August 24, 2021 to August 23, 2024. In the most recent year (2022) the Remuneration Committee met 3 times [A], and the members' qualifications and attendance are as follows:

Title	Name	Attendance in Person (B)	No. of presence by proxy	Attendance rate (%) (B/A)	Remarks
Convener	Jeng-Ywan Jeng	3	0	100%	4th term (Appointed on August 24, 2021)
Board member	Chung-Yu Wang	3	0	100%	
Board member	Ming-Ren Yu	3	0	100%	

Other mentionable items:

- I. If the board of directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the

board of directors, and the Company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.

II. For resolution(s) made by the Remuneration Committee with the committee members voicing opposing or qualified opinions on the record or in writing, please specify the meeting date and term, contents of motion, opinions of all members, and the Company's resolution of the members' opinions: None.

III. Operations of Remuneration Committee:

Remuneration Committee Term/Date	Content of motion	Resolution results	The Company's response to the Remuneration Committee's opinion
4th term 1st 2022.03.15	1. Employee Remuneration and Director Remuneration Distribution Plan of the Company of 2021	Agreed and approved by all the members present	Submitted to the Board meeting and passed upon approval of the whole present directors unanimously.
	2. Amendment of the "Procedure for the Distribution of Employees' Remuneration"		
4th term 2nd 2022.05.03	1. Allocation of Directors' Remuneration of the Company of 2021	Agreed and approved by all the members present	
	2. The Company's Allocation of Managers and employees Remuneration of 2021		
4th term 3rd meeting 2022.08.02	1. Proposal of the Company's 2022 four-year employee bonuses	Agreed and approved by all the members present	
	2. Proposal to adjust the salary of the Company's managers		

(V) Information of members, and operation of the Nomination Committee

1. Specify the qualification, criteria, and duties of the Nomination Committee members

The Nomination Committee consists of at least three directors elected by the board of directors, and the majority of members shall be independent directors; one convener and chair is elected by members among themselves.

The Committee shall perform the following duties loyally with due diligence as a good administrator, and submit its suggestions to the Board of Directors for discussion:

- (1) Find, review and nominate candidates for directors and senior managers based on the professional knowledge, skills, experience, gender and other diversified backgrounds and independence needs of the Company's Board members and senior managers.
- (2) Construct and develop the organizational structure of the Board of Directors and committees, conduct performance appraisals of the Board of Directors, committees, and directors, and assess the independence of independent directors.
- (3) Formulate and review directors' continuing education plans and succession plans for directors and senior managers.
- (4) Other matters resolved by the Board of Directors to be handled by the committee.

2. The professional and experience of members, and operation of the Nomination Committee:

- (1) There are three members of the Nomination Committee of the Company, two of whom are independent directors. Chairperson, Hsiu-Lan Hsu, is the convener of the nomination committee. She has expertise in business management, mergers and acquisitions and corporate governance, and meets the professional capabilities required by the committee.
- (2) The term of office of the current members: From December 7, 2021 to August 23, 2024. In the most recent year (2022), the Remuneration Committee convened 1 meeting (A), and the professional qualifications, experience, attendance, and discussions are as follows:

Title	Name	Professional qualification and experience	Attendance in Person (B)	No. of presence by proxy	Attendance rate (%) (B/A)	Remarks
Convener	Hsiu-Lan Hsu	Please refer to the contents of "Three. Corporate Governance Report/II. Information of directors/(II) Information disclosure for professional qualification and experience of directors and supervisors, and independent directors' independence."	1	0	100%	2nd term (Appointed on December 7, 2021)
Board member	Jeng-Ywan Jeng		1	0	100%	
Board member	Ming-Ren Yu		1	0	100%	

Other mentionable items:

Specify the meeting date, session, content of motion, advice or dissent by the Nomination Committee member, the resolution of the Nomination Committee, and the Company's treatment of the Nomination Committee's opinions.

Nomination Committee Term/Date	Content of motion	Resolution results	The Company's response to the Nomination Committee's opinion
2nd term 1st 2022.03.15	1. Performance Evaluation of the Company's Board of Directors and Functional Committee	Agreed and approved by all the members present	Submitted to the Board meeting and passed upon approval of the whole present directors unanimously.

(VI) Promotion of sustainable development, and variance from the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies , and the reason for any such variance

Evaluation Item	Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
I. Did the company have established the governance framework for promoting sustainable development, and a dedicated (concurrent) unit in charge of promoting sustainable development, and the senior management is authorized by the board of directors for handling, as well as the status of board of directors’ oversight?	V		<p>The Company has established the Corporate Sustainability Development Committee in June 2017, the highest-level sustainable development decision-making center within the Company. It is responsible for coordinating and comprehensively managing all aspects of the Company’s development directions and goal formulation related to ESG (environmental, social, and governance) sustainable development in all aspects, to pursue the sustainable development and fulfill social responsibilities.</p> <p>The Company's Corporate Sustainability Development Committee is chaired by the Chairperson, the Corporate Governance Officer is the director general, and representatives from each functional organization are designated to serve the members. Through the cross-function integration, the ESG-related goals, policies and development strategies are formulated, the implementation programs are promoted, and the implementation effectiveness is reviewed and improved continuously; the regular annual meeting of all members are convened every year, to review the achievement of the relevant goals for the previous year, and set the goals for the coming year.</p> <p>The Corporate Sustainability Committee is supervised by the board of directors. In addition to the annual report by the chair to the board of directors on the implementation of sustainable development and the achievement of goals, it also reports performance indicators and related data on environmental issues to the board of directors every quarter. The</p>	No significant difference

Evaluation Item	Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			board of directors supervises the goal-setting for sustainable development and reviews the implementation, while giving relevant advices and guidance based on the content of the report.	
II. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		<p>The Company established the "Risk Management Policy and Procedures" approved by the board of directors. The board of directors is the highest risk management unit, based on the overall operating strategies and operating environment, aims to comply with laws and regulations, promote and implement the Company's overall risk management, and bear the ultimate responsibility for risk management; the senior management is responsible for planning, commanding, and deploying the implementation of risk management decisions by the board of directors, and coordinating interaction and communication for the cross-departmental risk management; each functional unit is responsible for analyzing, managing and monitoring related risks within their respective units; the internal audit is an independent unit that assists the board of directors to monitor the implementation of the risk management mechanism, to ensure the effective implementation of the risk control mechanism and procedures. The scope of risk management includes hazard risk, operational risk, financial risk, strategic risk, compliance risk/contract risk, environmental risk and other risks. Through the effective implementation of risk management processes (including risk identification, risk measurement, risk monitoring, risk reporting, and risk response), the Company's risk management mechanism is realized.</p> <p>The Corporate Sustainability Committee of the Company conducts risk assessments on environmental, social and corporate governance issues</p>	No significant difference

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	Yes	No	Abstract Illustration	
			<p>related to the Company's operations based on the principle of materiality, and prescribes relevant risk management strategies. The identified ESG risk issues include "environment aspect: climate change risks and environmental protection risks; social aspect: occupational health and safety risks, labor health risks, and labor-management relations risks; corporate governance aspect: various risks in operation and investment, challenges for internal and external stakeholders relationship maintenance and communications, enhancement of the board of directors' functions, and risks of legal compliance." Please refer to "Chapter II, Governance and Operation/2.4 Risk Management" in the Company's Sustainability Report for various risks and corresponding risk management strategies.</p> <p>The Company regularly assesses risks every year. The risk assessment boundary covers all the Company's operations and production bases, and the assessment is reported to the board of directors annually. The latest report was made to the board of directors on August 2, 2022.</p>	
<p>I. Environmental Topic</p> <p>(I) Has the Company set an environmental management system designed to industry characteristics?</p>	V		<p>The Company insists the promotion of ISO 14001 Environment Management System,” and “ISO 50001 Energy Management System,” GlobalWafers introduces the concept of product lifecycles, and starts from improving the manufacturing process and product design stage in order to truly achieve reduction of source raw materials. The Company accommodates the environment and energy management system, to determine the goal of energy saving and material saving every year, while continuously implementing water recycling and waste reduction measures, to treasure resources and reduce uses of resources, and</p>	No significant difference

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	Yes	No	Abstract Illustration	
			<p>achieving the effect of reducing greenhouse gas emissions.</p> <p>For information regarding the certifications of “ISO 14001 Environmental Management System” and “ISO 50001 Energy Management System” obtained by each production bases, please refer to our website “Corporate Social Responsibility/Environmental Health and Safety Management/Related Certifications.”</p> <p>(https://www.sas-globalwafers.com/en/ehs-management-system_en/)</p>	
(II) Does the company endeavor to improve the energy utilization efficiency and use renewable materials which have low impact on the environment?	V		<p>The Company, by promoting the “ISO 14001 environmental management system,” has introduced the product life cycle concept in order to reduce raw material consumption and waste output, and achieve the goal of sustainable operation and environmental protection. Each plant, based on different process characteristics, uses recycled materials as much as possible. The recycled materials used in each plant include silicon raw materials, cutting fluids (carriers), product packaging cartons and wafer cassette. The major raw material used in the production of the Company is the silicon material; by using the material at both ends recovered in the plant as much as possible during the crystal growth stage, not only the costs of purchasing materials is saved, but also waste generated is reduced. Please refer to the Company's Sustainability Report "Chapter IV Sustainable Environment/4.3 Reduction from the Source" for the utilization of recycled materials.</p>	No significant difference
(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	V		<p>The Company complies with the framework recommended in the Task Force on Climate-Related Financial Disclosures Recommendation (TCFD) promulgated by the Financial Stability Board, and discloses climate change-related information, assess the risks and opportunities of</p>	No significant difference

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	Yes	No		
			climate change for the Company, potential financial impacts, and corresponding strategies and countermeasures based on the four core elements, including governance, strategy, risk management, indicators and goals. For the detailed information on the Company's climate change risk and opportunity analysis, please refer to the Company's Sustainability Report "Chapter II, Governance and Operations/2.4 Risk Management."	
(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	V		<p>The Company inventories and tracks the volume of greenhouse gas emissions, water consumption, waste, the use of recycled materials, and power consumption every year. Please refer to the Company's Sustainability Report "Chapter IV. Sustainable Environment/4.1.1 Greenhouse Gas; 4.2 Waste Management; 4.3.1 Reuse of Raw Materials; 4.3.2 Energy Management; 4.3.3 Water Resources Management" for relevant data and coverage of information.</p> <p>The Company boosts various measures subject to the effect produced by operating activities, in order to mitigate the impact posed by the Company's operation to the natural environment. The Company established the energy management system (ISO 50001:2018) for the energy saving and carbon reduction and the greenhouse gas inspection (ISO 14064:2018) for greenhouse gas reduction, conducted the water footprint assessment (ISO 14046:2014) for reduction of water consumption and assessed the clean production. All of said operations passed the certification by a third party contracted by the Company (the GHG emissions has passed the certification by a third party for the recent two years). For the verification information, please refer to the official website “Corporate Social Responsibility/Environmental Safety and</p>	No significant difference

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	Yes	No		
			<p>Hygiene Management/Related Certifications” (https://www.sas-globalwafers.com/ehs-management-system/) ◦</p> <p>The Company supports Taiwan's net-zero transformation with real actions, promises to use 100% renewable energy by 2050, and set phased goals supplemented by a climate blueprint: 20% in 2030, 35% in 2035, and 50% in 2040 for renewable energy use, to gradually implement the long-term goal of using 100% renewable energy by 2050. The Company has set annual targets, short-term, medium-term and long-term targets for power consumption, greenhouse gas emissions, water consumption, and waste, respectively. For relevant target information and achievements, please refer to the Company's Sustainability Report "Chapter II. Sustainable Performance Overview."</p> <p>The Company achieves the set goals through the following promotion measures:</p> <p>(1) Consumption of energy and resources and GHS emission reduction: the main source of greenhouse gas emissions of the Company is electricity. Therefore, the reduction of electricity use and the improvement of energy efficiency are the top priorities of the Company. Through the introduction of ISO 50001 energy management system, the Company monitors and measures significant energy utilization equipment, proposes improvement action plan and conduct regular tracking on performance of improvement measures, as well as promotion energy saving internally, in order to achieve the goals of continued improvement, energy saving and carbon reduction.</p>	

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			<p>(2) Reduce water consumption: The Company's water-saving measures management process is mainly divided into plant system and process equipment for itemized management. It is continuously improving the efficiency of the process wastewater recycling system, and regularly holding internal water-saving discussion and improvement meetings and promoting water-saving.</p> <p>(3) Waste management: The Company values waste management, from process improvement and source reduction to reduce the output of waste (including air pollution source emissions), and recycles in the plants, to reduce the volume of newly purchased raw materials, while reducing the generation of waste.</p> <p>(4) Pollution prevention: The Company aggressively promote green product and green production, and reduce raw material consumption through manufacturing process and technology enhancement. We not only reduce pollution discharge at the source, we also lower operation costs, reduce resource consumption and mitigate impact to environment.</p>	
<p>I. Social Topic</p> <p>(I) Whether the Company establishes the related management policies and procedures in accordance with the relevant laws and international human rights conventions?</p>	V		<p>The Company recognizes and supports the spirit and fundamental principles of human rights protection set forth in the Universal Declaration of Human Rights, United Nations Global Compact, and International Labour Conventions. We established the human rights policy in accordance with labor laws and regulations and the abovementioned international human rights conventions, and strive to create a work environment with equality, safety, and dignity.</p> <p>(1) The Company's five approaches under the human rights policy and</p>	No significant difference

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	Yes	No	Abstract Illustration	
			<p>their implementation status is as follows:</p> <p>Continue to create diversity, inclusiveness, and equal opportunity, and prohibit any form of discrimination (including gender (including sexual orientation) race, class, age, marital status, language, ideology, religion, political party, nationality, place of birth, appearance, facial features, and physical and mental disability):</p> <p>The Company continues to communicate that all forms of discrimination are prohibited in its recruitment, appointment, and operating processes. Furthermore, in addition to Christmas celebrations and gifts prepared for Philippine migrant workers, we have made an effort to improve their living conditions overseas to fulfill our responsibility to take care of migrant workers.</p> <p>The Company strives to create a friendly workplace environment with equality. The Company established the Sexual Harassment Prevention, Grievance and Disciplinary Policy, and announced it in the factory area. The Company also provides a wide range of resources to encourage female employees to continue developing their career, such as comprehensive maternity protection measures, regulations established according to the Act of Gender Equality in Employment, and formulating policies for internal lecturers, on-the-job education, and training to provide diverse development opportunities.</p> <p>The Company strives to improve the diversity and harmony in the workplace, and continue to increase diversity in different aspects,</p>	

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	Yes	No		
			<p>such as gender, nationality, and age. Specific results include: In 2022, female employees accounted for 28.7% of all employees, and female managers accounted for 22.8% of all managers. Of the total of 7,300 employees worldwide, domestic employees account for 23.4%, while overseas employees account for 76.6%. The Company employs a total of 84 employees with disabilities, accounting for 1.1% of all employees. Employees that are 30 years old and younger account for 20.5%, employees who are 30-50 years old account for 52.5%, and employees who are 50 years old and above account for 27%.</p> <p>(2) Ban on forced labor and child labor: The Company complies with all labor-related laws and regulations, respects the intentions of all employees, and encourage employees to find a balance between work and family. Furthermore, the Personnel Appointment Regulations contain provisions on the identification of child labor and remedial measures, in order to ensure that there is no illegal child labor in operating activities. If child labor is discovered to be involved in operations, remedial measures will be implemented for six months or until the child labor reaches the age of 16, in order to protect the rights and interests of children.</p> <p>(3) Create a safe and healthy work environment: The Company continues to provide health examinations free of</p>	

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			<p>charge, arranges for medical specialists to visit plants to provide services, organizes health promotion activities, and tracks special groups, in order to raise the health management awareness of employees. The Company's plants in Taiwan planned a total of 53 health promotion measures in 2022, such as seminars, first aid courses, and cancer screening, with a total of 4,583 participants. Furthermore, overseas plants often organize a wide range of health promotion activities to protect employee health; the number of activities and facilities were used 169 times, and a total of 361 people participated or used health promotion facilities. The Company also established work safety and health management procedures, operating standards, special hazardous operation control, chemicals management, and operating environment monitoring for employees to follow, preventing occupational injury and illness, eliminating hazards, and lowering environmental safety and health risks to provide employees with a safe work environment.</p> <p>(4) Providing fair and reasonable salaries and work conditions: The Company assesses market salary levels through salary surveys, and references objective data such as macroeconomic indicators and price index to make suitable adjustments to employee salaries. The salary of employees is determined based on their position, seniority, and professional competence, ensuring equal pay for equal work and preventing discrimination and differential treatment against gender,</p>	

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	Yes	No		
			<p>age, or other conditions. Furthermore, we strictly control work hours so that they do not exceed the legal limit, and actively prevent overworking through periodic work hours analysis reports and the attendance abnormality management system.</p> <p>(5) We provide channels and environment for employees to freely express their opinions, and respect employees freedom of association: The Company holds 4 labor-management meetings each year to discuss labor-management relations, labor conditions, and employee benefits, in order to promote harmonious labor-management relations. Employee opinion boxes are placed in clearly visible locations for employees to report illegal conduct, complain about unfair treatment, or express and resolve their discontent and questions.</p> <p>The Company assesses human rights and labor rights risks according to standards of the Responsible Business Alliance (RBA) every year, and established the standards in the "Personnel Appointment Regulations" and "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment." Employees can report unlawful infringement through anonymous grievance channels, such as: e-mail and telephone. Related committees will maintain the confidentiality of reports throughout the process, and meeting results will be used to track, supervise, and provide necessary support to the parties,</p>	

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	Yes	No		
			<p>in order to protect human rights and prevent recurrence. There has only been 1 human rights complaint (forced labor, child labor, discrimination, sexual harassment, and violation of freedom of association) at the Company's business locations in the past 3 years. The event that was reported occurred in 2022, and related departments formed a committee to conduct investigation, provide protection, and carry out re-education. Human rights training for all employees was immediately improved to prevent events from occurring.</p> <p>In terms of training, new employees will receive human rights training once they report for duty; current employees irregularly take courses on the prevention of workplace violence and sexual harassment. Furthermore, the Company identified major stakeholders and made it mandatory for employees in managerial roles to take the courses, in order to prevent workplace violence. Related courses had a total of 15,193 participants who received 18,592 hours of training in 2022.</p>	
(II) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		<p>The Company fairly decides and distributes employees' remunerations from the annual profit, if any, for 3%~15%, as set for in the Articles of Incorporation, and the performance of individual employee pursuant to the “Employee Remuneration Distribution Procedures.” It seeks to properly reflect the operating performance or results on the employees' remunerations.</p> <p>The Company establishes the procedures of attendance, specifies the paid leaves entitled by employees. All employees of the Company are entitled to labor insurance, health insurance, group insurance, pension contribution and other fringe benefits. The fringe benefits include year-</p>	No significant difference

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			<p>end bonus, gifts for birthday and festivities, year-end banquet, subsidies for matrimony, bereavement, and other celebration, tourist traveling in home country and abroad, emergency relief fund, scholarship, paternal subsidy, meals, stock offering for the employees, and complete set of education and training. The Company also establishes the Employee Caring Program (ECP) team, to integrate and planning for the improvement of holistic employees’ benefits through the cross-function team, so that any employee may select from proper resources to help when facing personal difficulties.</p> <p>The employee welfare savings trust was added in 2021. Employees may evaluate whether to join or not, and participants are given rewards equal to 100% of the amount they contribute.</p>	
(III) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?	V		<p>The Company provides a comfortable, safe and healthy working environment. It also conducts inspections on the working environment on a regular basis, and annually organizes employee health checks as well as training on health and safety for its employees. In 2022, there were 11,422 attendees received health and safety education and trainings. We have also provided education and training for employees engaging in noise, organic solvent, and specific chemical substance exposure conditions that are particularly hazardous to health; issued appropriate safety protection equipment; and implement pre-employment physical exam as well as in-service annual physical exam health management to ensure the safety and health of employees at work. At present, there has been no occupational disease involving employees engaged in special operations.</p> <p>The Company has obtained Occupational Health and Safety Management</p>	No significant difference

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	Yes	No	Abstract Illustration	
			<p>System (ISO 45001: 2018) certification. For detailed information on the certification, please refer to the Company's website "Corporate Social Responsibility/Environmental Safety and Hygiene Management/Related Certifications" (https://www.sas-globalwafers.com/en/ehs-management-system_en/)</p> <p>The Company’s occupational hazard statistics analysis data are generated based on disability injuries statistics indicator published by the Ministry of Labors and GRI. One million work hours being the base line, our statistics are mainly based on the Disabling Frequency Rate, (FR), Disabling Severity Rate (SR), Occupational Disease Rate (ODR) and Absence Rate (AR) (with disabling injury statistics excluding traffic accidents outside factories). In 2022, there were 7 work-related disability incidents in Taiwan, and 16 work-related disability incidents in overseas plants. The global Disabling Frequency Rate (FR) was 1.6, and the Disabling Severity Rate (SR) was 446. There was 1 work-related death; all occupational accidents have been investigated and analyzed, and corresponding improvement measures have been implemented. The Company have regularly implemented occupational health and safety education and training for employees and contractors to effectively prevent occupational disasters; and conducted work environment inspections and internal/external audits in order to review the Company's environmental, safety, and sanitary operations. The goal is to ensure environmental safety for workers and achieve the zero-accident target. For detailed information on occupational disaster statistics and management, please refer to "Chapter V. Friendly Workplace/5.2.4</p>	

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			Occupational Disaster Management” in the Company's Sustainability Report."	
(IV) Has the Company established effective career development training plans?	V		<p>Each year the Company establishes annual education training program based on our operation strategies and short/mid/long term goals, and consider talent cultivation and technology inheritance as our key task. We strengthen our talent database in order to keep track of the talent dynamics and development direction in the group. We host various types of training courses, academia-industry collaboration and research projects, in order for our employees to stay tuned to real-time global political and economic trends and status, technology updates, while supplementing the training with job substitutes, job rotation and on-the-job training to strengthen different professional capacity of our employees. The Company is promoting six academy systems, including new employees, logistics and generation education, business administration, professional core, EHS, and health promotion. Training units will design courses on the specialty of each academy for employees. The academy system prevents repetitive courses from being offered, allows curriculum planning, and also stacks and increases the transparency of training and learning.</p> <p>In 2022, total 441 classes of function training for new recruits were conducted, attended by 1,422 persons, with total 3,284 hours; 1,580 classes of professional function training were conducted, attended by 15,471 persons, with total 5,463 hours; 747 classes of general function training were conducted, attended by 29,832 persons, with total 13,235 hours.</p>	No significant difference
(V) Does the Company’s product and service comply	V		The Company's products and services complies with the relevant	No significant

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with related regulations and international rules for customers’ health and safety, privacy, sales, labelling and set polices to protect consumers or customers’ rights and appeal procedures?			regulations and standards applicable to the Company’s industry; through the supplier management, it is ensured that the supply chain adopts the industrial standards and policies like the “Responsible Business Alliance” (RBA), “conflict minerals,” “silicon raw materials without forced labor,” “environment friendly products” (RoHS, REACH, WEEE) , among other things, to fulfill the social and environmental responsibility; the Company is also committed to comply with product standard and operational regulations in plants required by customers, to achieve the promises with full force, and maintain quality relationships. The Company also has a legal compliance unit in place, to ensure that commercial conditions, products, processes and services to meet the requirements of competition laws and relevant export control regulations with jurisdiction. Before working with any customer, the Company shall sign a non-disclosure agreement (NDA) approved by the legal department, and personnel shall not disclose the known trade secrets to others, nor shall they inquire or collect trade secrets not related to their duties, in order to fully protect the confidential and sensitive information of both parties. With regard to personal data protection for customers, the Company's compliance unit instructed the unit responsible for data to periodically inventorize personal data, and ensure that the collection, processing, and use of personal data by the responsible unit is compliant with the Personal Data Protection Act. The Company has established the “Process of Customer Complaints Management” to maintain good communications with its customers, as well as effective appealing procedures regarding products and service.	difference

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	Yes	No	Abstract Illustration	
(VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	V		The Company has established the "Supplier's Code of Conduct," and the suppliers are required to sign the "Supplier Commitment Letter," requiring suppliers to comply with relevant regulations in terms of anti-bribery and corruption, social and environmental responsibility, conflict-free minerals, compliance with trade laws and regulations, and non-infringement. In the "purchase order," suppliers are also required to comply with the Responsible Business Alliance (RBA), including the requirements of green regulations such as RoHS, REACH and WEEE, and not to use the conflict minerals, promotions of engagement in green procurement, environmental protection, and occupational safety and health, intellectual property rights, and labor human rights. Also, there is the "External Supplier Evaluation and Appraisal Procedures", including written reviews, on-site evaluations, monthly evaluations, process monitoring, qualification evaluation and continuous evaluation and assistance, and regularly or from time to time audits suppliers. There is also an annual evaluation mechanism for performance evaluation.	No significant difference
V. Does the Company refer to international reporting rules or guidelines to prepare Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?	V		The Company refers to the “Sustainability Reporting Standards” issued by the Global Reporting Initiative (GRI) and the indicators for semiconductor industry in the “Sustainability Accounting Standards” issued by the Sustainability Accounting Standards Board (SASB), as well as the "Compiling the sustainability report in accordance with the category indicators of the semiconductor industry and the “Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” to prepare the sustainability report. The Company's 2022 Sustainability Report was	No significant difference

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			inspected by DNV GL Business Assurance Co., Ltd. It complies with the core options in the GRI Standards, and the requirements for moderate level of assurance. The 2022 Sustainability Report is disclosed on MOPS and the Company's website "ESG/ Sustainability Report" and could be doanloaded. (https://www.sas-globalwafers.com/en/sustainability-report-en/)	
<p>VI. If the Company has established the sustainable development principles based on “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has established the “Sustainable Development Best-Practice Principles” and devoted to promoting the sustainable development, which has no significant difference with the Rules.</p>				
<p>VII. Other important information to facilitate better understanding of the Company’s promotion of sustainability development:</p> <ol style="list-style-type: none"> 1. Environmental protection: It is everyone's responsibility to promote environmentally friendly and low-carbon activities. Therefore, in addition to improving the process of energy conservation and control, the Company actively implements waste separation and resource recycling, promotes energy conservation and carbon reduction, and invests in equipment related to energy conservation and emissions reduction. 2. Social welfare: The Company continues to assess the risks and opportunities of business locations, and dedicates efforts to caring for local underprivileged groups, such as low income households, children, and persons with disabilities, including actions and education for local environmental protection. To encourage employees to participate in social welfare, the Company matches donations (the Company donates the same amount as the employee) to combine resources and spread the love and warmth to places in need. Resources invested in social welfare activities in 2022 include: <ol style="list-style-type: none"> (1) The "2022 Mid-Autumn Festival moon cake donation charity event" and donations to Shi-Guang Correctional Institution, Hua Guang Intelligent Development Center, and Private Xiang Yuan Memorial Correctional Institution amounted to NT\$70,000. (2) "Hsinchu Wujian Center Nutritional Supplement Program" and "2022-2023 Hsinchu Children Safety Protection & Home Safety Improvement Plan" donated a total of NT\$561,000 to the Taoyuan-Hsinchu-Miaoli Office of World Vision Taiwan. (3) Angel Family Relaxation Service, donated a total of NT\$350,000 to the Angel Heart Family Social Welfare Foundation. (4) "Yilan Underprivileged Children Learning and Care Program," donated a total of NT\$226,000 to the Yilan Branch of the Taiwan Fund for Children and Families. 				

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<p>(5) "Gentle Protectors of Families of PVS Patients," donated a total of NT\$421,000 to the Miaoli Branch of Genesis Social Welfare Foundation.</p> <p>(6) Site Layout Fundraising Plan for 2022 SAS & GWC Donation Charity Event, donated a total of NT\$311,000 to the Hsinchu Branch of the Association for Victims Support.</p> <p>(7) "Good Neighbor of the Blind" White Cane Action, donated a total of NT\$181,000 to the Taiwan Foundation for the Blind.</p> <p>(8) 2023 Rural Tribe Family Education Program (Book Van/Cooking for Families at Home), donated a total NT\$203,000 to the Yilan Office of World Vision Taiwan.</p> <p>(9) Charity School Fair [Taiwan Fund for Children and Families 55 Dancing with Happiness], raised NT\$10,000 funds for the Hsinchu Center of Taiwan Fund for Children and Families.</p> <p>(10) Called on 174 people together with Sino-American Silicon Products Inc. to participate in the 2022 annual beach cleaning and forest protection event - Longfeng Fishing Port Beach in Chunan, Miaoli County, cleaning a total of 600 kg of waste with an average of 3.5 kg cleaned per person.</p> <p>3. Consumer rights: For customers, the Company has internally established the “Customer Complaint Management Procedure” to provide customers with a channel to express their complaints, and externally signed contracts such as supply contracts and quality contracts with its customers, in order to fully ensure customer's rights and interests.</p> <p>4. Human rights: For a long time, the Company is committed to promote the equal rights at work regardless of race, gender and age. It also provides opportunities for employees’ individual development, allow them to freely express their opinions, and respect the dignity of individuals.</p> <p>5. Safety and health: The Company devoted its efforts to promote safety and health policy, continuously improve the production process and working environment in the aim of achieving zero disasters, and continue to improve occupational safety and health performance through joint efforts of all its employees.</p> <p>6. Employee Health Care: The Company conducts health checkups on a regular basis for employees to understand their health status in order to protect and improve their health. In addition to setting up detection and alarm equipment at appropriate locations, the Company also regularly conducts operating environment testing as a basis for improving the workplace environment, in order to control the physical working environment of employees and evaluate the exposure of hazardous factors.</p> <p>7. Human capital development: The Company has a well-rounded system that links performance to remuneration, cultivates professional talent currently in school, subsidizes continuing education of employees, and signs contracts with important members of management. We identify, cultivate, and reward</p>				

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	Yes	No		
<p>talent for long-term retention. Furthermore, we increase the willingness of talent to stay with the Company through the employee welfare savings trust and medals commending senior employees that have worked at the Company for a long period of time.</p> <p>(1) Industry-academia collaboration: The Company sends professional talent to participate in industry-academia collaboration, research commissioned by research institutes, and forms strategic alliances with the industrial sector, jointly resolving technical issues encountered in the product development process, while enhancing the professional skills of employees. There were 16 ongoing collaboration projects in 2022, on average 7 people participated in each project, and the cumulative number of participants reached 112 and above. Schools that we worked with include National Taiwan University, National Tsing Hua University, National Chiao Tung University, National Central University, National Taiwan University of Science and Technology, National Taipei University of Technology, and Chang Gung University.</p> <p>(2) Talent cultivation projects: The Company and National Yang Ming Chiao Tung University jointly established a talent development base for semiconductor and key technology industries. A total of 3 recruitment events were held in 2022 and had approximately 90-120 participants, matching talent in different fields.</p> <p>(3) College interns: The Company has successfully cultivated over 40 students together with colleges starting in 2017. The practical experience gained by students at the Company gave them an opportunity to face real world problems. The students were from National Tsing Hua University, National Central University, National Chiao Tung University, and National Taiwan University of Science and Technology, and majored in electronics, industrial engineering, machinery, and psychology. They became interns in R&D, manufacturing, and other support departments.</p> <p>(4) Scholarships for master's and doctoral students: The Company established Regulations Governing Applications for Scholarships for Master's and Doctoral Students, and continues to fund scholarships for professional talent in related fields. Recipients of the scholarships directly become employees of the Company after graduation.</p> <p>(5) Subsidies for on-the-job training: The Company established an on-the-job training policy and fully subsidizes on-the-job training of employees with excellent performance and the willingness to learn, thus encouraging their personal career development.</p> <p>(6) Signing contracts with important members of management: The Company signs contracts with managers that have strategic planning ability or an irreplaceable specialty, in order to retain talent and ensure the sustainable development of the Company's human capital.</p> <p>(7) Fellow Program: The Company has its own Fellow Program within the group, and many employees who were nominated for the program are the leading experts in their field. There is a strict operating and selection process of the committee for selecting employees into the Fellow Program. At present, we have 77 outstanding employees gain recognition through the program.</p>				

Evaluation Item	Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>8. Plant pandemic prevention: In 2022, the world has been still under the disturbance of COVID-19 pandemic, the Company monitored the pandemic evolution via the internal pandemic containment panel, and took the plant pandemic prevention measures. Under the side-by-side cooperation of various departments, pandemic prevention operations in the plant area were fully undertaken; the pandemic prevention strategies were formulated, and the management of hierarchical measures and inventory of resources for pandemic prevention were carried out. The Company has regularly held meetings to formulate pandemic prevention measures, to ensure healthy and safe workplace. The relevant pandemic prevention measures are as follows:</p> <p>(1) Pandemic prevention information: in order to enable employees to correctly grasp the real-time information of pandemic prevention, the health management center regularly issues global pandemic information and in-plant pandemic prevention measures, so that employees may quickly receive correct pandemic prevention information.</p> <p>(2) Health monitoring: Full body temperature monitoring is carried out at the accesses of each plant. If there is a fever or a history of suspected contact, entry into the plant is completely prohibited, and an internal electronic questionnaire survey will be conducted simultaneously with the central command center to track the confirmed case's footprint, as implementing the initiative of employees' report and voluntary health management.</p> <p>(3) Visitor management: use emails and hard-copy announcements to inform the supply chain vendors about the prevention measures for entering the plants, and require those who enter the plant to complete the entry health declaration form, and wear a mask for protection employee safety.</p> <p>(4) Office pandemic prevention: in order to avoid crowding of people that increases the risk of infection, office workers have taken a number of contingency measures, including: checkboard seating, isolation rooms, triage, working from home, among other measures, to reduce population density and reduce frequency of contact among employees</p> <p>(5) Eat with peace of mind: in order to provide employees with a safe dining environment, pandemic prevention dining routes are planned, with plastic table partitions and disposable lunch boxes; the dining area are divided by unit to ensure that the safety of dining in the plants.</p> <p>(6) Disinfection in the plant area: formulate the disinfection and cleaning measures in public areas, increase internal ventilation and exhaust, encourage opening windows in confined spaces, and put plastic films on commonly used buttons, add partitions in canteens, add hand sanitizer dispensers, and post the correct hand-washing slogans in the restrooms.</p> <p>(7) Employee care: For high-risk groups, tracking is taken and the temperature re-examination and follow-up control is conducted. The outpatient services of psychologists is provided when necessary to help employees resolve negative emotions and stress.</p>				

(VII) Fulfillment of Ethical Corporate Management, and variance from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance

Evaluation Item	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Illustration	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a</p>	V		<p>(I) The Company has the "Ethical Corporate Management Best Practice Principles" and the "Code of Conduct," specifying the tangible content of ethical management policy and are approved by the Board of Directors. In addition, the "Operational Procedures and Guidelines for Ethical Corporate Management" and the "Procedures of Handling Reports of Illegal, Unethical, and Dishonest Conduct", approved by the Chairman, to implement the ethical management policy. The Company's standard contract clearly requires the counterparts of transactions to comply with the ethical management policy. The Board of Directors and senior management all have signed statement to actively implement the commitments in the ethical management policy. The Company also implements so in the internal management and business activities, including requiring employees to comply with the ethical management policy in the employment conditions.</p> <p>(II) In the "Ethical Corporate Management Operating Procedures and Code of Conduct", the Company has established the risk assessment mechanism for unethical conduct listed in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles," including: data collection through the annual compliance self-</p>	No significant difference

Evaluation Item	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Illustration	
<p>program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(III) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and appealing procedures, and periodically reviews and revises such policies?</p>	V		<p>assessment of departments, qualitative interview, and tracking of emails by the IT department, for regular analysis and assessment, to identify these who with higher risks, and conduct individual investigation if required, with assistance of the audits from the internal audit units. So that the preventive programs to forbid offering and accepting bribery, providing illegal political donation or improper benefits, infringement of intellectual property rights, and unfair competition may be established, to ensure the Company's operation is consistent to the Ethical Corporate Management Best Practice Principles. Within the scope of business activities, all employees are obliged to cooperate with the compliance office for the investigation related to the said unethical conducts.</p> <p>(III) Pursuant to the "Ethical Corporate Management Best Practice Principles," the Company has established the "Code of Ethical Conduct" and "Ethical Management and Guidelines for Conduct" and the "Procedures of Handling Reports of Illegal, Unethical, and Dishonest Conduct," specifying that no improper benefit shall be accepted, nor anything unethical or illegal may be conducted. These regulations also require to promote the importance of ethical conducts to directors and employees. The said programs are regularly reviewed for its adequacy and effectiveness based on the methods determined by the assessing mechanism of unethical conduct risk, and adjusted or amended when needed.</p>	

Evaluation Item	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Illustration	
<p>II. Fulfill operations integrity policy</p> <p>(I) Whether the company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?</p>	V		<p>(I) The Company's Ethical Corporate Management Best-Practice Principles has clearly stipulated that before business contacts the legitimacy of counterparties in business transactions and the existence of records of unethical conducts should be taken into account, so as to avoid transaction with those involved in unethical conducts. In addition, pursuant to the "Operational Procedures and Guidelines for Ethical Corporate Management," before establish a business relationship with others, an ethical management assessment must be done. The Marketing Department uses the "Evaluation Chart for Client/Distributor/Agency's Ethical Management," and the Procurement Department uses the "Evaluation Chart for Suppliers' (and Their Distributors/Agencies) Ethical Management" for quantified implementation in writing. The contracts to be signed with business counterparts shall specify the ethical management terms, to ensure the counterparts conform to the Company's ethical management policy.</p>	No significant difference
<p>(II) Whether the company has set up a unit which is dedicated (or concurrent) to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?</p>	V		<p>(II) The Company established the Compliance Section under the Legal Department, in charge of promoting the ethical corporate management policy, establishing the programs to preventing unethical conduct, and supervising the implementation. The compliance officer reports the implementation status to the Board of Directors once a year, and the most recent report was on November 1, 2022. The auditors may also supervise the implementation during</p>	

Evaluation Item	Status		Abstract Illustration	Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No		
			<p>the routine audit, and report to the Board of Directors if any abnormality is found.</p> <p>Implementation during the year:</p> <p>(1) Formulation and review of policies relating to ethical corporate management</p> <p>The Company has set up the "Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct" and "Ethical Management and Guidelines for Conduct" and the "Procedures of Handling Reports of Illegal, Unethical, and Dishonest Conduct" which clearly stipulates that matters such as obtaining illegitimate interests, violations of integrity or unlawful behaviors may not be accepted. The above internal regulations are reviewed and updated on an irregular basis by the Compliance Office with reference to external regulations and internal implementation status, for adjustment and amendment from time to time.</p> <p>(2) Internal and external policy propaganda</p> <p>Relevant important internal regulations such as the "Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct," "Ethical Management and Guidelines for Conduct," and "Procedures of Handling Reports of Illegal, Unethical, and Dishonest Conduct" have been announced on the Company's official website and internal websites for inquiries from external and parties. The Company also requires</p>	

Evaluation Item	Status		Abstract Illustration	Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No		
			<p>its suppliers to sign a "Supplier Code of Conduct and Promise Note" for the compliance with the laws and regulations, ethic, environment and quality specifications, which include regulations relevant to good faith management.</p> <p>(3) Reporting channels, treatment, and protection of whistle-blowers</p> <p>The Company has set up the "Procedures of Handling Reports of Illegal, Unethical, and Dishonest Conduct", which develop a disciplinary and appeal system for handling violations of the code of ethics in management, and establishes and discloses the employee suggestion box, e-mail address and complaint hotline on in the plant, the Company's external and internal website to encourage internal and external personnel to report on unethical behavior or misconduct. Anonymous whistleblowing is permitted. The identity and content of whistleblowing are strictly kept confidential, and the HR unit will verify and handle. Any one violate the ethical management requirements will be treated based on the severity of the violation. Report may be made to the competent authorities or law enforcement if required.</p> <p>(4) Education and training</p> <p>The Company formulates and conducts training regularly. The attendees and hours of trainings in 2022 are listed as the following:</p>	

Evaluation Item	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Illustration	
			<ol style="list-style-type: none"> 1. The one-hour "Insider Education and Training" was provided to new employees. The contents include insider trading law analysis (constitutive elements, major news disclosure method and time period, judicial opinions) and insider equity transfer law analysis (The obligation to declare before/after the event, and maintaining the number of shares held by directors and supervisors); a total of 248 new employees participated. 2. The two-hour "Ethical Corporate Management Training" was provided to new employees. The content includes trade secret protection, issues of competition law, anti-bribery and corruption, conflict of interest prevention, and KYC/export control, among other major compliance issues closely related to the technology industries; a total of 248 new employees participated. 3. The 20-minute "Training on the New System of the U.S. Export Administration Regulations (EAR)" was provided to managers in the semiconductor business system. The contents include the current status and analysis of response measures taken for the impact of the U.S. EAR on GlobalWafers' business; a total of 32 managers participated. 4. Provided the 1-hour "personal data protection training" to section chiefs. Contents of the training include legal 	

Evaluation Item	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Illustration	
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		<p>principles that require compliance during personal data collection, processing, and use, the Company's legal obligations, penalties for violations, and case study; the training had a total of 52 participants.</p> <p>(III) In the "Code of Ethical Conduct," the Company specifies the employees shall deal with the business in an objective and efficient manner, refrain from obtaining improper benefits for him/herself, others, or other business by exploiting his/her position in the Company, as the policy to prevent conflict of interest. In the "Operational Procedures and Guidelines for Ethical Corporate Management," it specifies the directors shall recuse themselves in the Board meetings if proposals involves their own interests. In addition, the Company prepares different channels to report conflicts of interest: directors or independent directors shall state such to the President or the corporate governance officer; managers shall report to the compliance unit; the rest of the colleagues should report to the immediate supervisor and the Compliance Section, and the immediate supervisor should guide them appropriately.</p>	
(IV) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	V		<p>(IV) The Company has established the accounting system and internal control system to be implemented. The audit plans including subject, scope, items, frequencies are prepared based on the assessment of unethical conduct, to audit the compliance with the ethical conduct program. The audit outcome shall be reported to the senior management and the dedicated ethical management unit, with</p>	

Evaluation Item	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Illustration	
(V) Does the company regularly hold internal and external educational trainings on operational integrity?	V		<p>the audit report submitted to the Board of Directors. In addition, to ensure the continuous effectiveness of the design and execution of such system, the Company reviews and amends the system annually, as the basis to evaluate the effectiveness of the internal control system, and the preparation of statement of internal control system.</p> <p>(V) The Company regularly formulates and conducts trainings, including laws and regulations related to corporate governance, ethical management, and business conducts. For "ethical management" and "prevention of insider trading" courses, the current directors, managers, or other employees deemed in need of such trainings shall attend at least every two years. New directors and managers shall attend within three months upon taking positions. New employees shall attend in the consolidated orientation prepared by the human resources. In addition, pursuant to the "Operational Procedures and Guidelines for Ethical Corporate Management," the Chairman and the corporate governance officers are arranged to communicate the importance of ethic to directors, managers, and supervisors in the Board meetings or supervisors' meetings. Training courses offered in 2022 include: "Insider Education and Training," "Ethical Corporate Management Training," "Training on the New System of the U.S. Export Administration Regulations (EAR)," and "Personal Data Protection Training." Please refer to the description in (II) (4) for details. The cumulative number of attendees of the courses was 580.</p>	

Evaluation Item	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Illustration	
<p>III. Operation of the Company's reporting system</p> <p>(I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(II) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?</p>	V		<p>(I) In the "Procedures of Handling Reports of Illegal, Unethical, and Dishonest Conduct," the Company specifies the system, including internal and external whistleblowing channels by establishing the suggestion box, email box, and complaint hotline, and the handling principles, to implement the ethical management policy. Whistleblowing is accepted by the spokesperson, HR officers, or legal staff. Once the case is established, the handling unit will investigate and handle pursuant to the "Procedures of Handling Reports of Illegal, Unethical, and Dishonest Conduct." If the allegation is verified as truth, the whistleblower may be awarded if the case is material.</p> <p>(II) In the "Procedures of Handling Reports of Illegal, Unethical, and Dishonest Conduct," the Company specifies the investigation and handling process corresponding to the alleged parties and involvement. The whistle-blowing is strictly kept confidential, and all possible efforts are made to protect the whistleblowers, while giving counterpart chance to appeal, in order to secure the legal rights of both parties. If the allegation is verified as truth, the alleged party will be required to cease the conduct immediately and proper actions will be taken. The related units will be required to review and furnish corrective measures to prevent the incident from repeating. The Legal Department will review the whistleblowing, handling and follow up, and report to the Board of Directors.</p>	No significant difference

Evaluation Item	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Illustration	
(III) Does the company provide proper whistleblower protection?	V		(III) Pursuant to the "Procedures of Handling Reports of Illegal, Unethical, and Dishonest Conduct," the Company handles whistleblowing in confidential. All possible efforts are made to protect the whistleblowers, to keep their identities absolutely confidential, so they will not be treated improperly due to whistleblowing. Personnel handling whistleblowing cases must identify themselves to the whistleblower in writing and state that contents of the report will be kept confidential.	
IV. Enhancing Information Disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		(I) The Company has a website to disclose the related corporate culture, operation guidelines, "Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct," "Ethical Management and Guidelines for Conduct," and "Procedures of Handling Reports of Illegal, Unethical, and Dishonest Conduct" and implementation of ethical management.	No significant difference
V. If the company has established the ethical corporate management policies based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the policies and their implementation: The Company has established the "Ethical Corporate Management Best-Practice Principles" which clearly regulates the matters to be followed by the Company's staff. Other accusation cases and penalties are also clearly set out in relevant measures. There is no significant difference between the policies and the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies".				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies (under situations such as review and revision of regulations): 1. The Company complies with the Company Act, the Securities and Exchange Acts, the Business Entity Accounting Act, the Political Donations Act, the Anti-Corruption Act, the Government Procurement Act, the Act on Recusal of Public Servants Due to Conflicts of Interest, and other regulations for public				

Evaluation Item	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Illustration	
<p>companies and business related laws and regulations. Such compliance is the basic precondition to implement the ethical management. The Company all makes all possible efforts to comply with the environment and quality policy with high standards.</p> <p>2. The Company has set up provisions related to avoidance of directors' conflicts of interests in the "Rules of Procedure for Board of Directors Meetings". If any director or a juristic person represented by a director is an interested party with respect to any agenda item, when the relationship is likely to prejudice the interests of the Company, the director may express their opinion and answer queries, but may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.</p> <p>3. The Company has established the "Management Procedure to Prevent Insider Trading," specifying that insiders, quasi-insiders, information receivers, upon actually knowing of any information that will have a material impact on the price of the securities of the issuing company, after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure, shall not purchase or sell, in the person's own name or in the name of another, shares of the company that are listed on an exchange or an over-the-counter market, or any other equity-type security of the company, or the non-equity-type corporate bonds of such company that are listed on an exchange or an over-the-counter market, so that anyone knowing material information will not violate the regulations of insider trading due no ignorance to laws. In addition, the "Management Procedures to Prevent Insider Trading" stipulates that directors, managers, and the natural persons appointed as a proxy to exercise duties specified in Article 27, Paragraph 1 of the Company Act, are forbidden to trade their shares during the lock-up period from 30 days prior to the announcement of annual financial statements, and 15 days prior to the announcement of quarterly financial statements. The Company requested the President Office to inform the persons subject to the provisions the lock period forbidding trading after arranging dates of board meetings; the President Office also review the compliance of the concerned persons when reporting the equity every month.</p> <p>4. The Company has established the "Procedures for Handling Material Inside Information," for good internal material information handing and disclosing mechanism, while ensuring the consistency and accuracy of the information announced externally. The Procedures specifies that no director, supervisor, managerial officer, or employee of this Corporation may inquire about or collect any non-public material inside information of this Corporation not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of this Corporation of which they become aware for reasons other than the performance of their duties.</p>				

Evaluation Item	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Illustration	
5. The Company conduct a personal data protection audit in 2022, and took inventory of personal data involved in the operations of responsible units, ensuring that the collection, processing, and use of personal data by the responsible unit is compliant with the Personal Data Protection Act.				
6. The Company conducted a compliance audit of overseas subsidiaries in 2022, and audited issues related to operations and commercial behavior based on RBA7.0, including Anti-Corruption, Antitrust, Trade Secret, Ethics, Whistleblowing, Health and Safety, Environment, Export Control, and Personal Data Protection, ensuring compliance with the law and requirements on ethical corporate management.				

(VIII) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information: The Company established the "Corporate Social Responsibility Best-Practice Principles" according to the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies," which is available on the MOPS or the Company's official website (<https://www.sas-globalwafers.com/corporate>).

(IX) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed:

1. Company website: <http://www.sas-globalwafers.com> "Investors" and "ESG"

2. Directors' education and training

Name	Training date	Sponsored by	Training Course	Number of Training Hours
Hsiu-Lan Hsu	2022/07/29	Taiwan Corporation Governance Association	Corporate Governance and Securities and Exchange Act	3
	2022/08/31	Taiwan Corporation Governance Association	The Trend of ESG and Net Zero	3
Ming-Kuang Lu	2022/06/16	Taiwan Corporation Governance Association	Insider Trading Prevention and Countermeasures	3
	2022/06/28	Taiwan Corporation Governance Association	Insider trading from the perspective of prosecutors	3
Tang-Liang Yao	2022/07/29	Taiwan Corporation Governance Association	Corporate Governance and Securities and Exchange Act	3
	2022/08/31	Taiwan Corporation Governance Association	The Trend of ESG and Net Zero	3
Kuo-Chow Chen	2022/08/25	Taipei Exchange	The advocacy conference on Insider Shareholdings in TPEX Listed Companies	3
	2022/08/31	Taiwan Corporation Governance Association	The Trend of ESG and Net Zero	3
Jeng-Ywan Jeng	2022/06/16	Taiwan Corporation Governance Association	Insider Trading Prevention and Countermeasures	3
	2022/06/28	Taiwan Corporation Governance Association	Insider trading from the perspective of prosecutors	3
	2022/08/31	Taiwan Corporation Governance Association	The Trend of ESG and Net Zero	3
Chung-Yu Wang	2022/05/06	Taiwan Corporation Governance Association	ESG-related legal issues that must be considered by the Board of Directors	3
	2022/08/31	Taiwan Corporation Governance Association	The Trend of ESG and Net Zero	3
	2022/11/04	Taiwan Corporation Governance Association	Development direction of green industries – Low-carbon investment prospects and business strategies in response in 2022	3
Ming-Ren Yu	2022/04/22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainability and Net Zero Summit – Transform to Net Zero	3
	2022/04/27	Taiwan Corporation Governance Association	Analyzing the Threat of Ransomware and Developing Information Security Strategies for Public Companies	3

(X) Internal Control System Execution Status:

1. Declaration of Internal Control

GlobalWafers Co., Ltd.

Declaration of Internal Control System

Report date: March 14, 2023

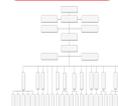
For the internal control system of 2022, based on the results of our inspection, we hereby declare as follows:

2. The Company knows that it is the responsibility of the Board of Directors and managers to establish, implement and maintain the internal control system, which has been established by the Company. The purpose is to reasonably ensure the operation effectiveness and efficiency (including profit, performance and security of assets), and achieving the objectives such as reliability, timeliness, transparency and compliance with relevant norms and regulations of the reporting.
2. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives. Moreover, due to the change of environment and circumstances, the effectiveness of the internal control system may change accordingly. The Company's internal control system has a self-monitoring mechanism. Once the deficiencies are identified, the Company will take corrective action.
3. The Company judges whether the design and implementation of the internal control system are effective according to the judgment item of the effectiveness of the internal control system stipulated in the Treatment Guidelines for the Establishment of Internal Control System for Public Issuing Companies (hereinafter referred to as "Treatment Guidelines"). According to the process of management control, the judgment item of the internal control system adopted by the Treatment Guidelines is divided into five elements: 1. control environment; 2. risk evaluation; 3. control operation; 4. information and communication; and 5. supervision operation. Each element also includes several items. For the above items, please refer to the provisions of the Treatment Guidelines.
4. The Company has adopted the above judgment item of internal control system to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on results of the above evaluation, the Company believes that the internal control system (including the supervision and management of subsidiaries) in Note 2 of December 31st, 2021 including understanding the effect of operation, the extent to which the efficiency objectives have been achieved and reporting, is reliable, timely and transparent. The design and execution complying with relevant norms, decrees and regulations and following the relevant internal control system are effective and can reasonably ensure the achievement of the above objectives.
6. This declaration will be the main content of the annual report and the public instructions of the Company and made public to the outside world. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This declaration has been approved by the Board of Directors on March 14, 2023. Among the seven directors, none of them has any objection and agreed to the content of this declaration. The rest of them agree with the content of this declaration and make this declaration.

GlobalWafers Co., Ltd.

Chairperson: Hsiu-Lan Hsu

President: Mark Lynn England



2. If accountants are entrusted to examine the internal control system on a project basis, the auditing report of accountants should be disclosed: None.

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

(XII) Important resolutions of the shareholders' meeting and the Board of Directors in recent years and up to the date of publication of the annual report:

1. Important resolutions of the 2022 annual general meeting (June 21, 2022) and implementation status

Important resolutions	Implementation Status
1. Passed the proposed amendment to the "Articles of Incorporation."	Approved by the Hsinchu Science Park Bureau, Ministry of Science and Technology on June 27, 2022 after the resolution of the shareholders' meeting, and implemented according to the amended articles.
2. Passed the proposed amendment to the "Rules of Procedure for Shareholders' Meetings."	Implemented according to revised provisions after the resolution of the shareholders' meeting.
3. The revision of the Company's "Procedures for Acquisition or Disposal of Assets".	Implemented according to revised provisions after the resolution of the shareholders' meeting.
4. Approved the proposal to conduct public offerings of securities, to meet the Company's financial needs.	After the resolution of the shareholders' meeting, based on the overall consideration of funds, it is not proceeded upon the expiry.
5. The recognition of the Business Report and Financial Statements, and Table of Earning Distribution of 2021 was approved.	Resolved by the Shareholders' meeting

2. Important resolutions made by the board of directors' meeting

Date	Important resolutions
5th Term 4th meeting 2022.01.12	1. Proposal of offering guarantee to a subsidiary for it to sign a long-term supply agreement with a customer, and receive the prepayment.
5th Term 5th meeting 2022.01.28	1. Proposal of the material capital expenditure of the Company and subsidiaries
5th Term 6th meeting 2022.03.15	1. Employee Remuneration and Director Remuneration Distribution Plan of the Company of 2021 2. The Company's business report and financial statements for 2021 3. Revision of the Company's "Articles of Incorporation". 4. Revision of the Company's "Procedures for Acquisition or Disposal of Assets"

Date	Important resolutions
	<ol style="list-style-type: none"> 5. Amendment of the “Procedure for the Distribution of Employees’ Remuneration” 6. Amendment to the Company's "Management Procedures for Preventing Insider Transactions" 7. Amendment to the “Corporate Governance Best Practice Principles” 8. Amendment to the “Corporate Social Responsibility Best Practice Principles” 9. To meet the Company's financial needs, it is proposed to conduct public offerings of securities. 10. Approved the 2022 shareholders’ meeting agenda and relevant matters. 11. Approved the 2022 shareholders’ meeting procedures, written proposals made by shareholders and relevant matters. 12. Approved the credit lines and foreign exchange quotas provided by the financial institution 13. The Company applies commercial paper underwriting limit from a financial institute 14. Declaration of Internal Control System of 2021 15. The Company's 2021 Audit Fees of CPAs 16. Proposal of offering guarantee to a subsidiary for it to sign a long-term supply agreement with a customer, and receive the prepayment. 17. Fund lending to subsidiaries 18. The Company and the subsidiaries’ overdue receivable were all actual transactions, so such receivables need not to be listed as fund loaning to others. 19. Capital increase of the German subsidiary, GlobalWafers GmbH 20. Motion for Promotion.
<p style="text-align: center;">5th Term 7th meeting 2022.05.03</p>	<ol style="list-style-type: none"> 1. Motion for the Company’s consolidated financial statements of Q1 2022. 2. The 2021 earning distribution table and the proposal of the earning distribution for the latter half of 2021. 3. Cash dividend issuance via capital reserve 4. Approved the credit lines and foreign exchange quotas provided by the financial institution 5. Apply bank credit line for the Company’s subsidiary, and the Company serves as the guarantor. 6. The proposal of making endorsement/guarantee to the subsidiary, GlobalWafers GmbH. As GlobalWafers GmbH’s net worth in the 2021 Q1 financial statement was lower than half of the paid-in capital, it is intended to take the follow-up control measures based on the Company’s regulations for making endorsement/guarantee. 7. Proposal to not distribute earnings of the Company's Japanese subsidiary GlobalWafers Japan Co., Ltd. in 2016-2021 8. Amendment to "Rules of Procedure for Shareholders Meetings" 9. Schedule planning of “Sustainable Development Mapping for TWSE/TPEX Listed Companies” 10. Allocation of Directors' Remuneration of the Company of 2021 11. The Company's Allocation of Managers and employees Remuneration of 2021
<p style="text-align: center;">5th Term 8th</p>	<ol style="list-style-type: none"> 1. Proposal of the material capital expenditure of the subsidiary (Greenfield Project)

Date	Important resolutions
2022.06.21	<ol style="list-style-type: none"> 2. Proposal to sign long-term supply agreement with a customer and for a subsidiary to collect prepayment/deposit with guarantee provided by the Company 3. Motion for Promotion.
5th Term 9th 2022.08.02	<ol style="list-style-type: none"> 1. Motion for the Company's consolidated financial statements of Q2 2022. 2. Approved the credit lines and foreign exchange quotas provided by the financial institution 3. Apply bank credit line for the Company's subsidiary, and the Company serves as the guarantor. 4. Proposal to increase the capital of German subsidiary GlobalWafers GmbH to raise funds needed to purchase Siltronic AG shares held by GlobalWafers B.V. 5. Proposal to authorize the chairperson to take necessary response measures at her discretion in response to the implementation of the CFC (Controlled Foreign Company) bill 6. Proposal of the Company's 2022 four-year employee bonuses 7. Proposal to adjust the salary of the Company's managers
5th Term 10th meeting 2022.09.01	<ol style="list-style-type: none"> 1. Proposal to restructure the group organization in response to the implementation of the CFC (Controlled Foreign Company) bill 2. Proposal for the Company to purchase shares of GlobalWafers B.V. from GlobalWafers Singapore Pte. Ltd.
5th Term 11th meeting 2022.11.01	<ol style="list-style-type: none"> 1. Motion for the Company's consolidated financial statements of Q3 2022. 2. Approved the credit lines and foreign exchange quotas provided by the financial institution 3. 2023 Internal audit plan 4. Amendment to the Company's Internal Control System 5. Apply bank credit line for the Company's subsidiary, and issuance of a letter of support (LOS). 6. Proposal to cancel the guarantee provided by the Company to sign a long-term supply agreement with a customer and for a subsidiary to receive the deposit in advance 7. Proposed amendment to the Company's Procedures for Lending Funds to Others 8. Proposal to amend the Company's Rules of Procedure for Board of Directors Meetings. 9. Proposal to cancel the amendment to the Company's "Procedures for the First Transfer of Treasury Stock to Employees" 10. Proposal to retire treasury stock and set the baseline date for capital reduction 11. Schedule planning of "Sustainable Development Mapping for TWSE/TPEX Listed Companies"
5th Term 12th meeting 2022.12.06	<ol style="list-style-type: none"> 1. Establish the 2023 business plan 2. The Company's earnings allocation for the first half of 2022 3. Cash dividend issuance via capital reserve 4. The Company's 2022 Audit Fees of CPAs 5. Establishment of the Company's "General principles and methods for pre-approval for non-assurance services" 6. Approved the credit lines and foreign exchange quotas provided by the financial institution

Date	Important resolutions
	<ol style="list-style-type: none"> 7. Revision of the Company's "Procedures for Acquisition or Disposal of Assets" 8. Proposed amendment to the Company's Procedures for Handling Internal Material Information 9. Apply bank credit line for the Company's subsidiary, and the Company serves as the guarantor.
<p>5th Term 13th meeting 2023.03.14</p>	<ol style="list-style-type: none"> 1. Employee Remuneration and Director Remuneration Distribution Plan of the Company of 2022 2. The Company's business report and financial statements for 2022 3. Proposal to evaluate the independence and competence of the CPA and extend their appointment 4. The Company's 2022 Declaration of Internal Control System 5. To meet the Company's financial needs, it is proposed to conduct public offerings of securities. 6. Proposal for by-election of one independent director. 7. Approval of the lifting of non-competition restriction on the newly elected directors 8. Nomination and review of the list of independent director candidates 9. Approved the 2023 shareholders' meeting agenda and relevant matters. 10. Approved the 2023 shareholders' meeting procedures, written proposals made by shareholders and relevant matters. 11. Approved matters relevant to the nomination of listed candidates for independent directors in the 2023 annual general meeting 12. Approved the credit lines and foreign exchange quotas provided by the financial institution 13. The Company applies commercial paper underwriting limit from a financial institute 14. Apply bank credit line for the Company's subsidiary, and issuance of a letter of support (LOS). 15. Fund lending to subsidiaries 16. The Company and the subsidiaries' overdue receivable were all actual transactions, so such receivables need not to be listed as fund loaning to others. 17. Proposed amendment to the Company's "Operating Procedure for Transactions of Group Members and Specific Companies with Related Parties" 18. Proposed amendment to the Company's "Regulations for Financial Supervision and Management of Affiliated Enterprises" 19. Proposed amendment to the "Regulations Governing Supervision on Subsidiaries of GlobalWafers" 20. Amendment to the Company's "Measures for Compliance." 21. Proposal for Chinese subsidiary Kunshan Sino Silicon Technology Co., Ltd. to purchase 100% shares of Shanghai Sawyer Shenkai Technology Material Co., Ltd. from Crystalwise Technology Inc. 22. Application for a bank credit line for the Company's subsidiary 23. Proposal to change the Company's spokesperson and acting spokesperson 24. Promotion of accounting supervisor and salary adjustment for the materials and administrative vice presidents

Date	Important resolutions
	25. Motion for Promotion.
5th Term 14th meeting 2023.05.02	<ol style="list-style-type: none"> 1. Motion for the Company’s consolidated financial statements of Q1 2023 2. The 2022 earning distribution table and the proposal of the earning distribution for the latter half of 2022 3. Approved the credit lines and foreign exchange quotas provided by the financial institution 4. The Company applies commercial paper underwriting limit from a financial institution 5. Apply bank credit line for the Company’s subsidiary, and the Company serves as the guarantor 6. The Company and the subsidiaries’ overdue receivable were all actual transactions, so such receivables need not to be listed as fund loaning to others 7. Approval of the lifting of non-competition restriction on the Company’s managers 8. The Company intends to issue new shares as a consideration for a share swap with Crystalwise Technology Inc. 9. Approved the 2023 shareholders’ meeting agenda and relevant matters (added report items) 10. Allocation of Directors' Remuneration of the Company of 2022 11. The Company's Allocation of Managers and employees Remuneration of 2022

(XIII) As of the Date of this Annual Report, a Director or a Supervisor Has Expressed Disagreement to a Resolution Passed by the Board of Directors and Kept Document or a Written Statement: None.

(XIV) As Of The Date Of This Annual Report, Resignation Or Dismissal Of Personnel Responsible For Financial Report (Including Chairperson, President, Accounting And Audit Managers): None.

IV. Information Regarding Audit Fees:

Unit: NTD thousands

Accounting Firm	Name of accountant	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
KPMG	An-Chih Cheng	2022	7,480	Taxation related service NT\$2,880	10,360	
	Mei-Yu Tseng					

(I) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Not applicable.

(II) If the audit fees have decreased by more than 10% compared to the previous year, the amount, ratio, and reason for the reduction in audit expense should be disclosed: Not applicable.

V. Information on Changes to Accountants

Information on Replacement of Independent Auditors in the Last Two Years and Thereafter: Reasons for replacement of CPAs in the last 2 years and later: the replacement of CPAs for the Company in the last 2 years was the result of the organizational adjustment and rotation of duties inside KPMG Taiwan. The Company did not replace the accounting firm.

VI. The Chairperson, President, Finance or Accounting Manager Who Has Worked in the Accounting Firm or Affiliates in the Most Recent Year, the Name, Position and the Service Period Shall Be Disclosed: None.

VII. Share Transfer by Directors, Supervisors, Managerial Officers and Shareholders Holding More Than 10% Equity and Changes To Share Pledging by Them in the Past Year and Up To The Date of Report

(I) Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More

Unit: Shares

Title	Name	2022		Current year as of April 21, 2023		Remarks
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Chairperson	Hsiu-Lan Hsu	-	-	-	-	Took the office on January 19, 2015
Director	Sino-American Silicon Products Inc.	-	-	-	-	
	Representative: Ming-Kuang Lu	-	-	-	-	Took the office on January 19, 2015
	Representative: Tang-Liang Yao	-	-	-	-	Took the office on January 19, 2015
Director	Kuo-Chow Chen	-	-	-	-	Took the office on January 19, 2015
Independent Director	Jeng-Ywan Jeng	-	-	-	-	Took the office on June 25, 2018
Independent Director	Chung-Yu Wang	-	-	-	-	Took the office on August 24, 2021
Independent Director	Ming-Ren Yu	-	-	-	-	Took the office on August 24, 2021
President	Mark Lynn England	-	-	-	-	Took the office on October 1, 2014
Manager	Wen-Ching Hsu	-	-	-	-	Took the office on September 2, 2014
Manager	Wei-Wen Chen	-	-	(10,000)-	-	Took the office on September 2, 2014

Title	Name	2022		Current year as of April 21, 2023		Remarks
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Manager	Sheng-Hsiung Hung	-	-	-	-	Took the office on September 2, 2014
Manager	Jing-Wen Chou	-	-	-	-	Took the office on July 1, 2016
Manager	Chung-Wei Lee	-	-	-	-	Took the office on March 21, 2017
Manager	Tien-wen Yu	-	-	-	-	Took the office on March 20, 2018
Financial manager	Ming-Hui Chien	-	-	-	-	Took the office on September 2, 2014
Accounting Manager	Yu-Ting Lo	-	-	-	-	Took the office on March 23, 2018
President of Taisil Branch	Yin-Sheng Hsueh	-	-	-	-	Took the office on January 2, 2020
Manager of Taisil branch	Liang-Chin Chen	-	-	-	-	Took the office on February 1, 2020
Manager of Taisil branch	Yao-Yi Huang	-	-	-	-	Took the office on February 1, 2020
Manager of Taisil branch	Chun-Jung Huang	-	-	-	-	Took the office on February 1, 2020
Manager of Taisil branch	Chun-Wei Huang	-	-	-	-	Took the office on February 1, 2020

Note: The change in shareholding is disclosed within the service period.

(II) Shares Trading with Related Parties: None.

(III) Shares Pledge with Related Parties: None.

VIII. Relationship Information of the Top 10 Shareholders Among Who Are Related Parties

Unit: Share; %; April 21, 2023

Name	Shareholding		Shareholding under spouse or underage children		Shareholding under other		Top 10 shareholders among who are related parties		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or alias)	Relationship	
Sino-American Silicon Products Inc.	222,727,000	51.17%	—	—	—	—	None	None	
Representative: Hsiu-Lan Hsu	847,879	0.19%	—	—	—	—	None	None	
Cathay Life Insurance Company, Ltd.	12,596,000	2.89%	—	—	—	—	None	None	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund	7,996,000	1.84%	—	—	—	—	None	None	
American Funds Global Balanced Fund	7,090,000	1.63%	—	—	—	—	None	None	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder	6,687,850	1.54%	—	—	—	—	None	None	
Fubon Life Insurance Co., Ltd.	5,650,000	1.30%	—	—	—	—	None	None	
New Labor Pension Fund	4,411,716	1.01%	—	—	—	—	None	None	
HSBC hosting Employees' Provident Fund-EPF MSCI North Asia	3,110,000	0.71%	—	—	—	—	None	None	
HSBC hosting Employees' Provident Fund - Martin Currie SMASh Series EM Fund	3,013,000	0.69%	—	—	—	—	None	None	
Vanguard Emerging Markets Stock Index Fund A Series of Vanguard International Equity Index Funds	2,943,810	0.68%	—	—	—	—	None	None	

IX. Total Numbers and Equity of Shares Held In any Single Enterprise by the Company, Directors, Supervisors, Managers and Any Companies Controlled Either Directly or Indirectly by the Company:

December 31, 2022
Unit: Thousand shares; %

Reinvested entities (Note 1)	Investment by GWC		Investments directly or indirectly controlled by directors, supervisors and managers		Total investment	
	Number of shares	Shareholding Ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding Ratio
GlobalSemiconductor Inc.	23,000	100.00%	-	-	23,000	100.00%
GlobalWafers Japan Co.,Ltd.	128	100.00%	-	-	128	100.00%
GlobalWafers GmbH	48,025	100.00%	-	-	48,025	100.00%
GWafers Singapore Pte.Ltd.	541,674	100.00%	-	-	541,674	100.00%
GlobalWafers B.V.	0.1	100.00%	-	-	0.1	100.00%
Sunrise PV Four Co., Ltd.	104,500	100.00%	-	-	104,500	100.00%
Sunrise PV Electric Power Five Co., Ltd.	27,800	100.00%	-	-	27,800	100.00%
GlobalWafers Holding Co., Ltd.	25,000	100.00%	-	-	25,000	100.00%
Hong-Wang Investment Company	30,976	30.98%	-	-	30,976	30.98%
Kunshan Sino Silicon Technology Co., Ltd.	-	-	(Note 2)	100.00%	(Note 2)	100.00%
MEMC Electronic Materials Sdn.Bhd.	-	-	1,036	100.00%	1,036	100.00%
Kunshan SST Trading Co.,Ltd.	-	-	(Note 2)	100.00%	(Note 2)	100.00%
MEMC Japan Ltd.	-	-	750	100.00%	750	100.00%
GlobalWafers Singapore Pte.Ltd.	-	-	299,445	100.00%	299,445	100.00%
MEMC Electronic Materials S.p.A.	-	-	65,000	100.00%	65,000	100.00%
MEMC Electronic Materials France SarL	-	-	0.5	100.00%	0.5	100.00%
GlobiTech Incorporated.	-	-	1	100.00%	1	100.00%
MEMC LLC	-	-	-	100.00%	-	100.00%
GlobalWafers America,LLC	-	-	1	100.00%	1	100.00%
MEMC Korea Company	-	-	25,200	100.00%	25,200	100.00%
MEMC Ipoh Sdn.Bhd.	-	-	612,300	100.00%	612,300	100.00%
Topsil GlobalWafers A/S	-	-	1,000	100.00%	1,000	100.00%
Topsil Semiconductor sp z o.o.	-	-	0.1	100.00%	0.1	100.00%

Note 1: These represent investments accounted for using the equity method.

Note 2: No shares, as it is a limited company.

Four. Capital Overview

I. Capital and Shares

(I) Sources of Capital

1. Type of stock

December 31, 2022 Unit: Share

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total	
Registered common stock	435,237,000	164,763,000	600,000,000	This stock belongs to TPEX listed stock.

2. The formation of capital

December 31, 2022 Unit: NTD; Share

Month/Year	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2011/10	10	300,000,000	3,000,000,000	180,000,000	1,800,000,000	Established with 1,800,000,000 of capital	None	Note 1
2012/05	10	400,000,000	4,000,000,000	317,500,000	3,175,000,000	Capital increased by cash 1,375,000,000	None	Note 2
2015/01	10	400,000,000	4,000,000,000	349,250,000	3,492,500,000	Capital increased by cash 317,500,000	None	Note 3
2015/09	10	400,000,000	4,000,000,000	369,250,000	3,692,500,000	Capital increased by cash 200,000,000	None	Note 4
2017/05	10	600,000,000	6,000,000,000	437,250,000	4,372,500,000	Capital increased by cash 680,000,000	None	Note 5
2022/11	10	600,000,000	6,000,000,000	435,237,000	4,352,370,000	Cancellation of treasury stock and capital reduction of 20,130,000	None	Note 6

Note 1: Approved by Hsinchu Science Park Administration on Oct 18, 2011, Yuan-Shang-Zi No. 1000030345.

Note 2: Approved by Hsinchu Science Park Administration on May 16, 2012, Yuan-Shang-Zi No. 1010014266.

Note 3: Approved by Hsinchu Science Park Administration on Feb 25, 2015, Zhu-Shang-Zi No. 1040005439.

Note 4: Approved by Hsinchu Science Park Administration on Oct 15, 2015, Yuan-Shang-Zi No. 1040029649.

Note 5: Approved by Hsinchu Science Park Administration on May 17, 2017, Yuan-Shang-Zi No. 1060012613.

Note 5: Approved by Hsinchu Science Park Administration on November 9, 2022, Yuan-Shang-Zi No. 1110035918.

3. General information about the reporting system: Not applicable.

(II) Shareholder structure

1. Shareholder Structure

April 21, 2023 Unit: Person; Share; %

Shareholder structure	Government Institutions	Financial Institutes	Other Juridical Persons	Natural Persons	Foreign institutes and foreigners	Total
No. of people	5	78	207	37,180	774	38,244
Shareholding (shares)	7,488,807	34,542,554	228,515,184	53,754,345	110,936,110	435,237,000
Holding Percentage (%)	1.72%	7.94%	52.50%	12.35%	25.49%	100%

(III) Shareholding Distribution Status

April 21, 2023 Unit: Person; Share; %

Class of Shareholding	Number of Shareholders	Shareholding (shares)	Shareholding ratio
1~ 999	21,483	3,010,422	0.69%
1,000~ 5,000	14,564	24,906,157	5.72%
5,001~ 10,000	1,048	7,963,223	1.83%
10,001~ 15,000	310	3,977,037	0.91%
15,001~ 20,000	180	3,259,378	0.75%
20,001~ 30,000	165	4,175,323	0.96%
30,001~ 40,000	89	3,117,290	0.72%
40,001~ 50,000	53	2,439,977	0.56%
50,001~ 100,000	135	9,635,000	2.21%
100,001~ 200,000	93	13,097,016	3.01%
200,001~ 400,000	49	13,869,836	3.19%
400,001~ 600,000	17	8,046,570	1.85%
600,001~ 800,000	17	11,677,642	2.68%
800,001~ 1,000,000	8	7,338,188	1.69%
Over 1,000,001	33	318,723,941	73.23%
Total	38,244	435,237,000	100.00%

(IV) Major Shareholders

Shareholders with a stake of 5 percent or greater; if fewer than ten, the names of the top ten shareholders in terms of shareholding, shall be specified with the number of shares and stake held by each shareholder on the list:

April 21, 2023 Unit: Share; %

Name of Major Shareholders	Shares	Shareholding (shares)	Shareholding ratio (%)
Sino-American Silicon Products Inc.		222,727,000	51.17%
Cathay Life Insurance Company, Ltd.		12,596,000	2.89%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund		7,996,000	1.84%
American Funds Global Balanced Fund		7,090,000	1.63%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder		6,687,850	1.54%
Fubon Life Insurance Co., Ltd.		5,650,000	1.30%
New Labor Pension Fund		4,411,716	1.01%
HSBC Bank (Taiwan) Limited is entrusted with the custody of employees' provident fund - EPFMSCI North Asia investment account		3,110,000	0.71%
HSBC Bank (Taiwan) Limited is entrusted with the custody of Martin Currie SMASH Series EM Fund investment account		3,013,000	0.69%
Vanguard Emerging Markets Stock Index Fund A Series of Vanguard International Equity Index Funds		2,943,810	0.68%

Note: The shareholding is calculated based on the quantity of shares less the treasury stock.

(V) Share prices for the past 2 fiscal years, together with the Company's net worth per share, earnings per share, dividends per share, and related information:

Unit: NTD; Thousand Shares

Item		Year	2021	2022	2023 up to March 31
Market price per unit	Highest		972.00	906.00	547.00
	Lowest		606.00	331.50	425.50
	Average		797.79	534.43	507.29
Net Worth Per Share	Before Distribution		104.84	124.81	133.65
	After Distribution		88.84	108.81	—
Earnings per Share	Weighted average shares		435,237	435,237	435,237
	Earnings per Share	Before retrospective adjustment	27.27	35.31	11.49
		After retrospective adjustment	25.97	35.31	11.49
Dividend	Cash dividend		16.0	16.0	—
	Free Dividends	Dividends from Retained Earnings	—	—	—
		Dividends from Capital Surplus	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price/Earnings Ratio		29.26	15.14	—
	Price/Dividend Ratio		49.86	33.40	—
	Cash Dividend Yield Rate		2.01%	2.99%	—

(VI) Dividend Policy and Implementation Status

1. Dividend Policy

Any profit after annual closing of the books shall be allocated in accordance with the order set out below based on Articles of Incorporation:

- (1) Make up losses.
- (2) Appropriate 10% as legal reserve. Unless the cumulative legal reserve is equivalent to the Company's total capital stock.
- (3) Appropriate or reverse the special reserve in accordance with the law or regulations or the requirements of the competent authorities;
- (4) After the current year profit deducts the aforesaid three items, shall there be remaining profit, plus the undistributed profits from previous years, the Board of Directors may propose the profit distribution. When distributing in cash, pursuant to paragraph 5 of Article 240, of the Company Act, it is authorized that the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. If the distribution is in the format of issuing new shares, it shall be resolved by the shareholders' meeting for distribution.

To maintain the sustainable business development and the stable growth of surplus per share of the Company, the shareholders' dividends shall be the surplus after tax of the current fiscal year with the deduction of more than 50% of the special reserve according to the law in principle, and the distribution ratio shall be cash dividend not lower than 50%.

The Company adopts the requirement of Article 241 of the Company Act, to distribute its legal reserve and the following capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. When distributing in cash, it is authorized to be resolved by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. If the distribution is in the format of issuing new shares, it shall be resolved by the shareholders' meeting for distribution.

If there is a balance, the proportion of compensation to employees shall be between 3% and 15%, and the proportion of remuneration for directors shall not be higher than 3%. However, the company's accumulated losses shall have been covered by the amount reserved in advance. The Company may have the profit distributable as employees' compensation in the preceding paragraph to employees including the employees of controlled companies or subsidiaries of the Company meeting certain specific requirements; the certain specific requirements are determined by the Board of Directors. The company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. Reporting Distribution of Dividend at the Current Shareholders' Meeting

Pursuant to the Articles of Incorporation, the Board of Directors is authorized to resolve to distribute earning and capital reserve in cash after the end of each half-year. The respective amounts and payment dates of 2022 cash dividends of each half year approved by the Board of Directors are demonstrated in the table below:

2022	Approval Date (year/month/date)	Payment Date (year/month/date)	Cash dividend per share (NT\$)			Total cash distributed (NT\$)
			Earning	Capital Surplus	Total	
First Half	2022/12/6	2023/2/10	5.265	1.235	6.5	2,829,040,500
Second Half	2023/5/2	2023/8/11	9.5	0	9.5	4,134,751,500
Total			16			6,963,792,000

3. Description of expected significant changes in dividend policy: None.

(VII) The Impact of the Proposed Free Allotment of shares on the Company's Operating Performance and Earnings Per Share: Not applicable.

(VIII) Compensation to employees and directors:

1. Ratio or scope of compensation to employees and directors, as set forth in the Company's Articles of Incorporation:

Please refer to the dividend policy in (XI.)-1 above.

2. The estimated amount of compensation to employees and directors for the current period shall be calculated based on number of employee shares of stock considering any accounting discrepancy between the actual distributed amount of employee stock dividend and estimated figure:

(1) The basis for estimating the amount of compensation to employees and directors for the current period: The amount is estimated based on the Articles of Incorporation.

(2) The basis for calculating the number of shares to be distributed as employee compensation: If shares are distributed as employee compensation, the number of shares will be calculated based on the net value in the financial statement for the most recent period audited by a CPA. No employee compensation is distributed in the form of stock dividend for the current period.

(3) The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: If there is any discrepancy between the actual distributed amount and the estimated figure, it will be considered as the change in accounting estimation, and accounted as net income or loss for the current period.

3. Where the Board of Directors passes the allocation of remuneration:

(1) The amount of employees' and directors' remuneration allocated in cash or stock. If there is any discrepancy between the actual distributed amount and figure, the difference, reason and response should be disclosed:

Employees' and directors' remuneration adopted by resolution of the Board of Directors on March 14, 2023 is as follows:

Employees' remuneration: NTD 543,507,783, all will be issued in cash

Director's remuneration: NTD 54,360,000, all will be issued in cash

There is no difference between the actual distribution of employees' remuneration and directors' remuneration and the recognized amount in financial statements of 2022.

(2) The proportion of employees' remuneration to be allocated by shares in the total of net income after tax and employees' remuneration for individuals or Standalone Financial Reports in the current period: None.

4. The actual distribution of employees' remuneration and directors' remuneration in the previous year (including the number of shares allocated, the amount of shares and the share price), and differences, the reasons and treatment when it is different from recognized employees' remuneration and directors' remuneration: The Board of Directors resolved the distribution of employees' remuneration and directors' remuneration of 2021 in the meeting on March 15, 2022 as the following:

Unit: NT\$

Item	Resolution of the Board of Directors	Actual distribution	Difference	Reasons for difference
Employee cash Bonus	440,455,864	440,455,864	None	N/A.
Remuneration to directors	45,000,000	45,000,000	None	N/A.

(IX) Repurchase of Company Shares: None.

II. Issuance of Corporate Bonds

March 31, 2023

Type of corporate bonds	Tranche 1, 2021 Unsecured common corporate bonds	Tranche 2, 2021 Unsecured common corporate bonds	Offshore 1st unsecured convertible corporate bonds
Issuance date	2021.05.11	2021.08.19	2021.06.01
Denomination	NT\$1,000,000	NT\$1,000,000	US\$200,000
Issuance and listing	Taipei Exchange	Taipei Exchange	Singapore Exchange
Par Value	Issued at 100% of the par value	Issued at 100% of the par value	Issued at 100% of the par value
Total amount	NT\$6,500,000,000	Bond A: NT\$7,100,000,000 Bond B: NT\$5,400,000,000	US\$1,000,000,000
Interest rate	fixed at 0.62% per annum	Bond A: fixed at 0.50% per annum Bond B: fixed at 0.60% per annum	0.0%
Maturity	Five years, mature on May 11, 2026	Bond A: Three years, mature on August 19, 2024 Bond B: Five years, mature on August 19, 2026	Five years, mature on June 1, 2026
Guarantor	None	None	None
Trustee	Taipei Fubon Commercial Bank Inc.	Taipei Fubon Commercial Bank Inc.	Citicorp International Limited
Underwriter	Yuanta Securities, KGI Securities	Yuanta Securities, KGI Securities Fubon Securities	Nomura International (Hong Kong) Limited DBS Bank Ltd. UBS AG Hong Kong Branch
Certifying lawyer	Yi-Cheng Law Firm Kuo, Huei-Ji, Esq.	Yi-Cheng Law Firm Kuo, Huei-Ji, Esq.	Tsar and Tsai Law Firm Jackie Lin, Esq.
Certifying CPA	KPMG Cheng-chien Chen, CPA	KPMG An-chih Cheng, CPA	KPMG Cheng-chien Chen, CPA
Repayment method	Repay the debt and the accrued interest outright	Repay the debt and the accrued interest outright	Unless the Company redeems, buys back and cancels the bonds early, or the corporate bond holders exercise their right of conversion, the Company will redeem the corporate bonds in USD, at the sum of the par value plus the yield of -0.25% annual percentage rate (calculated every six months). The redemption amount at the maturity, will be

Type of corporate bonds	Tranche 1, 2021 Unsecured common corporate bonds	Tranche 2, 2021 Unsecured common corporate bonds	Offshore 1st unsecured convertible corporate bonds
			translated into NTD at a fixed exchange rate (USD/TWD=27.9120), and then amount in NTD will be translated back into USD at the exchange rate at the time for redemption.
Outstanding principal	NT\$6,500,000,000	Bond A: NT\$7,100,000,000 Bond B: NT\$5,400,000,000	US\$823,600,000
Terms of redemption or early repayment	None	None	(I) From the next day when three full years pass since the issuance day, and before the maturity date, if the closing price (translated into USD at the exchange rate at the time) of the issuer's common shares, for 20 business days in 30 business day in row (in case of ex-right or ex-dividend, the closing price between the ex-right or ex-dividend trading day to ex-right or ex-dividend base date, shall be assumed as the price before the ex-right or ex-dividend) reaches 130% of the sum of the early redemption price multiplied by the conversion price at that time (translated into USD at the fixed exchange rate agreed on the pricing date), and then divided by the par value of the corporate bonds, the issuer may redeem all or part of the corporate bonds early at the early redemption amount; (II) When 90% of the corporate bonds are redeemed, bought back and cancelled, or the bond holder exercise the right of conversion, the issuer may redeem all but not part of the outstanding bonds at the early redemption amount; or (III) When any change in laws and

Type of corporate bonds	Tranche 1, 2021 Unsecured common corporate bonds	Tranche 2, 2021 Unsecured common corporate bonds	Offshore 1st unsecured convertible corporate bonds	
			regulations of Republic of China causes the issuer to bear higher taxes due to the corporate bonds, or to pay additional interest expenses, or to increase costs, the issuer may redeem all but not part of the bonds at the early redemption amount. The corporate bond holders may opt not to have the bonds in their possession to redeemed early by the issuer; provided this option will exempt such holders from claiming any extra taxes or fees against the issuer.	
Restrictions	None	None	None	
Name of credit rating institution, date of rating, and outcome of the corporate bond rating	N/A.	N/A.	N/A.	
Other rights attached	Converted common shares, GDRs, or other negotiable securities	N/A.	N/A.	None
	Method of issuance and conversion	None	None	Please refer to MOPS (Investment Section - Debt and Credit)
Possible dilution resulted from the method of issuance and conversion and issuance terms, and the effects on the existing shareholders	None	None	Shall these corporate bonds be fully converted, the share capital may be diluted approximately 5.07%, not a material dilution affecting the shareholders' equity.	
Custodian for the exchanged underlying asset	None	None	None	

Information of Convertible Corporate Bonds

Type of corporate bonds		Offshore 1st unsecured convertible corporate bonds	
Year		At issuance	Current year to March 31, 2023
Item			
Market price of conversion	Highest	US\$ 106.07	US\$ 90.435
	Lowest	US\$ 105.98	US\$ 85.533
	Average	US\$ 106.06	US\$ 88.345
Conversion price		NT\$ 1,040.20	NT\$ 988.86
Issuance date and conversion price at the issuance		Issued on: June 1, 2021 Conversion price at the issuance NT\$ 1,040.20	
Method to fulfill the conversion obligation		Issue new shares	

III. Preferred Stocks: None.

IV. Global Depository Receipts (GDR)

March 31, 2023

Item	Issue date
	April 26, 2017
Issue date	April 26, 2017
Issuance and listing	Luxembourg Stock Exchange
Total amount issued	USD NT\$ 469,200,000.
Unit issuing price	The GDR transaction price is US\$6.9 per unit
Units issued	68,000,000 units
Source of negotiable securities	Common shares of GlobalWafers Co., Ltd
Amount of negotiable securities	68,000,000 shares
Rights and obligations of GDR holders	<p>The rights and obligations of GDR holders shall be handled in accordance with relevant R.O.C. laws and regulations and relevant provisions in the deposit contract. The following particulars are specified in the deposit contract:</p> <p>(I) The status of exercising voting rights Unless otherwise specified by relative laws and regulations, GDR holders may exercise voting rights of the GlobalWafers' common Shares in accordance with the deposit contract and the relevant R.O.C. laws and regulations.</p> <p>(II) Dividend distribution, pre-emptive rights for new shares and other rights Unless otherwise agreed in the deposit contract, GDR holders shall in principle enjoy the same dividend distribution and allotment of shares as the shareholders of GlobalWafers' common stock. Regarding the distribution of GlobalWafers'</p>

		<p>stock dividends, the depository institution will issue GDRs to the GDR holder based on the proportion of the holder's original shares in accordance with the deposit contract and relevant laws, or increase GlobalWafers' common shares represented in each GDR, or sell the stock dividends on behalf of GDR holders, and distribute the proceeds (after deducting taxes and related expenses) to the GDR holder</p> <p>When GlobalWafers increase its capital by cash or other stock warrants, GDR holders shall, in compliance with the R.O.C. and other relevant laws and regulations, enjoy the same dividend distribution and allotment of shares as the shareholders of GlobalWafers' common stock. Hence, the depository institution shall, under the agreement of the deposit contract and relevant laws, provide such rights to the GDR holder in accordance with the provisions of the deposit contract, or sell the right on behalf of the GDR holder and distribute the proceeds of sale (after deducting taxes and related expenses) to the GDR holders.</p>	
Trustee		N/A.	
Depository bank		CitiBank,N.A.	
Custodian bank		First Commercial Bank	
Outstanding balance		555,707 units	
Treatment of expenses incurred at issuance and thereafter		<p>(I) GDR issue cost: Unless otherwise specified by relative laws and regulations or otherwise agreed by the issuing company and the foreign lead underwriter and depository institutions, the issuance costs and expenses of all GDRs are borne by the issuing company, including legal expenses, charges and fee for the listing of securities, financial advisory fees and other related expenses.</p> <p>(II) Expenses incurred during the effective period of GDR Unless otherwise specified by relative laws and regulations or otherwise agreed by the issuing company and the foreign lead underwriter and depository institutions. The charges and fee for the listing of securities, information disclosure and other related expenses of each year during the effective period of GDR shall be borne by the issuing company.</p>	
Important conventions about depository and escrow agreement		-	
Market price per unit	2022	Highest	USD 32.20
		Lowest	USD 10.40
		Average	USD 18.09
	Current year to March 31, 2023	Highest	USD 18.40
		Lowest	USD 14.20
		Average	USD 16.68

V. Employee Stock Warrants: None.

VI. Status of Issuance of New Restricted Employee Shares: None.

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions:

- (1) Any Issuance Of New Shares To Merge Or Acquire Shares Of Another Company Resolved By The Board In The Most Recent Years To The Day This Report Was Printed Should Disclose The Implementation Status And Essential Information About The Company Being Merged Or Acquired.

In line with the company's long-term development strategy and resource integration, the company's Board of Directors passed a resolution on May 2nd, 2023 to sign a share swap contract with Crystalwise Technology Inc. (hereinafter referred to as "Crystalwise".) The company would acquire 100% of Crystalwise's shares according to Article 29 of the Business Mergers and Acquisitions Act. Following the completion of the share conversion, Crystalwise will become a wholly-owned subsidiary of the company. As the expected increase in cash capital through this issuance of common shares meets the conditions specified in Article 29, Paragraph 6 of the Business Mergers and Acquisitions Act, it is exempt from requiring a resolution from the shareholders' meeting. Therefore, this resolution was adopted by a majority vote of the directors present at the Board meeting attended by directors representing two-thirds or more of the directors of the surviving company. Upon completion of the share conversion, the company will continue to be listed, while Crystalwise will apply to the Taipei Exchange for delisting according to regulations after the share swap is completed. The delisting will take place on the share swap record date, and an application will be submitted to the Financial Supervisory Commission to cease public issuance on the same date. The exchange ratio for the share conversion is set at 0.02 shares of the company's common stock for each share of Crystalwise's common stock, falling within the reasonable range of exchange ratios based on the fairness opinion provided by independent experts. The share swap record date is tentatively set for November 1st, 2023, and the relevant approvals and operational procedures for this share swap are still ongoing. After the share conversion between the company and Crystalwise, we will exchange technological expertise, aiming at expediting the development and implementation of new products. Additionally, we will harness the synergy by combining the strengths of both teams in marketing, thus expanding business. Simultaneously, through resource integration and effective allocation, we will enhance operational efficiency and prevent redundant wastage, benefit from the complementary products, capacity, and resources on both sides. This collaborative effort further enhances profitability and competitiveness for both parties, ultimately generating positive effects for shareholder.

Basic Information of the Acquired Company

Unit : NTD thousands/ EPS: NTD

Company Name	Crystalwise Technology Inc.
Location of Company	No. 8, Kebei 5th Rd., Zhunan Township, Miaoli County 350401, Taiwan (R.O.C.)
Name of Representative	Tang-Liang Yao
Total Paid-in Capital (NT\$)	439,002
Business Scope	1. C901010 Ceramic and Ceramic Products Manufacturing (only in areas outside Hsinchu

		<p>Science Park)</p> <ol style="list-style-type: none"> 2. CC01080 Electronics Components Manufacturing 3. JE01010 Rental and Leasing (only in areas outside Hsinchu Science Park) 4. F401010 International Trade 5. I501010 Product Designing 6. IG03010 Energy Technical Services 7. D401010 Thermal Energy Supply (only in areas outside Hsinchu Science Park) 8. CC01010 Manufacture of Power Generation, Transmission and Distribution Machinery (only in areas outside Hsinchu Science Park) 9. F219010 Retail Sale of Electronic Materials (only in areas outside Hsinchu Science Park) 10. F119010 Wholesale of Electronic Materials (only in areas outside Hsinchu Science Park) <ul style="list-style-type: none"> ● Research and development, design, manufacture and sell the following products: <ol style="list-style-type: none"> i. LT, LN, Quartz single crystal substrate used for SAW Filter Device ii. Sapphire & PPS Substrate used for Blue-light/Green-light LED iii. Reclaim Sapphire Substrate used for Blue-light/Green-light LED iv. Non-polar blue led epitaxial wafer based on lao substrate v. GaAs epi substrate used for LED, LD and communication vi. Other Types of substrate used in optronic and communication ● Import-export activities related to the above-mentioned business.
	Main Products	<ol style="list-style-type: none"> 1. Sapphire substrate 2. LT, LN substrate
Financial	Total Asset	967,164
	Total Liability	931,033

	Total Shareholder equity	36,131
	Sales Revenue	335,388
	Gross Profit	-50,589
	Operating Profit	-169,994
	Net Profit	-146,854
	Earnings Per Share	-3.33

VIII. Status of Implementation of Capital Allocation Plans: None.

Five. Operational Highlights

I. Business Activities

(I) Scopes of the business:

1. The main operational categories of the company

CC01080 Electronics Components Manufacturing

C801990 Other Chemical Materials Manufacturing

F119010 Electronic Materials Wholesale (restricted to areas outside Hsinchu Science Park)

F219010 Electronic Materials Retail (restricted to areas outside Hsinchu Science Park)

CB01010 Mechanical Equipment Manufacturing

F401010 International Trade

Research, design, development and manufacturing and sales of the following products:

1. Semiconductor silicon materials and components
2. Silicon compound
3. Silicon carbide compound
4. Semiconductor equipment
5. Silicon carbide crystal growth equipment
6. Concurrently engaged in import and export related to the previous business.

2. Sales Proportion

Unit: NT\$ thousands

Year	2021		2022	
	Net operating revenues	Proportion (%)	Net operating revenues	Proportion (%)
Product item				
Semiconductor wafer	60,623,123	99.2%	69,033,389	98.2%
Semiconductor ingot	361,301	0.6%	903,851	1.3%
Electricity fee Revenue	27,439	-	63,089	0.1%
Other	118,729	0.2%	286,542	0.4%
Total	61,130,592	100.00%	70,286,871	100.00%

3. Current product line

- A. Ultra low resistivity ingot with Phosphorus doped
- B. Ultra low resistivity ingot with Arsenic doped
- C. Ultra low resistivity ingot with Boron doped
- D. Ultra low resistivity ingot with Antimony wafers
- E. 12" special for CIS and power application
- F. 12" (110) and (111) special crystal orientation
- G. SOI substrate for 5G RF device application
- H. Low defects ultra-high flatness silicon substrate for advanced IC process
- I. Ultra high resistivity wafers with low oxygen

- J. High-resistance low-oxygen power semiconductor silicon wafer
 - K. Polished wafer and Epi wafer
 - L. Anneal wafer
 - M. Ultra thin wafer
 - N. High reflectivity etching wafer
 - O. SOI wafer and bounding wafer for high power electronic device
 - P. Diffusion wafer and deep diffusion polished wafer
 - Q. High strength silicon substrate for GaN_HEMT application
 - R. FZ wafer
 - S. NTD wafer
 - T. Perfect Silicon
 - U. Customized “ECAS” wafer
 - V. 4”~8” GaN Epi
 - W. 4”~6” N type SiC wafer
 - X. 4”~6” semi insulating SiC wafer
 - Y. Taiko wafer
 - Z. 6” conductive SiC Epi wafer
4. New product development projects
- A. Next generation SiC wafer high power automotive electronic device application
 - B. Epi-substrate for GaN_HEMT application
 - C. High strength and ultra thin silicon substrate with nano structure
 - D. SOI substrate for next generation RF device application
 - E. High resistance ECAS wafer substrate bonding
 - F. 8” diamond wire cutting process development
 - G. Semi insulating and large-sized SiC crystal and the wafer

(II) Industry Overview

- 1. Industry status and development
 - A. Global demand for semiconductors

In 2022, with the outbreak of the Russo-Ukrainian war, high oil prices and continued deterioration in the geopolitical situation, the overall global economy slowed down, consumers’ purchasing power shrank, and the growth momentum of the global semiconductor industry declined. According to World Semiconductor Trade Statistics (WSTS), due to global inflation and lower terminal market demand in 2022, the semiconductor market is expected to grow by only 4.4% (USD 580.1 billion) compared with 26.2% in the previous year, an obvious shrink in the market. The market performance varies according to the various products of semiconductor. Among which, the main worst-performing semiconductor domain is the memory industry, where the annual market will drop by 12.6%. In addition, discrete device, sensor and analog IC will still maintain their

growth momentum, with a growth rate of 12.4%, 16.3% and 20.8% respectively.

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

Source: Semiconductor Trade Statistics (WSTS) (11/29/2022)

In the early stage of the pandemic outbreak, there was a significant increase in the demand for smartphone and personal computers in the market. However, the demand began to weaken in the middle of 2022. According to Gartner, the total global shipment of terminal devices (personal computer, tablet, smart phone) in 2023 will be approximately 1.7 billion, a further drop of 4.4% compared with 2022. Among them, due to the economic downturn, expenditure on terminal devices will drop by 5.1%, which shows the lengthening of the replacement cycle.

In 2022, the automotive industry faced all kinds of challenges such as the pandemic, logistics, chip shortage, Russo-Ukrainian war, US-China conflict, etc., causing chaos to production and supply, where car manufacturers struggled to cope with the various changes. According to the statistics of TrendForce, global car sales in 2022 was 81.05 million vehicle units, a drop of 0.1%, showing almost no change from 2021 sales. It is projected that there is a chance for the global automotive market to return to positive growth in 2023, with an increase of 3.8% to 84.1 million vehicle units. Looking forward to 2023, automakers will gradually find a way to cope with the unstable supply chain, and new car production capacity is expected to increase gradually. In addition, with the huge number of delayed delivery of orders from 2022, the industry estimates that new car sales in 2023 will rebound from 2022. However, as inflation goes hand-in-hand with economic downturn, the sharp rise in car prices may suppress the recovery of the industry. However, the structural shortage phenomena of automotive chips still exists. Hence, Kristin Dziejek, a policy advisor at the Federal Reserve Bank of Chicago, wrote in a report that due to the automotive chip production capacity problem, automotive chip shortage is expected to continue until 2024.

B. Overview of the wafer industry

The semiconductor manufacturing process includes IC design, IC wafer fabrication, IC packaging and IC testing. The overall structure of the semiconductor industry is divided into upstream, midstream and downstream, among which IC design belongs to the upstream semiconductor industry, IC wafer fabrication belongs to the midstream and IC packaging and IC testing belong to downstream industries. The wafer manufacturing industry is regarded as the supplier of wafer materials in the structure of the semiconductor industry and the demand for wafer materials has been increasing rapidly thanks to the booming semiconductor industry.

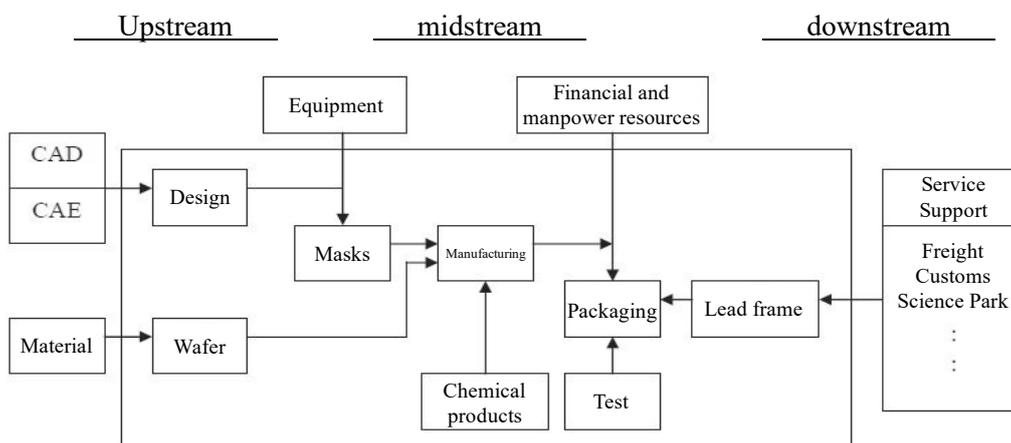
Wafer is currently the base material for manufacturing ICs. Its original material is “silicon,”

which is cerium oxide, an inexhaustible source of raw materials on earth. High-purity polycrystalline silicon is extracted by the electric arc furnace, chlorination with hydrochloric acid and distillation. The required purity for silicon is 99.999999999%. The wafer fab plant melts polycrystalline silicon into small particles of crystalline silicon, which is slowly taken out and shaped to allow polycrystalline silicon to be drawn into silicon ingots, which is gradually formed by a small crystal grain in silicon materials. This process is called “crystal pulling.” After the fabrication of silicon ingots by processes such as cutting, grinding, polishing and slicing, silicon ingots have become an important raw material for the integrated circuit industry – “wafer.” Each blank wafer, with several inches in diameter, can be arranged in multiple layers of fine electronic circuits after a complex chemical and electronic process. Depending on the size, these wafers have specifications including 3, 4, 5, 6, 8 and 12 inches (in diameter). After being sent to the fab for producing chip circuits, these wafers are then sliced, tested and packaged into small square or rectangular ICs seen in the market.

Currently, wafer materials used in the semiconductor industry are mainly divided into polished wafers, argon annealed wafers and epitaxial wafers based on their process design and product differentiation. These wafers are generated by high-purity electronic grade polycrystalline silicon by processes such as crystal pulling, slicing, beveling, lapping, etching, polishing and cleaning, in order to produce polished wafer conforming to specifications including electrical properties, surface properties and the impurity standards. If the polished wafer is further deposited by chemical vapor deposition, the epitaxial wafer, a single crystal film of different resistivity, is produced. As epitaxial wafers have better surface properties, they are widely used in various discrete components and high-performance integrated circuits.

2. Industry relevance of upstream, midstream and downstream companies

The semiconductor industry in Taiwan has evolved with the trend of vertically integrated semiconductors. Based on the manufacturing process, it can be divided into upstream IC design companies and wafer manufacturers. IC design companies design circuit diagrams according to customer needs, while wafer manufacturers produce wafers by use of the raw material polycrystalline silicon. Based on circuit diagrams designed by IC design companies, the midstream companies on IC manufacturing and foundry prints a basic pattern of the circuit on the manufactured wafer through photomasks, and the circuit and components on the circuit are fabricated on the wafer by oxidation, diffusion, CVD, etching, ion implantation, etc. After that, the completed wafers are sent to downstream companies such as IC packaging and IC assembly and testing. Processed wafers are diced into chips, which is then coated with plastic, porcelain or metal to protect the chip from contamination and for easy assembly. With that, the electrical connection and heat dissipation effect of the chip and electronic system is achieved and finally, relevant tests on chips such as IC function, electrical and heat dissipation tests are conducted. In recent years, due to the vigorous developments in Taiwan's IC industry and the specialization of the division of labor system, there are many individual manufacturers in each production process. The vertical division of labor is clear and each has its own specialization, which makes the structure of the upper, middle and lower reaches of Taiwan's IC industry more complete. The industry relevance of upstream, midstream and downstream companies is shown in the diagram below:



Source: ITIS project plan of Electronics Research and Service Organization, Industrial Technology Research Institute

3. Various product development trends

Semiconductor products are closely related to the overall economy, and the Taiwan Institute of Economic Research's (TIER) latest report covers the following developments:

A. Global macroeconomic trends

The global economy's gradual recovery from both the pandemic and Russia's invasion of Ukraine remains on track. China's reopened economy is rebounding strongly. Supply chain disruptions are unwinding, while dislocations to energy and food markets caused by the war are receding. Simultaneously, the massive and synchronized tightening of monetary policy by most central banks should start to bear fruit, with inflation moving back towards targets.

IMF in its World Economic Outlook, April 2023 forecasts that growth will bottom out at 2.8% this year before rising modestly to 3% next year—with 0.1 percentage points lower than its January projections. Global inflation will fall, though more slowly than initially anticipated, from 8.7% last year to 7% this year and 4.9 % in 2024.

	Year over Year			
	Estimate		Projections	
	2021	2022	2023	2024
World Output	6.2	3.4	2.8	3.0
Advanced Economies	5.4	2.7	1.3	1.4
United States	5.9	2.1	1.6	1.1
Euro Area	5.3	3.5	0.8	1.4
Japan	2.1	1.1	1.3	1.0
Emerging Market and Developing Economies	6.7	4.0	3.9	4.2
Emerging and Developing Asia	7.4	4.4	5.3	5.1
China	8.4	3.0	5.2	4.5
Emerging and Developing Europe	6.9	0.8	1.2	2.5
Middle East and Central Asia	4.5	5.3	2.9	3.5

Source: International Monetary Fund - World Economic Outlook Update (2023/04)

B. US macroeconomic trends

In January 2023, the Economist Intelligence Unit (EIU) from the United Kingdoms and the World Bank (WB) published their estimates and forecasts for the economic growth of the United States in 2022 and 2023. The economic growth of the United States as estimated by EIU and WB are 2.1% and 1.9% respectively for 2022, and 0.2% and 0.5% respectively for 2023. The economy is expected to slow down significantly.

In regard to the job market, the U.S. Bureau of Labor Statistics reported that the U.S. unemployment rate in December 2022 was 3.5%, a decline of 0.1% compared with the previous month. The Consumer Price Index (CPI) for December showed a 6.5% year-on-year increase and a 0.1% decrease over the prior month. The Federal Reserve Bank (Fed) raised the interest rate by 0.5% on December 15, 2022, which is an increase of 4.25% since March 2022. The Federal funds rate has reached the range of 4.25-4.5%, and inflation is gradually showing signs of slowing down. In addition, data released by the United States Department of Commerce shows that US retail sales drops by 1.1% in December 2022. It is the second consecutive month of decline, and the biggest drop since December 2021, which may lead to a slowdown in consumer spending in 2023.

Regarding the near-term economic outlook in the U.S., the Purchase Manager Index, released by the Institute of Supply Management (ISM), in the month of December 2022, the Manufacturing PMI was 48.4%, a 0.6% drop compared to the previous month. Also, Services PMI in December 2022 released by ISM was 49.6%, a drop of 6.9% compared to the previous month. Manufacturing and services PMI are both below 50% - the line of prosperity, meaning that the US economy is heading for a downturn.

C. Europe's macroeconomic trends

In January 2023, the United Kingdom's Economist Intelligence Unit (EIU) and the World Bank (WB) released their economic growth estimates and forecasts for Eurozone in 2022 and 2023. The estimates of Eurozone's economic growth in 2022 by EIU and WB are 3.1% and 3.3% respectively, but the estimates of the economic growth in 2023 by both are 0.0%. Apart from the expected significant economic slowdown, there is a high chance of stagflation due to Europe's severe inflation.

In terms of the performance of the European job market, based on the latest data released by Eurostat, the unemployment rate in the European Union and Eurozone in November 2022 was 6.0% and 6.5% respectively, remaining flat compared to the previous month, and slipped 0.5% and 0.6% respectively from 2021 year-on-year. Also, the Consumer Price Index (CPI) for the Eurozone in December released by Eurostat showed a 9.2% year-on-year increase, with an inflation rate 0.9 percentage point lower than the previous month. However, core inflation in the Eurozone was 6.9%, an increase of 0.3 percentage point from the previous month. In December 2022, the European Central Bank (ECB) decided to raise the interest rate by 0.5%, bringing the total increase to 2.5% since they started to raise interest rates in July. Europe still faces strong inflationary pressure, and there is a high chance for ECB to continue to raise interest rates in February 2023.

For the economic outlook of Europe, the Economic Sentiment Indicator (ESI) reported by the European Commission for the European Union and the Eurozone in December 2022 was 94.2 and 95.8 points respectively, an increase of 1.5 and 1.8 points compared to the previous month, a second consecutive month of increase. In December 2022, the industrial, service, retail, construction and consumer confidence indexes of ESI for the European Union and Eurozone increased compared to the previous month. The weakening of the Euro against USD increases the investment attraction and becomes the reason for the short-term

rise in ESI. However, ESI is still in the relative low since 2021, which means the European economy is still in the doldrums.

D. Japan's macroeconomic trends

The Cabinet Office of Japan announced that in November 2022, core machinery orders (excluding ships and electricity) showed an 8.3% reduction month-on-month, among which, the manufacturing orders decreased by 9.3%, while non-manufacturing orders decreased by 3.0%. Japan's Ministry of Finance announced that in December 2022, total import was 10,235.7 billion Yen, an increase of 20.6% compared to 2021 year-on-year, and is a positive growth for 23 consecutive months; exports amounted to 8,787.3 billion Yen, a 11.5% increase compared to 2021 year-on-year, and a positive growth for 22 consecutive months.

Based on Jibun Bank Japan Manufacturing Purchasing Managers Index (PMI) compiled by IHS Markit, due to the weak global economy, production and new orders continue to shrink, and new export orders drop for the 10th consecutive month, leading to a 0.1 drop in PMI from November to 48.9 points in December. The fall below the lines of prosperity and decline is the second month in a row, reaching a new low since October 2020.

In terms of the trend of leading indicators, Japan's leading indicator for November 2022 was 97.6 points, a decrease of 1.0 point compared to October, due to the year-on-year declines of indicators such as the sales outlook of small and medium sized enterprises, area of housing starts, consumer attitude, etc. Hence, for Japan's economic outlook, the three-month moving average of leading indicators was 98.1, a decline of 1.34 points from October, and the seven-month moving average was 99.5, a decline of 0.69 points from October. S&P Global Market Intelligence predicts in January that 2023 economic growth will drop to 1.08% by 0.1% from December 2022.

E. China's macroeconomic trend

After the official implementation of the 10 pandemic prevention measures in December 2022, the number of confirmed cases surged, leading to a more chaotic production and sales performance compared to November, and economic data showing more downs than ups. In December, the industrial enterprises above the designated size (industrial enterprises with revenue from principal activities over RMB 20 million) showed a year-on-year increase of 1.3%, a decrease of 0.9% compared to November, and the annual growth for 2022 is 3.6%. In December, the total revenue from retail sales of social consumer goods was RMB 4,054.2 billion, a year-on-year decrease of 1.8%, and a 4.1 percentage point increase compared to November; 2022 annual growth rate was -0.2%, among which product retail grew by 1.9%, and annual food and beverage revenue dipped by 6.3%. For the whole of 2022, fixed assets investment (excluding farm household) grew by 5.1%, while private fixed investment grew by 0.9%, a 0.2 percentage point drop compared to January to November. In addition, the General Administration of Customs announced that the trade volume in December 2022 reached USD 534.14 billion, a drop of 8.9% compared to 2021 year-on-year, among which, export and import decreased by 9.9% and 7.5% respectively. 2022 annual trade grew 4.4%, where export grew 7.0%, and import grew 1.1%. The top three export destinations were the U.S. (16.2%), ASEAN (15.8%) and EU (15.6%), a total export, contributing to a total of 47.6%.

In terms of production and business activities, the lifting of the pandemic prevention measures in early December which led to the surge in the number of confirmed cases, and the weakening of global economy, have resulted in the decrease in activities such as production, new orders, employment number, etc. PMI dropped from 48.0 points in November to 47.0 points in December, and in terms of the enterprise size, PMI of large,

medium and small enterprises decreased by 0.8, 1.7 and 0.9 points respectively to 48.3, 46.4 and 44.7 points respectively from November. Non-manufacturing business activity index dropped by 5.1 points from November's 46.7 points to December's 41.6 points. S&P Global Market Intelligence predicts in January, that 2023 economic growth will reach 4.99%, an increase of 0.43 points from December 2022.

F. Taiwan's macroeconomic trends

First, in terms of foreign trade, integrated circuit and information and communication products have entered the downward phase, and 11 major product categories have shown negative annual export growth. In December 2022, export dropped to USD 35.75 billion, a new low in 20 months. December's export still declined by 12.13% year-on-year, a double-digit decline for the second consecutive month. With regards to the major export products, due to the weakening demand for integrated circuit and information and communication products, as well as the high base period, electronic components and information and communication products export year-on-year maintains a negative growth. In terms of imports, the drop in international raw materials price, and manufacturers' prudence in purchasing raw materials, have led to a decline in the annual growth of capital equipment, agricultural and industrial raw material and consumer goods import. Hence, in December, import year-on-year continued to decline, with an annual growth further decreasing to 11.37%. The overall 2022 export grew 7.42% compared to the previous year, while import grew by 11.90%. 2022 export excess was USD 52.112 billion, a decline of 19.10%.

Regarding commodity price, due to the increase in fuel cost year-on-year, the overall transportation and communications price index year-on-year raised from 0.68% in November to 2.18% in December, affecting the overall index by 0.30 percentage point, an increase of 0.21 percentage point compared to the previous month. As the pandemic prevention measures continued to loosen, the demand for leisure and entertainment related consumption increased, leading to the increase of education and entertainment price index year-on-year from 2.05% in November to 2.27% in December, affecting the overall index by 0.27 percent point, an increase of 0.18 percentage point compared to the previous month. In December, overall CPI increased to 2.71% from 2.35% in the previous month, while core CPI decreased slightly to 2.71% from 2.86% in the previous month. In terms of WPI, the decline of agricultural and industrial raw material price resulted in the drop in import and export price year-on-year, causing the overall WPI year-on-year to shrink from 9.11% in the previous month to 7.14% in December 2022. For 2022, the cumulative annual growth rate of CPI is 2.95%, and the annual growth rate of WPI was 12.43%, with the CPI growth rate setting a new high record since 2009.

4. Industry competition

In the semiconductor wafer industry, barriers to entry are high to the other potential competitors due to high concentration of capital and technology. In recent years, the Company has become the third largest wafer supplier in the world and its business operations have achieved economies of scale and its process technology has won the trust and quality recognition from international manufacturers. Furthermore, the Company is flexible in meeting customers' demand on high quality products and different delivery time frames by integrating technologies and production capacity of subsidiaries around the world. Though the overall economy is affected by inflation and decline in consumer confidence, the weakening of the demand for personal consumables has led to the slowdown in demand of small-sized products, raising the inventory level. But with downstream suppliers adjusting their shipment, the inventory is expected to gradually deplete in 2023. Large-sized and special wafers (FZ, SOI), due to the strong support from the automotive and industrial applications, continue to be popular. With the incentive policies for

automated cars, net zero emission, etc., the compound semiconductor’s market scale is expected to expand rapidly.

(III) Overview of Technology and R&D

We have been continuously endeavoring to improve the technologies of silicon monocrystalline ingot growth and silicon wafer precision machining and by cooperating with academic research institutes and university professionals, we have accumulated explosive energy in innovating new technologies as well as new products. With years of devoting to the technology development in the projects of “Silicon monocrystalline ingot growth and silicon wafer precision machining” and “Silicon epitaxy deposition technology and SOI wafer bonding technology,” we have fulfilled or exceeded the international standards in the fields, such as the productivity of monocrystalline ingot growth, lowering the resistivity of ingot, ingot defect control, ingot quality improvement, reducing argon usage, improvement of wafer flatness, atomic-level handling technique for polished wafer surface, homogeneous/heterogeneous epitaxial technique, homogeneous/heterogeneous wafer bonding technique, improvement of wafer strength with reducing wafer thickness, improvement of energy consumption and water usage, reducing of materials usage and waste. After Covalent Material-silicon, Topsil and Sun Edison semi joining GlobalWafers, we integrate and redistribute the technologies and resources among subsidiaries and have achieved several remarkable indices with regard to the development of process technology, research and development of new products and most importantly, the customers’ qualifications as well. We have not only passed the evaluation of the Tier 1 customers in cutting-edge manufacturing processes but also have been selected as the best supplier by important customers. The recognition from the customers have certainly demonstrated GlobalWafers’ success in research and development. In process technology, we have developed our own advanced process control system and have implemented it in the key process steps. This process control technology not only optimizes the stability of the process but also makes the manufacturing process for low-defect and ultra-flat wafers possible. In new product development, we have achieved unprecedented milestones, for instances, we have developed 12-inch N-type heavily doped semiconductor with ultra-low resistivity for high power IC components, RF-SOI and CTL-SOI for 4G and 5G communication applications, the next generation wide band-gap material GaN on silicon and on SiC wafers, and the customized internal-impurity-agglomerated special wafer - the Engineered Customizable Application Specific “ECAS®” wafer (ECAS). For the future silicon-based materials, GlobalWafers will continue the investment in the research and development of the advanced monocrystalline ingot growth, novel process for wafer slicing and nano-grade ultra-flat polishing technique. All these unique technologies will definitely be our cornerstones for us to surpass Moore’s law in the future. The technology development of wide band-gap material will be based on our technologies on silicon wafers, making GlobalWafers a full range wafer supplier. In addition, Global Wafers is also actively establishing its patent portfolio to protect the Company’s intellectual property rights. The Group currently has more than 1,999 valid patent applications (including 1262 being awarded and 737 in the application process). These R&D achievements will enforce us to progress and become the leading wafer supplier in the world.

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

Unit: NT\$ thousands

Item/Year	2021	2022	March 31, 2023
R&D expenses	2,069,507	2,089,325	525,367
Net operating revenues	61,130,592	70,286,871	18,616,154
R&D expenses as a percentage of net revenue (%)	3.39	2.97	2.82

2. Product (technology) development accomplishments in the most recent fiscal year

Year	Name of technology or product
2021	<ol style="list-style-type: none"> 1. CCZ Ultra low resistivity Antimony doped ingot 2. 12" N/N+/LTO EPI for Automobile/Mobile Phone Power Application 3. 12" P/P+/LTO EPI for CIS and Power Application 4. 12" (110) special crystal orientation for advanced IC technology 5. 12" special wafer for advanced fiber-optics integrated devices 6. 12" (111) special wafer for Mini/Micro LED advanced process 7. Special wafer for Automobile/Mobile Phone BCD Power Device 8. Development of Low energy consumption crystal puller hot zone 9. Develop polishing slurry recycle process 10. Develop water-saving diamond wire slicing process 11. High efficiency low pollution dust capture technology for silicon crystal growth 12. Fully automated floating zone crystal pulling based on advanced predictive modelling 13. Develop high resolution Image recognition technology for crystal 14. AI development in ingot diameter tuning 15. Develop high deposition rate low defect technology for SiC crystal 16. Develop high throughput low warp slicing technology for SiC wafer 17. Low damage layer wafering technology development for SiC wafer
2022	<ol style="list-style-type: none"> 1. Develop double-sided grinding method for diamond wire-cut wafers 2. Develop highly photosensitive crystal 3. Develop 12" Epi for power semiconductors applications 4. Develop ECAS-SOI for RF device applications 5. AI application on prediction of double-sided grinding morphology 6. AI application on edge defect inspection 7. Power-saving thermal field development technologies 8. Build new camera diameter monitoring system 9. Develop flatness calculation software 10. Build SOI wafer, bonding, heat treatment, separation automation system 11. Develop wafer for 2nm 12. Slice disconnection prediction perception system development 13. Silicon carbide resistance uniform doping technologies 14. Stress-free processing technology for high-efficiency ultra-thin silicon carbide wafer 15. Thin ultra-flat silicon carbide wafer processing technology 16. Low warpage silicon carbide substrate processing 17. 8" silicon carbide wafer processing technology 18. Thinned high voltage resistant, high quality GaN epitaxy technology 19. High quality AlN nucleation layer growth technology

(IV) Long-term and short-term business development programs

1. Long-term program

- A. The Group's high-end leading technology is utilized to develop GaN/Si/SiC chips matching next-generation product utilization. Development shall move towards large size advanced manufacturing process, heavily-doped crystal pulling and power semiconductor epitaxy technology, as well as becoming the world's largest silicon wafer supplier.
- B. Implement green manufacturing, fulfill corporate social responsibility, enhance the corporate governance to cement the foundation of sustainable operation.
- C. By adopting renewable energies, enhancing the energy utilization efficiency, carbon removal and purchasing carbon offsetting goods to achieve the goal of 100% clean energy utilization by 2050.
- D. Construct a resilient and flexible local supply chain and diversify suppliers to respond to the pandemic and geopolitics impact swiftly.
- E. Increase operation scale through production expansion, and at the same time keep abreast of industry trends, actively seek government subsidies, increase the competitiveness in the semiconductor wafer industry.
- F. Actively sign long-term agreements with key partners to enhance cooperation.

2. Short-term program

- A. Strengthen R&D links with downstream customers, develop high-efficiency niche products with core technology capabilities, and actively reduce manufacturing costs to increase profit margins.
- B. Accelerate the production performance of 12” products and increase the global market share of 8” and 12” wafer.
- C. Combine the technology, resources, and various possibilities within the Group to debottleneck of each plant and maximize product capacity, deepen the multinational technology integration platform, and comprehensively improve quality and customer satisfaction to meet market demand.
- D. Stabilize the supply of key raw materials and parts to ensure good production quality and on-time delivery so that the production line runs smoothly.
- E. Use existing customer networks to expand the customer base of new products, increase the capacity utilization rate of production lines and enhance the profitability of products.
- F. Expand the collaboration among government, industry, and academy, deploy our advanced manufacturing process for niche applications and accelerate the development of new technologies.
- G. The Company will keep close attention to market trends and the industrial fluctuation, adjust business strategies when necessary, continue to develop high-value products, and carry out patent protection measures to strengthen the Company’s competitiveness.

II. Market, Product and Sale

(I) Market Analysis

1. Distribution areas of major commodities

Unit: NT\$ thousands

Region		2021		2022	
		Revenue	%	Revenue	%
Sales in domestic market		11,128,010	18.2%	13,002,014	18.5%
Export sales	Asia	51.6%	51.6%	35,736,985	50.8%
	The Americas	13.3%	13.3%	8,761,771	12.5%
	Europe	9,915,560	16.2%	12,247,244	17.4%
	Other	387,415	0.6%	538,857	0.8%
Total		61,130,592	100.00%	70,286,871	100.00%

2. Market share

According to financial statements announced by peers, the shipment volume of the Company ranked the number 3 position among the top 15-20% of the world silicon wafer manufacturers. There is the trend of consolidation and integration of the silicon wafer industry where the top 5 manufacturers accounted for over 90% of the market share. These top 5 are Shin-Etsu, SUMCO, GlobalWafers, Siltronic AG of Germany, and SK Siltron of Korea. The Company was ranked the number 3 of the world, which indicated its stable growth in operation. It is expected to further increase of market share with the complete product positioning plans.

3. Supply and Demand, and Growth in the Market of the Future

According to the latest report released by Silicon Manufacturers Group (SMG) and Semiconductor Equipment and Materials International (SEMI), 2022 global silicon wafer shipments increased by 3.9% compared to 2021, amounting to 14,700 million square inches (MSI), and the total revenue grew by 9.5% to USD 13.8 billion, both hitting historic highs. Among which, the consumption of 8-inch and 12-inch wafer is partly driven by automotive, industrial and IoT, as well as 5G construction, and showed an upward trend, attaining a revenue of USD 13.831 billion, and breaking the historic high set in 2021.

SEMI estimates that due to the challenging macroeconomics, 2023 semiconductor wafer's shipping area may slow down to about 14,600 MSI, a slight 0.6% decrease compared to 2022. However, driven by the strong demand of semiconductor by data center, automotive and industrial application, the shipping area of semiconductor wafer in the next few years will rebound, and is expected to increase by 6.5% in 2024, reaching 15,555 MSI, and with a further increase of 6% in 2025, to reach 16,490 MSI.

Other than the above estimates of the overall market conditions of semiconductors, the Company's strength is its wide customer base, with the end-products covering various industries and application fields, such as automotive, power supply, memory, among other things; so that the business cycle risks may be diversified. In light of the continuous growth in the demands of the end markets in the future, new products will also continue to stimulate the demand for high-quality semiconductor silicon wafers and cements the Company's overall performance.

4. Competitive Edge

A. Experienced operation and well-seasoned R&D team in the industry

The Company has committed its resources to the research and development of advanced technologies related to silicon wafer ever since its establishment. The majority of the R&D staff and the management have years of work experience in the semiconductor industry. With the wealth of experience accumulated and good understanding of the industry trend of semiconductor, the Company keeps abreast of the needs of the market. As such, the Company could meet the needs of the customers in timing and development key technologies on due time to help the customers to secure purchase orders.

B. Possession of advanced production process technology

The Company concentrates in the crystal growth of silicon wafer materials and precision processing improvement, and upgrades technological know-how and development of new products quickly through cooperation with the academe and research institutions. After years of investment in the development of “Single crystalline silicon growth technology and wafer precision processing technology”, the Company has emerged as the benchmarking firm in the productivity of single crystalline silicon, reduction of crystal resistance, crystal defect density control, upgrade of crystal quality, reduced use of argon, enhancement of the flatness of wafer, atomic grade wafer surface polishing treatment technology, homogeneous/heterogeneous epitaxy technology, homogenous/heterogeneous wafer connection technology, enhancement of wafer strength with less thickness, energy efficiency, water consumption efficiency, reduced use of materials, and reduced wastes, and even surpassed the standards of international indicators. In addition to the above, the GlobalWafers has also paid attention to the protection of the intellectual property rights of the Company through patent registration. Its outstanding results of more than 1,9999 valid patents (including 1,262 granted and 737 in the application process) at present is highly recognized by the customers worldwide.

C. Sizable production capacity, flexible allocation of production capacity and the economy of scale in competition

The Company has concentrated in the research and development of the technologies and production of semiconductor grade silicon products and related fields ever since its establishment and has established production sites in America, Europe and Asia. The Company has 17 plants in nine countries of the world with the economy of scale in production capacity. The engineers and the line staff are well-seasoned in production process and operations. In addition, the Company has managed its production process effectively under the diversified mode of operation in dispersion that helps to improve the production efficiently significantly. The unit cost becomes relatively low.

D. Cultivation of long-term and close partnership with the customers

The Company provides total solutions for the customers with core technology and products in full production process. In the aspects of precision processing technology, product quality and delivery, the Company could satisfy the needs of the customers. As such, the Company has earned the recognition of many giant domestic and foreign semiconductor firms. Owing to the non-disclosure nature of technology, quality and tacit collaboration, these giant semiconductor firms tend to keep long term partnerships with its suppliers. This shows that the Company has established long-term close partnership with the customers. In addition, the Company will, based on its solid foundation of the use of advanced technologies, develop new accounts further to its effort of maintaining positive relationships with existing

customers. This will be very helpful for the Company in the development of its operations in the future.

E. Diversity of products

The Company is a professional semiconductor grade silicon wafer manufacturer and has 3”~12” product line for the complete process of pulling, slicing, grinding, polishing, cleaning and epi turnkey, products span from epi, polished wafer, anneal wafer, diffusion wafer, SOI, SiC and GaN, etc. The Company also provides total solutions and customized services for the diverse needs of customers. The Company has the advantage of being a leader in the industry, given its stable quality, sound performance, complete product line and short lead-time in research, development and design with flexibility.

F. Stable and health financial structure

“The big is getting bigger” will be trend of development for the semiconductor industry in the future. The Company has sufficient cash flow and a sound asset and liability structure that could support the continued solid investment and development in the future. This is critical for sustaining the operation at the time of downturn for the semiconductor industry. A sound financial structure is the foundation for long-term cooperation and growth between the Company and its customers. Indeed, this is one of the competitive advantages of the Company.

5. Factor favorable and unfavorable for the development in the long run

A. Favorable factors

(a) Capital and technology intensiveness that pose high entrance barrier to the industry

Semiconductor is a capital and technology intensive industry. The machinery for the production of semiconductor is very expensive. It is echoed with the growing trend of IDM job orders and rapid change in product technology. These dictate sizable capital spending. Being a technology-intensive industry at high level, the process technology and yield rate of products for semiconductors will determine the cost. In addition, the research and development staff and process technology are closely associated. It is not easy to recruit and train professional research and development personnel in the industry. All products shall be subject to the validation of the customers before purchase orders could be secured. These posed high entrance barrier to the competitors. The Company has an outstanding R&D team with years of experience in the industry and is well-seasoned. They keep abreast of the trend and demand of silicon wafer. In addition, the Group has already achieved the economy of scale and the process technologies have won the trust and quality accreditation of international big firms, which indicated the competitive power of the Group in market.

(b) The new technologies in the semiconductor market linked to different forms of applications, which in turn boost the demand for high quality silicon wafer.

The continued development of the IoT containing smart appliances, wearables, and smart cities has emerged as the prime force driving for the revenue of semiconductors. Likewise, the 5G is about to activate a new mode of mobile web and change the form of wireless communication forever. The development of new technologies such as 5G, AI, IoT, etc. will connect the individual markets such as consumer electronics, mobile devices, network communication equipment, computer application, etc. Innovative technology is based on advanced processes, and advanced processes require semiconductor wafers of better quality and higher specifications as key substrate materials, and the demand for 8-inch and 12-inch wafers is especially significant.

Hence, the global demand for wafer materials will continue.

(c) Product development meets market needs

The top 5 silicon wafer manufacturers are focused on the application standard of memory for the time being, which makes competition acute and leaves no room for profit. Yet, the group could not only provide the services of the whole product spectrum and production process in 3”~12” silicon wafers for the customers (pulling, slicing, grinding, polishing, cleaning, annealing and epi-substrate) and focuses on the niche market of automotive and power supply equipment. The Company also engages the third-generation compound semiconductor areas, to expand new blues like quick charging and EVs. The Company has a robust profitability structure, and aggressively positions the advanced manufacturing process for niche applications with complete product lines, so the future growth space is well-expected.

B. Unfavorable factors and the response

(a) Economic cycle of the semiconductor industry

The Company is a professional semiconductor wafer manufacturer and is at the upstream of the semiconductor industry chain. Major customers are semiconductor manufacturers and wafer foundries and also integrated component manufacturers and automotive electronics firms. Silicon wafer is an indispensable basic material critical for the manufacturing of semiconductor components. The operation of the Company is closely associated with the economic cycle of the semiconductor industry.

Response:

The Company is the top 3 semiconductor wafer manufacturer of the world with a product line covering 3” to 12” wafers that assures its economy of scale and market position. The end products could be applied broadly with the automotive and power supply devices market in particular. The RD talents of the Company and its subsidiaries have years of experience in the semiconductor industry with solid background in technology. With the proper application of core technology, matching with the capacity of technology integration and development, the Company could provide a complete product line with a wide array of carrying items to the needs of the market and the customers, and establish long-term stable partnership relation with the customers on hand. The production capacity could then be fully utilized in stability to reduce the cyclical risk to the Company. In addition, the Company has production facilities in Europe, America and Asia and could reduce the cost of operation through purchase and centralization of sale. Furthermore, the Company could fully utilize the advantages of different production sites for flexible production scheduling to tackle with the unfavorable factors caused by market fluctuation.

We have also signed long-term agreements with many customers to ensure the Company’s orders are not impacted by economic fluctuation. GlobalWafers has long-term partnerships with its customers, and customers have signed long-term contracts in order to secure their supply of materials, thereby securing their productivity in the event of unexpected demands in the future due to innovations in technology. This also helps us generate stable production.

(b) Changes to international situations

The international situations have changed drastically recently. COVID-19 development and regional trade conflicts shocked macroeconomics significantly.

Response:

GlobalWafers has production facilities around the world and thus is able to deploy the production flexibly to respond to the impacts from related regulations, lower duties, to the operational costs. Its client base distributed all over the world also effectively diversifies the impacts from the pandemic to the revenue and lowers the economic risks from a single area.

(c) The risk of shortage in key materials

With the vigorous development of the semiconductor industry, the demand for silicon wafers has rapidly increased, and the transportation system has also been affected by the epidemic. If suppliers cannot cooperate in a timely manner or shipments are blocked, it will result in a shortage of raw materials and lead to production disruption.

Response:

The key material for the Company - polycrystalline silicon, is purchased from world-renowned makers and bound by supply agreement for assurance of stable quality and sufficient quantity of material supply. In addition, to avoid the supply chain interruption due to the over-reliance on single supplier, the Company has established multiple suppliers for key raw materials and invite the suppliers to join the sustainability alliance for producing low-carbon green products in order to avoid material shortages and production interruptions.

(d) Exchange rate risk

The Company has established production sites in Europe, America, and Asia, where the labor, utilities and other overheads were paid by these sites separately in respective local currencies. Some of the export sales were settled by the customers in respective local currencies of the host countries while the remainder will be settled in USD. As such, wide fluctuation of the exchange rate between the USD and the currencies of the aforementioned host countries will affect the cost of operation of the Company.

Response:

The international economic situation and exchange rate are so unpredictable. In response, the Company adopts the policy of natural hedge between the positions of assets and liabilities with an attempt to minimize the exposure of the position to exchange risk. The treasury function of the Company pays close attention to the trend of the exchange rate and will match with appropriate foreign exchange instruments for hedging where necessary to mitigate the influence of exchange rate fluctuation on the cost of operation.

(f) Competitor entrance

There are numerous silicon manufacturers entering the competition since the last few years, which is further aggravated by the powerful support of the domestic semiconductor industry in China. As such, the market is in acute competition.

Response:

The semiconductor industry is a capital and technology intensive industry. The machinery for production is very expensive and the product technology changes so fast that it entails sizable capital investment. In addition, it is not easy to recruit and train professional research and development personnel. In addition, all products will be subject to the validation of the customers before purchase orders will be placed. These

factors contributed to high entrance barrier of the industry. The Company has an outstanding technology R&D team who has been working in the industry for a long time. They could keep abreast of the trend and demand for silicon wafers. The production capacity of the Company has also been ranked among the top performers of the suppliers worldwide. The process technology of products has also earned the trust and quality accreditation of famous international big firms, which give the Company the advantage in competition as compared with the other competitors. The Company will continue to strengthen its competitive edge to maintain the leadership position.

(g) Climate change

The extreme climate is becoming more frequent, and the problem of energy shortage may affect production.

Response:

GlobalWafers deeply understands the impact and constraints of climate change on the operating environment. When making operational decisions, it evaluates risk scopes and takes them into account, to quickly implement emergency response plans to combat extreme climate, avoid production interruption, as well as provide continuous and stable supply to global customers. Moreover, GlobalWafers has multiple solar power plants, its subsidiaries in various countries also adopt green energy pursuant to local energy policies and is committed to increasing the proportion of green power.

(II) The Production Procedures of Main Products

1. Major Products and Their Application

Products	Main Usage
Semiconductor wafer	Main materials of semiconductor components, and after different processes such as polishing, diffusion, exposure, etching, etc., become the materials required for discrete components, integrated circuits and optoelectronic components after subsequent processes such as: assembling, testing and other methods. Widely applied in discrete including diode, rectifier, transistor, TVS, thyristor and MOSFET and integrated circuits and optoelectronics like MEMS 、 Power Device, consumer electronics and LOGIC IC

2. Process Flow:

Wafering

Poly-Si → Ingot Growth → Cropping → Grinding → Slicing → As-cut Wafer Cleaning → Thermal Process → Edge Grinding → Lapping → Lapped Wafer Cleaning → Inspection → Packaging

Cystallite

Bare Wafer → Diffusion → Sand Blasting → Cleaning → Ni plating → Sintering → Ni plating → Au plating → Dicing → Packaging

Polishing

Lapping → Etching → Pre-Polishing Inspection → Polishing → Pre0Cleaning → Inspection → Final Cleaning → Surface Scanning → Inspection → Packaging

(III) Supply Status of Main Materials

Product Type	Main Material	Main Supplier	Supply Status
Silicon wafer	Poly-Si	Company d	Good
Silicon wafer	Poly-Si	Company g	Good

(IV) The names of the parties accounted for more than 10% of the total purchase (sale) in any of the last 2 years, the amount of purchase (sale) and proportion to the total amount of purchase (sale).

- The names of the parties accounted for more than 10% of the total purchase in any of the last 2 years, the amount of purchase and proportion to the total amount of purchase, and explain the reason for the changes, where applicable.

Unit: NT\$ thousands

Item	2021				2022			
	Name	Amount	Proportion of net purchases for the year (%)	Relationship with issuer	Name	Amount	Proportion of net purchases for the year (%)	Relationship with issuer
1	Company g	2,090,471	12.2%	Parent company	Company d	2,225,647	12.5%	None
2	Company d	1,860,818	10.9%	None	Company g	1,724,569	9.7%	Parent company
	Other	13,156,183	76.9%		Other	13,798,379	77.8%	
	Net purchases	17,107,472	100.0%		Net purchases	17,748,594	100.0%	

Note to the changes:

The principal business of the Company and the subsidiaries is the manufacturing and sale of silicon crystal materials and silicon is the key ingredient. There is no significant change in the ranking of the suppliers in the last 2 periods.

- The names of the parties accounted for more than 10% of the total sale in any of the last 2 years, the amount of sale and proportion to the total amount of sale, and explain the reason for the changes, where applicable.

Unit: NT\$ thousands

Item	2021				2022			
	Name	Amount	Proportion of net purchases for the year (%)	Relationship with issuer	Name	Amount	Proportion of net purchases for the year (%)	Relationship with issuer
1	Company C	12,789,073	20.9%	None	Company C	14,781,881	21.0%	None
	Other	48,341,519	79.1%		Other	55,504,990	79.0%	
	Net purchases	61,130,592	100.00%		Net purchases	70,286,871	100.00%	

Note to the changes:

The principal business of the Company and the subsidiaries is the manufacturing and sale of silicon crystal materials. The products are mostly silicon crystal rods and customized silicon wafer. The major customers are big semiconductor firms. There is no significant change in the ranking of the major customers in the last 2 years.

(V) Production over the Last Two Years:

Unit: NT\$ 1,000/1,000 pcs

Production Volume and Value Major products (or department)	Year	2021			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production Value
Semiconductor chip products		57,046	53,103	35,689,395	56,329	50,901	38,160,437
Semiconductor ingot products		344	299	1,429,890	370	322	1,535,423
Total		-	-	37,119,285	-	-	39,695,860

(VI) Shipments and Sales over the Last Two Years:

Unit: NT\$ 1,000/1,000 pcs

Sales Volume and Value Major products (or department)	Year	2021				2022			
		Domestic		Overseas		Domestic		Overseas	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Semiconductor chip products		10,606	10,218,521	37,416	50,404,602	9,655	11,771,187	36,921	57,262,202
Semiconductor ingot products		-	340	51	360,961	-	29	64	903,822
Electricity fee income		-	27,439	-	-	-	63,089	-	-
Other		-	19,681	-	99,048	-	111,111	-	175,431
Total			10,265,981		50,864,611		11,945,416		58,341,455

Note: Other items are mostly the sale of raw materials, etc. There is a wide array of products and the price varied significantly. The calculation of sale volume is omitted.

Analysis and description of the changes in the production and sale volume and value:

The major products are silicon crystal rods and customized silicon wafer, and the major customers are big semiconductor firms. The product portfolio of the last 2 years is conditioned by the demand structure of the products and the changes are reasonable.

III. Human Resources

Year		2021	2022	March 31, 2023
Number of employees	Staff	936	950	754
	Manufacturing	738	761	914
	Total	1,674	1,711	1,668
Average age		40.83	40.95	41.1
Average Years of Service (year)		11.50	11.50	11.7
Education %	Doctors	0.78	0.70	0.66
	Masters	13.08	13.38	13.79
	Bachelor's Degree	47.91	47.69	51.98
	Senior high schools and below	38.23	38.22	33.57

Note: Subsidiaries are not included

IV. Environmental Protection Expenditures

1. According to the Law, a Company Shall Apply Permission for Pollution Facilities Placement, Pollutant Emission; Pay Prevention Fee; Set up Environmental Department, above Explanations are as below: the Company Has Applied Permission for Pollution Facilities Placement and Set up Environmental Department to Deal with Related Matters.

2. Environmental Protection Expenditure in the Most Recent Year:

Environmental Protection Expenditure in 2022:

The total cost of air pollution prevention and maintenance was NT\$151,047 thousands.

The total cost of treatment and maintenance of industrial wastewater was NT\$243,454 thousands.

The total cost of industrial waste treatment and maintenance was NT\$149,197 thousands.

The total cost of other environmental protection expenditures was NT\$11,054 thousands.

3. The improvement of pollution control in the most recent year to the day this report was printed. If there was any dispute deriving from pollution related matters, specify the response process: None.

4. The loss (including indemnity) caused by pollution to the environment, the total amount of penalty in the most recent year to the day this report was printed, and disclose the policy in response (including corrective action plan) to the situation and possible spending (including the loss deriving from the failure to take action in response to the situation, penalty, and the estimated amount of indemnity. If it is not possible to make reasonable estimation, explain with evidence):

Date of Disposition	Notice of Disposition No.	Penalty amount	Penalty site	Violation incident	Improvement measures
October 13, 2022	20-111-100007	NT\$360,000	Taisil Branch	Violates Paragraph 1, Article 20 of the Air Pollution Control Act, by exceeding the emission standard in Table 1 of the Air Pollution Emission Standards for stationary pollution sources.	Delegate the Industrial Technology Research Institute to test the ambient temperature denitrification treatment equipment, and replace the sodium sulfide agent. Besides having yellow smoke elimination effect, it also reached the standard for odor elimination.
May 23, 2023	B0000467	US\$3,409	MEMC Electronic Materials Sdn.Bhd.	Improper storage and incomplete labeling of sludge.	<ol style="list-style-type: none"> Increase frequency of sludge treatment. Increase routine inspections to ensure that the production of sludge will not exceed the specified amount.

5. The effect of pollution and corrective action plan on the earnings, competitive position, and capital expenditure of the Company, and the major expenditure on environmental protection budget in the 2 years ahead: None.
6. Information on the observation of RoHS of the EU by the Company: The Company sends sample for RoHS inspection as required by business needs.

V. Labor Relations

(I) Employee Benefits, Training, Education, Retirement Policy, Executions and Labor Negotiations and Measures to Protect Employee Rights.

1. Employee Benefits:

- (1) Provide high quality salary and fair reward, promotion methods to confirm all the colleagues to the company's contribution. Besides common benefit-labor, health and group insurances and pension, the company also provides bonus for new year, festivals, birthday, and year-end party, cash premiums for wedding/funeral, travel allowance, Emergency assistance, scholarship, birth reimbursement, lunch and complete training. Since 2021, we also added employee stock ownership trusts. Employees can evaluate whether to join or not, and participants will be given 100% of the incentives according to the amount allocated by themselves.
- (2) The Company appropriate 0.07% of the monthly revenue and 40% of the proceeds from the disposal of scraps as funding for the Employee Welfare Committee. The committee performs its function in accordance with applicable legal rules.
- (3) The Company recognizes the health of all employees is vital to work efficiency and morale, hoping to create a safe working environment through the care of employees. Since 2020, the Employee Caring Program has been established. Through the formation of cross-departmental teams, an overall plan has been formulated to provide employees with work, health, life, and welfare, and improve overall employee welfare.

2. Training and Practice

The Company provides a wide array of training programs through on-the-job training of different areas of specialization, and programs for self-development, including orientation for the new employees, intellectual property training programs, on-the-job training programs, training in occupational health and safety, program on professional topics, and other external training on related duties to train personnel with professional capacity and ready for challenges.

3. Retirement Policy

- (1) Two types for retirement: voluntary and mandatory.

Voluntary retirement: employees who have more than 15 years of seniority of services and at the age of 55, or who have more than 25 years of seniority of service, or who have more than 10 years of seniority of service and at the age of 60.

Compulsory retirement: employees who are at the age of 65 on May 14, 2008 or beyond, or physically or mentally disabled that cannot perform the assigned duties shall be compelled to retire.

- (2) Seniority of service: from the day of registration for duties: except for responding to the call of conscription. The period of leave of absence will not be included in the calculation of the seniority of service.

(3) Standard for payment of pension:

The old system: Two basis points for each year of service. For employees who have more than 15 years of service, one basis point will be given for each additional year of service up to 45 basis points. Seniority of service covering a period of less than half a year will be taken as half a year, and the period of half a year or more will be taken as a whole year. An additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to workers forced to retire due to disability incurred from the execution of their duties.

New system: Those who selected the new retirement system after July 2005 will still be based on the old system of retirement in the calculation of the seniority of services before July 2005 and on the new system after July 2005.

(4) Employees who registered for duties after July 2005 will be based on the new system (the employer will appropriate 6% of their respective monthly salaries to the personal accounts at the Labor Insurance Bureau).

4. Work environment and the protection of the health and safety of the employees

The Company has established the “Occupational Safety and Health Management Function” in accordance with the Occupational Safety and Health Act with the appointment of occupational safety and health administrators. In addition, the Company has also instituted the “Regulations Governing Occupational Safety and Health”. The work environment at plant sites and the protection of the health and safety of personnel are specified below:

(1) Regulations and policies governing work environment:

- All workers should pay attention to the physical and mental health for proper adjustment at all times and make hygiene a good habit.
- The workplace shall be kept clean and tidy at all times.
- Smoking, betel nut chewing and intake of alcoholic beverages at workplace are strictly prohibited.
- Smoking is permitted only at designated area. No littering of cigarette buds.
- Use proper protective gears when handling hazardous substances.
- Proper labeling of hazardous substances and do not cause any damage to the substances.
- Proper facility for drinking water should be installed at workplace with routine cleanup and inspection of water quality.
- Annual disinfection of the whole plant site.
- The toilets should be properly ventilated and disinfected.
- All employees must observe the 6S rules of environmental hygiene and make it a habit.
- No spitting and response to the call of nature on shop floor, no indiscriminating discard of cigarette buds and not littering.

(2) The protection of the safety of personnel

- Follow related safety standard, operation procedure and procedure inspection checklist in performing different forms of duties and conduct routine inspection.
- For temporary duties or the duties not performed on a routine basis that there is no safety rules to follow, do not proceed without thinking twice. Use the work safety standard

already in place and consult with the person in charge to determine the safety procedure and work method before proceeding.

- For performing duties at an altitude of higher than 2 meters, or objects may be dropped or dispersed from high altitude, the inspectors on the site and the supervisors should wear safety helmet with the band proper fastened.
- For performing duties on pipe work, tower, shelves at an altitude of higher than 2 meters from ground level without the installation of a safety work platform, or performing duties at the edge of the workplace and open space, use safety belt and supporting strap or rope.
- In case of partial power shutoff from the transforming equipment or at the plant site, cordon or partition the area with iron fence netting or post warning sign such as “Power Shut Off”, or “Electric Shock Hazard”. Confirm the evacuation of all workers from the area and electric induction free before removing the partition.
- All workers must wear personal protective gears when performing the duties. Report of any unsafe situation, equipment or work method at once.
- No chasing, teasing or exhibition of unsafe behaviors in the course of performing duties.
- Machinery and equipment should not be overloaded.

5. Labor-Management coordination

The rules and regulations of the Company were instituted in accordance with the Labor Standard Act. Labor-Management conference is held at regular intervals under the Regulations Governing Labor-Management Conferences. The Labor-Management relation of the Company has long been harmonious with through channels for communications. Discussion would be held in the Labor-Management Conference and the Employee Welfare Committee on matters related to the benefits on both sides. Communication of this kind helps to improve mutual understanding of the needs and expectation. All of the Company share the common value of coexistence and mutual prosperity and create a better future of the Company in joint effort.

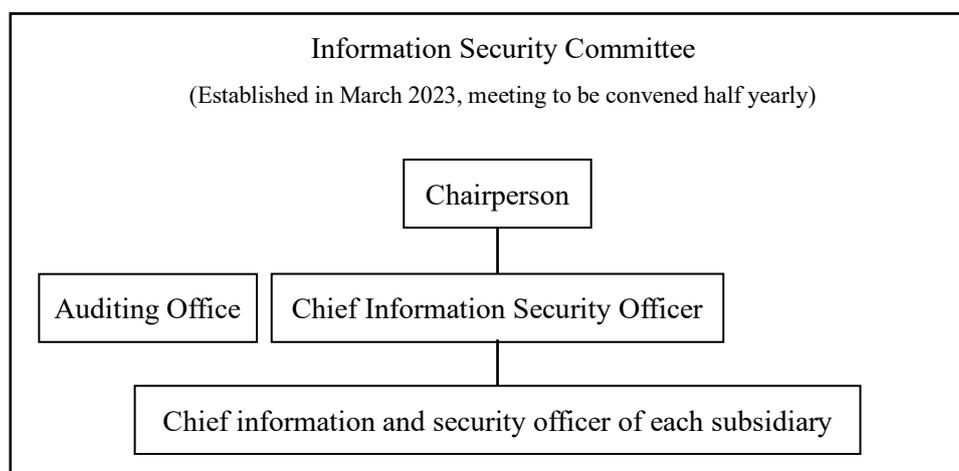
6. Measures to Protect Employee Rights

The Company has a viable management system with various rules and regulations explicitly stated. The content covers the rights and obligations, as well as the benefits of the employees. The content of benefits is subject to routine review and adjustment to protect the rights of all employees.

- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: The company has a harmonious relationship with labors, and disputes are also mediated according to the mediation procedure. In the most recent year and as of the printing date of the annual report, there was no loss due to labor disputes, and no fines were imposed for violating Labor Standards Act and the legal compliance department assists in the formulation and implementation of company regulations to comply with labor laws.

VI. Information Security Management

- (I) Describe the information security risk management framework, information security policies, concrete management programs, and investments in resources for information security management.



The Company officially established the Information Security Division on March 1, 2022, and set up the Information security Committee on March 1, 2023. The Committee members are the heads of information or security of the Company and the subsidiaries of the Group. Each subsidiary is to set up its own information security promotion team to coordinate information security and safeguard relevant government policy establishment, execution, risk management and compliance.

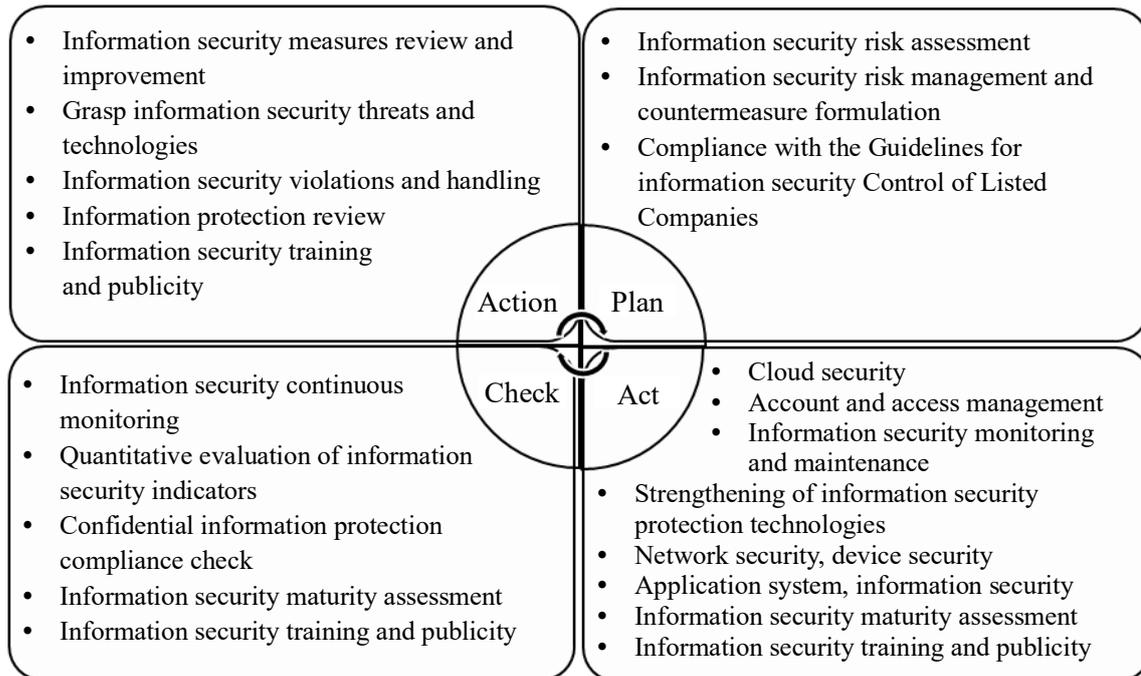
The Company has assigned the Chief Information Security Officer (CISO) and establishes an information security unit to supervise the implementation of the Company's information security operations and the effectiveness of the information security risk management mechanism. In addition to reporting to the chairperson of the overall operations of the information security management and the implementation effectiveness of the system, CISO also reports to the board of directors at least once a year. The latest report to the board of directors is on May 2, 2022.

The Company outsourced with the group parent (Sino-American Silicon Products Inc.) to manage its information system. The Company's internal audit conducts audit on the information system and information security annually and reports to the Board on the audit status.

The main axis of information security strategy includes information security governance (executed according to the management measures for information security policy with timely introduction of new technologies to improve information security governance ability), compliance with laws (regular review of new regulations, and introduction of new technology products to enhance information security management), and application of science and technology (cooperation with well-known professional information security manufacturers to improve information security management ability). Through close combination, mutual support, and continuous improvement and optimization, the overall information security defense ability is improved.

The Company has adopted the PDCA cycle operation model to achieve the objectives and provide continuous improvement, established information security monitoring and vulnerability scanning systems to prevent external hacker intrusions and internal secret theft, and implemented strict software and hardware control (including Internet and personal information equipment) to ensure personal data and internal confidential data protection and security.

Information Security Risk Management and Continuous Improvement Framework:



The specific implementation of the information mechanism is in three major aspects to ensure effective information security protection and reduce risks:

1. Information System Security Management

- Install endpoint protection software on servers and personal computers or laptops, and automatically update virus definitions or signatures.
- Construct email security gateway equipped with information security modules such as spam filtering, malicious file detection, and phishing email detection in order to enhance email attack protection.
- Important systems and databases are regularly backed up and stored off-site to ensure data availability.
- The information system vulnerability scanning is conducted periodically, and the system loopholes are fixed.
- The computer operation systems or servers are updated for securities based on the cyber risks.
- Establish a firewall in the internal network and set up firewall rules to protect important information systems.
- Perform annual disaster recovery exercise drill for important application systems.

2. Information System Access Control

- Strictly control the application system and file access permissions to ensure information confidentiality.
- Formulate and implement account/password complexity principles, and update passwords regularly to ensure the validity of identity authentication.
- For employees who have resigned and changed departments, the information department adjusts the permissions according to documents to ensure real-time and correct data permission & authorization.

- Established the management procedures for non-employees (suppliers and contractors) to apply accounts and access the systems. Once the application is approved, the access will be granted for them to enter the system, and the handling status is recorded.
- No personal terminal device is permitted to be connected with any external storage medium.
- Personal computers are prohibited from connecting to the Company's network and resources, and the device authentication management mechanism is established.

3. Network Security Management

- Establish a firewall to protect the network's external connections and analyze the firewall's anomaly records to strengthen protection.
- A multi-loop mechanism is adopted to connection to the Internet and the Company's internal network interface in order to prevent disconnection.
- An information service monitoring platform has been set up to monitor network traffic and connection status, which can resolve any network related problems in real time.
- The information department delivers security reminders to all colleagues irregularly to remind colleagues to remain alert for the emails received in order to prevent the increasingly serious phishing and malicious fraud letter problems.
- All internal staff's computers are installed with anti-virus software. Once the anti-virus control platform finds a virus, it will send a notification letter to the IT personnel for computer virus removal.
- The remote connection to the internal network when the employees are out of office are limited to these compliant with the information security controls. Only these employees who are required to perform the required tasks may connect to the Company via remote connection with authorization, and the VPN security connection with multi-factor authentication must be applied.

In light of the new trend of information security such as DDoS attack, blackmail software, community engineering software, website side recording, and loopholes, the Company joined the Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC) and SP-ISAC of the Industrial Park. Through the annual exchanges with famous information security service providers and collaborations as projects, the Company pays close attention to issues related to information security and planned for proper response. The Company also conducts exercise drills against DDoS and APT under different information security environments to strengthen the capacity of the management staff in response to the situation with a view to detecting and deterring attack once discovered.

2022 Information security measures execution results:

- Every year, the Company conducts the "Information security Related Trainings" for all employees. In 2022, every employee completed at least 2 information security training sessions.
- Each dedicated information security staff has completed 79.5 hours of professional information security training in 2022. There are 2 full-time information security staffs for the Company at present.
- In 2022, all users passed the test of the 3 social engineering drills.
- The system vulnerability scanning and monitoring score of external services scored 99 points.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant information security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

- (1) The Japanese subsidiary wholly owned by the Company, GlobalWafers Japan Co., Ltd. (hereafter “GWJ”) has four plants in Japan in place (Niigata Plant, Tokuyama Plant, Sekikawa Plant, and Oguni Crystal Growth Center). Of which, Tokuyama Plant detected the virus attacking its servers on February 28 2022, while other three plants were not affected, only the shared data center was affected moderately. However, with the complete backup mechanism of the Company, operation was fully resumed by the end of March 2022.

While the four concerned plants were suspended for production for a short period, with the good information backup system built by the Company, and the supports of the Group, part of orders of GWJ were shifted to other subsidiaries around the world for production, and thus the effect on the Company’s finance and operation is immaterial.

- (2) The Company’s 100% owned US subsidiary, Globitech Incorporated (hereinafter referred to as GTI), has a factory in the United States. On January 22, 2023, it was detected that a hacker was suspected of obtaining an employee’s password through phishing emails or brute force password cracking to attack the Company’s internal server. However, as GTI has a comprehensive backup and recovery system, normal operation was fully resumed on February 5, 2023.

Though the incident has affected some of GTI’s equipment, there were no material impact on the Company’s finance and business due to its backup mechanism and appropriate response.

- (3) Although the incident did not cause any material damage to the Company, the Company will continue to improve and enhance the information security defense and employees’ awareness of information security. The future directions of improvement are as following:

- Set up Information security Committee (already set up in March 2023).
- Set up Information security Promotion Group (already set up in April 2023).
- Strengthen the employees’ information security concepts.
- The password has to be longer than 12 characters, and to contain alphanumeric and special symbols.
- Require subsidiaries who have not implemented dual-factor authentication to do so as soon as possible.

VII. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land Lease Agreement	Hsinchu Science Park Administration	2021.01.01~ 2040.12.31	Area: 4,633 m ²	Only for designated purpose
Land Lease Agreement	Hsinchu Science Park Administration	2018.01.29~ 2037.12.31	Area: 12,004.74 m ²	Only for designated purpose
Land Lease Agreement	Hsinchu Science Park Administration	2020.02.01~ 2039.12.31	Area: 47,632.03 m ²	Only for designated purpose
Supply Agreement	Customer C	2017~2027	Silicon wafer supply agreement	None

Six. Financial Information

I. Five-Year Financial Summary

(I) Condensed Balance Sheet and Comprehensive Income Statement

1. Condensed Balance Sheet

(1) IFRS (consolidated)

Unit: NT\$ thousands

Year		Financial information of the last 5 years					Financial information for the current year till March 31, 2023
		2018	2019	2020	2021	2022	
Item							
Current Assets		53,200,515	51,492,745	49,586,369	88,664,515	109,597,731	111,565,213
Property, Plant & Equipment		30,887,035	34,697,367	37,111,052	33,943,256	39,487,086	42,873,364
Intangible Assets		3,649,397	3,227,583	2,797,463	2,365,551	2,370,157	2,332,025
Other Assets		2,085,174	7,168,058	5,356,733	25,671,654	18,041,004	19,200,309
Total Assets		89,822,121	96,585,753	94,851,617	150,644,976	169,495,978	175,970,911
Current Liabilities	Before Distribution	24,422,441	26,910,651	29,331,386	31,058,295	35,793,648	36,366,243
	After Distribution	35,303,366	37,791,576	33,683,756	34,540,191	39,928,399	40,500,994
Non-current Liabilities		22,243,567	24,601,852	21,365,331	73,955,178	79,378,325	81,435,988
Total Liabilities	Before Distribution	46,666,008	51,512,503	50,696,717	105,013,473	115,171,973	117,802,231
	After Distribution	57,546,933	62,393,428	55,049,087	108,495,369	119,306,724	121,936,982
Equity attributable to owners of the parent							
Capital Stock		4,372,500	4,372,500	4,372,500	4,372,500	4,352,370	4,352,370
capital reserve	Before Distribution	24,772,608	24,776,630	23,470,919	25,174,389	23,819,388	23,819,388
	After Distribution	24,772,608	23,470,919	23,470,919	24,617,112	23,819,388	23,819,388
Retained Earnings	Before Distribution	15,932,425	18,785,920	18,622,398	22,796,950	32,698,945	37,699,173
	After Distribution	5,051,500	9,210,706	14,270,028	19,872,331	28,564,194	33,564,422
Other Equity		(1,361,299)	(2,291,256)	(1,734,138)	(6,135,557)	(6,546,698)	(7,702,251)
Treasury Stock		(576,779)	(576,779)	(576,779)	(576,779)	-	-
Non-Controlling Interests		16,658	6,235	-	-	-	-
Total Equity	Before Distribution	43,156,113	45,073,250	44,154,900	45,631,503	54,324,005	58,168,680
	After Distribution	32,275,188	34,192,325	39,802,530	42,149,607	50,189,254	54,033,929

Note: The financial information in the period of 2018~2022 was audited. The financial information in 2023 Q1 was reviewed by CPA.

(2) IFRS (standalone)

Unit: NT\$ thousands

Item		Year	Financial information of the last 5 years				
			2018	2019	2020	2021	2022
Current Assets			9,053,216	6,322,895	18,580,837	53,099,897	45,300,437
Property, Plant & Equipment			1,094,293	1,100,268	4,370,269	5,633,883	6,101,037
Intangible Assets			995,988	678,057	360,228	184,082	3,428
Other Assets			58,602,543	67,401,040	59,344,576	66,247,029	108,963,442
Total Assets			69,746,040	75,502,260	82,655,910	125,164,891	160,368,344
Current Liabilities	Before Distribution		23,396,505	22,936,170	25,913,394	14,920,536	53,401,207
	After Distribution		34,277,430	33,817,095	30,265,764	18,402,432	57,535,958
Non-current Liabilities			3,210,080	7,499,075	12,587,616	64,612,852	52,643,132
Total Liabilities	Before Distribution		26,606,585	30,435,245	38,501,010	79,533,388	106,044,339
	After Distribution		37,487,510	41,316,170	42,853,380	83,015,284	110,179,090
Equity attributable to owners of the parent							
Capital Stock			4,372,500	4,372,500	4,372,500	4,372,500	4,352,370
capital reserve	Before Distribution		24,772,608	24,776,630	23,470,919	25,174,389	23,819,388
	After Distribution		24,772,608	23,470,919	23,470,919	24,617,112	23,819,388
Retained Earnings	Before Distribution		15,932,425	18,785,920	18,622,398	22,796,950	32,698,945
	After Distribution		5,051,500	9,210,706	14,270,028	19,872,331	28,564,194
Other Equity			(1,361,299)	(2,291,256)	(1,734,138)	(6,135,557)	(6,546,698)
Treasury Stock			(576,779)	(576,779)	(576,779)	(576,779)	-
Non-Controlling Interests			-	-	-	-	-
Total Equity	Before Distribution		43,139,455	45,067,015	44,154,900	45,631,503	54,324,005
	After Distribution		32,258,530	34,186,090	39,802,530	42,149,607	50,189,254

Note: The financial information in the period of 2018~2022 was audited.

2. Condensed Statement of Income

(1) IFRS (consolidated)

Unit: NT\$ thousands

Item	Year	Financial information of the last 5 years					Financial information of the current year up till March 31, 2023
		2018	2019	2020	2021	2022	
Operating Revenues		59,063,510	58,094,331	55,358,788	61,130,592	70,286,871	18,616,154
Gross Profit		22,298,844	22,846,721	20,568,114	23,285,888	30,341,589	7,551,286
Operating Profit		17,578,051	17,897,221	15,286,849	17,693,392	24,983,013	6,102,630
Non-Operating Income and Expenses		675,316	656,644	1,328,118	(1,247,939)	(4,876,085)	782,798
Net income (loss) before tax		18,253,367	18,553,865	16,614,967	16,445,453	20,106,928	6,885,428
Income Before Income Tax from Continuing Operations		13,633,771	13,635,656	13,103,631	11,870,037	15,367,386	5,000,228
Loss from Discontinuing Operation		-	-	-	-	-	-
Net income (loss) for this period		13,633,771	13,635,656	13,103,631	11,870,037	15,367,386	5,000,228
Other Comprehensive Income (Net income after tax)		431,248	(841,189)	347,092	(4,262,638)	(363,953)	(1,155,553)
Total Comprehensive Income		14,065,019	12,794,467	13,450,723	7,607,399	15,003,433	3,844,675
Net Income Attributable to the Shareholder of the Company		13,630,673	13,644,095	13,103,614	11,870,037	15,367,386	5,000,228
Net Income Attributable to Non-Controlling Interests		3,098	(8,439)	17	-	-	-
Comprehensive Income Attributable to the Shareholder of the Company		14,055,257	12,804,463	13,450,706	7,607,399	15,003,433	3,844,675
Comprehensive Income Attributable to Non-Controlling Interests		9,762	(9,996)	17	-	-	-
Earnings Per Share		31.18	31.35	30.11	27.27	35.31	11.49

Note: The financial information in the period of 2018~2022 was audited. The financial information in 2023 Q1 was reviewed by CPA.

(2) IFRS (standalone)

Unit: NT\$ thousands

Item	Year	Financial information of the last 5 years				
		2018	2019	2020	2021	2022
Operating Revenues		13,740,705	12,465,803	22,506,100	25,572,294	30,292,412
Gross Profit		4,872,970	4,840,549	9,166,598	10,575,012	14,030,427
Operating Profit		3,881,832	3,594,556	6,697,030	8,135,020	11,809,261
Non-Operating Income and Expenses		12,212,451	11,871,354	8,214,401	6,062,346	5,653,018
Net income (loss) before tax		16,094,283	15,465,910	14,911,431	14,197,366	17,462,279
Income Before Income Tax from Continuing Operations		13,630,673	13,644,095	13,103,614	11,870,037	15,367,386
Loss from Discontinuing Operation		-	-	-	-	-
Net income (loss) for this period		13,630,673	13,644,095	13,103,614	11,870,037	15,367,386
Other comprehensive income (OCI) for this period (net amount after tax)		424,584	(839,632)	347,092	(4,262,638)	(363,953)
Total Comprehensive Income		14,055,257	12,804,463	13,450,706	7,607,399	15,003,433
Net Income Attributable to the Shareholder of the Company		13,630,673	13,644,095	13,103,614	11,870,037	15,367,386
Net Income Attributable to Non-Controlling Interests		-	-	-	-	-
Comprehensive Income Attributable to the Shareholder of the Company		14,055,257	12,804,463	13,450,706	7,607,399	15,003,433
Comprehensive Income Attributable to Non-Controlling Interests		-	-	-	-	-
Earnings Per Share		31.18	31.35	30.11	27.27	35.31

Note: The financial information in the period of 2018~2022 was audited.

(II) Auditors' Names and Opinions for Last Five Years

1. Auditors' Names and Opinions for Last Five Years

(1) Auditors' Names and Opinions for Last Five Years (Consolidated)

Year	Accounting Firm	Names of CPAs retained as external auditors	Remarks
2018	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2019	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2020	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2021	KPMG	An-Chih Cheng, Mei-Yu Tseng	Unqualified opinion
2022	KPMG	An-Chih Cheng, Mei-Yu Tseng	Unqualified opinion

(2) Auditors' Names and Opinions for Last Five Years (Standalone)

Year	Accounting Firm	Names of CPAs retained as external auditors	Remarks
2018	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2019	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2020	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2021	KPMG	An-Chih Cheng, Mei-Yu Tseng	Unqualified opinion
2022	KPMG	An-Chih Cheng, Mei-Yu Tseng	Unqualified opinion

2. Reason for Changing CPA in Last Five Years: The Company changes CPA in the last five years is due to KPMG's internal reorganization and job rotation, accounting firm remains the same.

II. Five-Year Financial Analysis

(I) Financial Analysis –IFRS (consolidated)

Items of analysis (Note 2)		Year	Financial analysis of the last 5 years (Note 1)					Financial information of the current year up till March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022		
Financial Structure	Ratio of Liabilities to Assets	51.95	53.33	53.45	69.71	67.95	66.94	
	Ratio of Long-Term Capital to Fixed Assets	211.74	200.81	176.55	352.31	338.60	325.62	
Solvency	Current Ratio	217.83	191.35	169.06	285.48	306.19	306.78	
	Quick Ratio	188.36	163.45	142.50	254.92	279.01	278.94	
	Times Interest Earned Ratio	169.99	259.72	226.58	54.44	42.73	44.82	
Operating Ability	Receivables turnover (times)	6.88	6.68	6.84	7.12	7.28	7.28	
	Average Collection Period	53	55	53	51	50	50	
	Inventory turnover (times)	4.88	4.83	4.65	4.89	4.78	4.72	
	Payables turnover (times)	8.04	8.11	9.06	9.39	9.65	9.83	
	Average Days in Sales	75	76	78	75	76	77	
	Turnover of property, plant and equipment (times)	2.00	1.77	1.54	1.72	1.91	1.81	
	Total asset turnover (times)	0.74	0.62	0.58	0.50	0.44	0.43	
Profitability	Return on assets (%)	17.14	14.69	13.75	9.85	9.83	11.84	
	Return on equity (%)	35.32	30.91	29.37	26.44	30.75	35.56	
	EBT to paid-in capital ratio (%)	417.46	424.33	379.99	376.11	461.98	632.80	
	Net profit margin (%)	23.08	23.47	23.67	19.42	21.86	26.86	
	Earnings per share (NTD)	31.18	31.35	30.11	27.27	35.31	11.49	
Cash Flow	Cash flow ratio (%)	148.14	64.62	49.65	94.34	104.95	12.38	
	Cash flow adequacy ratio (%)	246.86	184.77	154.48	170.96	162.58	128.18	
	Cash reinvestment ratio (%)	30.16	5.82	3.26	16.19	19.11	1.01	
Leverage	Operating Leverage	1.27	1.27	1.36	1.33	1.24	1.26	
	Financial Leverage	1.01	1.00	1.00	1.02	1.02	1.03	
		Explain the changes in the financial ratios of the last 2 years: 1. Interest coverage ratio: Mainly due to the growth in revenue and profit in the current period and the increase in interest rate which results in drop in Times Interest Earned Ratio. 2. Ratio of pre-tax income to share capital and earnings per share: Due to the growth in revenue and profit, ratio of pre-tax income to share capital and earnings per share increased.						

Note 1: The financial information in the period of 2018~2022 was audited. The financial information in 2023 Q1 was reviewed by CPA.

Note 2: The equations for the financial analysis of this statement are shown below:

1. Financial Structure

(1) Ratio of Liabilities to Assets = Total Liabilities/ Total Assets

(2) Ratio of Long-Term Capital to Property, Plant & Equipment = (Net Shareholder's Equity + Non-current Liabilities)/ Net amount of Property, Plant & Equipment.

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities.

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

- (3) Times Interest Earned Ratio = Earnings before Interests and Taxes / Interest Expenses.
3. Operating Ability
- (1) Accounts Receivable (including accounts receivable & notes receivable generated by business activities) Turnover = Net Sales / Average Trade Receivables (including accounts receivable & notes receivable generated by business activities).
 - (2) Average Collection Period = 365 / Accounts Receivable Turnover.
 - (3) Inventory Turnover = Cost Of Goods Sold / Average Inventory.
 - (4) Accounts Payable (including accounts payable & notes payable generated by business activities) Turnover = Cost of Goods Sold / Average Accounts Payable.
 - (5) Average Days in Sales = 365 / Inventory Turnover.
 - (6) Property, Plant & Equipment Turnover = Net Sales / Average Net Property, Plant & Equipment.
 - (7) Total Assets Turnover = Net Sales / Average Total Assets.
4. Profitability
- (1) Return on Total Assets = [Net Income + Interest Expense x (1 - Effective Tax Rate)] / Average Total Assets.
 - (2) Return on Stockholders' Equity = Net Income / Average Stockholders' Equity.
 - (3) Profit Ratio (%) = Net Income / Net Sales.
 - (4) EPS = (income belonging to owner of the parent company - stock dividend of preferred stocks) / weighted average number of issued shares.
5. Cash Flow
- (1) Cash Flow Ratio (%) = Net Cash Provided by Operating Activities / Current Liabilities.
 - (2) Cash Flow Adequacy Ratio (%) = Five-year Sum of Cash from Operations / Five-year (Capital Expenditures + Inventories Additions + Cash Dividend)
 - (3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from operations.
 - (2) Financial Leverage = Income from operations / (Income from operations - Interest Expenditures).

(II) Financial Analysis – IFRS (standalone)

Items of analysis (Note 2)		Financial analysis of the last 5 years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Ratio of Liabilities to Assets	38.15	40.31	46.58	63.54	66.13
	Ratio of Long-Term Capital to Fixed Assets	4,235.57	4,777.57	1,298.38	1,956.81	1,753.26
Solvency	Current Ratio	38.69	27.57	71.70	355.88	84.83
	Quick Ratio	32.41	23.01	64.35	328.49	78.54
	Times Interest Earned Ratio	86.51	101.84	57.55	36.56	34.65
Operating Ability	Receivables turnover (times)	4.19	3.49	5.61	4.74	4.87
	Average Collection Period	87	105	65	77	75
	Inventory turnover (times)	5.66	6.20	8.84	7.16	6.67
	Payables turnover (times)	2.63	2.62	4.07	3.55	3.68
	Average Days in Sales	64	59	41	51	55
	Turnover of property, plant and equipment (times)	18.25	11.35	8.23	5.11	5.16
Profitability	Total asset turnover (times)	0.21	0.17	0.28	0.25	0.21
	Return on assets (%)	20.90	18.97	16.86	11.74	11.08
	Return on equity (%)	35.32	30.94	29.37	26.44	30.75
	EBT to paid-in capital ratio (%)	368.08	353.71	341.03	324.70	401.21
	Net profit margin (%)	99.20	109.53	58.22	46.42	50.73
Cash Flow	Earnings per share (NTD)	31.18	31.35	30.11	27.27	35.31
	Cash flow ratio (%)	21.33	11.01	18.41	57.61	35.61
	Cash flow adequacy ratio (%)	87.81	59.26	56.41	65.82	85.67
Leverage	Cash reinvestment ratio (%)	1.34	-15.93	-7.97	0.66	10.75
	Operating Leverage	1.12	1.14	1.18	1.13	1.10
	Financial Leverage	1.05	1.04	1.04	1.05	1.05
<p>Explain the changes in the financial ratios of the last 2 years:</p> <ol style="list-style-type: none"> 1. Current ratio and quick ratio: Due to increase in payables from related parties, current ratio and quick ratio decrease. 2. Ratio of pre-tax income to share capital and earnings per share: Due to the growth in revenue and profit, ratio of pre-tax income to share capital and earnings per share increased. 3. Cash flow ratio (%): Due to the increase in payables from related parties, cash flow ratio decreased. 4. Cash flow adequacy ratio and cash reinvestment ratio: Mainly due to the current period's revenue growth and the increase in prepayment received from long-term agreements entered with customers, the cash inflow from operating activities increased accordingly, which results in the increase in cash flow ratio and cash reinvestment ratio. 						

Note 1: The financial information in the period of 2018~2022 were audited.

Note 2: The equations for the financial analysis of this statement are shown below:

1. Financial Structure

(1) Ratio of Liabilities to Assets = Total Liabilities/ Total Assets

(2) Ratio of Long-Term Capital to Property, Plant & Equipment = (Net Shareholder's Equity + Non-current Liabilities)/ Net amount of Fixed Assets.

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities.

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

(3) Times Interest Earned Ratio = Earnings before Interests and Taxes/ Interest Expenses.

3. Operating Ability

(1) Accounts Receivable (including accounts receivable & notes receivable generated by business activities) Turnover = Net Sales / Average Trade Receivables (including accounts receivable & notes receivable generated by business activities).

(2) Average Collection Period = 365/Accounts Receivable Turnover.

- (3) Inventory Turnover = Cost Of Goods Sold / Average Inventory.
 - (4) Accounts Payable (including accounts payable & notes payable generated by business activities) Turnover = Cost of Goods Sold / Average Accounts Payable.
 - (5) Average Days in Sales = 365/Inventory Turnover.
 - (6) Fixed assets turnover = net sale/average net fixed assets.
 - (7) Total Assets Turnover = Net Sales/Average Total Assets.
4. Profitability
- (1) Return on Total Assets = [Net Income + Interest Expense x (1-Effective Tax Rate)] / Average Total Assets.
 - (2) Return on shareholder equity = net income/average net shareholder equity.
 - (3) Profit Ratio (%) = Net Income/Net Sales.
 - (4) Earnings per Share (\$) = (Net Income – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding.
5. Cash Flow
- (1) Cash Flow Ratio (%) = Net Cash Provided by Operating Activities / Current Liabilities.
 - (2) Cash Flow Adequacy Ratio (%) = Five-year Sum of Cash from Operations / Five-year (Capital Expenditures + Inventories Additions + Cash Dividend)
 - (3) Cash Reinvestment Ratio (%) = (Net Cash Provided by Operating Activities - Cash Dividend) / (Gross Fixed Assets + Long-Term investments + Other Assets + Working Capital)
6. Leverage:
- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from operations.
 - (2) Financial Leverage = Income from operations / (Income from operations - Interest Expenditures).

III. Audit Committee's Report in the Most Recent Year:

GlobalWafers Co., Ltd.
Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2022 Business Report, Consolidated and Standalone Financial Statements and Earnings Distribution Proposal. GlobalWafers Co., Ltd. Consolidated and Standalone Financial Statements have been audited and certified by Cheng, An-Chih, CPA, and Tseng, Mei-Yu, CPA, of KPMG and audit review reports relating to the Financial Statements have been issued. We have reviewed the aforementioned reports provided by the board of directors and have found no discrepancy, and in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is hereby submitted.

To

General Shareholders Meeting of GlobalWafers Co., Ltd

GlobalWafers Co., Ltd.

Audit Committee Convener: Jeng-Ywan Jeng



May 2, 2023

- IV. Financial Statements for the Latest Year: Refer to Attachment 1 of this report.
- V. Standalone Financial Statements Review by CPA for the Latest Year: Refer to Attachment 2 of this report.
- VI. Specify Impact to the Company If Any Financial Difficulty Happens to the Company and Its Subsidiaries in the Most Recent Year and as of the Printing Day of This Annual Report: None.

Seven. Review of Financial Conditions, Operating Results, and Risk Management

I. Financial Status

Unit: NT\$ thousands

Item	Year	2022	2021	Difference	
				Amount	Change in percentage (%)
Current Assets		109,597,731	88,664,515	20,933,216	24%
Property, Plant & Equipment		39,487,086	33,943,256	5,543,830	16%
Intangible Assets		2,370,157	2,365,551	4,606	0%
Other Assets		18,041,004	25,671,654	(7,630,650)	-30%
Total Assets		169,495,978	150,644,976	18,851,002	13%
Current Liabilities		35,793,648	31,058,295	4,735,353	15%
Non-current Liabilities		79,378,325	73,955,178	5,423,147	7%
Total Liabilities		115,171,973	105,013,473	10,158,500	10%
Capital		4,352,370	4,372,500	(20,130)	0%
Capital Surplus		23,819,388	25,174,389	(1,355,001)	-5%
Retained Earnings		32,698,945	22,796,950	9,901,995	43%
Total Equity		54,324,005	45,631,503	8,692,502	19%
<p>1. Analysis of the difference greater than 20% in the last 2 years:</p> <p>(1) Cash: The operating cash inflow is due to the increase in prepayment received from signing long-term agreements with customers in this period and the increase in profits.</p> <p>(2) Other Assets: The decrease is due to the fluctuations in stock valuation of overseas securities held in the current period.</p> <p>(3) Retained Earnings: Mainly due to profits in the current period and earning distribution</p> <p>2. Significant influence and the plan for response: None.</p>					

II. Operating Results

- (I) Main reasons for the significant changes in revenue, operating profit, and earnings before taxation in the last 2 years

Unit: NT\$ thousands

Item \ Year	2022	2021	Changes in amount	Change in percentage (%)
Operating Revenues	70,286,871	61,130,592	9,156,279	15%
Gross Profit	30,341,589	23,285,888	7,055,701	30%
Operation Profit	24,983,013	17,693,392	7,289,621	41%
Non-Operating Income and Expense	(4,876,085)	(1,247,939)	(3,628,146)	291%
Profit before Tax	20,106,928	16,445,453	3,661,475	22%
Income Tax Expense	4,739,542	4,575,416	164,126	4%
Net Profit	15,367,386	11,870,037	3,497,349	29%
Other Comprehensive Income	(363,953)	(4,262,638)	3,898,685	-91%
Total Comprehensive Income	15,003,433	7,607,399	7,396,034	97%
Analysis of the difference greater than 20% in the last 2 years:				
(1) Gross profit/loss: Compared to last year, gross profit increased due to market recovery as the pandemic slows down and the New Taiwan Dollars depreciates, and with active cost control, operating profit increased.				
(2) Non-operating income and expenses: The decrease is mainly due to the increase in recognized loss of overseas securities held in the current period due to the fluctuations in mark-to-market valuation.				
(3) Other comprehensive income: due to the change in the exchange difference presented in the financial statements of overseas operations.				

III. Cash flow:

(I) Analysis of the changes in cash flow in the most recent year (2022)

(1) Financial analysis

Unit: NT\$ thousands

Cash balance at the beginning of period (1)	From the year's operating activities Net cash flow (2)	Cash outflow (inflow) in current period (3)	Amount of cash surplus (short) (1)+(2)-(3)	Remedy for cash short	
				Investment plan	Wealth management plan
65,894,422	37,566,380	22,970,079	80,490,723	NA	NA

Analysis of the change in cash flow of current period:
 (1) Operation: The continued profit in the year with the net cash inflow from operation.
 (2) Investment activities: Net cash outflow in the year's investment activities from purchase of fixed assets.
 (3) Financing activities: Net cash outflow in the year's financing activities from repayment of corporate bonds and distribution of dividend.

(II) Remedy for inadequate liquidity: the Company has no liquidity problem and liquidity is not a concern.

(III) Analysis of cash flow in the year ahead (2023)

Unit: NT\$ thousands

Cash balance at the beginning of period (1)	Projected from operating activities for the year Net cash flow (2)	Projected cash outflow (inflow) volume of the year (3)	Projected amount of cash surplus (short) (1)+(2)-(3)	Remedy for projected cash short	
				Investment plan	Wealth management plan
80,490,723	22,370,081	36,355,638	66,505,166	NA	NA

1. Analysis of cash flow in the year ahead:
 (1) Operation: continued profit is expected with net cash inflow from operation.
 (2) Investment activities: Capital expenditure such as purchase of production equipment for operations has generated net cash outflow in investment activities.
 (3) Financing activities: Loan from external parties in anticipation of capital expenditure needs has generated net cash inflow from financing activities.
 2. Remedy for projected cash short: None.

IV. Major Capital Expenditure Items Influence on Financial Business: None.

V. Recent Reinvestment Policy, Major Reasons for Profits or Losses, Improvement Plan and Investment Plan for the Following Year

(I) Reinvestment policy:

The Company legislates "Acquisition or Disposal of Assets Procedure" in compliance with of governmental "Acquisition or Disposal of Assets Procedure by Public Companies" as reinvestment guideline so as to capture business and financial status. Also, in order to increase monitoring and management of reinvested companies, the Company legislates "Monitoring Procedure of Subsidiaries" in internal control system, regulating its information disclosure, finance, business as

well as inventory to maximize reinvestment synergy.

- (II) Major reasons for reinvestment profits or losses, improvement plans and investment plan for the following year:

Unit: NT\$ thousands

Names of investee companies	Recognized investment gain (loss) in 2022	Main reason for profit or loss	Corrective action plan
GlobalSemiconductor Inc.	438,810	The business condition is normal	None
GlobalWafers Japan Co., Ltd.	1,666,402	Business and profits are stable	None
GlobalWafers GmbH	(4,260,889)	The business condition is normal	None
GWafers Singapore Pte. Ltd.	2,749,886	The business condition is normal	None
GlobalWafers B.V.	981,503	The business condition is normal	None
Sunrise PV Four Co., Ltd.	8,608	The business condition is normal	None
Sunrise PV Electric Power Five Co., Ltd.	(1,466)	The business condition is normal	None
GWC Capital Co., Ltd.	(2,811)	The business condition is normal	None
Hong-Wang Investment Company	60,359	The business condition is normal	None
Kunshan Sino Silicon Technology Co., Ltd.	425,037	Business and profits are stable	None
MEMC Electronic Materials Sdn. Bhd.	74,786	Business and profits are stable	None
Kunshan SST Trading Co., Ltd.	10,446	The business condition is normal	None
MEMC Japan Ltd.	179,098	Business and profits are stable	None
GlobalWafers Singapore Pte. Ltd.	2,524,650	Business and profits are stable	None
MEMC Electronic Materials S.p.A.	1,251,313	Business and profits are stable	None
MEMC Electronic Materials France SarL	570	The business condition is normal	None
GlobiTech Incorporated	1,174,749	Business and profits are stable	None
MEMC LLC	488,363	Business and profits are stable	None
GlobalWafers America, LLC	(28,601)	The business condition is normal	None
MEMC Korea Company	3,436,634	Business and profits are stable	None
MEMC Ipoh Sdn. Bhd.	67	Business closed	None
Topsil GlobalWafers A/S	398,892	Business and profits are stable	None
Topsil Semiconductor sp z o.o.	—	Business closed	None

- (III) Investment plan in the year ahead: None.

VI. Analysis and Assessment of Risks in the Most Recent Year to the Day this Report was Printed

(I) The influence of the changes in interest rate and exchange rate and inflation on the income position of the Company and the response:

1. Interest rate: The Company and its subsidiaries have sound financial position with good credit standing that allowed for preferential treatment from the financial institutions in financing. As such, the Company could enjoy better terms and conditions for borrowing. The loans could be short-term and mid or long-term depending on capital requirements. The cost of capital and the condition for the retirement of loans will be the primary concern for the Company in borrowing. Part of the short-term credit is in foreign currency as working capital that exchange rate will be considered in effecting the drawdown.
2. Exchange rate: The Company adopts the policy of natural hedge between the positions of assets and liabilities with an attempt to minimize the exposure of the position to exchange risk in the transactions of sale and purchase between the Company and its subsidiaries. The treasury function of the Company pays close attention to the trend of the exchange rate and will match with appropriate foreign exchange instruments for hedging where necessary to mitigate the influence of exchange rate fluctuation on the cost of operation.
3. Inflation: While recently the international inflationary pressure has increased, shocking the world economy, and squeezing corporates' profits, the Company has reduced procurement costs by establishing multiple suppliers and active price negotiations, while adjusting the final selling price to retain profits. The Company and the subsidiaries also monitor the price fluctuation all the time and take countermeasures if necessary.

(II) The policy of engagement in high risk, high leverage investment, loaning of funds to a third party, endorsement/guarantee in favor of a third party, and derivative trade, the main reason for profit or loss, and the response:

1. The Company and its subsidiaries are not engaged in high risk and high leverage investment.
2. The Company duly observes the Procedure for the Loaning of Funds, Regulations Governing Endorsement/Guarantee, Procedure for Derivative Trade and other rules and regulations of the competent authority applicable to the Company and its subsidiaries in loaning of funds, endorsement/guarantee, and engagement in derivative trade, and conduct routine audit and announcement. The executor complies with relevant rules and regulations in internal review and control that operation risk will be unlikely to occur.

(III) R&D plan in the future and projected expense for investment in R&D:

Semiconductor wafers are the foundation of semiconductor components. As the semiconductor product applications are widening, and the requirements to qualities and specifications are increasingly higher, the Company has been monitoring the market pulse and technology development directs, to actively engage the development of new products and technologies to cope with the current and potential demands of clients. The future development projects include the following:

- A. Development of 12" silicon substrate with nano manufacturing process
- B. Development of technology for special substrates of high voltage for EV
- C. Development of technology for substrates used in new-generation sensing component and communication component.

For R&D expenses, the budgets are arranged according to the development schedule of new products and new technologies. The R&D expenses spent in 2021 and 2022 were accounted

3.39% and 2.97% in the total operating revenue, respectively. In the future, such expenses will be adjusted based on the operation and market conditions, to keep the Company's competitive edges in the industry.

Type	Expected R&D Costs (thousand NTD)	Description of the R&D project
R&D of process improvement	300,000	<ol style="list-style-type: none"> 1. Low power consumption HZ design 2. Low pollution/ Low power consumption wire sawing technology development 3. Advanced process for monocrystalline growth/Wafering yield improvement
R&D of quality improvement	550,000	<ol style="list-style-type: none"> 1. Crystal defect control and measurement technology 2. Ultra flat wafering technology development 3. Low surface- defect density polishing technology 4. Atomic-grade polishing technology development 5. RFSOI production yield improvement 6. Low temperature FT-IR measurement method for heavily doped silicon monocrystalline with low carbon/oxygen concentration 7. Development of photoluminescence and FT-IR measurement method for silicon monocrystalline with low carbon concentration 8. Low stacking fault epitaxial wafer using ultra low resistivity <math><0.9 \text{ m}\Omega\text{-cm}</math> crystal with Phosphorous doped crystal
R&D of equipment improvement	450,000	<ol style="list-style-type: none"> 1. Automated and digitized manufacturing system development 2. Development of the puller with high productivity and high crystal quality 3. Low power consumption process/equipment development 4. 12" New Puller design and development 5. Wafering process feed-forward prediction system development 6. Next Generation CMP head development 7. Development of silicon surface inspection method for tiny LPD 8. Next generation 8" FZ puller for power applications
New product development	1,200,000	<ol style="list-style-type: none"> 1. Semi insulated and large diameter SiC crystal/wafer development 2. SOI substrate development for next generation RF device 3. Hetero-epitaxy technology development 4. Development of ECAS wafer with low carbon, low defect, and proximately IG structure for next generation 3D memory and CMOS image sensor 5. Development of Pulse Photoconductivity method (PPCM) for CMOS image sensor with higher resolution 6. 8" GaN epi wafer development 7. 4" and 6" GaN on SiC epi wafer development 8. SiC epi wafer development 9. 8" floating zone gas doped wafers for power applications with <math><7\%</math> resistivity tolerance

- (IV) The influence of the changes in major policies of the home government and foreign governments, and the regulatory environment, on the financial position and operation of the Company, and the response:

The Company and its subsidiaries duly observe applicable laws of the home and foreign governments in routine operation and pay close attention to any change in the policies and the regulatory environment for keeping abreast of the information on the changes in the market with proper response. As of the day this report was printed, there is no significant influence of any change in the policies of the home government and foreign governments and the regulatory environment on the Company and its subsidiaries.

- (V) Impact of recent technological (including information security risks) and market changes on finance and business of the Company, and response measures:

The Company pays close attention to the changes in technologies of the industry at all times, and keeps abreast of the trend of the market with assessment on possible influence on the operation of the whole Group. Yet, there has been no significant change in technology and the industry in recent years that caused significant influence on the financial position and operation of the Company and its subsidiaries. The Company has set up the Information Security Department and established the information security safeguard measures related to networks and computers, and ensure their suitability and effectiveness via the continuous reviews and assessments on the information security management methods and procedures. The Company continues to enhance the information security safeguard measures, seeking to protect the Company from malware and hacker attacks. A complete backup mechanism is in place, seeking to resume the normal operation of system in very short time after being attacked, for the minimum damage.

- (VI) The effect of corporate image change on corporate crisis management, and the response:

The Company and its subsidiaries have been indulged in the professed industry and duly observed applicable laws and spared no effort in strengthening the internal management and the upgrade of management quality and performance to maintain a positive corporate image and earn the trust of the customers. There has been no change in the corporate image of Company and its subsidiaries in the most recent year to the day this report was printed that triggered corporate crisis to the Company. Yet, corporate crisis may cause significant damage to the enterprise. For this reason, the Company and its subsidiaries never cease to implement corporate governance as required to reduce the risk of corporate crisis and the impact on the Company.

- (VII) The expected result and possible risk from corporate merger and acquisition, and the response:

- (1) On December 9, 2020, GlobalWafers resolved the tender offer for the outstanding ordinary shares of Siltronic AG with an offer price of EUR 125 per share via the subsidiary, GlobalWafers GmbH. Both parties entered the business combination agreement on December 9, 2020. On January 22, 2021, the final offer consideration was increased to EUR 145 per share, and achieved a final acceptance level of 70.27% at the end of the offer period, March 1, 2021. However, as of January 31, 2022, the approval from the German government was not obtained, the takeover offer and the agreements which came into existence as a result of the offer were not completed and lapsed.

Although the acquisition was failed, the funds originally intended for takeover were deployed to the capacity expansion, focusing on large-sized wafers and compound semiconductors, to position at the advanced process. The in-house technology growth is enhanced with the active internal expansion, and the robust financial structure is maintained, plus the excellent operating capabilities, all these are helpful to GlobalWafers for seeking the next suitable target, for robustly expanding the operating scale via the strategic alliances or M&A.

- (2) The company's Board of Directors passed a resolution on May 2nd, 2023 to sign a share swap contract with Crystalwise Technology (hereinafter referred to as " Crystalwise ".) The company would acquire 100% of Crystalwise's shares according to Article 29 of the Business Mergers and Acquisitions Act. Following the completion of the share conversion, Crystalwise will become a wholly-owned subsidiary of the company. As the expected increase in cash capital through this issuance of common shares meets the conditions specified in Article 29, Paragraph 6 of the Business Mergers and Acquisitions Act, it is exempt from requiring a resolution from the shareholders' meeting. Therefore, this resolution was adopted by a majority vote of the directors present at the Board meeting attended by directors representing two-thirds or more of the directors of the surviving company. Upon completion of the share conversion, the company will continue to be listed, while Crystalwise will apply to the Taipei Exchange for delisting according to regulations after the share swap is completed. The delisting will take place on the share swap record date, and an application will be submitted to the Financial Supervisory Commission to cease public issuance on the same date. The exchange ratio for the share conversion is set at 0.02 shares of the company's common stock for each share of Crystalwise's common stock, falling within the reasonable range of exchange ratios based on the fairness opinion provided by independent experts. The share swap record date is tentatively set for November 1st, 2023, and the relevant approvals and operational procedures for this share swap are still ongoing.

After the share conversion between the company and Crystalwise, we will exchange technological expertise, aiming at expediting the development and implementation of new products. Additionally, we will harness the synergy by combining the strengths of both teams in marketing, thus expanding business. Simultaneously, through resource integration and effective allocation, we will enhance operational efficiency and prevent redundant wastage, benefit from the complementary products, capacity, and resources on both sides. This collaborative effort further enhances profitability and competitiveness for both parties.

The aforementioned share swap has been thoroughly evaluated by the company beforehand. The company aims to integrate the resources and improve profitability, generate positive effect for shareholders and minimize the investment risks.

(VIII) Expected result and possible risk from capacity expansion, and the response:

To satisfy the demands of increased semiconductor content brought by the technological innovation, and focus on the long-term development momentum of semiconductor, the Company executes a capex plan to expand its capacity significantly, mainly used for expanding the capacities for 12” wafers and compound semiconductors. The investments cross Asia, Europe, and the U.S. The production expansion includes 12” wafers and epitaxy, 8” and 12” SOI, 8” FZ, SiC wafers (SiC Epi included), GaN on Si, among other large-sized next generation products. The plants to be expanded include those in Italy, Denmark, the U.S., Japan, Korea, and Taiwan. The production expansion plan is under progress actively. Except for customers booking the capacities with prepayments, the Company also grasps the current wave of semiconductor localization in various countries and applies for the local governmental subsidies simultaneously for the capex plan. The capacities are expected to be onboard from the second half of 2023 and ramp up quarter by quarter. In light of the risks and effects that may be brought to these additional capacities by the cyclical semiconductor industry, these capacity expansions are based on the long-term agreements with customers, and the additional capacities are dedicated to these customers with long-term agreements. The overall scale will be adjusted flexibly based on the latest global economic development. Regarding the rising prices of raw materials resulted from inflations, and the longer shipping time due to the pandemic, the Company has been bargaining with suppliers, and negotiating the equipment vendors for delivery schedule in parallel to lower the impact from fluctuations and uncertain macroeconomics on the Company.

(IX) The risks deriving from concentration of purchase and sale, and the response: To avoid the supply chain interruption due to the over-reliance on single supplier, the Company has established multiple suppliers for raw materials. For sales, the distribution of customers in terms of region also is weight-balanced. In Asia, Europe and the U.S., there are key customers. The extensive sales channels and production sites also locate around the world. The uncertainties resulted from the macroeconomy, geopolitics, and global logistic system are lowered with the local supply and sales.

(X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures: None.

(XI) The influence of the change in ownership of the Company, the risk, and the response: None.

(XII) Lawsuits or non-contentious matters

1. Major lawsuits, non-contentious matters, or administrative actions with ruling or pending on court ruling to the day this report was printed, and the ruling result may cause significant influence on the shareholders’ equity or stock price of the Company. Disclose the subject matter of contention, the amount involved, the date of the commencement of legal proceeding, the key parties concerned, and the status: None.
2. The Directors, President, the deputy agents, shareholders holding more than 10% of the shares and subsidiaries involved in lawsuits, non-contentious matters, or administrative actions with ruling or pending on court ruling to the day this report was printed, and the ruling result may cause significant influence on the shareholders’ equity or stock price of the Company: None.

(XIII) Other major risks and response:

1. Intellectual property management and risk countermeasures:

Intellectual Property Management Strategy

To corresponding the Company’s operating strategy to become the wafer supplier with the largest scale and most complete product in the world, with the continuous development of next-generation product technologies as the development strategy, the Company has formulated the

intellectual property management strategy, with three major approaches: enhancing IP management capability, strengthening product patent position, and improving the secret management mechanism. It is sought to apply the intellectual property right as the competitive edge for the next generation products, but all so the key weapon to guard off the competitions.

Intellectual Property Management System

Since its establishment, the Company has followed its parent company's approach in valuing intellectual property rights. In 2013, the Company started to introduce the "Taiwan Intellectual Property Management System (TIPS)", with patents and trade secrets as its main goals, gradually enhancing the regulations governing the intellectual property management system, including:

- ✓ **Patent management:** Regulate the proposal reviewing, application and maintenance, and encourage employees to propose their innovations through the incentive system.
- ✓ **Confidentiality management:** Classify various confidential data of the Company and enhance the labeling and access controls.
- ✓ **R&D management:** Establish the management regulations in terms of self-development and outsourcing partnership; strengthen the external contract signing and outcome review.

In addition, the Company continuously participates the TIPS audit certification, to implement the IP management mechanism. The Company has passed the TIPS basic certification in 2013, the TIPS advanced certification in 2014 and 2015, and the AA-grade certification in 2016, 2017, 2019 and 2021. The latest certificate expires on December 31, 2023.

Potential risks and counter strategies:

Whereas the secret leakage becomes a frequent headline over media, the Company will continue to strengthen the secret control program to prevent theft of the technologies generated from the Company's hard working results and protect clients' interests. In terms of personnel management, the confidentiality control training and promotion are conducted regularly to raise employees' awareness of trade secrets and strengthen employees' awareness of phishing emails to avoid network security problems. For the equipment control, the control is exercised over the sending-out emails and digital storage devices, to reduce the possibility of internal data leakage. Most importantly, the internal TIPS audit is conducted periodically to investigate the implementation of secret management and increase the capacity of management.

2022 Execution of Intellectual Properties

Intellectual property (IP) policy	Summary of the execution
Improve the IP management capability	For the newly recruited of each department, the IP right trainings are provided, which cover diversified contents, including the introduction of IP rights, the Company's confidentiality management mechanism, strategies for searching patents, making of patent map, TIPS execution guidelines, and trainings for TIPS internal auditors.
Enhance positioning of product patents	In 2022, the HQs have applied for 125 patents, 60 of them were approved. As a whole, the WBG products and technologies had higher weight, about 70%. The patent applications for compound semiconductors in the past years totaled 300.
Complete classified secreta management mechanism	The total TIPS internal audits of the year were 217, with total two deficiencies and total 14 suggestions for observation. The cause analyses, corrective and preventive measures were conducted and taken, for preventing repetition of the same issue.

List of the Intellectual Property Rights and its Main Applications and Contributions

Currently, GlobalWafers (overseas included) has achieved 1,999 effective patents globally, and the certified patents are aggregated to 1,262. The Group's patent portfolio covers key technologies such as crystal growth, wafer processing, quality inspection, of various main products (different materials and dimensions). Besides applying for patents, it also covers related trade secrets such as special crystal growth, processing, etc. based on different technological development.

Intellectual property rights not only demonstrate the Group's technological development strength, but also create opportunities for strategic alliances, increasing the Company's overall competitiveness and gaining customers' trust and recognition. When developing new technologies or new products, it is especially important to apply for patents in the domain to prevent possible intellectual property risk.

For the aforesaid IP management planning and implementations, the Company reports to the board of directors at least once a year. The latest reporting date was November 1, 2022.

VII. Additional Information: None.

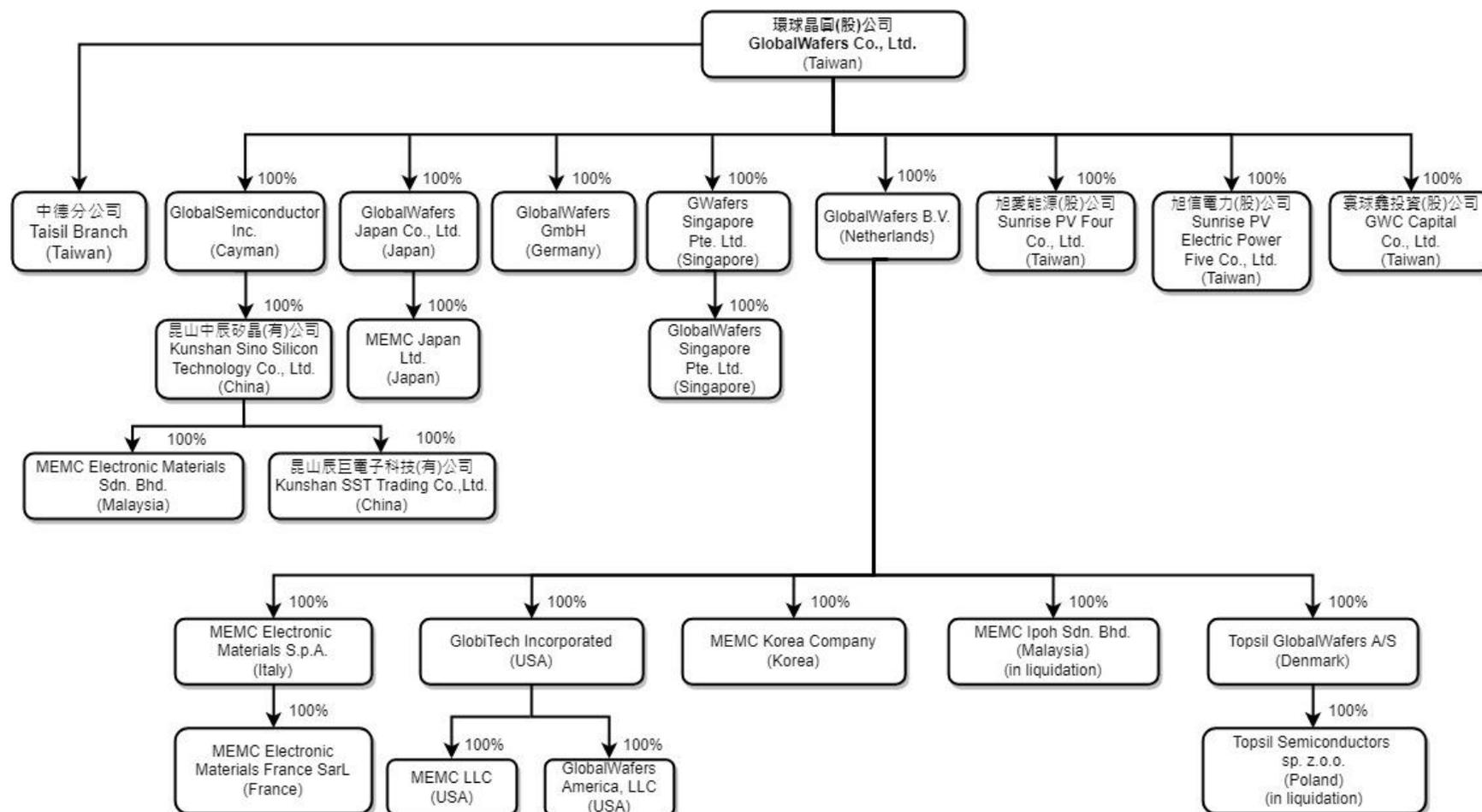
Eight. Special Disclosure

I. Affiliated Businesses

(I) Affiliated Business Consolidated Business Report

1. Affiliated Company Chart

2022.12.31



2. Relationship with Affiliated Companies and Share Crossholdings

December 31, 2022

Enterprise name	Date of incorporation	Address	Paid-in Capital	Principal business or Products
Taisil Branch	2020/02/01	No. 2, Creation Road 1, HsinChu Science Park, Hsinchu, Taiwan	-	Semiconductor silicon wafer manufacturing and trading
GlobalSemiconductor Inc.	2011/05/03	2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands	USD 24,554,625.6	Reinvestments in various businesses
GlobalWafers Japan Co.,Ltd.	1991/06/18	6-861-5 Seiro-machi Higashiko, Kitakanbara-gun, Niigata 957-0197 Japan	JPY 6,967,000,000	Semiconductor silicon wafer manufacturing and trading
GlobalWafers GmbH	2020/01/17	Theresienhöhe 30, c/o Youco24 Corporate Services GmbH, 80339 Munich	EUR 48,025,000	Reinvestments in various businesses
GWafers Singapore Pte. Ltd.	2016/02/02	9 Straits View #06-07, Marina One West Tower, Singapore 018937	USD 541,673,910	Reinvestments in various businesses
GlobalWafers B.V.	2013/11/26	Evert van de Beekstraat 1-104, 1118 CL Schiphol, The Netherlands	USD 1,049,502,718	Reinvestments in various businesses
Sunrise PV Four Co., Ltd.	2017/04/14	2F., No. 1, Sec. 2, Ligong 1st Rd., Wujie Township, Yilan County, Taiwan	NTD 1,045,000,000	Power generation
Sunrise PV Electric Power Five Co., Ltd.	2019/11/21	2F., No. 1, Sec. 2, Ligong 1st Rd., Wujie Township, Yilan County, Taiwan	NTD 278,000,000	Power generation
GWC Capital Co., Ltd.	2020/09/21	2F., No. 1, Sec. 2, Ligong 1st Rd., Wujie Township, Yilan County, Taiwan	NTD 250,000,000	Reinvestments in various businesses
Kunshan Sino Silicon Technology Co., Ltd.	1999/08/17	No. 303, Hanpu Road, Chengbei High Tech Industrial Park, Kunshan, Jiangsu, China	RMB 348,487,766.03	Silicon ingots and silicon wafer processing and trade
MEMC Electronic Materials Sdn. Bhd.	1972/06/15	Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan, Malaysia	MYR 1,036,203	Research and development, manufacturing, and sale of semiconductor silicon wafer
Kunshan SST Trading Co., Ltd.	2022/05/27	Room 3, No.303, Chengbei Hanpu Road, Yushan Town, Kunshan City, Jiangsu Province , China	RMB 6,000,000	Electronic materials trading

Enterprise name	Date of incorporation	Address	Paid-in Capital	Principal business or Products
MEMC Japan Ltd.	1979/12/11	11-2 Kiyohara Industrial Park, Utsunomiya City, Tochigi 3213296 Japan	JPY 100,000,000	Semiconductor silicon wafer manufacturing and trading
GlobalWafers Singapore Pte. Ltd.	2013/12/20	9 Straits View #06-07, Marina One West Tower, Singapore 018937	SGD 1 USD544,875,100.82	Investment, marketing and trading
MEMC Electronic Materials S.p.A.	1960/01/29	Viale Gherzi, 31 28100 Novara, Italy	EUR 31,200,000	Semiconductor silicon wafer manufacturing and trading
MEMC Electronic Materials France SarL	1998/07/27	5-7 BLD EDGAR QUINET 92700 COLOMBES, France	EUR 16,000	Trading
GlobiTech Incorporated	1998/12/15	200 FM 1417 West/Sherman, TX 75092, USA	USD 1	Epitaxial silicon wafer production and trade of epitaxy foundry business
MEMC LLC	2013/08/28	501 Pearl Drive St. Peters, MO 63376, USA	USD 10	Research and development, manufacturing, and sale of semiconductor silicon wafer
GlobalWafers America, LLC	2022/08/04	200 W FM 1417. Sherman, Texas 750692, USA	USD 1,000	Semiconductor silicon wafer manufacturing and trading
MEMC Korea Company	1990/12/18	854, Manghyang-ro, Sunggeo-eup, Cheonan-si, Chungchongnam-do, Korea	KRW 126,000,000,000	Semiconductor silicon wafer manufacturing and trading
MEMC Ipoh Sdn. Bhd.	2007/10/10	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, Kuala Lumpur	MYR 612,300,000	Research and development, manufacturing, and sale of semiconductor silicon wafer
Topsil GlobalWafers A/S	2016/07/01	Siliciumvej 1, 3600 Frederikssund, Copenhagen, Denmark	DKK 1,000,000	Semiconductor silicon wafer manufacturing and trading
Topsil Semiconductor sp z o.o.	2008/10/01	133 Wolczynska St., 01-919 Warsaw, Poland	PL 5,000	Semiconductor silicon wafer manufacturing and trading

3. Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual of Deemed Control: None.

4. Business Scope and the Affiliated Companies: as stated in the profiles of the affiliates

5. List of Directors, Supervisors and Presidents of Affiliated Companies

December 31, 2022

Enterprise name	Title	Name or representative	Quantity of shareholding	
			Quantity of shares (1,000 shares)	Proportion
Taisil branch	President	Yin-Sheng Hsueh	-	-
GlobalSemiconductor Inc.	Director	Hsiu-Lan Hsu	23,000	100%
GlobalWafers Japan Co., Ltd.	Chairperson	Hsiu-Lan Hsu	128	100%
	Director and President	Katsuaki Koutari		
	Vice chairperson	Takashi Araki		
	Director	Mark Lynn England		
	Director	Tang-Liang Yao		
	Supervisor	Wei-Wen Chen		
GlobalWafers GmbH	Director	Ming-Hui Chien	48,025	100%
GWafers Singapore Pte. Ltd.	Chairperson	Hsiu-Lan Hsu	541,674	100%
	Director	Mark Lynn England		
	Director	Tang-Liang Yao		
	Director	Chen Ye Huang		
GlobalWafers B.V.	Director	Hsiu-Lan Hsu	0.1	100%
	Director	Liang Shi		
Sunrise PV Four Co., Ltd.	Chairperson	Hsiu-Lan Hsu	104,500	100%
	Director	Ming-Hui Chien		
	Director	Hsiu-Ling Hsu		
Sunrise PV Electric Power Five Co., Ltd.	Chairperson	Ming-Hui Chien	27,800	100%
GWC Capital Co., Ltd.	Chairperson	Hsiu-Lan Hsu	25,000	100%
	Director	Ming-Kuang Lu		
	Director	Tang-Liang Yao		
Kunshan Sino Silicon Technology Co., Ltd.	Chairperson	Tang-Liang Yao	-	100%
	Vice chairperson	Hsiu-Lan Hsu		
	Director and President	Ching-Chang Chin		
	Director	Sheng-Hsiung Hung		
	Director	Ming-Hui Chien		
	Supervisor	Wei-Wen Chen		
MEMC Electronic Materials Sdn. Bhd.	Director	Ching-Chang Chin	1,036	100%
	Director	Tony Wang		
	Director	Joanne Leong		
	Director	Ming-Hui Chien		
Kunshan SST Trading Co., Ltd.	Chairperson and President	Ching-Chang Chin	-	100%
	Director	Sheng-Hsiung Hung		
	Director	Tien-Wen Yu		
MEMC Japan Ltd.	Chairperson	Hsiu-Lan Hsu	750	100%
	Director and President	Katsuaki Koutari		
	Director	Toru Kobayashi		
	Director	Hironobu Nakazawa		
	Director	Toshiharu Kondo		
	Supervisor	Wei-Wen Chen		

Enterprise name	Title	Name or representative	Quantity of shareholding	
			Quantity of shares (1,000 shares)	Proportion
GlobalWafers Singapore Pte. Ltd.	Director	Hsiu-Lan Hsu	299,445	100%
	Director	Mark Lynn England		
	Director	Chen Ye Huang		
MEMC Electronic Materials S.p.A	Chairperson and CEO	Mauro Pedrotti	65,000	100%
	Director	Ming-Hui Chien		
	Director	Jyh-Shyng Lu		
	Director	Prof. Gianluigi Tosato		
	Supervisor	Richard Murphy		
	Supervisor	PierMario Barzagli		
	Supervisor	Eleonora Guerriero		
MEMC Electronic Materials France SarL	Director	Marco Maffè	0.5	100%
GlobiTech Incorporated	Chairperson and CEO	Hsiu-Lan Hsu	1	100%
	Director	Tang-Liang Yao		
	Director and President	Mark Lynn England		
	Director	Ming-Hui Chien		
	Director	Curtis Hall		
MEMC LLC	Director	Mark Lynn England	-	100%
	Director	Rick Boston		
GlobalWafers America, LLC	Chairperson	Hsiu-Lan Hsu	1	100%
	Director	Tang-Liang Yao		
	Director	Jyh-Shyng Lu		
	Director	Mark Lynn England		
	Director	Wyatt Watson		
MEMC Korea Company	Chairperson	Charlie Cho	25,200	100%
	Director	Hsiu-Lan Hsu		
	Director	Mark Lynn England		
	Supervisor	Jyh-Shyng Lu		
MEMC Ipoh Sdn. Bhd.	Director	Ching-Chang Chin	612,300	100%
	Director	Tony Wang		
	Director	Joanne Leong		
Topsil GlobalWafers A/S	Chairperson	Hsiu-Lan Hsu	1,000	100%
	Director	Wei-Wen Chen		
	Director and President	Hans Peder Mikkelsen		
	Director	Mauro Pedrotti		
	Director	Liang Shi		
Topsil Semiconductor sp. z o.o.	Director	Hans Peder Mikkelsen	0.1	100%

6. Operation Highlights of Affiliated Companies

(I) Financial status and operation of affiliated companies

2022.12.31; Unit: NT\$1,000

Enterprise name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net income after tax in current period	EPS (after taxation)
GlobalSemiconductor Inc.	754,073	2,746,831	—	2,746,831	—	(318)	424,781	—
GlobalWafers Japan Co., Ltd.	1,619,131	22,288,717	4,666,721	17,621,996	11,566,532	2,005,902	1,654,934	—
GlobalWafers GmbH	1,571,378	7,117,949	13,469,802	(6,351,853)	—	38,493	(7,883,865)	—
GWafers Singapore Pte. Ltd.	16,634,806	50,334,431	4,568	50,329,863	—	(4,272)	2,553,093	—
GlobalWafers B.V.	32,230,228	51,838,619	2,728,361	49,110,257	—	(63,976)	729,694	—
Sunrise PV Four Co., Ltd.	1,045,000	1,229,211	174,937	1,054,274	55,207	8,451	8,608	—
Sunrise PV Electric Power Five Co., Ltd.	278,000	305,693	30,840	274,854	7,881	(2,361)	(1,466)	—
GWC Capital Co., Ltd.	250,000	247,375	148	247,228	—	(4,854)	(2,811)	—
Kunshan Sino Silicon Technology Co., Ltd.	1,477,744	3,152,272	411,998	2,740,274	2,285,916	337,416	425,037	—
MEMC Electronic Materials Sdn. Bhd.	7,224	1,294,106	259,887	1,034,220	1,677,238	93,320	74,786	—
Kunshan SST Trading Co., Ltd.	26,448	1,453,841	1,416,979	36,862	51,428	(2,099)	10,446	—
MEMC Japan Ltd.	23,240	6,201,680	4,826,275	1,375,405	4,450,899	380,001	179,098	—
GlobalWafers Singapore Pte. Ltd.	16,733,114	72,296,365	32,349,541	39,946,824	25,327,191	3,081,842	2,524,650	—
MEMC Electronic Materials S.p.A.	1,020,864	16,602,984	6,202,011	10,400,974	13,610,188	1,609,806	1,251,313	—
MEMC Electronic Materials France SarL	524	7,870	5,154	2,715	—	1,120	570	—
GlobiTech Incorporated	—	12,817,636	899,279	11,918,357	6,467,453	801,522	1,174,749	—
MEMC LLC	—	6,445,198	1,525,369	4,919,829	3,393,722	10,323	488,363	—
GlobalWafers America, LLC	31	736,743	155,150	581,593	—	(28,601)	(28,601)	—
MEMC Korea Company	3,099,600	24,528,374	2,713,587	21,814,786	13,886,756	3,785,929	3,436,634	—

Enterprise name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Profit	Net income after tax in current period	EPS (after taxation)
MEMC Ipoh Sdn. Bhd.	4,268,696	3,852	69	3,783	—	(84)	67	—
Topsil GlobalWafers A/S	4,405	2,602,077	434,123	2,167,954	2,561,837	597,470	398,892	—
Topsil Semiconductor sp z o.o.	36	—	—	—	—	—	—	—

(II) Consolidated Financial Statements of Affiliated Enterprises: refer to Attachment 1 of this report.

(III) Affiliation Report: refer to Attachment 3 of this report.

- II. Private Placement Securities in the Most Recent Years to the Day This Report Was Printed: None.
- III. The Shares in the Company Held or Disposed of By Subsidiaries in the Most Recent Years to the Day This Report Was Printed: None.
- IV. Other Necessary Supplement

The promise execution status after the Company became listed

Promise after listing at TPEX	Fulfillment of promise
<p>The Company promises to add below in “Acquisition or Disposal of Assets Procedure”</p> <p>The Company shall not give up capital increase in future years to Global Semiconductor Inc. (GSI), GlobalWafers Inc. (GWI) and GWafers Inc. (GWafers).</p> <p>GSI shall not give up capital increase in future years to Kunshan Sino Silicon Technology Co., Ltd.</p> <p>GWI shall not give up capital increase in future years to GlobiTech Incorporated</p> <p>GWafers shall not give up capital increase in future years to GlobalWafers Japan Co., Ltd.</p> <p>If the aforesaid companies have to give up capital increase or dispose of above mentioned subsidiaries due to consideration of strategic alliance or other factors in the future, it shall acquire OTC’s consent as well as submit to the Board of Directors for special resolution approval. Also, if the Procedure is amended, the Company shall make material announcement in MOPS and submit to TPEX for recordation.</p> <p>The procedure should be disclosed in material announcements in MOPS and submit to TPEX for recordation if modification is made.</p>	<p>The Board and the Shareholders Meeting of the Company passed the motion of amendment to the “Acquisition or Disposal of Assets Procedure” of the Company on 2015.11.09 and 2016.06.22, respectively – with the addition of the aforementioned promise for listing at TPEX.</p> <p>Subsidiaries GWafers Inc. and GlobalWafers Japan Co., Ltd. have been officially merged on 2018.01.01 for integration of group enterprises. The Board and the Shareholders Meeting of the Company passed the motion of amendment to the promises of listing at TPEX contained in the “Acquisition or Disposal of Assets Procedure” of the Company on 2018.03.20 and 2018.06.25, respectively, in response to the organizational adjustment , and entered the update information to MOPS for disclosure of materiality and report to TPEX in writing.</p> <p>The equity shares of subsidiary GlobiTech Incorporated were transferred from subsidiary GlobalWafers Inc. to subsidiary GlobalWafers B.V., and still remained a wholly-owned subsidiary of the Company. As such, the Board approved the motion of amendment to the “Acquisition or Disposal of Assets Procedure” in the aspect of promises of listing at TPEX on 2019.03.19, and will be disclosed in material announcements in MOPS and submit to TPEX for recordation upon approved by 2019.6.25 shareholder meeting.</p> <p>In response to government policy to attract overseas funds repatriation and enhance Group capital efficiency, the Board approved the motion of repatriation of offshore funds on 2019.12.10. Under such framework, the subsidiary, GWI, will complete its earning distribution and sell its shareholding over the subsidiary, GWafers Singapore Pte. Ltd. (GWS) to the Company and be liquidated after 2 years. The Company still holds 100% shareholding of GWS and its subsidiaries after GWI consummates the liquidation, bringing no impact to the company’s overall shareholding structure and consolidated profit</p>

Promise after listing at TPEX	Fulfillment of promise
	<p>and loss. Due to the expiry of the aforementioned two-year period, GWI was liquidated on 2022.11.01. As such, the Board of Directors of GWC approved the amendment to the “Acquisition or Disposal of Assets Procedure” in the aspect of promises of listing at TPEX on 2022.12.06, and the company will submit it to shareholders meeting in 2023. After the approval of the general shareholders meeting, it will be disclosed in material announcements in MOPS and submit to TPEX for recordation upon approved by shareholders meeting.</p>

- V. Any Events and as of the Date of this Annual Report that Had Significant Impacts on Shareholders’ Rights or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

GlobalWafers Co., Ltd. and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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, 2022 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 14, 2023



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, 2022 and 2021, 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, 2022 and 2021, 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 Accountant and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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, and because of different sales terms and the triangular trade within the group companies, it is more important to identify the timing of revenue recognition. As such, 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, 2022 and 2021, 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 14, 2023

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 80,490,723	48	65,894,422	44	2100	Short-term borrowings (note 6(11))	\$ 6,544,000	4	6,264,000	4
1110	Financial assets at fair value through profit or loss – current (note 6(2))	32,415	-	3,450	-	2120	Financial liabilities at fair value through profit or loss – current (note 6(2))	-	-	198,479	-
1170	Notes and accounts receivable, net (note 6(4))	10,074,844	6	9,048,069	6	2130	Contract liabilities – current (note 6(19))	10,311,903	6	7,322,051	5
1180	Accounts receivable due from related parties, net (note 7)	85,299	-	69,645	-	2170	Notes and accounts payable	4,038,089	2	4,032,930	3
130X	Inventories (note 6(5))	8,535,236	5	7,295,021	5	2180	Accounts payable to related parties (note 7)	138,112	-	307,520	-
1476	Other financial assets – current (notes 6(1) and 9)	8,473,643	5	3,753,000	2	2201	Payroll and bonus payable	2,702,368	1	2,403,861	2
1479	Other current assets (notes 6(10) and 7)	1,905,571	1	2,600,908	2	2216	Dividends payable	2,829,041	2	3,481,896	3
	Total current assets	<u>109,597,731</u>	<u>65</u>	<u>88,664,515</u>	<u>59</u>	2230	Current tax liabilities	4,887,206	3	2,111,964	1
Non-current assets:						2399	Other current liabilities (note 6(13))	4,342,929	3	4,935,594	3
1513	Financial assets at fair value through profit or loss – non-current (note 6(2))	9,331,720	6	18,368,712	12		Total current liabilities	<u>35,793,648</u>	<u>21</u>	<u>31,058,295</u>	<u>21</u>
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(3))	159,347	-	185,073	-	2527	Contract liabilities – non-current (note 6(19))	28,015,908	17	21,312,889	14
1550	Investments accounted for using equity method (note 6(6))	941,383	1	1,691,344	1	2500	Financial liabilities at fair value through profit or loss – non-current (notes 6(2), (12) and 8)	466,831	-	178,637	-
1600	Property, plant and equipment (notes 6(7), 7 and 8)	39,487,086	23	33,943,256	23	2530	Convertible bonds payable (note 6(12))	23,793,835	14	26,143,969	17
1755	Right-of-use assets (note 6(8))	606,754	-	705,346	-	2531	Ordinary bonds payable (note 6(12))	18,986,110	11	18,980,771	13
1780	Intangible assets (note 6(9))	2,370,157	1	2,365,551	2	2570	Deferred tax liabilities (note 6(15))	4,588,911	3	4,797,611	3
1840	Deferred tax assets (note 6(15))	2,545,436	1	1,887,241	1	2670	Other non-current liabilities (note 6(13))	1,987,402	1	705,286	1
1980	Other financial assets – non-current (notes 7, 8 and 9)	178,366	-	1,328,297	1	2640	Net defined benefit liabilities (note 6(14))	1,539,328	1	1,836,015	1
1900	Other non-current assets (note 6(10))	4,277,998	3	1,505,641	1		Total non-current liabilities	<u>79,378,325</u>	<u>47</u>	<u>73,955,178</u>	<u>49</u>
	Total non-current assets	<u>59,898,247</u>	<u>35</u>	<u>61,980,461</u>	<u>41</u>		Total liabilities	<u>115,171,973</u>	<u>68</u>	<u>105,013,473</u>	<u>70</u>
Total assets		<u>\$ 169,495,978</u>	<u>100</u>	<u>150,644,976</u>	<u>100</u>	Equity (note 6(16)):					
						Equity attributable to shareholders of GlobalWafers Co., Ltd.:					
						3110	Ordinary share	4,352,370	3	4,372,500	3
						3200	Capital surplus	23,819,388	14	25,174,389	16
						Retained earnings:					
						3310	Legal reserve	6,550,566	4	5,349,684	4
						3320	Special reserve	6,135,557	3	1,734,138	1
						3350	Unappropriated retained earnings	20,012,822	12	15,713,128	10
								<u>32,698,945</u>	<u>19</u>	<u>22,796,950</u>	<u>15</u>
						3400	Other equity interest	(6,546,698)	(4)	(6,135,557)	(4)
						3500	Treasury shares	-	-	(576,779)	-
							Total equity	<u>54,324,005</u>	<u>32</u>	<u>45,631,503</u>	<u>30</u>
						Total liabilities and equity		<u>\$ 169,495,978</u>	<u>100</u>	<u>150,644,976</u>	<u>100</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 Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(19) and 7)	\$ 70,286,871	100	61,130,592	100
5000	Operating costs (notes 6(5), (20) and 7)	39,945,282	57	37,844,704	62
	Gross profit from operations	30,341,589	43	23,285,888	38
	Operating expenses (notes 6(20) and 7):				
6100	Selling expenses	1,651,407	2	1,440,578	2
6200	Administrative expenses	1,608,417	2	2,082,733	4
6300	Research and development expenses	2,089,325	3	2,069,507	3
6450	Expected credit losses (gains) (note 6(4))	9,427	-	(322)	-
	Total operating expenses	5,358,576	7	5,592,496	9
	Net operating income	24,983,013	36	17,693,392	29
	Non-operating income and expenses:				
7100	Interest income (note 6(21))	1,143,269	2	142,808	-
7020	Other gains and losses (notes 6(21) and 7)	(5,537,537)	(8)	(1,083,006)	(2)
7050	Finance costs (notes 6(12), (21) and 7)	(481,817)	(1)	(307,741)	(1)
		(4,876,085)	(7)	(1,247,939)	(3)
	Income before income tax	20,106,928	29	16,445,453	26
7950	Less: income tax expense (note 6(15))	4,739,542	7	4,575,416	7
	Net income	15,367,386	22	11,870,037	19
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans	58,985	-	173,476	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(31,223)	-	83,598	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(746,960)	(2)	453,930	1
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(15))	11,797	-	34,695	-
	Total items that will not be reclassified subsequently to profit or loss	(730,995)	(2)	676,309	1
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations (note 6(6))	406,126	1	(6,158,184)	(10)
8399	Less: income tax related to components of other comprehensive income that may be reclassified to profit or loss (note 6(15))	(39,084)	-	1,219,237	(2)
	Total items that may be reclassified subsequently to profit or loss	367,042	1	(4,938,947)	(8)
8300	Other comprehensive income (after tax)	(363,953)	(1)	(4,262,638)	(7)
	Total comprehensive income	\$ 15,003,433	21	7,607,399	12
	Earnings per share (NT Dollars) (note 6(18))				
	Basic earnings per share	\$ 35.31		27.27	
	Diluted earnings per share	\$ 34.36		25.97	

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, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of GlobalWafers Co., Ltd.										
	Retained earnings						Other equity interest				
	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	Total other equity interest	Treasury shares	Total equity
Balance at January 1, 2021	\$ 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
Net income for the year	-	-	-	-	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)
Comprehensive income for the year	-	-	-	-	12,008,818	12,008,818	(4,938,947)	537,528	(4,401,419)	-	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)
Reversal of special reserve	-	-	-	(557,118)	557,118	-	-	-	-	-	-
Equity component of convertible bonds	-	1,703,470	-	-	-	-	-	-	-	-	1,703,470
Balance at December 31, 2021	4,372,500	25,174,389	5,349,684	1,734,138	15,713,128	22,796,950	(7,530,148)	1,394,591	(6,135,557)	(576,779)	45,631,503
Net income for the year	-	-	-	-	15,367,386	15,367,386	-	-	-	-	15,367,386
Other comprehensive income for the year	-	-	-	-	47,188	47,188	367,042	(778,183)	(411,141)	-	(363,953)
Comprehensive income for the year	-	-	-	-	15,414,574	15,414,574	367,042	(778,183)	(411,141)	-	15,003,433
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	1,200,882	-	(1,200,882)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,401,419	(4,401,419)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(5,216,142)	(5,216,142)	-	-	-	-	(5,216,142)
Additional paid-in capital resulting from assets donated	-	6	-	-	-	-	-	-	-	-	6
Distribution of cash dividends using capital surplus	-	(1,094,795)	-	-	-	-	-	-	-	-	(1,094,795)
Cancellation of treasury shares	(20,130)	(260,212)	-	-	(296,437)	(296,437)	-	-	-	576,779	-
Balance at December 31, 2022	\$ 4,352,370	23,819,388	6,550,566	6,135,557	20,012,822	32,698,945	(7,163,106)	616,408	(6,546,698)	-	54,324,005

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before income tax	\$ 20,106,928	16,445,453
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	5,883,062	5,686,691
Amortization expenses	197,447	210,393
Expected credit losses (gains)	9,427	(322)
Net loss on financial assets or liabilities at fair value through profit or loss	9,745,073	341,769
Interest expense	481,817	307,741
Interest income	(1,143,269)	(142,808)
Dividend income	(404,218)	(284,293)
Shares of profit of associates accounted for using equity method	(60,359)	(68,396)
Gain on disposal of property, plant and equipment	(109,323)	(15,269)
Impairment loss on non-financial assets	37,776	-
Provisions for inventory valuation (reversal of gains)	10,490	(19,493)
Gain on lease modification	(26)	-
Total adjustments	14,647,897	6,016,013
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(1,052,173)	(1,079,657)
Inventories	(1,259,059)	(18,577)
Prepayments for purchase of materials	1,682,120	(2,680,114)
Other operating assets	(426,475)	24,643
Other financial assets	1,322	(8,739)
Total changes in operating assets	(1,054,265)	(3,762,444)
Contract liabilities	7,096,975	12,544,383
Notes and accounts payable (including related parties)	4,998	382,470
Net defined benefit liabilities	(240,007)	(428,837)
Other operating liabilities	(1,476,875)	927,065
Total changes in operating liabilities	5,385,091	13,425,081
Total changes in operating assets and liabilities	4,330,826	9,662,637
Total adjustments	18,978,723	15,678,650
Cash inflow generated from operations	39,085,651	32,124,103
Interest received	1,062,056	120,737
Dividends received	404,218	284,293
Interest paid	(139,885)	(62,258)
Income taxes paid	(2,845,660)	(3,165,314)
Net cash flows from operating activities	37,566,380	29,301,561

(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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	\$ (3,677)	-
Acquisition of financial assets at fair value through profit or loss	(28,578)	(13,579,261)
Proceeds from disposal of financial assets at fair value through profit or loss	8,572	124
Cash dividends from associates accounted for using equity method	61,529	33,158
Acquisition of property, plant and equipment, and prepayments of equipment	(12,358,186)	(5,590,544)
Proceeds from disposal of property, plant and equipment	116,282	64,104
Acquisition of intangible assets	(6,479)	(6,256)
Decrease (increase) in other financial assets	(3,490,821)	798,254
Net cash flows used in investing activities	(15,701,358)	(18,280,421)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	280,000	(3,607,000)
Proceeds from issuing bonds	-	46,812,845
Repayments of bonds	(2,748,404)	-
Increase (decrease) in guarantee deposits received	1,403,599	(35,031)
Payment of lease liabilities	(167,566)	(180,213)
Cash dividends paid	(6,963,792)	(7,834,266)
Additional paid-in capital resulting from assets donated	6	-
Net cash flows from (used in) financing activities	(8,196,157)	35,156,335
Effect of exchange rate changes on cash and cash equivalents	927,436	(2,722,534)
Net increase in cash and cash equivalents	14,596,301	43,454,941
Cash and cash equivalents at beginning of period	65,894,422	22,439,481
Cash and cash equivalents at end of period	\$ 80,490,723	65,894,422

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, 2022 and 2021

(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, 2022, 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 14, 2023.

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. 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, 2022:

- 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”

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- (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, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

- (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”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	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.

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”

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- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

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.

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(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 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.

B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership		Note
			December 31, 2022	December 31, 2021	
The Company	GlobalSemiconductor Inc. (GSI)	Investment activities	100%	100%	
The Company	GlobalWafers Inc. (GWI)	Investment activities	-%	100%	note (4)
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 Electric Power Five Co., Ltd. (SPVE5)	Electricity activities	100%	100%	
The Company	GWC Captial Co., Ltd. (GWCH)	Investment activities	100%	100%	
The Company	GlobalWafers GmbH (GW GmbH)	Manufacturing and trading of silicon wafers	100%	-%	note (2)
The Company	GlobalWafers B.V. (GWBV)	Investment activities	100%	-%	note (6)

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<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2022</u>	<u>December 31, 2021</u>	
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%	
SST	Kunshan SST Trading Co., Ltd. (KST)	Sales, marketing and trading activities	100%	-%	note (3)
Gwafers Singapore	GlobalWafers Singapore Pte Ltd. (GWS)	Investment, marketing and trading activities	100%	100%	note (1)
GWS	GWBV	Investment activities	-%	100%	note (6)
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%	
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	GW GmbH	Manufacturing and trading of silicon wafers	-%	100%	note (2)

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<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business</u>	<u>Percentage of Ownership</u>		<u>Note</u>
			<u>December 31, 2022</u>	<u>December 31, 2021</u>	
GTI	MEMC LLC	Research and development, manufacturing and trading of silicon wafers	100%	100%	
GTI	GlobalWafers America, LLC (GWA)	Manufacturing and trading of silicon wafers	100%	-%	note (5)
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) GW GmbH was originally fully owned by GWBV. Based on the resolution approved during the board meeting of the Company held on March 15, 2022, the Company obtained the 99.95% equity of GW GmbH by directly increasing the capital of GW GmbH. In addition, the Company acquired the 0.05% equity of GW GmbH from GWBV on September 30, 2022. All related registration procedures and full payment concerning the above transaction had been completed and made, respectively, as of the reporting date.
- (3) KST was set up in May, 2022.
- (4) The liquidation of GWI has been completed in November, 2022.
- (5) GWA was set up in August, 2022.
- (6) In order to adjust the operating structure of the Group, the Company acquired the entire equity interests of GWBV held by GWS, based on the resolution approved during the board meeting of the Company held on September 1, 2022. The above transaction had been completed on November 7, 2022.

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.

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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.

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;

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- 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.

(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.

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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.

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, including derivative financial assets. 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).

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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.

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.

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(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.

(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.

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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.

(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

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.

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(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.

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.

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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.

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 60 years
- (b) Machinery and equipment: 1 to 30 years
- (c) Other equipment and leased assets: 1 to 40 years

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- (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 3 to 56 years, 4~35 years, and 6 to 30 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.

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

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- (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.

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.

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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.

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.

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(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.

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.

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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.

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

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.

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(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.

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.

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(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.

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

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- (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.

(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.

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The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss, wherein the Group has established an internal control system for fair value measurement to regularly review material unobservable inputs and adjustments. If external third-party information (such as a broker or pricing service) is used to measure the fair value, the evidence provided by the third party will be evaluated to determine whether the assessment and the fair value rating classification are in accordance with IFRSs.

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).

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, 2022	December 31, 2021
Cash on hand	\$ 11,779	5,130
Demand deposits	45,024,647	17,992,884
Time deposits	35,383,976	46,690,182
Repurchase agreement	70,321	1,206,226
	<u>\$ 80,490,723</u>	<u>65,894,422</u>

As of December 31, 2022, the Group transferred time deposits to other financial assets— current due to liquidity considerations amounting to \$5,194,689 thousand.

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, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss— current:		
Forward exchange contracts	<u>\$ 32,415</u>	<u>3,450</u>

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	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss—non-current:		
Privately offered funds	\$ 185,793	195,163
Overseas securities held	9,145,927	18,173,549
	\$ 9,331,720	18,368,712
Financial liabilities designated as at fair value through profit or loss—current:		
Forward exchange contracts	\$ -	198,479
Financial liabilities designated as at fair value through profit or loss—non-current:		
Embedded derivatives of convertible bonds	\$ 466,831	178,637

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

For the years ended December 31, 2022 and 2021, the dividends of \$391,591 thousand and \$276,229 thousand, respectively, were received 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, 2022 and 2021:

December 31, 2022				
	Contract amount (in thousands)		Currency	Maturity date
Forward exchange contracts sold	USD 33,500		USD to EUR	January 27, 2023~ March 29, 2023
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

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	December 31, 2021		
	Contract amount (in thousands)	Currency	Maturity date
Forward exchange contracts purchased	EUR 5	EUR to KRW	January 28, 2022
Forward exchange contracts purchased	JPY 14,000,000	JPY to NTD	January 28, 2022~ May 26, 2022

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

	December 31, 2022	December 31, 2021
Equity investment in domestic entities	\$ 153,850	185,073
Equity investment in foreign entities	5,497	-
	\$ 159,347	185,073

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 years ended December 31, 2022 and 2021, the dividend income of \$12,627 thousand and \$8,064 thousand, respectively, related to equity investments at fair value through other comprehensive income, was recognized, respectively.

The Group did not dispose its strategic investments for the years ended December 31, 2022 and 2021; therefore, there were no transfers of any cumulative gain or loss within equity relating to these investments.

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, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 116,617	122,250	149,634
Accounts receivable	9,974,690	8,932,587	7,820,329
Less: allowance for sales discounts and returns	(16,463)	(6,768)	(7,345)
	\$ 10,074,844	9,048,069	7,962,618

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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, 2022			
	Gross amount of notes and accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ 16,940	0%	-
December 31, 2021			
	Gross amount of notes and accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ 9,020	0%	-

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

December 31, 2022			
	Gross amount of notes and accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ 9,885,215	0%	-
1 to 30 days past due	225,637	0%	-
31 to 60 days past due	12,273	0%	36
61 to 90 days past due	25,002	21%	5,335
91 to 120 days past due	4,353	99%	4,324
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
	\$ 10,159,248		16,463

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	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

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

	2022	2021
Balance on January 1	\$ 6,768	7,345
Impairment losses (reversal gains) recognized	9,427	(322)
Foreign exchange losses (gains)	268	(255)
Balance on December 31	\$ 16,463	6,768

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

(5) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 2,023,790	1,627,502
Work in progress	2,704,943	2,276,601
Raw materials	3,806,503	3,390,918
	\$ 8,535,236	7,295,021

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Components of operating costs were as follows:

	<u>2022</u>	<u>2021</u>
Cost of sales	\$ 39,782,378	37,771,783
Impairment loss of property, plant and equipment	37,776	-
Provisions for inventory valuation loss (reversal of gains)	10,490	(19,493)
Unallocated fixed manufacturing expense	<u>114,638</u>	<u>92,414</u>
	<u>\$ 39,945,282</u>	<u>37,844,704</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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates	<u>\$ 941,383</u>	<u>1,691,344</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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The carrying amount of investments in the individually insignificant associates	<u>\$ 941,383</u>	<u>1,691,344</u>
	<u>2022</u>	<u>2021</u>
Amount of individually insignificant associates' interests attributable to the Group:		
Net income	\$ 60,359	68,396
Other comprehensive income (loss)	<u>(746,960)</u>	<u>453,930</u>
Total	<u>\$ (686,601)</u>	<u>522,326</u>

For the years ended December 31, 2022 and 2021, the cash dividends of the invested companies were \$61,529 thousand and \$33,158 thousand, respectively, which were recognized as deductions of investments accounted for using the equity method.

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B. Collateral

The investments accounted for using equity method mentioned above were not pledged as collateral as of December 31, 2022 and 2021.

(7) Property, plant and equipment

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

	<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>
Cost:						
Balance at January 1, 2022	\$ 2,490,807	16,447,283	40,964,398	5,112,550	3,545,039	68,560,077
Additions	-	11,776	110,703	754,049	9,421,660	10,298,188
Disposals	-	(45,915)	(1,639,680)	(41,188)	(10,036)	(1,736,819)
Reclassification	145,833	523,915	5,574,290	232,648	(6,657,621)	(180,935)
Transfer and others	-	-	(815)	-	2,988	2,173
Effect of changes in exchange rates	73,322	340,482	731,199	132,195	200,705	1,477,903
Balance at December 31, 2022	<u>\$ 2,709,962</u>	<u>17,277,541</u>	<u>45,740,095</u>	<u>6,190,254</u>	<u>6,502,735</u>	<u>78,420,587</u>
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>
Depreciation and impairment losses :						
Balance at January 1, 2022	\$ -	8,325,376	23,745,674	2,545,771	-	34,616,821
Depreciation for the year	-	659,647	4,608,370	456,779	-	5,724,796
Impairment of loss	-	-	-	-	37,776	37,776
Disposals	-	(38,058)	(1,634,239)	(40,301)	-	(1,712,598)
Reclassification	-	808	(298)	(2,218)	-	(1,708)
Effect of changes in exchange rates	-	46,156	168,807	52,361	1,090	268,414
Balance at December 31, 2022	<u>\$ -</u>	<u>8,993,929</u>	<u>26,888,314</u>	<u>3,012,392</u>	<u>38,866</u>	<u>38,933,501</u>
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>

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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, 2022	\$ 2,709,962	8,283,612	18,851,781	3,177,862	6,463,869	39,487,086
Balance at January 1, 2021	\$ 2,733,191	9,267,062	21,428,552	2,095,856	1,586,391	37,111,052
Balance at December 31, 2021	\$ 2,490,807	8,121,907	17,218,724	2,566,779	3,545,039	33,943,256

B. Collateral

For the years ended December 31, 2022 and 2021, the property, plant and equipment was pledged as collateral for 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 of 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, 2022	\$ 620,302	135,465	284	255,845	1,011,896
Additions	-	16,310	-	47,308	63,618
Disposals and transfer	(1,854)	(27,764)	-	(82,454)	(112,072)
Effect of changes in exchange rates	(1,315)	(1,322)	31	1,915	(691)
Balance at December 31, 2022	\$ 617,133	122,689	315	222,614	962,751
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	\$ 620,302	135,465	284	255,845	1,011,896
Depreciation and impairment losses:					
Balance at January 1, 2022	\$ 110,021	63,176	41	133,312	306,550
Depreciation	38,559	25,225	153	94,329	158,266
Disposals and transfer	-	(27,764)	-	(81,265)	(109,029)
Effect of changes in exchange rates	(281)	(912)	9	1,394	210
Balance at December 31, 2022	\$ 148,299	59,725	203	147,770	355,997

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
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>
Carrying amounts:					
Balance at December 31, 2022	<u>\$ 468,834</u>	<u>62,964</u>	<u>112</u>	<u>74,844</u>	<u>606,754</u>
Balance at January 1, 2021	<u>\$ 498,826</u>	<u>89,917</u>	<u>480</u>	<u>67,898</u>	<u>657,121</u>
Balance at December 31, 2021	<u>\$ 510,281</u>	<u>72,289</u>	<u>243</u>	<u>122,533</u>	<u>705,346</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, 2022	\$ 2,106,123	1,754,196	272,823	74,639	4,207,781
Additions	-	-	-	6,479	6,479
Effect of changes in exchange rates	192,632	13,392	10,792	7,772	224,588
Balance at December 31, 2022	<u>\$ 2,298,755</u>	<u>1,767,588</u>	<u>283,615</u>	<u>88,890</u>	<u>4,438,848</u>
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>
Amortization:					
Balance at January 1, 2022	\$ -	1,574,133	204,180	63,917	1,842,230
Amortization for the year	-	180,063	12,404	4,980	197,447
Effect of changes in exchange rates	-	13,392	8,643	6,979	29,014
Balance at December 31, 2022	<u>\$ -</u>	<u>1,767,588</u>	<u>225,227</u>	<u>75,876</u>	<u>2,068,691</u>
Balance as of 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>

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	<u>Goodwill</u>	<u>Patents and trademarks</u>	<u>Development costs</u>	<u>Computer software</u>	<u>Total</u>
Carrying amounts:					
Balance at December 31, 2022	<u>\$ 2,298,755</u>	<u>-</u>	<u>58,388</u>	<u>13,014</u>	<u>2,370,157</u>
Balance at January 1, 2021	<u>\$ 2,327,364</u>	<u>373,191</u>	<u>88,900</u>	<u>8,008</u>	<u>2,797,463</u>
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>

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, 2022 and 2021, 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, 2022 and 2021, 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, 2022</u>	<u>December 31, 2021</u>
Discount rate	11.48%	4.97%
Growth rate	2.18%	2.46%

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.

(10) Other assets—current and non-current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayment for materials	\$ 1,579,684	3,261,805
Refundable tax and overpaid tax	701,430	390,564
Prepayments for equipment-non-current	3,376,588	-
Others	<u>525,867</u>	<u>454,180</u>
	<u>\$ 6,183,569</u>	<u>4,106,549</u>

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(11) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured borrowings	\$ 6,544,000	6,264,000
Unused credit lines	\$ 35,256,279	26,576,668
Range of interest rates at year end	1.7%	0.2%

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, 2022	December 31, 2021
Unsecured ordinary bonds	\$ 18,986,110	18,980,771
Unsecured convertible bonds	23,793,835	26,143,969
Total	\$ 42,779,945	45,124,740

- A. 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.
- B. 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.
- C. 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.

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The details of unsecured convertible bonds were as follows:

	December 31, 2022	December 31, 2021
Total convertible bonds issued	\$ 24,787,249	27,565,891
Unamortized discounted convertible bonds payable	(993,414)	(1,421,922)
Cumulative converted amount	-	-
Convertible bonds balance at year-end	<u>\$ 23,793,835</u>	<u>26,143,969</u>
Embedded derivative – call and put options, included in financial liabilities at fair value through profit or loss	<u>\$ 466,831</u>	<u>178,637</u>
Proceeds from issuance (less transaction cost amounted to \$77,517 thousand)	\$ 25,020,953	27,834,483
Equity components (less transaction cost allocated to equity component of \$4,744 thousand)	(1,531,760)	(1,703,470)
Embedded derivatives instruments – put/ call options (transaction cost allocated \$473 thousand)	<u>(152,629)</u>	<u>(169,791)</u>
Liability components at the issuance date (less transaction cost allocated to liability component of \$72,300 thousand)	23,336,564	25,961,222
Interest expense at an effective interest rate of 1.2%	<u>457,271</u>	<u>182,747</u>
Liability components at December 31, 2022	<u>\$ 23,793,835</u>	<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\$1,040.20. 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 distribution of cash dividends by the Company, the conversion prices of the bonds have been adjusted from NT\$1,040.20 to NT\$1,028.46, NT\$1,028.46 to NT\$1,018.54, and NT\$1,018.54 to NT\$1,003.09 on July 22, 2021, January 13, 2022, and July 19, 2022, respectively, the days after the ex-dividend base dates, in accordance with the aforementioned provisions.

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As of December 31, 2022, the adjustment to the conversion price of the bonds had been executed three times.

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%.

The Group redeemed the first unsecured overseas convertible bonds of US\$100,800 thousand in 2022, resulting in the invalid conversion right of \$171,710 thousand to be reclassified from capital surplus – share options to capital surplus – others. As of December 31, 2022, the balance of the Group's first unsecured overseas convertible bonds amounted to US\$899,200 thousand.

(13) Lease liabilities

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

	December 31, 2022	December 31, 2021
Current	<u>\$ 87,167</u>	<u>150,941</u>
Non-current	<u>\$ 523,261</u>	<u>560,232</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 years ended December 31,	
	2022	2021
Interest on lease liabilities	<u>\$ 7,377</u>	<u>9,172</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 7,252</u>	<u>3,698</u>
Expenses relating to short-term leases	<u>\$ 18,573</u>	<u>10,490</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 7,298</u>	<u>3,944</u>

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

	For the years ended December 31,	
	2022	2021
Total cash outflow for leases	<u>\$ 200,689</u>	<u>198,345</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, 2022	December 31, 2021
Total present value of obligations	\$ (5,132,816)	(7,494,835)
Fair value of plan assets	<u>3,593,488</u>	<u>5,658,820</u>
Recognized liabilities for defined benefit obligations	<u>\$ (1,539,328)</u>	<u>(1,836,015)</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 \$392,333 thousand, as of December 31, 2022. 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:

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ 7,494,835	8,125,593
Current service costs and interest cost	327,677	406,718
Re-measurements for defined benefit obligations		
—Actuarial gains and losses arising from experience adjustments	57,325	212,435
—Actuarial gains and losses resulting from changes in demographic assumptions	(1,674)	(104,082)
—Actuarial gains and losses resulting from changes in financial assumptions	(666,856)	(79,354)
Benefits paid	(2,462,209)	(600,380)
Effects of changes in exchange rates	383,718	(466,095)
Defined benefit obligation at December 31	<u>\$ 5,132,816</u>	<u>7,494,835</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:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 5,658,820	5,644,006
Interest revenue	46,150	82,833
Re-measurements for defined benefit obligations		
—Return on plan asset (excluding interest revenue)	(543,222)	249,816
Contributions made	378,462	442,881
Benefits paid	(2,380,129)	(500,694)
Effects of changes in exchange rates	433,407	(260,022)
Fair value of plan assets at December 31	<u>\$ 3,593,488</u>	<u>5,658,820</u>

(d) Expenses recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 275,890	312,285
Net interest of defined benefit obligation	5,637	11,600
	<u>\$ 281,527</u>	<u>323,885</u>

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	<u>2022</u>	<u>2021</u>
Operating cost	\$ 252,872	295,330
Selling expenses	11,817	9,814
Administration expenses	9,061	10,393
Research and development expenses	<u>7,777</u>	<u>8,348</u>
	<u>\$ 281,527</u>	<u>323,885</u>

(e) Actuarial assumptions

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	0.66%~5.01%	0.28%~3.29%
Future salary increase rate	2.29%~5.65%	1.6%~5.7%

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 \$178,152 thousand.

The weighted-average durations of the defined benefit obligation are 1 years to 11 years.

(f) Sensitivity analysis

When the actuarial assumptions had changed 0.25% as of the December 31, 2022 and 2021, the impact on the present value of the defined benefit obligation would be as follows:

<u>Actuarial assumptions</u>	<u>Impact on defined benefit obligations</u>	
	<u>Increased by 0.25%</u>	<u>Decreased by 0.25%</u>
December 31, 2022		
Discount rate	<u>\$ (94,142)</u>	<u>98,689</u>
Future salary increase rate	<u>\$ 44,787</u>	<u>(42,027)</u>
December 31, 2021		
Discount rate	<u>\$ (138,568)</u>	<u>145,873</u>
Future salary increase rate	<u>\$ 55,144</u>	<u>(51,201)</u>

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 2022 and 2021.

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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 Company's domestic subsidiaries' pension costs incurred from contributions to the defined contribution plan were \$71,002 thousand and \$64,653 thousand for the years of 2022 and 2021, respectively. Such contributions were made to the Bureau of the Labor Insurance.

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 Group recognized the pension costs of \$268,006 thousand and \$251,670 thousand for its overseas subsidiaries in the years of 2022 and 2021, respectively.

(15) Income tax

A. Income tax expense

The components of income tax expenses in 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 5,747,624	3,238,417
Deferred tax expense	(997,142)	1,336,999
Change of income tax rate	(10,940)	-
	<u><u>\$ 4,739,542</u></u>	<u><u>4,575,416</u></u>

The amounts of income tax (benefit) recognized in other comprehensive income in 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit obligations	<u>\$ 11,797</u>	<u>34,695</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	<u>\$ 39,084</u>	<u>(1,219,237)</u>

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Reconciliations of income tax and income before income tax for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Income before income tax	\$ 20,106,928	16,445,453
Income tax using the Company's domestic tax rate	4,021,386	3,289,091
Effect of tax rates in foreign jurisdictions	(691,759)	383,215
Shares of profit of foreign subsidiaries accounted for using equity method	(504,408)	1,558,500
Tax effect of permanent differences	2,990,478	315,188
Investment tax credits	(723,777)	(363,578)
Changes in unrecognized temporary differences and others	(352,378)	(607,000)
	<u>\$ 4,739,542</u>	<u>4,575,416</u>

B. Deferred tax assets and liabilities

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Tax effect of deductible temporary differences (including tax losses)	\$ <u>1,534,084</u>	<u>701,464</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. 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.

As of December 31, 2022, the unused tax losses for the overseas subsidiaries of the Group that were not recognized as deferred tax assets was \$1,648,545 thousand.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>(3,963,207)</u>	<u>(2,151,112)</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, 2022 and 2021. 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, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Effect of changes in exchange rates	December 31, 2022
Assets:					
Allowance for inventory valuation	\$ 261,932	(49,951)	-	9,607	221,588
Defined benefit obligations	325,710	(59,442)	(8,531)	(2,458)	255,279
Equity-method investments	10,009	-	-	-	10,009
Depreciation differences of property, plant and equipment	585,514	215,158	-	28,308	828,980
Expected credit loss of accounts receivable	130,523	(907)	-	5,765	135,381
Others	573,553	461,578	36,820	22,248	1,094,199
	<u>\$ 1,887,241</u>	<u>566,436</u>	<u>28,289</u>	<u>63,470</u>	<u>2,545,436</u>
Liabilities:					
Equity method investments	\$ (2,816,538)	646,118	(79,170)	-	(2,249,590)
Depreciation differences of property, plant and equipment	(1,280,002)	(181,229)	-	(66,724)	(1,527,955)
Others	(701,071)	(34,183)	-	(76,112)	(811,366)
	<u>\$ (4,797,611)</u>	<u>430,706</u>	<u>(79,170)</u>	<u>(142,836)</u>	<u>(4,588,911)</u>
	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 obligation	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>

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C. Assessment of tax filings

As of December 31, 2022, income tax returns of the Company for the years through 2020 were assessed by the tax authority.

(16) Capital and other equity

A. Ordinary shares

As of December 31, 2022 and 2021, 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. Based on the resolution approved during the board meeting of the Company held on November 1, 2022, the treasury stocks amounting to \$20,130 thousand had been cancelled on November 2, 2022. The Company's issued and outstanding ordinary shares amounted to \$4,352,370 thousand and \$4,372,500 thousand as of December 31, 2022 and 2021, respectively.

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, 2022	December 31, 2021
Additional paid-in capital	\$ 22,206,259	23,406,252
Employee stock options	60,727	60,727
Equity component of convertible bonds	1,531,760	1,703,470
Difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	3,940	3,940
Additional paid-in capital resulting from assets donated	6	-
Other	16,696	-
	<u>\$ 23,819,388</u>	<u>25,174,389</u>

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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.

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 resolutions approved during the board meetings held on December 6, 2022 and March 3, 2022, the cash dividends of \$537,518 thousand and \$557,277 thousand, at \$1.235 per share and \$1.2804 per share, respectively, had been distributed out of capital surplus. Related information is available at the Market Observation Post System.

C. Retained earnings

According to the Company's Articles of Incorporation. 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;

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- (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.

- (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 \$6,135,557 thousand and \$1,734,138 thousand as of December 31, 2022 and 2021, respectively.

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(c) Earnings distribution

The distributions of cash dividends for the first half of 2022, the second half of 2021, the first half of 2021 and the second half of 2020, were approved by the Board of Directors on December 6, 2022, May 3, 2022, December 7, 2021, and May 4, 2021, respectively, as follows:

	The first half of 2022	2021	The first half of 2021	2020
Dividends distributed to ordinary shareholders:				
Cash	\$ 2,291,523	6,406,515	3,481,896	7,834,266

The cash dividends per share for the first half of 2022 was \$5.265. In addition, the cash dividends per share for the years of 2021 and 2020 were \$14.7196 and \$18, respectively, among which \$8 had been distributed in each first half of 2021 and 2020. The above-mentioned information is available on the Market Observation Post System website.

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. Base on the resolution during the board meeting of the Company held on November 1, 2022, the treasury stocks were cancelled on November 2, 2022. As of December 31, 2022 and 2021, a total of 0 thousand shares and 2,013 thousand shares, respectively, have 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.

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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, 2022	\$ (7,530,148)	1,394,591	(6,135,557)
Foreign exchange differences (net of tax)	367,042	-	367,042
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(778,183)	(778,183)
December 31, 2022	<u>\$ (7,163,106)</u>	<u>616,408</u>	<u>(6,546,698)</u>
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	-	537,528	537,528
December 31, 2021	<u>\$ (7,530,148)</u>	<u>1,394,591</u>	<u>(6,135,557)</u>

(17) Share-based payment

The Group signed a cash-settled share-based payment contract with certain employees in 2022, with the vesting period of 4 years, wherein the employees must fulfill their required service condition, in which each vesting date (from March 31, 2023 to 2026) 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.

The Group signed a cash-settled share-based payment contract with certain employees in 2018, with the vesting period of 4 years, wherein the employees must fulfill their required service condition, in which 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, 2022 and 2021, the stock prices of the Company were \$427.5 and \$888.0, respectively. For the years 2022 and 2021, the amounts of \$129,615 thousand and \$204,334 thousand, respectively, were recognized by the Group as compensation costs.

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(18) Earnings per share (“EPS”)

A. Basic earnings per share

	2022	2021
Net income attributable to the shareholders of the Company	\$ 15,367,386	11,870,037
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	435,237	435,237
Basic earnings per share (dollars)	\$ 35.31	27.27

B. Diluted earnings per share

	2022	2021
Net income attributable to the shareholders of the Company	\$ 15,367,386	11,870,037
Interest expense on convertible bonds, net of tax	549,171	152,897
Net income attributable to the shareholders of the Company (diluted)	\$ 15,916,557	12,022,934
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)	26,594	27,065
Effect of the employee remuneration issued by stock (in thousands of shares)	1,410	626
	463,241	462,928
Diluted earnings per share (dollars)	\$ 34.36	25.97

(19) Revenue from contracts with customers

A. Disaggregation of revenues

	2022			2021		
	Semiconductor Segment	Power plant Segment	Total	Semiconductor Segment	Power plant Segment	Total
Primary geographical markets:						
Taiwan	\$ 12,938,925	63,089	13,002,014	11,100,571	27,439	11,128,010
Northeast Asia (Japan and Korea)	20,537,075	-	20,537,075	19,609,054	-	19,609,054
Asia - others	15,199,910	-	15,199,910	11,958,537	-	11,958,537
America	8,761,771	-	8,761,771	8,132,016	-	8,132,016
Europe	12,247,244	-	12,247,244	9,915,560	-	9,915,560
Other areas	538,857	-	538,857	387,415	-	387,415
	\$ 70,223,782	63,089	70,286,871	61,103,153	27,439	61,130,592

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	2022			2021		
	Semiconductor Segment	Power plant Segment	Total	Semiconductor Segment	Power plant Segment	Total
Major product categories:						
Semiconductor wafers\$	69,033,389	-	69,033,389	60,623,123	-	60,623,123
Semiconductor ingot	903,851	-	903,851	361,301	-	361,301
Electricity revenue	-	63,089	63,089	-	27,439	27,439
Others	286,542	-	286,542	118,729	-	118,729
	\$ 70,223,782	63,089	70,286,871	61,103,153	27,439	61,130,592

B. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities	<u>\$ 38,327,811</u>	<u>28,634,940</u>	<u>16,728,028</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, 2022 and 2021, which was included in the contract liability balance at the beginning of the period, was \$5,821,717 thousand and \$3,576,362 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, 2022 and 2021, the Company accrued and recognized its employee remuneration amounting to \$543,508 thousand and \$440,456 thousand and directors' remuneration amounting to \$54,360 thousand and \$45,000 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 2022 and 2021 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

	2022	2021
Interest income		
Interest from bank deposits	<u>\$ 1,143,269</u>	<u>142,808</u>

B. Other gains and losses

	2022	2021
Foreign exchange gains, net	\$ 3,892,827	611,424
Gains on disposal of property, plant and equipment	109,323	15,269
Realized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	(10,126,329)	(703,632)
Termination fees	-	(1,566,000)
Dividend income	404,218	284,293
Others	182,424	275,640
	<u>\$ (5,537,537)</u>	<u>(1,083,006)</u>

C. Finance costs

	2022	2021
Interest expense – borrowings	\$ (56,235)	(62,354)
Interest expense – bonds	(418,205)	(236,215)
Interest expense – lease liabilities	(7,377)	(9,172)
	<u>\$ (481,817)</u>	<u>(307,741)</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, 2022 and 2021, 48% and 43%, 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, 2022							
Non-derivative financial liabilities							
Short-term borrowings \$	6,544,000	(6,548,326)	(6,548,326)	-	-	-	-
Notes and accounts payable (including related parties)	4,176,201	(4,176,201)	(4,157,546)	(18,655)	-	-	-
Accrued payroll and bonus	2,702,368	(2,702,368)	(1,512,118)	(1,190,250)	-	-	-
Accrued remuneration of directors (other current liabilities)	64,710	(64,710)	(10,350)	(54,360)	-	-	-
Lease liabilities	610,428	(650,127)	(50,368)	(44,080)	(76,516)	(152,466)	(326,697)
Ordinary bonds	18,986,110	(19,361,800)	(40,300)	(67,900)	(7,208,200)	(12,045,400)	-
Convertible bonds	23,793,835	(24,787,249)	-	-	-	(24,787,249)	-
Dividends payable	2,829,041	(2,829,041)	(2,829,041)	-	-	-	-
Derivative financial instruments							
Forward exchange contracts:							
Outflows	-	(1,053,481)	(1,053,481)	-	-	-	-
Inflows	32,415	1,085,896	1,085,896	-	-	-	-
	<u>\$ 59,739,108</u>	<u>(61,087,407)</u>	<u>(15,115,634)</u>	<u>(1,375,245)</u>	<u>(7,284,716)</u>	<u>(36,985,115)</u>	<u>(326,697)</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, 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 expense (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>

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, 2022		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 1,210,954	30.71	37,188,403
JPY	5,650,048	0.2324	1,313,071
EUR	106,017	32.72	3,468,865
CNY	28,959	4.408	127,652
<u>Non-Monetary Items</u>			
USD	33,500	30.71	Note

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December 31, 2022			
	Foreign currency	Exchange rate	NTD
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	1,367,572	30.71	41,998,124
JPY	9,956,970	0.2324	2,314,000
EUR	98,511	32.72	3,223,273
CNY	44,809	4.408	197,516
December 31, 2021			
	Foreign currency	Exchange rate	NTD
<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	4.34	2,902,943
<u>Non-Monetary Items</u>			
USD	22,650	27.68	Note
JPY	208,426	0.2405	Note
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	430,463	27.6800	11,915,217
JPY	23,118,837	0.24	5,560,080
EUR	161,763	31.320	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

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, JPY, EUR and CNY as of December 31, 2022 and 2021, would have decrease or increase the net income before income tax by \$56,349 thousand and increased or decreased by \$220,300 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 2022 and 2021, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$3,892,827 thousand and \$611,424 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 \$96,202 thousand and \$29,335 thousand, for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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,			
	2022		2021	
	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%	\$ 7,967	457,296	9,254	908,677
Decreasing 5%	(7,967)	(457,296)	(9,254)	(908,677)

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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, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Forward exchange contract	\$ 32,415	-	32,415	-	32,415
Privately offered fund	185,793	-	-	185,793	185,793
Overseas securities held	9,145,927	9,145,927	-	-	9,145,927
	<u>\$ 9,364,135</u>	<u>9,145,927</u>	<u>32,415</u>	<u>185,793</u>	<u>9,364,135</u>
Financial assets at fair value through other comprehensive income					
Stock listed on domestic market	\$ 153,850	153,850	-	-	153,850
Stock listed on foreign market	5,497	5,497	-	-	5,497
	<u>\$ 159,347</u>	<u>159,347</u>	<u>-</u>	<u>-</u>	<u>159,347</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 80,490,723	-	-	-	-
Notes and accounts receivable (including related parties)	10,160,143	-	-	-	-
Other financial assets — current and non-current	8,652,009	-	-	-	-
	<u>\$ 99,302,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss					
Embedded derivatives of convertible bonds	\$ 466,831	-	466,831	-	466,831

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	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 6,544,000	-	-	-	-
Notes and accounts payable (including related parties)	4,176,201	-	-	-	-
Accrued remuneration of directors (other current liabilities)	64,710	-	-	-	-
Dividends payable	2,829,041	-	-	-	-
Ordinary bonds	18,986,110	-	-	-	-
Convertible bonds	23,793,835	-	-	-	-
Lease liabilities-current and non-current	610,428	-	-	-	-
	<u>\$ 57,004,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2021					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
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>

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	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
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
	\$ 377,116	-	377,116	-	377,116
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 director (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 expense (other current liabilities)	1,566,000	-	-	-	-
	\$ 58,051,363	-	-	-	-

(b) Valuation techniques for financial instruments not measured at fair value

The methods and assumptions used by the Group to estimate its financial assets not measured at fair value are as follows:

i. Financial assets measured at amortized cost

If the quoted prices in active markets are available, the fair value will be based on the market price. Otherwise, the estimated valuation or prices used by competitors are adopted.

ii. Financial assets and financial liabilities measured at amortized cost

If there is a quoted price deriving from a transaction, the recent transaction price and quoted price data will be used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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(c) 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.

(d) Transfer between Level1 and Level 2: None.

(e) Reconciliation of Level 3 fair value

	Financial assets measured at fair value through profit or loss
January 1, 2022	\$ 195,163
Addition in investment	28,578
Recognized in profit or loss	(29,376)
Return of investment	(8,572)
December 31, 2022	<u>\$ 185,793</u>
January 1, 2021	\$ 117,204
Addition in investment	27,819
Recognized in profit or loss	50,140
December 31, 2021	<u>\$ 195,163</u>

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(f) 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.

(g) As of December 31, 2022 and 2021, 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.

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.

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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, 2022, the Group 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.

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.

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(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, 2022	December 31, 2021
Total liabilities	\$ 115,171,973	105,013,473
Less: cash and cash equivalents	<u>(80,490,723)</u>	<u>(65,894,422)</u>
Net debt	<u>\$ 34,681,250</u>	<u>39,119,051</u>
Total equity	<u>\$ 54,324,005</u>	<u>45,631,503</u>
Debt-to-equity ratio	<u>63.84%</u>	<u>85.73%</u>

The increase in operating income and total equity resulted in the debt-to-equity ratio to decrease as of December 31, 2022.

(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, 2022	Cash flows	Foreign exchange movement and others	December 31, 2022
Short-term borrowings	\$ 6,264,000	280,000	-	6,544,000
Lease liabilities	711,173	(167,566)	66,821	610,428
Bonds payable	45,124,740	(2,748,404)	403,609	42,779,945
Guarantee deposit received	<u>-</u>	<u>1,403,599</u>	<u>-</u>	<u>1,403,599</u>
Total liabilities from financing activities	<u>\$ 52,099,913</u>	<u>(1,232,371)</u>	<u>470,430</u>	<u>51,337,972</u>

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	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	35,031	(35,031)	-	-
Total liabilities from financing activities	<u>\$ 10,575,002</u>	<u>42,990,601</u>	<u>(1,465,690)</u>	<u>52,099,913</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, 2022, 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
Sustainable Energy Solution Corp.	Subsidiary of SAS
Actron Technology Corp.	Associate of the parent company
Crystalwise Technology Inc.	Associate of the parent company

- (3) Key management personnel compensation

Key management personnel compensation comprised of:

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 296,066	307,220
Post-employment benefits	713	706
	<u>\$ 296,779</u>	<u>307,926</u>

The Group provided a car costing \$1,500 thousand, for key management use in 2022 and 2021, 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,	
	2022	2021
Parent company	\$ 103,517	16,476
Other related parties	278,626	289,885
	\$ 382,143	306,361

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 2022 and 2021, while those for related parties were 30 to 90 days after month-end both in 2022 and 2021.

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,	
	2022	2021
Parent company	\$ 1,724,569	2,090,471
Other related parties	-	157
	\$ 1,724,569	2,090,628

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

The payment terms to third parties were 0 to 150 days after month-end both in 2022 and 2021, while those of related parties were 30 to 90 days after the following month-end both in 2022 and 2021.

C. Receivables from related parties

The receivables from related parties were as follows:

Items	Categories	December 31, 2022	December 31, 2021
Receivable from related parties	Parent company	\$ 6,966	2,701
Receivable from related parties	Other related parties	77,915	65,929
		\$ 84,881	68,630

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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, 2022</u>	<u>December 31, 2021</u>
Payable to related parties	Parent company	\$ 27,560	180,466
Payable to related parties	Other related parties	138	450
		<u>\$ 27,698</u>	<u>180,916</u>

E. Prepayments

The prepayments to the parent company were for material purchases which were paid in full. As of December 31, 2022 and 2021, the balance of prepayments, which were recognized as other current assets, amounted to \$432,419 thousand and \$1,717,408 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, 2022 and 2021 were as follows:

<u>Related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Parent company	\$ 7	149
Parent company	-	(123)
	<u>\$ 7</u>	<u>26</u>

G. Transactions of property, plant and equipment

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>2022</u>	<u>2021</u>
Parent company	\$ 199,210	246,742
Other related parties	15,986	85,542
	<u>\$ 215,196</u>	<u>332,284</u>

As of December 31, 2022 and 2021, the payables were \$77,772 thousand and \$98,313 thousand, respectively.

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H. Leases

The Group rented a 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, 2022, the Group recognized the amount of \$100 thousand as the interest expense. As of December 31, 2022, the balance of lease liabilities amounted to \$5,431 thousand.

I. Refundable deposits

The Group signed an offshore wind power purchase contract with other related parties in response to the sustainable green energy implementation plan. As of December 31, 2022 the deposit of \$23,500 thousand had been classified under the other financial assets-noncurrent.

J. 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:

		For the years ended December 31,	
		2022	2021
Related parties			
Parent Company and other related parties		\$ 11,062	5,431
Items	Categories	December 31, 2022	December 31, 2021
Receivable from related parties	Parent company	\$ 349	777
Receivable from related parties	Other related parties	62	89
		\$ 411	866

- (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:

		For the years ended December 31,	
		2022	2021
Related parties			
Parent company and other related parties		\$ 109,470	110,421
Items	Categories	December 31, 2022	December 31, 2021
Payable to related parties	Parent company	\$ 31,534	27,985
Payable to related parties	Other related parties	1,108	183
		\$ 32,642	28,168

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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, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	Credit lines of borrowings	\$ 2,393,814	2,306,056
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	14,000	5,000
Time deposits (recognized in other financial assets – non-current)	Guarantee for the lease contract with the Hsinchu Science Industrial Park Bureau	40,723	40,687
Time deposits (recognized in other financial assets – non-current)	Guarantee for bank financing projects	107,836	138,400
Time deposits (recognized in other financial assets – non-current)	Guarantee for bank tenders	8,000	-
		<u>\$ 2,566,373</u>	<u>2,492,143</u>

9. Commitments and contingencies:

(1) Significant unrecognized contractual commitments

- A. As of December 31, 2022 and 2021, the purchase amounts for future procurement from suppliers under the existing agreements were \$12,947,863 thousand and \$12,913,705 thousand, respectively.
- B. As of December 31, 2022 and 2021, the Group's unused letters of credit amounted to \$157,689 thousand and \$322,187 thousand, respectively.
- C. As of December 31, 2022 and 2021, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to \$22,500,648 thousand and \$9,231,668 thousand, respectively.
- D. As of December 31, 2022 and 2021, a guarantee letter for the Customs Administration and research and development projects issued by the bank amounted to \$92,099 thousand and \$48,000 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, 2022 and 2021, a guarantee letter for the customer issued by the bank amounted to \$4,685,036 thousand and \$905,394 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, 2022 and 2021, the balances of the account were \$2,967,304 thousand and \$3,944,367 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. GlobalWafers Co., Ltd. and Siltronic AG signed a business combination agreement on December 10, 2020, wherein the Company 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. According to the business combination agreement between the Company and Siltronic AG, the Company has to pay Siltronic AG a termination fee of EUR 50 million, recorded in other current liabilities on December 31, 2021, for failing to obtain the required approval from the competent authorities. The amount above had been fully paid in the first quarter of 2022.

(2) Contingent liabilities: None.

10. Losses due to major disasters: None.

11. Subsequent Events:

To meet the market demand and expand its production capacity, the Group entered a contract for fab design and construction, as well as project management, with a specific vendor in January 2023. The total price for the design, project management and fab construction was capped at US\$254,000 thousand (NT\$78 million).

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12. Other:

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

By item	By function		For the years ended December 31,			
	2022			2021		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	8,320,390	2,364,093	10,684,483	7,623,702	2,193,218	9,816,920
Labor and health insurance	1,011,371	216,441	1,227,812	1,028,471	213,824	1,242,295
Pension	528,966	91,569	620,535	552,217	87,991	640,208
Others	222,229	68,411	290,640	206,991	58,335	265,326
Depreciation	5,719,464	163,598	5,883,062	5,525,012	161,679	5,686,691
Amortization	192,598	4,849	197,447	206,671	3,722	210,393

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, 2022 (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: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- 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 4.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5.
- I. Trading in derivative instruments: Please refer to note 6(2).
- J. Business relationships and significant intercompany transactions: Please refer to Table 6.

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- (2) Information on investees: Please refer to Table 7.
- (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 8(1).
- B. Limitation on investment in Mainland China: Please refer to Table 8(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

	2022			Total
	Semiconductor segment	Power plant segment	Reconciliation and elimination	
Revenue				
External customers	\$ 70,223,782	63,089	-	70,286,871
Intersegment	-	-	-	-
Total revenue	<u>\$ 70,223,782</u>	<u>63,089</u>	<u>-</u>	<u>70,286,871</u>
Interest expense	<u>\$ 481,641</u>	<u>531</u>	<u>(355)</u>	<u>481,817</u>
Depreciation and amortization	<u>\$ 6,051,451</u>	<u>29,058</u>	<u>-</u>	<u>6,080,509</u>
Reportable segment profit or loss	<u>\$ 15,299,885</u>	<u>7,142</u>	<u>-</u>	15,307,027
Share of profit (loss) of associates accounted for using equity method				60,359
				<u>\$ 15,367,386</u>
Reportable segment assets				
December 31, 2022	<u>\$ 167,099,944</u>	<u>1,534,904</u>	<u>(80,253)</u>	168,554,595
Equity method investments				941,383
				<u>\$ 169,495,978</u>
Reportable segment liabilities				
December 31, 2022	<u>\$ 115,046,449</u>	<u>205,777</u>	<u>(80,253)</u>	<u>115,171,973</u>
	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>

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(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, 2022</u>	<u>December 31, 2021</u>
Korea	\$ 13,165,578	13,283,323
United States	6,746,536	5,342,424
Japan	9,529,022	7,393,672
Taiwan	7,825,397	7,589,990
Italy	3,084,553	2,732,540
Others	<u>2,836,678</u>	<u>2,048,682</u>
	<u>\$ 43,187,764</u>	<u>38,390,631</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,</u>	
	<u>2022</u>	<u>2021</u>
Group C	<u>\$ 14,781,881</u>	<u>12,789,073</u>

GlobalWafers Co., Ltd. and Subsidiaries

Loans to other parties

For the year ended December 31, 2022

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	SPVE5	Receivable from related parties	Yes	100,000	100,000	20,000	1.50%	2	-	Operating capital	-	-	-	21,729,602	21,729,602
0	The Company	GWH	Receivable from related parties	Yes	500,000	-	-	1.00%	2	-	Operating capital	-	-	-	21,729,602	21,729,602
0	The Company	SPV4	Receivable from related parties	Yes	100,000	100,000	60,000	1.00~1.50%	2	-	Operating capital	-	-	-	21,729,602	21,729,602
1	GWJ	MEMC Japan	Receivable from related parties	Yes	12,642,560	12,642,560	2,695,840	0.56818%	2	-	Operating capital	-	-	-	17,621,996	17,621,996
1	GWJ	The Company	Receivable from related parties	Yes	3,648,000	-	-	0.54545%	2	-	Operating capital	-	-	-	17,621,996	17,621,996
2	MEMC SpA	GWBV	Receivable from related parties	Yes	1,799,600	1,799,600	1,325,160	0.45%	2	-	Operating capital	-	-	-	10,400,974	10,400,974
2	MEMC SpA	GWS	Receivable from related parties	Yes	2,552,160	2,552,160	1,994,275	3.401%	2	-	Operating capital	-	-	-	10,400,974	10,400,974
3	GWS	GWBV	Receivable from related parties	Yes	1,090,349	1,039,411	1,039,411	1.20%	2	-	Operating capital	-	-	-	39,946,824	39,946,824
3	GWS	GW GmbH	Receivable from related parties	Yes	4,090,000	4,090,000	4,090,000	0.45%	2	-	Operating capital	-	-	-	39,946,824	39,946,824
3	GWS	The Company	Receivable from related parties	Yes	13,852,450	-	-	0.80%~1.20%	2	-	Operating capital	-	-	-	39,946,824	39,946,824
4	GTI	MEMC LLC	Receivable from related parties	Yes	196,175	-	-	1.75%	2	-	Operating capital	-	-	-	11,918,357	11,918,357
4	GTI	The Company	Receivable from related parties	Yes	1,610,750	1,535,500	1,535,500	0.80%	2	-	Operating capital	-	-	-	11,918,357	11,918,357
5	GWBV	GW GmbH	Receivable from related parties	Yes	4,580,800	4,580,800	2,781,200	0.45%	2	-	Operating capital	-	-	-	46,702,501	46,702,501

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		
6	GWH	SPV4	Receivable from related parties	Yes	50,000	-	-	1.00%	2	-	Operating capital	-	-	-	98,891	98,891

Note 1: The nature of financing purposes:

(1) Code 1 represents entities with business transaction with the Group.

(2) Code 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, 2022

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	GW GmbH	2	162,972,015	91,777,820	8,180,000	6,544,000	-	15.06%	162,972,015	Y	N	N
0	The Company	GWH	2	162,972,015	1,300,000	1,300,000	-	-	2.39%	162,972,015	Y	N	N
0	The Company	SPV4	2	162,972,015	100,000	100,000	-	-	0.18%	162,972,015	Y	N	N
0	The Company	SPVE5	2	162,972,015	79,800	79,800	79,800	-	0.15%	162,972,015	Y	N	N
0	The Company	GWS	2	162,972,015	5,374,527	5,212,041	4,413,581	-	9.59%	162,972,015	Y	N	N
0	The Company	MEMC SpA	2	162,972,015	2,879,360	2,879,360	2,879,360	-	5.30%	162,972,015	Y	N	N
0	The Company	KST	2	162,972,015	3,345,690	-	-	-	-	162,972,015	Y	N	Y
1	GTI	MEMC LLC	2	59,591,785	483,225	460,650	107,460	-	3.87%	59,591,785	N	N	N
2	SST	KST	2	13,701,370	1,424,296	1,403,599	1,403,599	-	51.22%	13,701,370	N	N	Y

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, 2022 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2022

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 mandatorily measured at fair value through profit or loss – non-current	-	177,479	3.85%	177,479	3.85%	
The Company	Siltronic AG	None	Financial assets at fair value through profit or loss – non-current	650	1,449,414	2.17%	1,449,414	2.17%	
GW GmbH	Siltronic AG	None	Financial assets at fair value through profit or loss – non-current	3,101	6,914,054	10.34%	6,914,054	10.34%	
GWBV	Siltronic AG	None	Financial assets at fair value through profit or loss – non-current	350	782,459	1.17%	782,459	2.00%	
The Company	WT Microelectronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,518	153,850	0.25%	153,850	0.32%	
SST	Foreign Securities	None	Financial assets at fair value through other comprehensive income	16	5,497	0.04%	5,497	0.04%	
GWH	Foreign Privately Securities	None	Financial assets mandatorily measured at fair value through profit or loss – non-current	-	8,314	1.70%	8,314	1.70%	

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, 2022

Table 4

(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	1,724,569	12%	Net 30 days from the end of the next month upon issuance of invoice	-	-	(20,637)	(1)%	
The Company	GTI	Indirectly held subsidiaries	Purchase	2,282,527	3%	Net 60 days from the end of the month upon issuance of invoice	-	-	(354,187)	(3)%	
The Company	SST	Indirectly held subsidiaries	Purchase	1,897,728	3%	Net 60 days from the end of the month upon issuance of invoice	-	-	(262,131)	(3)%	
The Company	GWJ	Directly held subsidiaries	Purchase	6,770,634	10%	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(2,098,772)	(21)%	
The Company	Topsil A/S	Indirectly held subsidiaries	Purchase	1,513,934	2%	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(107,929)	(1)%	
The Company	GWS	Indirectly held subsidiaries	Purchase	786,580	1%	Net 60 days from the end of the month upon issuance of invoice	-	-	(126,698)	(1)%	
GWS	The Company	Indirectly held subsidiaries	Purchase	8,053,041	11%	Net 60 days from the end of the month upon issuance of invoice	-	-	(1,398,710)	(14)%	
MEMC Korea	The Company	Indirectly held subsidiaries	Purchase	1,628,868	2%	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(326,752)	(3)%	
MEMC SpA	The Company	Indirectly held subsidiaries	Purchase	982,793	1%	Net 60 days from the end of the month upon issuance of invoice	-	-	(175,059)	(2)%	
GTI	The Company	Indirectly held subsidiaries	Purchase	3,416,656	5%	Net 45 days from the end of the month upon issuance of invoice	-	-	(329,640)	(3)%	
SST	The Company	Indirectly held subsidiaries	Purchase	1,030,693	1%	Net 30 days from the end of the month upon issuance of invoice	-	-	(104,934)	(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	2,920,516	4%	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(945,423)	(9)%	
Topsil A/S	The Company	Indirectly held subsidiaries	Purchase	607,741	1%	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(120,337)	(1)%	
Actron Technology	The Company	Associate of the parent company	Purchase	278,335	- %	Net 60 days from the end of the next month upon issuance of invoice	-	-	(77,915)	(1)%	
MEMC Sdn Bhd	The Company	Indirectly held subsidiaries	Purchase	171,417	- %	Net 60 days from the end of the month upon issuance of invoice	-	-	(25,944)	-	
GWS	MEMC LLC	Indirectly held subsidiaries	Purchase	1,938,861	3%	Net 60 days from the end of the month upon issuance of invoice	-	-	(406,030)	(4)%	
GWS	MEMC LLC	Indirectly held subsidiaries	Sale	(784,567)	(1)%	Net 60 days from the end of the month upon issuance of invoice	-	-	138,322	1%	
GWS	MEMC Sdn Bhd	Indirectly held subsidiaries	Purchase	1,676,868	2%	Net 60 days from the end of the month upon issuance of invoice	-	-	(275,292)	(3)%	
GWS	MEMC Sdn Bhd	Indirectly held subsidiaries	Sale	(544,534)	(1)%	Net 60 days from the end of the month upon issuance of invoice	-	-	(93,399)	1%	
GWS	MEMC SpA	Indirectly held subsidiaries	Purchase	4,230,504	6%	Net 60 days from the end of the month upon issuance of invoice	-	-	(777,063)	(8)%	
GWS	MEMC SpA	Indirectly held subsidiaries	Sale	(6,107,557)	(9)%	Net 60 days from the end of the month upon issuance of invoice	-	-	1,174,950	12%	
GWS	MEMC Korea	Indirectly held subsidiaries	Purchase	1,766,975	3%	Net 60 days from the end of the month upon issuance of invoice	-	-	(263,964)	(3)%	
GWS	MEMC Japan	Indirectly held subsidiaries	Purchase	4,153,733	6%	Net 60 days from the end of the month upon issuance of invoice	-	-	(781,264)	(8)%	
GWS	MEMC Japan	Indirectly held subsidiaries	Sale	(1,622,535)	(2)%	Net 60 days from the end of the month upon issuance of invoice	-	-	314,894	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, 2022

Table 5

(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	329,640	8.76	-		195,639	-
The Company	GWJ	Directly held subsidiaries	945,423	3.47	-		194,897	-
The Company	GWS	Indirectly held subsidiaries	1,398,710	6.17	-		825,182	-
The Company	MEMC Korea	Indirectly held subsidiaries	326,752	4.18	-		186,511	-
The Company	MEMC SpA	Indirectly held subsidiaries	175,059	5.94	-		107,730	-
The Company	Topsil A/S	Indirectly held subsidiaries	120,337	8.76	-		94,645	-
The Company	SST	Indirectly held subsidiaries	104,934	10.94	-		52,026	-
GTI	The Company	Indirectly held subsidiaries	354,187	6.24	-		195,483	-
SST	The Company	Indirectly held subsidiaries	262,131	5.84	-		187,502	-
GWJ	The Company	Directly held subsidiaries	2,098,772	3.54	-		610,661	-
GWS	The Company	Indirectly held subsidiaries	126,698	6.31	-		65,812	-
Topsil A/S	The Company	Indirectly held subsidiaries	107,929	10.28	-		94,470	-
GWS	MEMC Japan	Indirectly held subsidiaries	314,894	5.50	-		314,894	-
GWS	MEMC SpA	Indirectly held subsidiaries	1,174,950	6.29	-		1,174,950	-
GWS	MEMC LLC	Indirectly held subsidiaries	138,322	5.81	-		138,322	-
MEMC Sdn Bhd	GWS	Indirectly held subsidiaries	275,292	5.72	-		275,292	-
MEMC SpA	GWS	Indirectly held subsidiaries	777,063	6.06	-		468,794	-
MEMC Korea	GWS	Indirectly held subsidiaries	263,964	6.91	-		136,103	-
MEMC Japan	GWS	Indirectly held subsidiaries	781,264	5.72	-		247,870	-
MEMC LLC	GWS	Indirectly held subsidiaries	406,030	6.14	-		406,030	-
GTI	The Company	Indirectly held subsidiaries	1,535,500	- (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		
GWJ	MEMC Japan	Indirectly held subsidiaries	2,695,905	- (Note 3)	-		-	-
MEMC SpA	GWS	Indirectly held subsidiaries	1,994,275	- (Note 3)	-		-	-
MEMC SpA	GWBV	Indirectly held subsidiaries	1,325,160	- (Note 3)	-		1,325,160	-
GWS	GWBV	Indirectly held subsidiaries	1,053,797	- (Note 3)	-		-	-
GWS	GW GmbH	Indirectly held subsidiaries	4,380,669	- (Note 3)	-		12,507	-
GWBV	GW GmbH	Indirectly held subsidiaries	2,978,992	- (Note 3)	-		1,157,633	-

Note 1: The amount received in subsequent period as of February 20, 2023.

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, 2022

Table 6

(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	1,724,569	Net 30 days from the end of the next month upon issuance of invoice	2.45%
0	The Company	GTI	1	Purchase	2,282,527	Net 60 days from the end of the month upon issuance of invoice	3.25%
0	The Company	SST	1	Purchase	1,897,728	Net 60 days from the end of the month upon issuance of invoice	2.70%
0	The Company	GWJ	1	Purchase	6,770,634	Net 60 to 90 days from the end of the month upon issuance of invoice	9.63%
0	The Company	GWJ	1	Accounts payable	2,098,772	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	1,513,934	Net 30 to 60 days from the end of the month upon issuance invoice	2.15%
0	The Company	GTI	1	Sale	3,416,656	Net 45 days from the end of the month upon issuance of invoice	4.86%
0	The Company	SST	1	Sale	1,030,693	Net 30 days from the end of the month upon issuance of invoice	1.47%
0	The Company	GWJ	1	Sale	2,920,516	Net 60 to 90 days from the end of the month upon issuance of invoice	4.16%
0	The Company	GWS	1	Purchase	786,580	Net 60 days from the end of the month upon issuance of invoice	1.12%
0	The Company	MEMC Korea	1	Sale	1,628,868	Net 30 to 60 days from the end of the month upon issuance of invoice	2.32%
0	The Company	GWS	1	Sale	8,053,041	Net 60 days from the end of the month upon issuance of invoice	11.46%
0	The Company	MEMC SpA	1	Sale	982,793	Net 60 days from the end of the month upon issuance of invoice	1.40%
1	GWS	MEMC LLC	3	Sale	784,567	Net 60 days from the end of the month upon issuance of invoice	1.12%
1	GWS	MEMC LLC	3	Purchase	1,938,861	Net 60 days from the end of the month upon issuance of invoice	2.76%
1	GWS	MEMC SpA	3	Purchase	4,230,504	Net 60 days from the end of the month upon issuance of invoice	6.02%
1	GWS	MEMC SpA	3	Sale	6,107,557	Net 60 days from the end of the month upon issuance of invoice	8.69%
1	GWS	MEMC Korea	3	Purchase	1,766,975	Net 60 days from the end of the month upon issuance of invoice	2.51%

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 Japan	3	Sale	1,622,535	Net 60 days from the end of the month upon issuance of invoice	2.31%
1	GWS	MEMC Japan	3	Purchase	4,153,733	Net 60 days from the end of the month upon issuance of invoice	5.91%
1	GWS	MEMC Sdn Bhd	3	Purchase	1,676,868	Net 60 days from the end of the month upon issuance of invoice	2.39%
2	GWJ	MEMC Japan	3	Intercompany loan	2,695,905	-	1.59%
3	MEMC SpA	GWS	3	Intercompany loan	1,994,275	-	1.18%
4	GWS	GW GmbH	3	Intercompany loan	4,380,669	-	2.58%
5	GWBV	GW GmbH	3	Intercompany loan	2,978,992	-	1.76%

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, 2022

Table 7

(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, 2022			Highest of Percentage Ownership during the year	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of Ownership	Carrying value				
The Company	GWI	Cayman	Investment activities	-	1,427 (USD48)	-	-	-	-	-	-	Subsidiary Note 6
The Company	GSI	Cayman	Investment in various businesses and triangular trade centers with subsidiaries in Mainland China	698,419 (USD24,555)	756,809 (USD26,555)	23,000	100.00%	2,759,761	100.00%	424,781	438,810	Subsidiary
The Company	GWJ	Japan	Manufacturing and trading of silicon wafers	5,448,015	5,448,015	128	100.00%	17,617,922	100.00%	1,654,934	1,666,402	Subsidiary
The Company	GWafers Singapore	Singapore	Investment activities	17,378,877	17,378,877	541,674	100.00%	43,384,478 Note 5	100.00%	2,553,093	2,749,886	Subsidiary
The Company	GW GmbH	Gemary	Trading	1,952,235 (EUR 62,525)	-	48,025	100.00%	(6,542,874) Note 5	100.00%	(7,883,865)	(4,260,889)	Subsidiary
The Company	GWBV	Netherlands	Investment activities	42,525,442 (USD 1,321,076)	-	0.1	100.00%	46,702,502	100.00%	729,694	981,503	Subsidiary Note 7
The Company	HONG-WAN G Investment Co., Ltd.	Taiwan	Investment activities	309,760	309,760	30,976	30.98%	941,383	30.98%	194,957	60,359	Associate
The Company	SPV4	Taiwan	Electricity activities	1,045,000	1,045,000	104,500	100.00%	1,054,274	100.00%	8,608	8,608	Subsidiary
The Company	SPVE5	Taiwan	Electricity activities	278,000	278,000	27,800	100.00%	274,853	100.00%	(1,466)	(1,466)	Subsidiary
The Company	GWH	Taiwan	Investment activities	250,000	250,000	25,000	100.00%	247,229	100.00%	(2,811)	(2,811)	Subsidiary
GWJ	MEMC Japan	Japan	Manufacturing and trading of silicon wafers	373,413 (JPY100,000)	373,413 (JPY100,000)	750	100.00%	2,701,726	100.00%	179,098	-	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%	45,398,137	100.00%	2,524,650	-	Notes 2 and 3
GWS	GWBV	Netherlands	Investment activities	-	11,213,730 (USD362,763)	-	-	-	-	(251,809)	-	Notes 2 and 3

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest of Percentage Ownership during the year	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of Ownership	Carrying value				
GWBV	MEMC SpA	Italy	Manufacturing and trading of silicon wafers	6,732,641 (USD204,788)	6,732,641 (USD204,788)	65,000	100.00%	10,400,974	100.00%	1,251,313	-	Notes 2 and 3
MEMC SpA	MEMC SarL	France	Trading	1,316 (USD40)	1,316 (USD40)	0.5	100.00%	2,715	100.00%	570	-	Notes 2 and 3
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%	21,814,786	100.00%	3,436,634	-	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%	13,182,440	100.00%	1,174,149	-	Notes 2 and 3
GWBV	MEMC Ipoh Sdn Bhd (Ipoh)	Malaysla	Manufacturing and trading of silicon wafers and sale	93,907 (USD1,323)	93,907 (USD1,323)	612,300	100.00%	3,783	100.00%	67	-	Notes 2 and 3
GWBV	GW GmbH	Germany	Trading	-	827 (USD27)	-	-	-	-	(7,883,865)	-	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%	2,316,507	100.00%	398,892	-	Notes 2 and 3
GTI	MEMC LLC	United States	Research and development, manufacturing and trading of silicon wafers	543,384 (USD17,839)	543,384 (USD17,839)	-	100.00%	4,592,375	100.00%	488,363	-	Notes 2 and 3
SST	MEMC Sdn Bhd	Malaysla	Research and development, manufacturing and trading of silicon wafers	898,016 (USD 27,315)	898,016 (USD 27,315)	1,036	100.00%	1,180,016	100.00%	74,786	-	Notes 2 and 3
GTI	GlobalWafers America, LLC (GWA)	United States	Manufacturing and trading of silicon wafers and sale	31 (USD 1)	-	1	100.00%	581,593	100.00%	(28,601)	-	Notes 2, 3 and 8

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.

Note 5: Mainly about the accounting effects that the group's restructuring caused.

Note 6: The liquidation of GWI has been completed in November,2022.

Note 7: In order to adjust the operating structure of the Group, the Company acquired all the equity interests of GWBV held by GWS, based on the resolution approved during the board meeting of the Company held on September 1, 2022. The above transaction had been completed on November 7, 2022.

Note 8: GWA was set up as a subsidiary of GTI in August 2022.

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, 2022

Table 8

(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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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	1,429,778 (Note 5)	Note 1	713,300 (USD21,729)	-	-	713,300 (USD21,729)	425,037	100%	100%	425,037	2,740,274	-
KST	Trading and marketing business	26,587	Note 6	-	-	-	-	10,457	100%	100%	10,446	36,862	-

(2) Limitation on investment in Mainland China

Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	713,300(USD21,729)	1,703,173 (USD56,164) (Note 3)	32,594,403 (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, 2022.

Note 5: Retained earnings transferred to capital was included.

Note 6: KST was funded by using the capital of SST, which cannot be considered as investment limit because there was no remittance from Taiwan.

GlobalWafers Co., Ltd.
Parent-Company-Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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 parent-company-only 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 parent-company-only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

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

Opinion

We have audited the parent-company-only financial statements of GlobalWafers Co., Ltd.(“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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(17) “Revenue from contracts with customers” of the parent-company-only financial statements for further information.

Description of key audit matter:

The Company'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, and because of different sales terms and the triangular trade within the group companies, it is more important to identify the timing of revenue recognition. As such, 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. Evaluation of investments accounted for using equity method

Please refer to the note 4(9) "Investment in subsidiaries" for accounting policy; note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" for evaluation of investments accounted for using equity method; and note 6(6) "Investments accounted for using equity method" for further details.

Description of key audit matter:

The Company's investments accounted for using equity method were mainly the investments in subsidiaries acquired from business combinations. Moreover, the Company operates in an industry in which the operations are easily influenced by various external factors, such as market conditions. The assessment of subsidiaries' revenue recognition and impairment of goodwill arising from business combinations is crucial; therefore, it is considered to be one of the key areas in our audit.

How the matter was addressed in our audit:

Our audit procedures mainly 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's financial forecasts; reviewing the calculations of recoverable amounts of cash generating units; evaluating the assumptions used for calculating recoverable amounts and cash flow projections and performing sensitivity analysis based on key factors.

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

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 parent-company-only 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only 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-Chih Cheng and Mei-Yu Tseng.

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2023

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the 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 parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent-company-only 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 parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 32,251,673	20	40,106,096	32	2120	Financial liabilities at fair value through profit or loss – current (note 6(2))	-	-	195,715	-
1110	Financial assets at fair value through profit or loss – current (note 6(2))	-	-	-	-	2130	Contract liabilities – current (note 6(17))	3,047,765	2	1,577,219	1
1170	Notes and accounts receivable, net (note 6(4))	2,864,253	2	2,567,483	2	2170	Notes and accounts payable	1,197,244	1	1,198,959	1
1180	Accounts receivable due from related parties, net (note 7)	3,721,385	2	3,397,107	3	2180	Accounts payable to related parties (note 7)	41,216,208	25	3,284,076	3
130X	Inventories (note 6(5))	2,594,070	2	2,188,280	2	2201	Payroll and bonus payable	1,523,994	1	1,333,407	1
1476	Other financial assets – current (note 9)	3,000,500	2	2,854,984	2	2216	Dividends payable	2,829,041	2	3,481,896	3
1479	Other current assets (note 7)	868,556	-	1,985,947	1	2399	Other current liabilities (note 6(11))	3,586,955	2	3,849,264	3
	Total current assets	<u>45,300,437</u>	<u>28</u>	<u>53,099,897</u>	<u>42</u>		Total current liabilities	<u>53,401,207</u>	<u>33</u>	<u>14,920,536</u>	<u>12</u>
Non-current assets:						Non-Current liabilities:					
1513	Financial assets at fair value through profit or loss – non-current (note 6(2))	1,626,893	1	3,074,802	3	2527	Contract liabilities – non-current (note 6(17))	6,235,938	4	3,926,623	3
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(3))	153,850	-	185,073	-	2500	Financial liabilities at fair value through profit or loss – non-current (notes 6(2) and (10))	466,831	-	178,637	-
1550	Investments accounted for using equity method (note 6(6))	105,317,816	66	60,111,487	48	2530	Convertible bonds payable (note 6(10))	23,793,835	15	26,143,969	21
1600	Property, plant and equipment (notes 6(7) and 7)	6,101,037	4	5,633,883	5	2531	Ordinary bonds payable (note 6(10))	18,986,110	12	18,980,771	15
1755	Right-of-use assets (note 6(8))	449,958	-	494,122	-	2622	Long-term accounts payable to related parties (note 7)	-	-	11,557,384	10
1780	Intangible assets (note 6(9))	3,428	-	184,082	-	2600	Other non-current liabilities (notes 6(11), (12) and (13))	3,160,418	2	3,825,468	3
1980	Other financial assets – non-current (notes 7, 8 and 9)	80,825	-	1,294,442	1		Total non-current liabilities	<u>52,643,132</u>	<u>33</u>	<u>64,612,852</u>	<u>52</u>
1900	Other non-current assets (note 6(13))	1,334,100	1	1,087,103	1		Total liabilities	<u>106,044,339</u>	<u>66</u>	<u>79,533,388</u>	<u>64</u>
	Total non-current assets	<u>115,067,907</u>	<u>72</u>	<u>72,064,994</u>	<u>58</u>		Equity (note 6(14)):				
						3110	Ordinary share	4,352,370	3	4,372,500	3
						3200	Capital surplus	23,819,388	15	25,174,389	20
							Retained earnings:				
						3310	Legal reserve	6,550,566	4	5,349,684	4
						3320	Special reserve	6,135,557	4	1,734,138	1
						3350	Unappropriated retained earnings	20,012,822	12	15,713,128	13
								<u>32,698,945</u>	<u>20</u>	<u>22,796,950</u>	<u>18</u>
						3400	Other equity interest	(6,546,698)	(4)	(6,135,557)	(5)
						3500	Treasury shares	-	-	(576,779)	-
							Total equity	<u>54,324,005</u>	<u>34</u>	<u>45,631,503</u>	<u>36</u>
							Total liabilities and equity	<u>\$ 160,368,344</u>	<u>100</u>	<u>\$ 125,164,891</u>	<u>100</u>
	Total assets	<u>\$ 160,368,344</u>	<u>100</u>	<u>125,164,891</u>	<u>100</u>						

See accompanying notes to parent-company-only financial statements.

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(17) and 7)	\$ 30,292,412	100	25,572,294	100
5000	Operating costs (notes 6(5), (18) and 7)	16,261,985	54	14,997,282	59
	Gross profit from operations	14,030,427	46	10,575,012	41
	Operating expenses (notes 6(18) and 7):				
6100	Selling expenses	574,393	2	487,616	2
6200	Administrative expenses	312,920	1	683,158	3
6300	Research and development expenses	1,333,853	4	1,269,218	5
6450	Expected credit loss (note 6(4))	-	-	-	-
	Total operating expenses	2,221,166	7	2,439,992	10
	Net operating income	11,809,261	39	8,135,020	31
	Non-operating income and expenses:				
7100	Interest income (notes 6(19) and 7)	575,837	2	95,815	-
7020	Other gains and losses (notes 6(19) and 7)	3,955,756	13	(1,424,292)	(5)
7050	Finance costs (notes 6(11), (19) and 7)	(518,977)	(2)	(399,228)	(1)
7375	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (note 6(6))	1,640,402	5	7,790,051	30
		5,653,018	18	6,062,346	24
	Income before income tax	17,462,279	57	14,197,366	55
7950	Less: income tax expense (note 6(13))	2,094,893	7	2,327,329	9
	Net income	15,367,386	50	11,870,037	46
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(12))	42,657	-	8,242	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(31,223)	-	83,598	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method – components of other comprehensive income that will not be reclassified to profit or loss	(730,632)	(2)	619,164	2
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(13))	11,797	-	34,695	-
	Total items that will not be reclassified subsequently to profit or loss	(730,995)	(2)	676,309	2
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	406,126	1	(6,158,184)	(24)
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(13))	39,084	-	(1,219,237)	(5)
	Total items that may be reclassified subsequently to profit or loss	367,042	1	(4,938,947)	(19)
8300	Other comprehensive income (after tax)	(363,953)	(1)	(4,262,638)	(17)
	Total comprehensive income	\$ 15,003,433	49	7,607,399	29
	Earnings per share (NT Dollars) (note 6(16))				
	Basic earnings per share	\$ 35.31		27.27	
	Diluted earnings per share	\$ 34.36		25.97	

See accompanying notes to parent-company-only financial statements.

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd.

Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity interest			Treasury shares	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Gains (losses) from equity instrument measured at fair value through other comprehensive income	Total		
Balance at January 1, 2021	\$ 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
Net income for the year	-	-	-	-	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)
Comprehensive income for the year	-	-	-	-	12,008,818	12,008,818	(4,938,947)	537,528	(4,401,419)	-	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)
Reversal of special reserve	-	-	-	(557,118)	557,118	-	-	-	-	-	-
Equity component of convertible bonds	-	1,703,470	-	-	-	-	-	-	-	-	1,703,470
Balance at December 31, 2021	4,372,500	25,174,389	5,349,684	1,734,138	15,713,128	22,796,950	(7,530,148)	1,394,591	(6,135,557)	(576,779)	45,631,503
Net income for the year	-	-	-	-	15,367,386	15,367,386	-	-	-	-	15,367,386
Other comprehensive income for the year	-	-	-	-	47,188	47,188	367,042	(778,183)	(411,141)	-	(363,953)
Comprehensive income for the year	-	-	-	-	15,414,574	15,414,574	367,042	(778,183)	(411,141)	-	15,003,433
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	1,200,882	-	(1,200,882)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,401,419	(4,401,419)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(5,216,142)	(5,216,142)	-	-	-	-	(5,216,142)
Additional paid-in capital resulting from assets donated	-	6	-	-	-	-	-	-	-	-	6
Distribution of cash dividends using capital surplus	-	(1,094,795)	-	-	-	-	-	-	-	-	(1,094,795)
Cancellation of treasury shares	(20,130)	(260,212)	-	-	(296,437)	(296,437)	-	-	-	576,779	-
Balance at December 31, 2022	\$ 4,352,370	23,819,388	6,550,566	6,135,557	20,012,822	32,698,945	(7,163,106)	616,408	(6,546,698)	-	54,324,005

See accompanying notes to parent-company-only financial statements.

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before income tax	\$ 17,462,279	14,197,366
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	987,468	860,633
Amortization expenses	182,203	180,963
Net loss on financial assets or liabilities at fair value through loss	1,646,073	186,450
Interest expense	518,977	399,228
Interest income	(575,837)	(95,815)
Dividend income	(79,325)	(54,998)
Shares of profit of subsidiaries and associates accounted for using equity method and unrealized gain or loss	(1,330,767)	(7,525,137)
Loss (gain) on disposal of property, plant and equipment	(3,640)	97
Loss on disposal of investments	2,269	-
Reversal of inventory valuation	(4,380)	(2,487)
Total adjustments	1,343,041	(6,051,066)
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(550,928)	(1,122,153)
Inventories	(401,410)	(286,131)
Other operating assets	1,433,050	(2,637,852)
Total changes in operating assets	480,712	(4,046,136)
Contract liabilities	3,779,862	4,484,443
Notes and accounts payable (including related parties)	(1,729,276)	513,120
Net defined benefit liabilities	(19,256)	(142,161)
Other operating liabilities	(1,711,935)	1,094,096
Total changes in operating liabilities	319,395	5,949,498
Total changes in operating assets and liabilities	800,107	1,903,362
Total adjustments	2,143,148	(4,147,704)
Cash inflow generated from operations	19,605,427	10,049,662
Interest received	560,630	78,728
Dividends received	79,325	54,998
Interest paid	(203,406)	(159,603)
Income taxes paid	(1,026,179)	(1,427,652)
Net cash flows from operating activities	19,015,797	8,596,133

(Continued)

See accompanying notes to parent-company-only financial statements.

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd.

Statements of Cash Flows(Continued)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(20,651)	(27,819)
Proceeds from disposal of financial assets at fair value through profit or loss	8,572	-
Acquisition of investments accounted for using equity method	(6,204,779)	(156,000)
Proceeds from capital reduction and liquidation of investments accounted for using equity method	59,818	-
Cash dividends from subsidiaries accounted for using equity method	5,288	773
Cash dividends from associates accounted for using equity method	61,529	33,158
Acquisition of property, plant and equipment, and prepayments of equipment	(2,011,997)	(1,447,077)
Proceeds from disposal of property, plant and equipment	4,103	-
Increase in other receivables due from related parties	(70,000)	(10,000)
Acquisition of intangible assets	(1,549)	(4,292)
Decrease in other financial assets	1,083,122	1,577,090
Increase in other prepayments	-	(20)
Net cash flows used in investing activities	(7,086,544)	(34,187)
Cash flows from financing activities:		
Decrease in short-term borrowings	-	(9,871,000)
Proceeds from issuing bonds	-	46,812,845
Repayments of bonds	(2,748,404)	-
Decrease in payables to related parties	(10,021,884)	(819,167)
Payment of lease liabilities	(49,602)	(48,614)
Cash dividends paid	(6,963,792)	(7,834,266)
Additional paid-in capital resulting from assets donated	6	-
Net cash flows from (used in) financing activities	(19,783,676)	28,239,798
Net (decrease) increase in cash and cash equivalents	(7,854,423)	36,801,744
Cash and cash equivalents at beginning of period	40,106,096	3,304,352
Cash and cash equivalents at end of period	\$ 32,251,673	40,106,096

See accompanying notes to parent-company-only financial statements.

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(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.). The Company 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 Company 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 financial statements:

These parent-company-only financial statements were authorized for issue by the Board of Directors on March 14, 2023.

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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- 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”

GlobalWafers Co., Ltd.

Notes to the Financial Statements

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

- (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 Company, 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”	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2023

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

The Company 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 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 “Non-current Liabilities with Covenants”

GlobalWafers Co., Ltd.

Notes to the Financial Statements

- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

4. Summary of significant accounting policies:

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

(1) Statement of compliance

The accompanying parent-company-only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” .

(2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts, the parent-company-only 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 Company entity is determined based on the primary economic environment in which the entity operates. The parent-company-only 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.

(3) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company 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.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

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.

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 Company 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 Company 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.

(4) 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;

GlobalWafers Co., Ltd.

Notes to the Financial Statements

- 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 Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) 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.

(6) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company 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 Company 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.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

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.

On initial recognition of an equity investment that is not held for trading, the Company 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 Company'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, including derivative financial assets. On initial recognition, the Company 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 Company 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).

GlobalWafers Co., Ltd.

Notes to the Financial Statements

The Company 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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 Company 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 Company in accordance with the contract and the cash flows that the Company 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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amounts due.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

(e) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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 Company 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.

(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 Company 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.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

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.

(f) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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 Company 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

The Company 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.

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Notes to the Financial Statements

(7) 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.

(8) Investment in associates

Associates are those entities in which the Company 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.

The parent-company-only financial statements include the Company'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 Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company 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 Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company'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 Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company 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 Company 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 Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company 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.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

When the Company 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 Company's proportionate interest in the net assets of the associate. The Company 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 Company'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.

(9) Investment in subsidiaries

The investees which are controlled by the Company are measured under equity method in preparing the parent-company-only financial statement. The profit, other comprehensive income and equity in the parent-company-only financial statement are equal to the profit, other comprehensive income and equity attributable to the shareholders of parent in the consolidated financial statement.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction.

(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.

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 Company.

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.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

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 Company 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 Company 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.

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 Company's incremental borrowing rate. Generally, the Company 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;

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Notes to the Financial Statements

- (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 Company'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 Company 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.

The Company 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 Company 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 Company 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.

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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 Company 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 Company 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 Company 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 Company applies IFRS15 to allocate the consideration in the contract.

(12) Intangible assets

A. Recognition and measurement

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

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 Company 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 Company 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.

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(13) Impairment of non-financial assets

At each reporting date, the Company 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.

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 Company 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.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company 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 Company recognizes any impairment loss on the assets associated with that contract.

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(15) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

A. Sale of goods

The Company engages mainly in the research, development, production, design, and sales of semiconductor ingots and wafers. The Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

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

B. Services

The Company 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

Grants that compensate the Company 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.

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B. Defined benefit plans

The Company'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 Company, 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.

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 Company 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 Company 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 Company 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.

Grant date of a share-based payment award, please refer to note 6(15).

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(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 Company 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.

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 Company 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 Company 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

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- (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 Company 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.

(21) Operating segment

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

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

The preparation of the parent-company-only financial statements 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:

Investments accounted for using equity method

The subsidiaries of the Company accounted for using equity method were mostly derived from business combinations. The assessment of the impairment of goodwill requires the Company 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(6) for further description of investment accounted for using equity method.

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The Company's accounting policies and disclosures include measuring financial and non-financial assets and liabilities at fair value through profit or loss, wherein the Company has established an internal control system for fair value measurement to regularly review material unobservable inputs and adjustments. If external third-party information (such as a broker or pricing service) is used to measure the fair value, the evidence provided by the third party will be evaluated to determine whether the assessment and the fair value rating classification are in accordance with IFRSs.

The Company 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).

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 Company recognizes the transfer on the reporting date. For the assumption used in fair value measurement, please refer to note 6(20) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 50	100
Demand deposits	7,568,823	6,416,892
Time deposits	24,682,800	33,107,824
Repurchase agreement	-	581,280
	<u>\$ 32,251,673</u>	<u>40,106,096</u>

Please refer to note 6(20) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

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

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss – non-current:		
Privately offered funds	\$ 177,479	195,163
Overseas securities held	1,449,414	2,879,639
	<u>\$ 1,626,893</u>	<u>3,074,802</u>

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	December 31, 2022	December 31, 2021
Financial asset or liability held for trading:		
Swap exchange contracts	\$ -	195,715
Financial liabilities designated as at fair value through profit or loss – non-current:		
Embedded derivatives of convertible bonds	\$ 466,831	178,637

Please refer to note 6(19) for the amount of remeasurements at fair value through profit or loss.

For the years ended December 31, 2022 and 2021, the dividends of \$66,698 thousand and \$46,934 thousand, respectively, were received from investments in financial assets mandatorily measured at fair value through profit or loss.

The Company uses derivative instruments to hedge certain currency risk arising from the Company's operating activities. The Company did not engage in the above-mentioned derivative financial instruments as of December 31, 2022. The Company 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:

	December 31, 2021		
	Contract amount (in thousands)	Currency	Maturity date
Forward exchange contracts purchased	JPY 14,000,000	JPY to NTD	January 28, 2022 May 26, 2022

Please refer to 6(19) for the amount of remeasurements at a fair value through profit or loss.

For the years ended December 31, 2022 and 2021, the gain (loss) of the realized financial assets and liabilities from the transactions of forward exchange contracts and swap exchange contracts amounted \$(217,735) thousand and \$(297,152) thousand, respectively.

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

	December 31, 2022	December 31, 2021
Equity investment in domestic entities	\$ 153,850	185,073

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

The Company did not dispose of strategic investments in 2022 and 2021 and the accumulative profits and losses during this period were not transferred in equity.

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For the year ended December 31, 2022 and 2021, the dividend income of \$12,627 thousand and \$8,064 thousand, respectively, related to equity investments at fair value through other comprehensive income was recognized.

For market risk, please refer to note 6(21).

The financial assets mentioned above were not pledged as collateral.

(4) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable	\$ 2,871,021	2,574,251	2,347,692
Less: allowance for doubtful accounts	<u>(6,768)</u>	<u>(6,768)</u>	<u>(6,768)</u>
	<u>\$ 2,864,253</u>	<u>2,567,483</u>	<u>2,340,924</u>

The Company 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 notes and accounts receivable (including related parties) was determined as follows:

	December 31, 2022		
	Gross amount of notes and accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ 6,261,052	0%	-
1 to 30 days past due	119,979	0%	-
31 to 60 days past due	1,261	0%	-
61 to 90 days past due	-	0%	-
91 to 120 days past due	-	0%	-
121 to 150 days past due	-	0%	-
151 to 180 days past due	-	0%	-
More than 181 days past due	<u>6,768</u>	100%	<u>6,768</u>
Total	<u>\$ 6,389,060</u>		<u>6,768</u>

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	December 31, 2021		
	Gross amount of notes and accounts receivable	Weighted-average loss rate	Credit loss allowance
Current	\$ 5,749,263	0%	-
1 to 30 days past due	80,480	0%	-
31 to 60 days past due	3,460	0%	-
61 to 90 days past due	-	0%	-
91 to 120 days past due	-	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
Total	\$ 5,839,971		6,768

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

	2022	2021
Balance on December 31 (Balance on January 1)	\$ 6,768	6,768

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

(5) Inventories

	December 31, 2022	December 31, 2021
Merchandise and finished goods	\$ 532,209	508,292
Work in progress	559,344	446,738
Raw materials	1,502,517	1,233,250
	\$ 2,594,070	2,188,280

Components of operating costs were as follows:

	2022	2021
Cost of sales	\$ 16,151,727	14,907,355
Reversal gain of inventory valuation	(4,380)	(2,487)
Unallocated fixed manufacturing expense	114,638	92,414
	\$ 16,261,985	14,997,282

The inventories mentioned above were not pledged as collateral.

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(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, 2022	December 31, 2021
Associates	\$ 941,383	1,691,344
Subsidiaries	104,376,433	58,420,143
	\$ 105,317,816	60,111,487

A. Subsidiaries

- (a) Please refer to the 2022 consolidated financial statements for further information.
- (b) For the years ended December 31, 2022 and 2021, the cash dividends of the subsidiaries were \$5,288 thousand and \$773 thousand, respectively, which were recognized as deductions of investments accounted for using equity method.
- (c) In order to adjust the operating structure of the Group, the Company acquired the entire equity interests of GlobalWafers B.V. (GWBV) held by GlobalWafers Singapore Pte. Ltd. (GWS), at the amount of US dollars \$1,321,076, based on the resolution approved during the board meeting of the Company held on September 1, 2022. The above transaction had been completed on November 7, 2022.
- (d) GlobalWafers GmbH (GW GmbH) was originally fully owned by GWBV. Based on the resolution approved during the board meeting of the Company held on March 15, 2022, the Company obtained the 99.95% equity of GW GmbH by directly increasing the capital of GW GmbH. In addition, the Company acquired the 0.05% equity of GW GmbH from GWBV on September 30, 2022. All related registration procedures and full payment concerning the above transaction had been completed and made, respectively, as of the reporting date.

B. Associates

The associates of the Company accounted for using the equity method were individually insignificant, and their summarized financial information included in the parent-company-only financial statements of the Company was as follows:

	December 31, 2022	December 31, 2021
The carrying amount of investments in the individually insignificant associates	\$ 941,383	1,691,344

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	2022	2021
Amount of individually insignificant associates' interests attributable to the Company:		
Net income	\$ 60,359	68,396
Other comprehensive income (loss)	(748,791)	453,930
Total	\$ (688,432)	522,326

For the years ended December 31, 2022 and 2021, the cash dividends of the invested companies were \$61,529 thousand and \$33,158 thousand, respectively, which were recognized as deductions of investments accounted for using the equity method.

C. Collateral

The investments accounted for using equity method mentioned above were not pledged as collateral as of December 31, 2022 and 2021.

(7) Property, plant and equipment

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

	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:					
Balance at January 1, 2022	\$ 2,282,060	5,692,069	985,547	1,954,222	10,913,898
Additions	10,574	48,986	147,758	1,378,893	1,586,211
Disposals	(5,963)	(1,060,531)	(24,490)	-	(1,090,984)
Reclassification	-	2,388,478	17,603	(2,581,310)	(175,229)
Transfer and others	-	-	-	(1,012)	(1,012)
Balance at December 31, 2022	\$ 2,286,671	7,069,002	1,126,418	750,793	11,232,884
Balance at January 1, 2021	\$ 2,472,692	20,889,491	1,225,921	97,177	24,685,281
Additions	3,081	14,613	83,199	1,940,096	2,040,989
Disposals	(197,361)	(15,324,484)	(328,815)	-	(15,850,660)
Reclassification	3,648	112,449	5,242	(79,051)	42,288
Transfer and others	-	-	-	(4,000)	(4,000)
Balance at December 31, 2021	\$ 2,282,060	5,692,069	985,547	1,954,222	10,913,898
Depreciation:					
Balance at January 1, 2022	\$ 1,143,102	3,709,812	427,101	-	5,280,015
Depreciation for the year	94,013	773,214	74,196	-	941,423
Disposals	(4,570)	(1,060,531)	(24,490)	-	(1,089,591)
Balance at December 31, 2022	\$ 1,232,545	3,422,495	476,807	-	5,131,847
Balance at January 1, 2021	\$ 1,246,287	18,386,787	681,938	-	20,315,012
Depreciation for the year	94,176	647,509	73,881	-	815,566
Disposals	(197,361)	(15,324,484)	(328,718)	-	(15,850,563)
Balance at December 31, 2021	\$ 1,143,102	3,709,812	427,101	-	5,280,015

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	<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, 2022	\$ <u>1,054,126</u>	<u>3,646,507</u>	<u>649,611</u>	<u>750,793</u>	<u>6,101,037</u>
Balance at January 1, 2021	\$ <u>1,226,405</u>	<u>2,502,704</u>	<u>543,983</u>	<u>97,177</u>	<u>4,370,269</u>
Balance at December 31, 2021	\$ <u>1,138,958</u>	<u>1,982,257</u>	<u>558,446</u>	<u>1,954,222</u>	<u>5,633,883</u>

B. Collateral

The property, plant and equipment above were not pledged as collateral for long-term borrowings and credit lines.

(8) Right-of-use assets

The Company leases many assets including land and other equipment. The carrying amounts of right-of-use assets were presented below:

	<u>Land</u>	<u>Other equipment</u>	<u>Total</u>
Cost of right-of-use assets			
Balance at January 1, 2022	\$ 568,544	45,028	613,572
Additions	<u>1,881</u>	<u>-</u>	<u>1,881</u>
Balance at December 31, 2022	<u>\$ 570,425</u>	<u>45,028</u>	<u>615,453</u>
Balance at January 1, 2021	\$ 513,295	21,382	534,677
Additions	55,249	24,584	79,833
Disposals and transfer	<u>-</u>	<u>(938)</u>	<u>(938)</u>
Balance at December 31, 2021	<u>\$ 568,544</u>	<u>45,028</u>	<u>613,572</u>
Depreciation and impairments loss of right-of-use assets:			
Balance at January 1, 2022	\$ 93,513	25,937	119,450
Depreciation	<u>34,598</u>	<u>11,447</u>	<u>46,045</u>
Balance at December 31, 2022	<u>\$ 128,111</u>	<u>37,384</u>	<u>165,495</u>
Balance at January 1, 2021	\$ 59,050	16,271	75,321
Depreciation	34,463	10,604	45,067
Disposals and transfer	<u>-</u>	<u>(938)</u>	<u>(938)</u>
Balance at December 31, 2021	<u>\$ 93,513</u>	<u>25,937</u>	<u>119,450</u>
Carrying amounts:			
Balance at December 31, 2022	<u>\$ 442,314</u>	<u>7,644</u>	<u>449,958</u>
Balance at January 1, 2021	<u>\$ 454,245</u>	<u>5,111</u>	<u>459,356</u>
Balance at December 31, 2021	<u>\$ 475,031</u>	<u>19,091</u>	<u>494,122</u>

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(9) Intangible assets

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

	<u>Patents and trademarks</u>	<u>Computer software</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 1,631,850	4,937	1,636,787
Additions	-	1,549	1,549
Balance at December 31, 2022	<u>\$ 1,631,850</u>	<u>6,486</u>	<u>1,638,336</u>
Balance at January 1, 2021	\$ 1,631,850	120	1,631,970
Additions	-	4,292	4,292
Reclassification	-	525	525
Balance at December 31, 2021	<u>\$ 1,631,850</u>	<u>4,937</u>	<u>1,636,787</u>
Amortization:			
Balance at January 1, 2022	\$ 1,451,788	917	1,452,705
Amortization for the year	180,062	2,141	182,203
Balance at December 31, 2022	<u>\$ 1,631,850</u>	<u>3,058</u>	<u>1,634,908</u>
Balance at of January 1, 2021	\$ 1,271,725	17	1,271,742
Amortization for the year	180,063	900	180,963
Balance at December 31, 2021	<u>\$ 1,451,788</u>	<u>917</u>	<u>1,452,705</u>
Carrying amounts:			
Balance at December 31, 2022	<u>\$ -</u>	<u>3,428</u>	<u>3,428</u>
Balance at January 1, 2021	<u>\$ 360,125</u>	<u>103</u>	<u>360,228</u>
Balance at December 31, 2021	<u>\$ 180,062</u>	<u>4,020</u>	<u>184,082</u>

The intangible assets mentioned above were not pledged as collateral.

(10) Bonds payable

The details of bonds payable were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured ordinary bonds	\$ 18,986,110	18,980,771
Unsecured convertible bonds	23,793,835	26,143,969
Total	<u>\$ 42,779,945</u>	<u>45,124,740</u>

GlobalWafers Co., Ltd.

Notes to the Financial Statements

- A. On April 21, 2021, the Company'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 Company 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.
- B. On April 21, 2021, the Company'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 Company 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.
- C. On April 21, 2021, the Company'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 Company 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:

	December 31, 2022	December 31, 2021
Total convertible bonds issued	\$ 24,787,249	27,565,891
Unamortized discounted convertible bonds payable	(993,414)	(1,421,922)
Cumulative converted amount	-	-
Convertible bonds balance at year-end	\$ 23,793,835	26,143,969
Embedded derivative – call and put options, included in financial liabilities at fair value through profit or loss	\$ 466,831	178,637
Proceeds from issuance (less transaction cost amounted to \$77,517 thousand)	\$ 25,020,953	27,834,483
Equity components (less transaction cost allocated to equity component of \$4,744 thousand)	(1,531,760)	(1,703,470)
Embedded derivatives instruments – put/ call options (transaction cost allocated \$473 thousand)	(152,629)	(169,791)
Liability components at the issuance date (less transaction cost allocated to liability component of \$72,300 thousand)	23,336,564	25,961,222
Interest expense at an effective interest rate of 1.2%	457,271	182,747
Liability components at December 31, 2022	\$ 23,793,835	26,143,969

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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\$1,040.20. 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 distribution of cash dividends by the Company, the conversion price of the bonds have been adjusted from NT\$1,040.20 to NT\$1,028.46, NT\$1,028.46 to NT\$1,018.54, and NT\$1,018.54 to NT\$1,003.09 on July 22, 2021, January 13, 2022, and July 19, 2022, respectively, the day after the ex-dividend base date, in accordance with the aforementioned provisions.

As of December 31, 2022, the adjustment to the conversion price of the bonds had been executed three times.

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%.

The Company redeemed the first unsecured overseas convertible bonds of US\$100,800 thousand in 2022, resulting in the invalid conversion right of US\$171,710 thousand to be reclassified from capital surplus – share options to capital surplus – others. As of December 31, 2022, the balance of the Company's first unsecured overseas convertible bonds amounted to US\$899,200 thousand.

(11) Lease liabilities

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

	December 31, 2022	December 31, 2021
Current	<u>\$ 39,070</u>	<u>43,910</u>
Non-current	<u>\$ 420,158</u>	<u>457,473</u>

For the maturity analysis, please refer to note 6(20) "Financial instruments" .

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The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2022	2021
Interest on lease liabilities	\$ 5,566	5,908
Expenses relating to short-term leases	\$ 7,423	5,667
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ -	-

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

	For the years ended December 31,	
	2022	2021
Total cash outflow for leases	\$ 57,025	54,281

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.

(12) 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, 2022	December 31, 2021
Total present value of obligations	\$ (884,785)	(914,940)
Fair value of plan assets	392,333	360,575
Recognized liabilities for defined benefit obligations	\$ (492,452)	(554,365)

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 Company 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 Company's Bank of Taiwan labor pension reserve account balance amounted to \$392,333 thousand, as of December 31, 2022. 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.

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Notes to the Financial Statements

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

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

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ 914,940	933,655
Current service costs and interest cost	9,778	9,500
Re-measurements for defined benefit obligations		
—Actuarial gains and losses arising from experience adjustments	27,785	(17,650)
—Actuarial gains and losses resulting from changes in demographic assumptions	-	24,424
—Actuarial gains and losses resulting from changes in financial assumptions	(42,287)	(11,543)
Benefits paid	<u>(25,431)</u>	<u>(23,446)</u>
Defined benefit obligation at December 31	<u>\$ 884,785</u>	<u>914,940</u>

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

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

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 360,575	228,887
Interest revenue	2,302	1,236
Re-measurements for defined benefit obligations		
—Return on plan asset (excluding interest revenue)	28,155	3,473
Contributions made	26,681	150,425
Benefits paid	<u>(25,380)</u>	<u>(23,446)</u>
Fair value of plan assets at December 31	<u>\$ 392,333</u>	<u>360,575</u>

(d) Expenses recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 4,060	4,832
Net interest of net liabilities for defined benefit obligations	<u>3,416</u>	<u>3,432</u>
	<u>\$ 7,476</u>	<u>8,264</u>

GlobalWafers Co., Ltd.

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	2022	2021
Operating cost	\$ 5,947	6,365
Selling expenses	184	201
Administration expenses	257	278
Research and development expenses	1,088	1,420
	\$ 7,476	8,264

(e) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount rate	1.375%	0.625%
Future salary increase rate	2.500%~3.250%	2.000%~3.000%

The estimated amount of contribution to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$16,817 thousand.

The weighted-average durations of the defined benefit obligation are 9.00 years to 9.8 years.

(f) Sensitivity analysis

When the actuarial assumptions had changed 0.25% as of the December 31, 2022 and 2021, 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, 2022		
Discount rate	\$ (21,167)	21,915
Future salary increase rate	\$ 21,148	(20,537)
December 31, 2021		
Discount rate	\$ (22,993)	23,852
Future salary increase rate	\$ 22,907	(22,205)

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 2022 and 2021.

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B. Defined contribution plans

The Company contributes at the rate of 6% of each employee's monthly wages 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 Company's contribution to the Bureau of Labor Insurance requires no additional legal or constructive obligations thereafter.

The Company's pension costs incurred from contributions to the defined contribution plan were \$70,896 thousand and \$64,653 thousand for the years of 2022 and 2021, respectively. Such contributions were made to the Bureau of the Labor Insurance.

(13) Income tax

A. Income tax expense

The components of income tax expenses in 2022 and 2021 were as follows:

	2022	2021
Current tax expense	\$ 3,085,816	1,323,718
Deferred tax expense	(990,923)	1,003,611
	\$ 2,094,893	2,327,329

The amounts of income tax (benefit) recognized in other comprehensive income in 2022 and 2021 were as follows:

	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit obligations	\$ 11,797	34,695
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ 39,084	(1,219,237)

Reconciliations of income tax and income before income tax for 2022 and 2021 were as follows:

	2022	2021
Income before income tax	\$ 17,462,279	14,197,366
Income tax using the Company's domestic tax rate	3,492,456	2,839,473
Tax effect of permanent differences	(329,274)	296,545
Investment tax credits	(145,255)	(108,956)
Changes in unrecognized temporary differences	(959,917)	(615,137)
Overestimate and underestimate in prior periods and others	36,883	(142,583)
Additional tax on undistributed earnings	-	57,987
	\$ 2,094,893	2,327,329

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Notes to the Financial Statements

B. Deferred tax assets and liabilities

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

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ (3,963,207)	(2,151,112)

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2022 and 2021. 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.

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

	December 31, 2022	December 31, 2021
Tax effect of deductible temporary differences	\$ 852,178	548,267

Deferred tax assets that have not been recognized were derived from investment loss of an overseas. It is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

- (c) Recognized deferred tax assets and liabilities

	January 1, 2021	Acquired from business combination	Recognized in profit or loss	Recognized in other comprehensiv e income	December 31, 2021	Recognized in profit or loss	Recognized in other comprehensiv e income	December 31, 2022
Deferred tax assets:								
Allowance for inventory valuation	\$ 52,521	-	(42,619)	-	9,902	(876)	-	9,026
Equity-method investments	12,556	-	(2,547)	-	10,009	-	-	10,009
Unrealized gains from associates	102,464	-	67,548	-	170,012	64,961	-	234,973
Others	219,462	-	(93,895)	(1,648)	123,919	281,846	28,289	434,054
	\$ 387,003	-	(71,513)	(1,648)	313,842	345,931	28,289	688,062
Deferred tax liabilities:								
Equity-method investments	\$ (3,075,516)	-	(927,212)	1,186,190	(2,816,538)	646,117	(79,170)	(2,249,591)
Others	7,794	-	(4,886)	-	2,908	(1,125)	-	1,783
	\$ (3,067,722)	-	(932,098)	1,186,190	(2,813,630)	644,992	(79,170)	(2,247,808)

C. Assessment of tax filings

As of December 31, 2022, income tax returns of the Company for the years through 2020 were assessed by the tax authority.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

(14) Capital and other equity

A. Ordinary shares

As of December 31, 2022 and 2021, 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. Based on the resolution approved during the board meeting of the Company held on November 1, 2022, the treasury stocks amounting to \$20,130 thousand had been cancelled on November 2, 2022. The Company's issued and outstanding ordinary shares amounted to \$4,352,370 thousand and \$4,372,500 thousand as of December 31, 2022 and 2021, respectively.

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, 2022	December 31, 2021
Additional paid-in capital	\$ 22,206,259	23,406,252
Employee stock options	60,727	60,727
Equity component of convertible bonds	1,531,760	1,703,470
Difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	3,940	3,940
Additional paid-in capital resulting from assets donated	6	-
Others	16,696	-
	<u>\$ 23,819,388</u>	<u>25,174,389</u>

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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.

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 resolutions approved during the board meetings held on December 6 and May 3, 2022, the cash dividends of \$537,518 thousand and \$557,277 thousand, at \$1.235 per share and \$1.2804, respectively, had been distributed out of capital surplus. Related information is available at the Market Observation Post System.

C. Retained earnings

According to the Company's Articles of Incorporation. 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;

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Notes to the Financial Statements

- (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.

- (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 \$6,135,557 thousand and \$1,734,138 thousand as of December 31, 2022 and 2021, respectively.

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Notes to the Financial Statements

(c) Earnings distribution

The distributions of cash dividends for the first half of 2022, the second half of 2021, the first half of 2021 and the second half of 2020, were approved by the Board of Directors on December 6, 2022, May 3, 2022, December 7, 2021, and May 4, 2021, respectively, as follows:

	The first half of 2022	2021	The first half of 2021	2020
Dividends distributed to ordinary shareholders:				
Cash	<u>\$ 2,291,523</u>	<u>6,406,515</u>	<u>3,481,896</u>	<u>7,834,266</u>

The cash dividends per share for the first half of 2022 was \$5.265. In addition, the cash dividend per share for the years of 2021 and 2020 were \$14.7196 and \$18, respectively, among which \$8 had been distributed in each first half of 2021 and 2020. The above-mentioned information is available on the Market Observation Post System website.

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. Based on the resolution approved during the board meeting of the Company held on November 1, 2022, the treasury stocks were cancelled on November 2, 2022. As of December 31, 2022 and 2021, a total of 0 thousand share and 2,013 thousand shares, respectively, have 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	Gains (losses) from equity instruments measured at fair value through other comprehensive income	Total
January 1, 2022	\$ (7,530,148)	1,394,591	(6,135,557)
Foreign exchange differences (net of tax)	367,042	-	367,042
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(778,183)	(778,183)
December 31, 2022	<u>\$ (7,163,106)</u>	<u>616,408</u>	<u>(6,546,698)</u>

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	Exchange differences on translation of foreign financial statements	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	-	537,528	537,528
December 31, 2021	\$ (7,530,148)	1,394,591	(6,135,557)

(15) Share-based payment

The Company signed a cash-settled share-based payment contract with certain employees in 2022, with the vesting period of 4 years, wherein the employees must fulfill their required service condition, in which each vesting date (from March 31, 2023 to 2026) the employees shall be still employed by the Company. 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.

The Company signed a cash-settled share-based payment contract with certain employees in 2018, with the vesting period of 4 years, wherein the employees must fulfill their required service condition, in which each vesting date (February 28, 2019 to 2022) the employees shall be still employed by the Company. 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, 2022 and 2021, the stock prices of the Company were \$427.5 and \$888.0, respectively. For the years 2022 and 2021, the amount of \$53,574 thousand and \$91,242 thousand, respectively, were recognized by the Company as compensation costs.

(16) Earnings per share (“EPS”)

A. Basic earnings per share

	2022	2021
Net income attributable to the shareholders of the Company	\$ 15,367,386	11,870,037
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	435,237	435,237
Basic earnings per share (dollars)	\$ 35.31	27.27

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B. Diluted earnings per share

	2022	2021
Net income attributable to the shareholders of the Company	15,367,386	11,870,037
Interest expense on convertible bonds, net of tax	549,171	152,897
Net income attributable to the shareholders of the Company (diluted)	\$ 15,916,557	12,022,934
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	435,237	435,237
Effect of conversion of convertible bonds (in thousands of shares)	26,594	27,065
Effect of the employee remuneration issued by stock (in thousands of shares)	1,410	626
	463,241	462,928
Diluted earnings per share (dollars)	\$ 34.36	25.97

(17) Revenue from contracts with customers

A. Disaggregation of revenues

	2022	2021
Primary geographical markets:		
Taiwan	\$ 11,882,327	10,245,458
Asia – others	13,672,730	10,847,157
America	2,038,959	1,926,361
Northeast Asia (Japan & Korea)	1,844,476	1,684,996
Europe	747,830	790,836
Other areas	106,090	77,486
	\$ 30,292,412	25,572,294
Major product categories:		
Semiconductor wafers	\$ 26,021,594	22,223,076
Semiconductor ingot	2,479,440	1,772,536
Others	1,791,378	1,576,682
	\$ 30,292,412	25,572,294

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B. Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities	<u>\$ 9,283,703</u>	<u>5,503,842</u>	<u>1,019,398</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, 2022 and 2021, which was included in the contract liability balance at the beginning of the period, was \$635,877 thousand and \$560,553 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.

(18) 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, or two thirds of the members are present during the meeting; thereafter, to be reported during the shareholders' meeting.

For the years ended December 31, 2022 and 2021, the Company accrued and recognized its employee remuneration amounting to \$543,508 thousand and \$440,456 thousand and directors' remuneration amounting to \$54,360 thousand and \$45,000 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 share 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 2022 and 2021 parent-company-only financial statements were not significantly different from those approved in the Board of Directors meetings.

GlobalWafers Co., Ltd.
Notes to the Financial Statements

(19) Non-Operating income and expenses

A. Interest income

	<u>2022</u>	<u>2021</u>
Interest income		
Interest from bank deposits	\$ 575,515	89,601
Other interest income	322	6,214
	<u>\$ 575,837</u>	<u>95,815</u>

B. Other gains and losses

	<u>2022</u>	<u>2021</u>
Foreign exchange gains, net	\$ 3,800,494	472,972
Gains on disposal of property, plant and equipment	3,640	189
Realized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	(1,863,808)	(483,602)
Dividend income	79,325	54,998
Reversal of termination fees (losses)	1,566,000	(1,566,000)
Others	370,105	97,151
	<u>\$ 3,955,756</u>	<u>(1,424,292)</u>

C. Finance costs

	<u>2022</u>	<u>2021</u>
Interest expense – borrowings	\$ (6,141)	(38,519)
Interest expense – financing from related parties	(89,065)	(118,586)
Interest expense – bonds	(418,205)	(236,215)
Interest expense – lease liabilities	(5,566)	(5,908)
	<u>\$ (518,977)</u>	<u>(399,228)</u>

(20) Financial instruments

A. Credit risk

(a) Credit risk exposure

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

GlobalWafers Co., Ltd.

Notes to the Financial Statements

(b) Concentration of credit risk

The main customers of the Company are from the silicon wafer and related industries. The Company generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of December 31, 2022 and 2021, 73% and 72%, respectively, of the Company's accounts receivable (including related parties) were from the top 10 customers. Although there is a potential for concentration of credit risk, the Company routinely assesses the collectability of the accounts receivable and makes a corresponding allowance for doubtful accounts.

(c) Credit 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, 2022							
Notes and accounts payable (including related parties)	\$ 42,413,452	(42,413,452)	(42,413,452)	-	-	-	-
Accrued payroll and bonus	1,523,994	(1,523,994)	(351,555)	(1,172,439)	-	-	-
Accrued remuneration of directors (other current liabilities)	64,710	(64,710)	(10,350)	(54,360)	-	-	-
Lease liabilities	459,228	(494,053)	(24,803)	(19,358)	(38,704)	(115,103)	(296,085)
Ordinary bonds	18,986,110	(19,361,800)	(40,300)	(67,900)	(7,208,200)	(12,045,400)	-
Convertible bonds	23,793,835	(24,787,249)	-	-	-	(24,787,249)	-
Dividend payable	2,829,041	(2,829,041)	(2,829,041)	-	-	-	-
	<u>\$ 90,070,370</u>	<u>(91,474,299)</u>	<u>(45,669,501)</u>	<u>(1,314,057)</u>	<u>(7,246,904)</u>	<u>(36,947,752)</u>	<u>(296,085)</u>

GlobalWafers Co., Ltd.

Notes to the Financial Statements

	<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							
Notes and accounts payable (including related parties)	\$ 16,040,419	(16,191,833)	(4,491,050)	(99,211)	(6,873,796)	(4,727,776)	-
Accrued payroll and bonus	1,333,407	(1,333,407)	(418,806)	(914,601)	-	-	-
Accrued remuneration of directors (other current liabilities)	45,000	(45,000)	-	(45,000)	-	-	-
Lease liabilities	501,383	(541,622)	(24,728)	(24,728)	(44,010)	(115,310)	(332,846)
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)	-
Dividend payable	3,481,896	(3,481,896)	(3,481,896)	-	-	-	-
Other accrued expense (other current liabilities)	1,566,000	(1,566,000)	(1,566,000)	-	-	-	-
Derivative financial instruments:							
Forward exchange contracts:							
Outflows	195,715	(3,548,900)	(3,548,900)	-	-	-	-
Inflows	-	3,353,185	3,353,185	-	-	-	-
	<u>\$ 68,288,560</u>	<u>(70,391,364)</u>	<u>(10,218,495)</u>	<u>(1,151,440)</u>	<u>(7,026,006)</u>	<u>(51,662,577)</u>	<u>(332,846)</u>

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

	December 31, 2022		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 1,088,492	30.71	33,427,589
JPY	3,602,756	0.2324	837,280
EUR	5,095	32.72	166,708
CNY	28,959	4.408	127,651

GlobalWafers Co., Ltd.

Notes to the Financial Statements

December 31, 2022			
	Foreign currency	Exchange rate	NTD
<u>Investments accounted for using equity method</u>			
USD	3,071,404	30.71	92,846,741
JPY	75,826,144	0.2324	17,617,922
EUR	(194,128)	32.72	(6,542,874)
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	1,275,834	30.71	39,180,862
JPY	9,079,580	0.2324	2,110,094
EUR	5,523	32.72	180,713
CNY	44,809	4.408	197,518
December 31, 2021			
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 1,304,072	27.68	36,096,713
JPY	2,089,422	0.2405	502,506
CNY	668,265	4.344	2,902,943
<u>Investments accounted for using equity method</u>			
USD	1,489,137	27.68	41,219,311
JPY	68,341,231	0.2405	16,436,066
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	378,561	27.68	10,478,576
JPY	20,147,663	0.2405	4,845,513
CNY	65,349	4.344	283,874
<u>Non-Monetary Items</u>			
JPY	14,000,000	0.2405	Note

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

GlobalWafers Co., Ltd.

Notes to the Financial Statements

(b) Sensitivity analysis

The Company'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, JPY and CNY as of December 31, 2022 and 2021, would have increased or decreased the net income before income tax by \$(71,100) thousand and \$238,942 thousand, respectively. The analysis is based on foreign currency exchange rate variances that the Company 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

The information on foreign exchange gains (losses) on monetary items is disclosed by an aggregate amount. Foreign exchange gains (losses) (including these realized and unrealized portions) by the Company's monetary items, were as follows:

	For the years ended December 31,			
	2022		2021	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	\$ 3,658,011	29.849	(298,041)	27.998
JPY	90,791	0.2272	883,290	0.2550
EUR	6,306	31.351	(120,960)	33.114
CNY	45,402	4.422	8,665	4.340
SGD	(16)	21.641	18	20.836

D. Interest rate analysis

Please refer to the notes on liquidity risk management for interest rate exposure of the Company'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 Company's net income before income tax would have increased or decreased by \$18,922 thousand and \$16,042 thousand, for the years ended December 31, 2022 and 2021, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's bank deposits and borrowings with variable rates.

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Notes to the Financial Statements

E. Other price risk

For the years ended December 31, 2022 and 2021, 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:

<u>Prices of securities at the reporting date</u>	For the years ended December 31,			
	2022		2021	
	Other comprehensive income before tax	Net income before income tax	Other comprehensive income before tax	Net income before income tax
Increasing 5%	\$ 7,693	72,471	9,254	143,982
Decreasing 5%	(7,693)	(72,471)	(9,254)	(143,982)

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 Company'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, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Overseas securities held	\$ 1,449,414	1,449,414	-	-	1,449,414
Privately offered funds	177,479	-	-	177,479	177,479
\$ 1,626,893	1,449,414	-	177,479	1,626,893	
Financial assets at fair value through other comprehensive income					
Stock listed on domestic market	\$ 153,850	153,850	-	-	153,850
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 32,251,673	-	-	-	-
Notes and accounts receivable (including related parties)	6,585,638	-	-	-	-
Other financial assets – current and non-current	3,081,325	-	-	-	-
\$ 41,918,636	-	-	-	-	

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	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Embedded derivatives of convertible bonds	\$ 466,831	-	466,831	-	466,831
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	\$ 42,413,452	-	-	-	-
Accrued remuneration of directors (other current liabilities)	64,710	-	-	-	-
Dividend payable	2,829,041	-	-	-	-
Ordinary bonds	18,986,110	-	-	-	-
Convertible bonds	23,793,835	-	-	-	-
Lease liabilities – current and non-current	459,228	-	-	-	-
	\$ 88,546,376	-	-	-	-
	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Overseas securities held	\$ 2,879,639	2,879,639	-	-	2,879,639
Privately offered fund	195,163	-	-	195,163	195,163
	\$ 3,074,802	2,879,639	-	195,163	3,074,802
Financial assets at fair value through other comprehensive income					
Stock listed on domestic market	\$ 185,073	185,073	-	-	185,073
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 40,106,096	-	-	-	-
Notes and accounts receivable (including related parties)	5,964,590	-	-	-	-
Other financial assets – current and non-current	4,149,426	-	-	-	-
	\$ 50,220,112	-	-	-	-

GlobalWafers Co., Ltd.

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	December 31, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Forward exchange contract	\$ 195,715	-	195,715	-	195,715
Embedded derivatives of convertible bonds	<u>178,637</u>	<u>-</u>	<u>178,637</u>	<u>-</u>	<u>178,637</u>
	<u>\$ 374,352</u>	<u>-</u>	<u>374,352</u>	<u>-</u>	<u>374,352</u>
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	16,040,419	-	-	-	-
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	501,383	-	-	-	-
Other accrued expense (other current liabilities)	<u>1,566,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 63,277,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Valuation techniques for financial instruments not measured at fair value

The methods and assumptions used by the Company to estimate its financial assets not measured at fair value are as follows:

i. Financial assets measured at amortized cost

If the quoted prices in active markets are available, the fair value will be based on the market price. Otherwise, the estimated valuation or prices used by competitors are adopted.

ii. Financial assets and financial liabilities measured at amortized cost

If there is a quoted price deriving from a transaction, the recent transaction price and quoted price data will be used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

(c) 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.

(d) Transfer between Level 1 and Level 2: None.

(e) Reconciliation of Level 3 fair value

	Financial assets measured at fair value through profit or loss
January 1, 2022	\$ 195,163
Addition in investment	20,651
Return of investment	(8,572)
Recognized in profit or loss	<u>(29,763)</u>
December 31, 2022	<u>\$ 177,479</u>
January 1, 2021	\$ 117,204
Addition in investment	27,819
Recognized in profit or loss	<u>50,140</u>
December 31, 2021	<u>\$ 195,163</u>

GlobalWafers Co., Ltd.

Notes to the Financial Statements

(f) The fair value of the Company's financial instruments that use Level 3 inputs to measure fair value was based on the price of the third party. The Company 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 Company.

(g) As of December 31, 2022 and 2021, there were no transfer at fair value level.

(21) Financial risk management

A. Overview

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

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

The following likewise discusses the Company'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 parent-company-only 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.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. The Company, 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 Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company 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.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

C. Credit risk

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

For the year ended December 31, 2022, 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 Company 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 Company'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 Company is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Company'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 Company, primarily NTD, but also include USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company 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 Company holds variable-rate assets and liabilities, which cause the exposure to interest rate risk in cash flows.

(22) 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 Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

GlobalWafers Co., Ltd.
Notes to the Financial Statements

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

	December 31, 2022	December 31, 2021
Total liabilities	\$ 106,044,339	79,533,388
Less: cash and cash equivalents	<u>(32,251,673)</u>	<u>(40,106,096)</u>
Net debt	<u>\$ 73,792,666</u>	<u>39,427,292</u>
Total equity	<u>\$ 54,324,005</u>	<u>45,631,503</u>
Debt-to-equity ratio	<u>135.84%</u>	<u>86.40%</u>

The increase in accounts payable to related parties due to restructuring resulted in the debt-to-equity ratio to increase as of December 31, 2022.

(23) 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, 2022	Cash flows	Foreign exchange movement and others	December 31, 2022
Lease liabilities	\$ 501,383	(49,602)	7,447	459,228
Bonds payable	45,124,740	(2,748,404)	403,609	42,779,945
Payables to related parties	<u>11,557,384</u>	<u>(10,021,884)</u>	<u>-</u>	<u>1,535,500</u>
Total liabilities from financing activities	<u>\$ 57,183,507</u>	<u>(12,819,890)</u>	<u>411,056</u>	<u>44,774,673</u>

	January 1, 2021	Cash flows	Foreign exchange movement and others	December 31, 2021
Short-term borrowings	\$ 9,871,000	(9,871,000)	-	-
Lease liabilities	464,257	(48,614)	85,740	501,383
Bonds payable	-	46,812,845	(1,688,105)	45,124,740
Payables to related parties	<u>12,376,551</u>	<u>(819,167)</u>	<u>-</u>	<u>11,557,384</u>
Total liabilities from financing activities	<u>\$ 22,711,808</u>	<u>36,074,064</u>	<u>(1,602,365)</u>	<u>57,183,507</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 Company. As of December 31, 2022, it owns 51.17% of all shares outstanding of the Company and has issued the consolidated financial statements available for public use.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

(2) Names and relationship with related parties

The followings are entities that have had transactions with the Company during the periods covered in the parent-company-only financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Sino-American Silicon Products Inc. (“SAS”)	The parent company
Sustainable Energy Solution Co., Ltd.	SAS’s subsidiary
Actron Technology Corp. (Actron Technology)	SAS’s associate accounted for using equity method
Crystalwise Technology Inc.	SAS’s associate accounted for using equity method
GlobalWafers Japan Co., Ltd. (GWJ)	The Company’s directly held subsidiary
Topsil Globalwafers A/S (Topsil A/S)	The Company’s indirectly held subsidiary
Sunrise PV Electric Power Frive Co., Ltd. (SPVE5)	The Company’s directly held subsidiary
Sunrise PV Four Co., Ltd. (SPV4)	The Company’s directly held subsidiary
GWC Capital Co., Ltd. (GWCH)	The Company’s directly held subsidiary
Kunshan Sino Silicon Technology Co., Ltd. (SST)	The Company’s indirectly held subsidiary
Kunshan SST Trading Co., Ltd. (KST)	The Company’s indirectly held subsidiary
GlobiTech Incorporated (GTI)	The Company’s indirectly held subsidiary
GlobalWafers Singapore Pte. Ltd. (GWS)	The Company’s indirectly held subsidiary
GWBV	The Company’s indirectly held subsidiary
MEMC Japan Ltd. (MEMC Japan)	The Company’s indirectly held subsidiary
MEMC Electronic Materials, SpA (MEMC SpA)	The Company’s indirectly held subsidiary
MEMC Korea Company (MEMC Korea)	The Company’s indirectly held subsidiary
MEMC LLC (MEMC LLC)	The Company’s indirectly held subsidiary
MEMC Electronic Materials, Sdn Bhd (MEMC Sdn Bhd)	The Company’s indirectly held subsidiary

(3) Key management personnel compensation

Key management personnel compensation comprised of:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 211,154	193,690
Post-employment benefits	713	706
	<u>\$ 211,867</u>	<u>194,396</u>

The Company provided a car costing \$1,500 thousand, for key management use in 2022 and 2021, respectively.

GlobalWafers Co., Ltd.
Notes to the Financial Statements

(4) Significant transactions with related parties

A. Sales

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

	For the years ended December 31,	
	2022	2021
Parent company	\$ 102,317	15,155
Subsidiary – GWS	7,464,789	6,458,403
Other related parties	278,335	289,725
	<u>\$ 7,845,441</u>	<u>6,763,283</u>

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 2022 and 2021, while those for related parties were 30 to 90 days after month-end both in 2022 and 2021.

B. Purchases and process outsourcing

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

	For the years ended December 31,	
	2022	2021
Parent company	\$ 1,724,569	2,090,471
Subsidiary – GWJ	7,306,920	7,247,129
Subsidiary – SST	1,959,691	2,094,546
Subsidiary – GTI	2,326,510	2,128,679
Subsidiary – others	2,360,546	1,624,152
Other related parties	-	157
	<u>\$ 15,678,236</u>	<u>15,185,134</u>

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 2022 and 2021, while those of related parties were 30 days after the following month-end both in 2022 and 2021.

GlobalWafers Co., Ltd.
Notes to the Financial Statements

C. Receivables from related parties

The receivables from related parties were as follows:

<u>Items</u>	<u>Categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receivable from related parties	Parent company	\$ 6,967	2,701
Receivable from related parties	Subsidiary	1,287,142	1,183,908
Receivable from related parties	Other related parties	77,915	65,929
		<u>\$ 1,372,024</u>	<u>1,252,538</u>

D. Payables to related parties

The payables to related parties were as follows:

<u>Items</u>	<u>Categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payable to related parties	Parent company	\$ 20,637	177,872
Payable to related parties	Subsidiary – GWJ	2,179,203	1,955,393
Payable to related parties	Subsidiary – others	852,715	1,055,693
		<u>\$ 3,052,555</u>	<u>3,188,958</u>

E. Prepayments

The prepayments to the parent company were for material purchases which were paid in full. As of December 31, 2022 and 2021, the balance of prepayments, which were recognized as other current assets, amounted to \$432,419 thousand and \$1,717,408 thousand, respectively.

F. Loans to other parties

For the years ended 2022 and 2021, the loans to related parties during the period were as follows:

<u>Related parties</u>	<u>2022</u>		
	<u>Ending balance</u>	<u>Interest rate period</u>	<u>Interest Income</u>
Subsidiary	<u>\$ 80,000</u>	1%~1.5%	<u>322</u>
<u>Related parties</u>	<u>2021</u>		
	<u>Ending balance</u>	<u>Interest rate period</u>	<u>Interest Income</u>
Subsidiary	<u>\$ 10,000</u>	1%	<u>6,214</u>

As of December 31, 2022 and 2021, the interest receivable was \$253 thousand and \$16 thousand, respectively.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021, the financing loans from related parties during the period were as follows:

Related parties	2022		
	Ending balance	Interest rate period	Interest expense
Subsidiary	\$ 1,535,500	0.8%	89,065
Related parties	2021		
	Ending balance	Interest rate period	Interest expense
Subsidiary	\$ 11,557,384	0.5%~1.2%	118,586

As of December 31, 2022 and 2021, the interest payable both was \$0.

G. Guarantees and endorsements

For the years ended December 31, 2022 and 2021, the maximum amounts of guarantees and endorsements for related parties to apply for bank financing credit lines were as follows:

(amounts in thousands)

Related parties	For the years ended December 31,			
	2022		2021	
Subsidiary	NTD	1,479,800	NTD	1,479,800
Subsidiary	EUR	2,999,502	EUR	2,961,000
Subsidiary	USD	280,710	USD	-

As of December 31, 2022 and 2021, the balance of guarantees and endorsements were summarized as follows:

(amounts in thousands)

Related parties	December 31, 2022		December 31, 2021	
	Subsidiary	NTD	1,479,800	NTD
Subsidiary	EUR	378,000	EUR	2,961,000
Subsidiary	USD	127,100	USD	-

H. Payment on behalf of others

As of December 31, 2022 and 2021, receivables from related parties and payables to related parties generated from material purchases, insurance and utilities payments and manpower support recognized as receivable from related parties were \$33 thousand and \$3,106 thousand, respectively and payable to related parties were \$985 thousand and \$961 thousand, respectively.

GlobalWafers Co., Ltd.
Notes to the Financial Statements

I. 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>2022</u>	<u>2021</u>
Parent company	\$ 320	1,150
Subsidiary	4,264	3,891
Other related parties	<u>15,986</u>	<u>1,017</u>
	<u>\$ 20,570</u>	<u>6,058</u>

As of December 31, 2022 and 2021, the payables were \$0 thousand and \$181 thousand, respectively.

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

<u>Related parties</u>	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Subsidiary	<u>\$ 7,456</u>	<u>-</u>

As of December 31, 2022 and 2021, the receivable from the above transactions had been fully received.

J. Lease

The Company rented a plant from its Parent company. A two-year lease contract was signed. The total value of the contract was \$21,579 thousand, please refer to note6(12).

For the years ended December 31, 2022 and 2021, the Company recognized the amount of \$100 thousand and \$86 thousand as the interest expense, respectively. As of December 31, 2022 and 2021, the balance of lease liabilities amounted to \$5,431 thousand and \$16,221 thousand, respectively.

K. Refundable deposits

The Company signed an offshore wind power purchase contract with other related parties in response to the sustainable green energy implementation plan. As of December 31, 2022, the deposit of \$23,500 thousand had been classified under the other financial assets — non-current.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

L. Others

- (a) The Company's direct sales transaction to the related parties was viewed as the transfer of inventories so that sales revenue and related cost would be eliminated in the financial statements and would not be regarded as the Company's sales and cost.

For the years ended December 31, 2022 and 2021, the amount of selling transactions was as follows:

Related parties	For the years ended December 31,	
	2022	2021
Subsidiary	\$ 11,347,756	10,535,345

For the years ended December 31, 2022 and 2021, the service revenue generated from the Company's purchase of raw materials on behalf of subsidiaries was \$866,960 thousand and \$840,120 thousand, respectively.

In addition, the Company made an agreement with subsidiaries for charging commission income. For the years ended December 31, 2022 and 2021, the commission revenue were \$50,536 thousand and \$46,213 thousand, respectively, and recognized as service revenue.

The balance of accounts receivable generated from above transactions were as follows:

Items	Categories	December 31, 2022	December 31, 2021
Receivable from related parties	Subsidiary	\$ 2,146,015	2,016,760

- (b) The Company charged the related parties for royalty. Details of royalty income and receivable from related parties were as follows:

Categories		For the years ended December 31,	
		2022	2021
Subsidiary		\$ 760,392	650,723

Items	Categories	December 31, 2022	December 31, 2021
Receivable from related parties	Subsidiary	\$ 103,677	107,619

- (c) The Company provided other services for related parties, including service support, machinery usage, human resources and plant lease, etc. Details of related other income and receivables from related parties were as follows:

Categories		For the years ended December 31,	
		2022	2021
Parent company		\$ 10,978	6,647
Subsidiary		131,837	48,766
Other related parties		1,557	266
		\$ 144,372	55,679

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Notes to the Financial Statements

<u>Items</u>	<u>Categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receivable from related parties	Parent company	\$ 349	777
Receivable from related parties	Subsidiary	18,972	6,202
Receivable from related parties	Other related parties	62	89
		<u>\$ 19,383</u>	<u>7,068</u>

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

<u>Categories</u>	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Parent company	\$ 89,299	89,778
Subsidiary	385,193	362,803
Other related parties	3,653	1,829
	<u>\$ 478,145</u>	<u>454,410</u>

<u>Items</u>	<u>Categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables to related parties	Parent company	\$ 29,895	26,814
Payables to related parties	Subsidiary	82,941	66,979
Payables to related parties	Other related parties	1,108	183
		<u>\$ 113,944</u>	<u>93,976</u>

- (e) In order to adjust the operating structure of the Group, the Company acquired the entire equity interests of GWBV held by GWS, at the amount of US\$1,321,076 thousand, based on the resolution approved during the board meeting of the Company held on September 1, 2022. The above transaction had been completed on November 7, 2022. As of December 31, 2022, the unpaid consideration balance of \$36,513,224 thousand had been classified under accounts payable- related parties.

GlobalWafers Co., Ltd.
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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, 2022</u>	<u>December 31, 2021</u>
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	14,000	5,000
Time deposits (recognized in other financial assets – non-current)	Guarantee for the lease contract with the Hsinchu Science Industrial Park Bureau	40,723	40,687
Time deposits (recognized in other financial assets – current)	Guarantees of bank financing projects	-	138,400
		<u>\$ 56,723</u>	<u>186,087</u>

9. Commitments and contingencies:

(1) Significant unrecognized contractual commitments

- A. As of December 31, 2022 and 2021, the purchase amounts for future procurement from suppliers under the existing agreements were amounted to \$12,166,710 thousand and \$12,699,896 thousand, respectively.
- B. As of December 31, 2022 and 2021, the Company's unused letters of credit amounted to \$50,229 thousand and \$0 thousand, respectively.
- C. As of December 31, 2022 and 2021, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to \$1,381,702 thousand and \$1,939,188 thousand, respectively.
- D. As of December 31, 2022 and 2021 a guarantee letter for the Customs Administration and research and development projects issued by the bank amounted to \$92,099 thousand and \$48,000 thousand respectively.
- E. The Company 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, 2022 and 2021, a guarantee letter for the customer issued by the bank amounted to \$2,879,360 thousand and \$0 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 extension, purchase of factory's facilities and other related capital expenditure. As of December 31, 2022 and 2021, the balances of the account were \$2,967,304 thousand and \$3,944,367 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. GlobalWafers Co., Ltd. and Siltronic AG signed a business combination agreement on December 10, 2020, wherein the Company 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. According to the business combination agreement between the Company and Siltronic AG, the Company has to pay Siltronic AG a termination fee of EUR 50 million, recorded in other current liabilities on December 31, 2021, for failing to obtain the required approval from the competent authorities. The amount above had been fully paid in the first quarter of 2022.

(2) Contingent liabilities: None

10. Losses due to major disasters: None

11. Subsequent Events: None

GlobalWafers Co., Ltd.

Notes to the Financial Statements

12. Other:

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

By function By item	For the years ended December 31,					
	2022			2021		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	1,388,303	874,800	2,263,103	1,114,949	811,324	1,926,273
Labor and health insurance	117,672	38,610	156,282	109,082	36,425	145,507
Pension	58,210	20,162	78,372	53,088	19,829	72,917
Others	30,664	28,845	59,509	31,960	21,393	53,353
Remuneration of directors	-	56,860	56,860	-	47,505	47,505
Depreciation	924,403	63,065	987,468	800,044	60,589	860,633
Amortization	180,193	2,010	182,203	180,128	835	180,963

Additional information on the numbers of employees and employee benefit costs was as follows:

	For the years ended December 31,	
	2022	2021
The numbers of employees	<u>1,681</u>	<u>1,630</u>
The numbers of non-employee directors	<u>6</u>	<u>6</u>
The average of employee benefits	<u>\$ 1,527</u>	<u>1,353</u>
The average of salaries	<u>\$ 1,351</u>	<u>1,186</u>
The average of salary adjustment rate	<u>13.91%</u>	
Supervisors' remuneration	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

(1) Remuneration of directors

The director's remuneration is based on the Company's profitability for the year. The Company may allocate the remuneration to non-independent directors according to their degree of participation and contribution of the Company's operations.

The standard of above remuneration to directors (including independent directors) shall be proposed by the Remuneration Committee; thereafter, to be submitted to the Board of Directors for resolution.

(2) Remuneration to employees

According to the Company's salary policy and regulations, the remuneration is based on each employee's title, level, academic experience, professional ability, responsibilities, etc.

In accordance with the Company's Employee salary and remuneration allocation regulations, when the Company have annual profits, the employee remuneration rewards will be allocated based on the employee's level, title and performance.

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Notes to the Financial Statements

(3) Remuneration to managers

The Company evaluates its managers' remuneration with reference to the Taiwan market, the salary level of competitors in the same industry, the Company's salary policy and manager's title, level, academic experience, professional ability and responsibilities, to grant a reasonable basic salary to each manager. After presenting the results to the salary committee for discussion, the resolution will be submitted to the Board of Directors for approval.

In accordance with the Company's Employee salary and remuneration allocation regulations, when the Company has annual profits, the remuneration rewards to managers will be allocated based on their level, title and performance.

Based on the overall performance, the chairman proposes to the Remuneration Committee the allocation of rewards based on each manager's contribution to the Company's entire operation results. The manager's remuneration will be reported to the Remuneration Committee for discussion and resolution; thereafter, to be submitted to the Board of Directors for approval.

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 Company:

- 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, 2022 (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: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- 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 4.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5.
- I. Trading in derivative instruments: Please refer to notes 6(2).

(2) Information on investees: Please refer to Table 6.

GlobalWafers Co., Ltd.

Notes to the Financial Statements

(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 7(1).
- B. Limitation on investment in Mainland China: Please refer to Table 7(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	Shares	Percentage
Sino-American Silicon Products Inc.	222,727,000	51.17%

14. Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2022.

GlobalWafers Co., Ltd.

Loans to other parties

For the year ended December 31, 2022

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	SPVE5	Receivable from related parties	Yes	100,000	100,000	20,000	1.50%	2	-	Operating capital	-	-	-	21,729,602	21,729,602
0	The Company	GWH	Receivable from related parties	Yes	500,000	-	-	1.00%	2	-	Operating capital	-	-	-	21,729,602	21,729,602
0	The Company	SPV4	Receivable from related parties	Yes	100,000	100,000	60,000	1.00~1.50%	2	-	Operating capital	-	-	-	21,729,602	21,729,602
1	GWJ	MEMC Japan	Receivable from related parties	Yes	12,642,560	12,642,560	2,695,840	0.56818%	2	-	Operating capital	-	-	-	17,621,996	17,621,996
1	GWJ	The Company	Receivable from related parties	Yes	3,684,000	-	-	0.54545%	2	-	Operating capital	-	-	-	17,621,996	17,621,996
2	MEMC SpA	GWBV	Receivable from related parties	Yes	1,799,600	1,799,600	1,325,160	0.45%	2	-	Operating capital	-	-	-	10,400,974	10,400,974
2	MEMC SpA	GWS	Receivable from related parties	Yes	2,552,160	2,552,160	1,994,275	3.401%	2	-	Operating capital	-	-	-	10,400,974	10,400,974
3	GWS	GWBV	Receivable from related parties	Yes	1,090,349	1,039,411	1,039,411	1.20%	2	-	Operating capital	-	-	-	39,946,824	39,946,824
3	GWS	GW GmbH	Receivable from related parties	Yes	4,090,000	4,090,000	4,090,000	0.45%	2	-	Operating capital	-	-	-	39,946,824	39,946,824
3	GWS	The Company	Receivable from related parties	Yes	13,852,450	-	-	0.80%~1.20%	2	-	Operating capital	-	-	-	39,946,824	39,946,824
4	GTI	MEMC LLC	Receivable from related parties	Yes	196,175	-	-	1.75%	2	-	Operating capital	-	-	-	11,918,357	11,918,357
4	GTI	The Company	Receivable from related parties	Yes	1,610,750	1,535,500	1,535,500	0.80%	2	-	Operating capital	-	-	-	11,918,357	11,918,357
5	GWBV	GW GmbH	Receivable from related parties	Yes	4,580,800	4,580,800	2,781,200	0.45%	2	-	Operating capital	-	-	-	46,702,501	46,702,501

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		
6	GWH	SPV4	Receivable from related parties	Yes	50,000	-	-	1.00%	2	-	Operating capital	-	-	-	98,891	98,891

Note 1: The nature of financing purposes:

(1) Code 1 represents entities with business transaction with the Company.

(2) Code 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.

Guarantees and endorsements for other parties

For the year ended December 31, 2022

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	GW GmbH	2	162,972,015	91,777,820	8,180,000	6,544,000	-	15.06%	162,972,015	Y	N	N
0	The Company	GWH	2	162,972,015	1,300,000	1,300,000	-	-	2.39%	162,972,015	Y	N	N
0	The Company	SPV4	2	162,972,015	100,000	100,000	-	-	0.18%	162,972,015	Y	N	N
0	The Company	SPVE5	2	162,972,015	79,800	79,800	79,800	-	0.15%	162,972,015	Y	N	N
0	The Company	GWS	2	162,972,015	5,374,527	5,212,041	4,413,581	-	9.59%	162,972,015	Y	N	N
0	The Company	MEMC SpA	2	162,972,015	2,879,360	2,879,360	2,879,360	-	5.30%	162,972,015	Y	N	N
0	The Company	KST	2	162,972,015	3,345,690	-	-	-	-	162,972,015	Y	N	Y
1	GTI	MEMC LLC	2	59,591,785	483,225	460,650	107,460	-	3.87%	59,591,785	N	N	N
2	SST	KST	2	13,701,370	1,424,296	1,403,599	1,403,599	-	51.22%	13,701,370	N	N	Y

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.

Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)

December 31, 2022

Table 3

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	CDIB Capital Growth Partners L.P.	None	Financial assets mandatorily measured at fair value through profit or loss – non-current	-	177,479	3.85%	177,479	
The Company	Siltronic AG	None	Financial assets at fair value through profit or loss – non-current	650	1,449,414	2.17%	1,449,414	
GW GmbH	Siltronic AG	None	Financial assets at fair value through profit or loss – non-current	3,101	6,914,054	10.34%	6,914,054	
GWBV	Siltronic AG	None	Financial assets at fair value through profit or loss – non-current	350	782,459	1.17%	782,459	
The Company	WT Microelectronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,518	153,850	0.25%	153,850	
SST	Foreign Securities	None	Financial assets at fair value through other comprehensive income	16	5,497	0.04%	5,497	
GWH	Foreign Privately Securities	None	Financial assets mandatorily measured at fair value through profit or loss – non-current	-	8,314	1.70%	8,314	

GlobalWafers Co., Ltd.

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, 2022

Table 4

(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	1,724,569	12%	Net 30 days from the end of the next month upon issuance of invoice	-	-	(20,637)	(1)%	
The Company	GTI	Indirectly held subsidiaries	Purchase	2,282,527	3%	Net 60 days from the end of the month upon issuance of invoice	-	-	(354,187)	(3)%	
The Company	SST	Indirectly held subsidiaries	Purchase	1,897,728	3%	Net 60 days from the end of the month upon issuance of invoice	-	-	(262,131)	(3)%	
The Company	GWJ	Directly held subsidiaries	Purchase	6,770,634	10%	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(2,098,772)	(21)%	
The Company	Topsil A/S	Indirectly held subsidiaries	Purchase	1,513,934	2%	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(107,929)	(1)%	
The Company	GWS	Indirectly held subsidiaries	Purchase	786,580	1%	Net 60 days from the end of the month upon issuance of invoice	-	-	(126,698)	(1)%	
GWS	The Company	Indirectly held subsidiaries	Purchase	8,053,041	11%	Net 60 days from the end of the month upon issuance of invoice	-	-	(1,398,710)	(14)%	
MEMC Korea	The Company	Indirectly held subsidiaries	Purchase	1,628,868	2%	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(326,752)	(3)%	
MEMC SpA	The Company	Indirectly held subsidiaries	Purchase	982,793	1%	Net 60 days from the end of the month upon issuance of invoice	-	-	(175,059)	(2)%	
GTI	The Company	Indirectly held subsidiaries	Purchase	3,416,656	5%	Net 45 days from the end of the month upon issuance of invoice	-	-	(329,640)	(3)%	
SST	The Company	Indirectly held subsidiaries	Purchase	1,030,693	1%	Net 30 days from the end of the month upon issuance of invoice	-	-	(104,934)	(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	2,920,516	4%	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(945,423)	(9)%	
Topsil A/S	The Company	Indirectly held subsidiaries	Purchase	607,741	1%	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(120,337)	(1)%	
Actron Technology	The Company	Associate of the parent company	Purchase	278,335	- %	Net 60 days from the end of the next month upon issuance of invoice	-	-	(77,915)	(1)%	
MEMC Sdn Bhd	The Company	Indirectly held subsidiaries	Purchase	171,417	- %	Net 60 days from the end of the month upon issuance of invoice	-	-	(25,944)	-%	
GWS	MEMC LLC	Indirectly held subsidiaries	Purchase	1,938,861	3%	Net 60 days from the end of the month upon issuance of invoice	-	-	(406,030)	(4)%	
GWS	MEMC LLC	Indirectly held subsidiaries	Sale	(784,567)	(1)%	Net 60 days from the end of the month upon issuance of invoice	-	-	138,322	1%	
GWS	MEMC Sdn Bhd	Indirectly held subsidiaries	Purchase	1,676,868	2%	Net 60 days from the end of the month upon issuance of invoice	-	-	(275,292)	(3)%	
GWS	MEMC Sdn Bhd	Indirectly held subsidiaries	Sale	(544,534)	(1)%	Net 60 days from the end of the month upon issuance of invoice	-	-	(93,399)	1%	
GWS	MEMC SpA	Indirectly held subsidiaries	Purchase	4,230,504	6%	Net 60 days from the end of the month upon issuance of invoice	-	-	(777,063)	(8)%	
GWS	MEMC SpA	Indirectly held subsidiaries	Sale	(6,107,557)	(9)%	Net 60 days from the end of the month upon issuance of invoice	-	-	1,174,950	12%	
GWS	MEMC Korea	Indirectly held subsidiaries	Purchase	1,766,975	3%	Net 60 days from the end of the month upon issuance of invoice	-	-	(263,964)	(3)%	
GWS	MEMC Japan	Indirectly held subsidiaries	Purchase	4,153,733	6%	Net 60 days from the end of the month upon issuance of invoice	-	-	(781,264)	(8)%	
GWS	MEMC Japan	Indirectly held subsidiaries	Sale	(1,622,535)	(2)%	Net 60 days from the end of the month upon issuance of invoice	-	-	314,894	3%	

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

GlobalWafers Co., Ltd.

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

December 31, 2022

Table 5

(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	329,640	8.76	-		195,639	-
The Company	GWJ	Directly held subsidiaries	945,423	3.47	-		194,897	-
The Company	GWS	Indirectly held subsidiaries	1,398,710	6.17	-		825,182	-
The Company	MEMC Korea	Indirectly held subsidiaries	326,752	4.18	-		186,511	-
The Company	MEMC SpA	Indirectly held subsidiaries	175,059	5.94	-		107,730	-
The Company	Taisil A/S	Indirectly held subsidiaries	120,337	8.76	-		94,645	-
The Company	SST	Indirectly held subsidiaries	104,934	10.94	-		52,026	-
GTI	The Company	Indirectly held subsidiaries	354,187	6.24	-		195,483	-
SST	The Company	Indirectly held subsidiaries	262,131	5.84	-		187,502	-
GWJ	The Company	Directly held subsidiaries	2,098,772	3.54	-		610,661	-
GWS	The Company	Indirectly held subsidiaries	126,698	6.31	-		65,812	-
Topsil A/S	The Company	Indirectly held subsidiaries	107,929	10.28	-		94,470	-
GWS	MEMC Japan	Indirectly held subsidiaries	314,894	5.50	-		314,894	-
GWS	MEMC SpA	Indirectly held subsidiaries	1,174,950	6.29	-		1,174,950	-
GWS	MEMC LLC	Indirectly held subsidiaries	138,322	5.81	-		138,322	-
MEMC Sdn Bhd	GWS	Indirectly held subsidiaries	275,292	5.72	-		275,292	-
MEMC SpA	GWS	Indirectly held subsidiaries	777,063	6.06	-		468,794	-
MEMC Korea	GWS	Indirectly held subsidiaries	263,964	6.91	-		136,103	-
MEMC Japan	GWS	Indirectly held subsidiaries	781,264	5.72	-		247,870	-
MEMC LLC	GWS	Indirectly held subsidiaries	406,030	6.14	-		406,030	-
GTI	The Company	Indirectly held subsidiaries	1,535,500	- (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		
GWJ	MEMC Japan	Indirectly held subsidiaries	2,695,905	- (Note 3)	-		-	-
MEMC SpA	GWS	Indirectly held subsidiaries	1,994,275	- (Note 3)	-		-	-
MEMC SpA	GWBV	Indirectly held subsidiaries	1,325,160	- (Note 3)	-		1,325,160	-
GWS	GWBV	Indirectly held subsidiaries	1,053,797	- (Note 3)	-		-	-
GWS	GW GmbH	Indirectly held subsidiaries	4,380,669	- (Note 3)	-		12,507	-
GWBV	GW GmbH	Indirectly held subsidiaries	2,978,992	- (Note 3)	-		1,157,633	-

Note 1: The amount received in subsequent period as of February 20, 2023.

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.
Information on investees
For the year ended December 31, 2022

Table 6

(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, 2022			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of Ownership	Carrying value			
The Company	GW1	Cayman	Investment activities	-	1,427 (USD48)	-	- %	-	-	-	Subsidiary Note 6
The Company	GSI	Cayman	Investment in various businesses and triangular trade centers with subsidiaries in Mainland China	698,419 (USD24,555)	756,809 (USD26,555)	23,000	100.00%	2,759,761	424,781	438,810	Subsidiary
The Company	GWJ	Japan	Manufacturing and trading of silicon wafers	5,448,015	5,448,015	128	100.00%	17,617,922	1,654,934	1,666,402	Subsidiary
The Company	GWafers Singapore	Singapore	Investment activities	17,378,877	17,378,877	541,674	100.00%	43,384,478 Note 5	2,553,093	2,749,886	Subsidiary
The Company	GW GmbH	Gemary	Trading	1,952,235 (EUR 62,525)	-	48,025	100.00%	(6,542,874) Note 5	(7,883,865)	(4,260,889)	Subsidiary
The Company	GWBV	Netherlands	Investment activities	424,525,442 (USD 1,321,076)	-	0.1	100.00%	46,702,502	729,694	981,503	Subsidiary Note 7
The Company	HONG-WANG Investment Co., Ltd. (HONG-WANG)	Taiwan	Investment activities	309,760	309,760	30,976	30.98%	941,383	194,957	60,359	Associate
The Company	SPV4	Taiwan	Electricity activities	1,045,000	1,045,000	104,500	100.00%	1,054,274	8,608	8,608	Subsidiary
The Company	SPVE5	Taiwan	Electricity activities	278,000	278,000	27,800	100.00%	274,853	(1,466)	(1,466)	Subsidiary
The Company	GWH	Taiwan	Investment activities	250,000	250,000	25,000	100.00%	247,229	(2,811)	(2,811)	Subsidiary
GWJ	MEMC Japan	Japan	Manufacturing and trading of silicon wafers	373,413 (JPY100,000)	373,413 (JPY100,000)	750	100.00%	2,701,726	179,098	-	Notes 2 and 3
Topsil A/S	Topsil PL	Poland	Manufacturing and trading of silicon wafers	-	-	0.1	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%	45,398,137	2,524,650	-	Notes 2 and 3
GWS	GWBV	Netherlands	Investment activities	-	11,213,730 (USD362,763)	-	- %	-	(251,809)	-	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%	10,400,974	1,251,313	-	Notes 2 and 3

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of Ownership	Carrying value			
MEMC SpA	MEMC Electronic Materials France SarL (MEMC SarL)	France	Trading	1,316 (USD40)	1,316 (USD40)	0.5	100.00%	2,715	570	-	Notes 2 and 3
GWBV	MEMC Korea	Korea	Manufacturing and trading of silicon wafers	11,851,262 (USD384,605)	11,851,262 (USD384,605)	25,200	100.00%	21,814,786	3,436,634	-	Notes 2 and 3
GWBV	GTI	United States	Manufacturing and trading of epitaxial wafers	2,779,849 (USD91,262)	2,779,849 (USD91,262)	1	100.00%	13,182,440	1,174,149	-	Notes 2 and 3
GWBV	MEMC Ipoh Sdn Bhd (MEMC Ipoh)	Malaysia	Manufacturing and trading of silicon wafers	93,907 (USD1,323)	93,907 (USD1,323)	612,300	100.00%	3,783	67	-	Notes 2 and 3
GWBV	GW GmbH	Germany	Trading	-	827 (USD27)	-	- %	-	(7,883,865)	-	Notes 2 and 3
GWBV	Topsil A/S	Denmark	Manufacturing and trading of silicon wafers	1,843,604 (USD60,996)	1,843,604 (USD60,996)	1,000	100.00%	2,316,507	398,892	-	Notes 2 and 3
GTI	MEMC LLC	United States	Research and development, manufacturing and trading of silicon wafers	543,384 (USD17,839)	543,384 (USD17,839)	-	100.00%	4,592,375	488,363	-	Notes 2 and 3
SST	MEMC Sdn Bhd	Malaysia	Research and development, manufacturing and trading of silicon wafers	898,016 (USD27,315)	898,016 (USD27,315)	1,036	100.00%	1,180,016	74,786	-	Notes 2 and 3
GTI	GlobalWafers America, LLC (GWA)	United States	Manufacturing and trading of silicon wafers	31	-	1	100.00%	581,593	(28,601)	-	Notes 2, 3 and 8

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.

Note 5: Mainly about the accounting effects that the group's restructuring caused.

Note 6: The liquidation of GWI has been completed in November, 2022.

Note 7: In order to adjust the operating structure of the Group, the Company acquired all the equity interests of GWBV held by GWS, based on the resolution approved during the board meeting of the Company held on September 1, 2022. The above transaction had been completed on November 7, 2022.

Note 8: GWA was set up as a subsidiary of GTI in August 2022.

GlobalWafers Co., Ltd.

**The names of investees in Mainland China, the main businesses and products and other information
For the year ended December 31, 2022**

Table 7

(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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
SST	Processing and trading of ingots and wafers	1,429,778 (Note 5)	Note 1	713,300 (USD21,729)	-	-	713,300 (USD21,729)	425,037	100%	425,037	2,740,274	-
KST	Trading and marketing business	26,587	Note 6	-	-	-	-	10,457	100%	10,446	36,862	-

(2) Limitation on investment in Mainland China

Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	713,300(USD21,729)	1,703,173 (USD56,164) (Note 3)	32,594,403 (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 Company's net worth on December 31, 2022.

Note 5: Retained earnings transferred to capital was included.

Note 6: KST was funded by using the capital of SST, which cannot be considered as investment limit because there was no remittance from Taiwan.

GlobalWafers Co., Ltd.

Statement of cash and cash equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Descriptions</u>	<u>Amount</u>
Cash	Petty cash and cash on hand	\$ 50
Bank deposits	Demand deposits	3,134,162
	Check deposits	17
	Time deposits	24,682,800
	Foreign currency deposits (USD: 119,842,830.41 ; JPY: 2,695,550,304 ; EUR: 2,720,894.76 ; CNY: 8,801,301.37)	<u>4,434,644</u>
	Subtotal	<u>32,251,623</u>
	Total	<u>\$ 32,251,673</u>

Note: Foreign exchange rates at the balance sheet date are as follows:

USD exchange rates: 30.71

JPY exchange rates: 0.2324

EUR exchange rates: 32.72

RMB exchange rates: 4.408

GlobalWafers Co., Ltd.

Statement of accounts receivable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Name of customer</u>	<u>Amount</u>
Client K	\$ 709,309
Client J	248,250
Client M	212,120
Client L	172,467
Client N	140,668
Other (individual amount does not exceed 5% of the account balance)	<u>1,388,207</u>
subtotal	2,871,021
Less: loss allowance	<u>(6,768)</u>
	<u>\$ 2,864,253</u>

Note : 1. All accounts receivable are generated from operating activities.

2. Accounts receivable from related parties are not included in the above, please refer to note 7 for relevant information.

GlobalWafers Co., Ltd.

Statement of inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realizable value
Merchandises	\$ 370,294	370,294
Finished goods	178,667	350,948
Work in progress	570,060	713,081
Raw materials	1,136,036	1,161,416
Materials	384,142	391,195
Subtotal	2,639,199	2,986,934
Less: loss allowance	(45,129)	
Total	\$ 2,594,070	

Statement of other current assets

Item	Amount
Prepayment for purchases	\$ 744,618
Income tax refund receivable— VAT	78,045
Others (individual amount does not exceed 5% of the amount balance)	45,893
	\$ 868,556

GlobalWafers Co., Ltd.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Increase (decrease)		Investment income/loss	Cumulative translation adjustment	Remeasurement of defined benefit plans of subsidiaries	Unrealized gains (losses) from investments in equity measured at fair value through comprehensive income of associates	Other	Ending balance		% of owner-ship	Equity, net worth	Pledged as collateral
	Shares	Amount	Shares	Amount						Shares	Amount			
GWJ	-	\$ 1,824	-	(4,169)	-	2,345	-	-	-	-	-	100.00	-	None
GSI	25,000	2,258,662	-	(58,390)	438,810	118,848	-	1,831	-	25,000	2,759,761	100.00	2,759,761	None
GWJ	128	16,436,066	-	-	1,666,402	(516,210)	31,664	-	-	128	17,617,922	100.00	17,617,922	None
GWafers Singapore	541,674	38,958,826	-	-	2,749,886	(2,436,352)	-	-	4,112,118	541,674	43,384,478	100.00	43,384,478	None
GW GmbH	-	-	48,025	2,014,235	(4,260,889)	(184,102)	-	-	(4,112,118)	48,025	(6,542,874)	100.00	(6,542,874)	None
GWBV	-	-	0.1	42,525,442	981,503	3,210,893	(15,336)	-	-	0.1	46,702,502	100.00	46,702,502	None
HONG-W ANG	30,976	1,691,344	-	(61,529)	60,359	-	-	(748,791)	-	30,976	941,383	30.98	941,383	None
SPV4	104,500	1,050,119	-	(4,453)	8,608	-	-	-	-	104,500	1,054,274	100.00	1,054,274	None
SPVE5	27,800	276,319	-	-	(1,466)	-	-	-	-	27,800	274,853	100.00	274,853	None
GWH	25,000	250,404	-	(364)	(2,811)	-	-	-	-	25,000	247,229	100.00	247,229	None
		60,923,564		44,410,772	1,640,402	195,422	16,328	(746,960)	-		106,439,528		106,439,528	
Less: deferred credits – unrealized gross or loss		(812,077)		-	(309,635)	-	-	-	-		(1,121,712)		-	
Total		\$ 60,111,487		44,410,772	1,330,767	195,422	16,328	(746,960)	-		105,317,816		106,439,528	

GlobalWafers Co., Ltd.

Statement of changes in property, plant and equipment

For the year ended December 31, 2022

Please refer to note 6(7) for further information on “property, plant and equipment” .

Statement of changes in right-of-use assets

Please refer to note 6(8) for further information on “right-of-use assets” .

Statement of other non-current assets

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Deferred tax assets	\$ 688,062
Prepayment for purchases	459,256
Prepayment for equipment	186,782
	<u>\$ 1,334,100</u>

GlobalWafers Co., Ltd.

Statement of accounts payable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Vendor name	Amount
Vendor J	\$ 125,670
Vendor C	124,195
Vendor I	50,647
Vendor A	39,971
Vendor D	27,601
Others (individual account does not exceed 5% of the amount balance)	<u>829,160</u>
Total	<u>\$ 1,197,244</u>

Note 1: All accounts receivable are generated from operating activities.

Note 2: Accounts receivable from related party are not included in the above accounts, please refer to note 7 for relevant information.

Statement of other current liabilities

Item	Amount
Tax payable	\$ 2,894,068
Payables on equipment	221,784
Others (individual account does not exceed 5% of the amount balance)	<u>471,103</u>
Total	<u>\$ 3,586,955</u>

GlobalWafers Co., Ltd.

Statement of lease liabilities

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Lease period</u>	<u>Discount rate</u>	<u>Ending balance</u>	<u>Note</u>
Land	Science Park Land (Hsinchu)	January 1, 2015~December 31, 2034	1.19%	\$ 348,120	
Land	Science Park Land (Zhunan)	April 1, 2020~December 31, 2037	1.19%	53,039	
Land	Science Park Land (Hsinchu)	January 1, 2021~December 31, 2040	0.89%	50,156	
Land	Science Park Land (Hsinchu)	May 1, 2022~December 31, 2040	0.89%	222	
Other equipment	Warehouse	July 1, 2021~June 30, 2023	0.89%	5,431	
Other equipment	Telephone system	November 1, 2021~October 31, 2026	0.89%	1,989	
Other equipment	Company car	December 27, 2021~December 26, 2024	0.89%	<u>271</u>	
				459,228	
Less: lease liabilities due within one year				<u>(39,070)</u>	
				<u>\$ 420,158</u>	

Statement of other non-current liabilities

<u>Item</u>	<u>Amount</u>
Deferred tax liabilities	\$ 2,247,808
Net defined benefit liabilities	492,452
Lease liabilities — non-current	<u>420,158</u>
	<u>\$ 3,160,418</u>

GlobalWafers Co., Ltd.

Statement of operating revenue

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Sales volume</u>	<u>Amount</u>
Operating revenue		
Semiconductor wafers	18,345 thousand pieces	\$ 26,021,594
Semiconductor ingot	589,209 thousand kilograms	<u>2,479,440</u>
		<u>28,501,034</u>
Service revenue		917,497
Royalty income		760,392
Other operating revenue		<u>113,489</u>
Net operating income		<u><u>\$ 30,292,412</u></u>

GlobalWafers Co., Ltd.

Statement of operating cost

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Goods, beginning of year	\$ 382,405
Add: Goods purchased	14,447,200
Less: Write-off of selling to associates and oversea triangular trade in the period	10,405,003
Transferred from expenses	1,454
Realized gain from sales of associates	1,874,940
Goods, end of year	370,294
Cost of purchase and selling	2,177,914
Raw material used	
Raw material beginning of year	884,649
Add: Raw material purchased	7,151,191
Less: Raw materials	1,136,036
Transferred to expense and others	251,201
Sales in the period	3,531,118
Direct raw material	3,117,485
Material, beginning of year	360,695
Add: Material purchased	2,625,657
Less: Material, end of year	384,142
Transferred to other expenses	454,503
Sales in the period	21,462
Indirect material	2,126,245
Direct labor	686,493
Manufacturing expenses	4,346,685
Manufacturing costs	10,276,908
Add: Work in process, beginning of year	461,121
Work in process purchased	335,988
Less: work in process, end of year	570,060
Transferred to expenses – work in process	37,564
Cost of finished goods	10,466,393
Add: finished goods, beginning of year	148,920
Less: Finished goods, end of year	178,667
Transferred to other expenses	85,021
Cost of finished goods	10,351,625
Add: Sales of raw material	3,552,580
Cost of idle capacity	114,638
Inventory valuation loss (gains)	(4,380)
Others	69,608
Total cost of sales	\$ 16,261,985

GlobalWafers Co., Ltd.

Statement of operating expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling and marketing expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>	<u>Expected credit loss (gain)</u>
Payroll expense	\$ 108,500	356,482	409,818	-
Remuneration of director	-	56,860	-	-
Shipping expense	278,854	-	-	-
Commission expense	76,617	-	-	-
Technical service fee	-	-	262,741	-
Indirect materials	40,431	-	309,539	-
Others (individual amount does not exceed 5% of the account balance)	<u>69,991</u>	<u>(100,422)</u>	<u>351,755</u>	<u>-</u>
Total	<u>\$ 574,393</u>	<u>312,920</u>	<u>1,333,853</u>	<u>-</u>

Attachment 3. Affiliation Report

Statement

It is hereby declared that the 2022 Affiliation (from January 1, 2022 to December 31, 2022) was prepared pursuant to the “Criteria Governing Preparation of Affiliation Reports, Affiliated Business Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises”, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

Hereby declared above.

GlobalWafers Co., Ltd.



Chairperson: Hsiu-Lan Hsu



March 14, 2022

Independent Auditors' Report on the Affiliation Report

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

GlobalWafers Co., Ltd. prepared the 2022 Affiliate Report pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" (hereafter "Criteria"); the financial information related to the Report has been reviewed by us against the information disclosed in the notes of the financial reports during the abovementioned period, with this review opinion issued pursuant to the Criteria.

We believe the information disclosed in the 2022 Affiliate Report of GlobalWafers Co., Ltd. has no material inconsistency to the information disclosed in the notes of the financial reports during the abovementioned period, and no violation of the Criteria is found.

To

GlobalWafers Co., Ltd.

KPMG CPA

Accountants : An-chih Cheng
Mei-Yu Tseng

Securities authority approved : Financial supervision audit
and certified document No. No. 1060005191
(88) Taiwan Finance
Certificate (6) No. 18311

March 14, 2023

GlobalWafers Co., Ltd.

Affiliation Report

2022

I. Relationship between the controlling company and its subordinates

Unit: Shares

Name of controlling company	Cause of control	Shareholding and pledges by the controlling company			Appointment of members of the controlling company as the directors, supervisors, or managerial officers	
		Number of shares held	Shareholding ratio	Number of shares pledged	Job title	Name
Sino-American Silicon Products Inc.	Holding a majority of the total number of shares with voting power issued by the subordinate	222,727,000	51.17%	0	Director	Ming-Kuang Lu
					Director	Tang-Liang Yao

II. Transaction situation

The transaction situation between the Company and the controlling company, Sino-American Silicon Products Inc., is stated as following:

(I) Purchase/Sales:

Unit: NT\$ thousands

Status of transactions with the controlling company				Terms of transactions with the controlling company		General terms and conditions for transactions		Cause of variance	Accounts/notes receivable (payable)		Overdue accounts receivable			Remarks
Purchase (sales)	Amount	Ratio in total purchase (sales)	Gross profit for sales	Unit price (NT\$)	Credit term	Unit price (NT\$)	Credit term		Balance	% of total accounts /notes receivable (payable)	Amount	Manner of Handling	Allowance for bad debt	
Sales	(102,317)	(0.34%)	(54,129)	Note 1	O/A 30 days~ O/A 60 days	Per the contract	O/A 0 day~ O/A 120 days	-	6,967	0.16%	-	-	-	-
Purchase	1,724,569	7.6%	-	Note 2	O/A 30 days EOM	Per the contract	O/A 0 day~ O/A 120 days EOM	-	(20,637)	(0.49%)	-	-	-	-

Note 1: The sales primarily refer to the sales for semiconductor chips and ingots. Therefore, there was no significant difference from the general sales price and terms & conditions.

Note 2: The purchase primarily refers to the purchase of production materials. Therefore, there was no significant difference from the general purchase price and terms & conditions.

(II) Status of transaction of property:

Unit: NT\$ thousands

Type of transaction (Acquisition or disposition)	Property name	Transaction date or the date when the event occurred	Trade amount	Delivery or payment terms	Status of payment collection	Gain or loss on disposition (Note 1)	The reasons why trading counterparts are controlling companies	Previous data transfer (Note 2)				The methods for determining the transactions (Note 3)	Price references	Purpose of acquisition or disposition, and status of utilization thereof	Other matters agreed
								Owner	Affiliation with the Company	Transfer date	Amount				
Acquisition	equipment	January 24, 2022	320	O/A 30 days EOM	Already paid in full amount	-	Transfer of assets	-	-	-	-	Inter-affiliate transfer	Restricted tendering or single tendering	For business	-

Note 1: Not required, in the case of acquisition of property.

Note 2: (1) The controlling company's original acquisition data should be disclosed if it is acquisition; the subsidiary's original acquisition data should be disclosed if it is disposal.

(2) The relationship between the owner and the controlling company and the subsidiary should be specified.

(3) Previous transaction information of the related party should be listed in the same column if the transaction party is also related party in the previous transaction.

Note 3: The preparer should explain the decision making level of the transaction.

(3) Capital financing: None.

(4) Assets leasing:

Unit: NT\$ thousands

Type of transaction (rent or lease)	Property		Duration of lease	Nature of lease (Note 1)	Basis for determination of the rent	Method of collection (payment)	Comparison with regular rent levels	Current total rent	Status of current collection/payment	Other matters agreed (Note 2)
	Name	Location								
Rented out	Plant	2F and 4F, No. 8. Industrial East Road 2, Science Based Industrial Park, Science-Based Industrial Park B1~4F, No. 21, Kezhong Rd., Zhunan Township, Miaoli County	January 2022 to December 2022	Operating lease	Regular rent level	Collected on a monthly basis	No significant difference	816	Normal	None.
Leased	Plant	7F, No. 6, Kezhong Rd., Zhunan Township, Miaoli County	July 2021 to June 2022	Operating lease	Regular rent level	Collected on a monthly basis	No significant difference	10,890	Normal	None

Note 1: The preparer should explain whether the nature of this transaction is capital lease or operating lease.

Note 2: If there are other encumbrances on the ownership, such as superficies, pledges, and easement, the preparer should disclose such conditions.

Note 3: The outstanding leasing amount was recognized as accounts receivable due from related parties, for NT\$214 thousand; the interest expenses of lease liability for NT\$100 thousand and recognized as lease liabilities of NT\$ 5,431 thousand.

(4) Status of other important transactions:

Unit: NT\$ thousands

Status of transactions with the controlling company			Comparison between the terms and conditions for the general transactions and transactions with the controlling company
Title	Amount	Unpaid accounts stated as accounts receivable (payable)-related party	
Payment on behalf of others	-	7	No significant difference
Receipts under custody	-	-	No significant difference
Other revenue	10,162	135	No significant difference
Other expenditure	89,299	(29,895)	No significant difference

III. Endorsements/guarantees: None