



WAH LEE INDUSTRIAL
CORP.

Annual Report 2020

Printed on March 31, 2021

Taiwan Stock Exchange: <http://www.twse.com.tw>

Market Observation Post System: <http://mops.twse.com.tw>

The Company: <http://www.wahlee.com>

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Tel: (02) 2504-8125

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IV. 2020 Independent Auditor:

CPAs: Wu, Chiu-Yen and Chen, Chen-Li

Accounting Firm: Deloitte & Touche Taiwan

Add: 3F No.88, Chenggong 2nd Rd. Kaohsiung City

Tel: (07) 530-1888

Web: <http://www.deloitte.com.tw>

V. Exchange of Securities Traded Overseas and Access to the Securities Information: Nil

VI. Company Website: <http://www.wahlee.com>

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One. Letter to Shareholders

Dear shareholders,

2020 is a year full of challenges. Amid the continuing trade war between China and the U.S., technology war, financial war, and geopolitical war have put a spotlight on Taiwan on the world's economic stage. Wah Lee not only continues playing a pivotal role of total solution provider in Greater China and Asian area, but also expects ourselves to become a world-class total solution provider in the future. Besides, the relentless spread of covid-19 overshadows the world economy. The GDP of the U.S. in 2020 was 3.5% of negative growth, the worst since the second world war. On the other hand, Taiwan's GDP in 2020 grew by 2.98% since Taiwan successfully controlled the pandemic, outperforming the main economic entities worldwide. Taiwan's technology industry thus stood out in the global supply chain during last year.

Despite the global recession, Wah Lee performed well last year. In 2020, the record-breaking consolidated revenue of NT\$59.08 billion passed the US\$2 billion threshold, suggesting the Company's continuous growing business scale. The gross profit reached \$4.8 billion whilst the net operating income reached \$2.11 billion. Last year the profits from equity-method investment companies also contributed to a wealthy non-operating income. These resulted in the consolidated profit before tax of \$2.64 billion. In 2020, both the Company's profit after tax of \$2.05 billion and earnings per share of \$8.03 reached the record high, increased by 31.2% from previous year. In terms of financial indicators, Wah Lee's consolidated current ratio and quick ratio during 2020 were 158% and 125%, respectively. Cash turnover days of 86 days is 4 days less than the previous year. 15% of return on equity in 2020 is also the highest during the recent years. Cash inflow from operating activities amounted to \$1.21 billion. Each financial indicator performed well.

There have been high demand on production capacity as in semiconductor industry the major clients' advanced process developed rapidly. Wah Lee is renowned for its global leading IC foundry concept stock because it is the biggest supplier of consumables, such as photoresist, electronic-grade chemicals and specialty gases, photoresist strippers, CMP slurry as well as machinery spare parts. The sales grow rapidly with the boost from global chip shortages and technology upgrades.

The increasing demand following the emergence of 5G application in high-end servers, routers, switch, antenna module and telecommunication equipment urges PCB factories and IC substrate makers to lift their production capacities. It thus stimulates Wah Lee's sales in PCB-related materials such as low dielectric CCL, DI high resolution dry film, PCB equipment, high frequency connectors, electronic components and ICs.

Automotive market has become the most potential industry for engineering plastics in recent years. We foresee a wider application of plastic in automotive exterior parts since the plastic has been primarily used in interior materials. Plastic makers are competing to enter the automotive parts market which requires high intensity standard. In response to the stricter emission regulations around the world, automakers consider vehicle weight reduction their priority by replacing metals with plastic in general. Wah Lee's high-end engineering plastics have been widely applied in traditional automotive parts. Its products are also equipped in electric vehicles and used in ECU connectors, navigators, speedometers, camera modules.

Business opportunities emerge amid working from home since pandemic outbreak last year and online learning to reduce physical contact. Wah Lee's sales in heat resistant nylon materials has been skyrocketing to meet the great demand of computers, notebooks, servers and 5G mobile phones. Furthermore, sales of opto-electronics rapidly increased including in the upper and downstream panel products, video-related electronic devices, driver ICs, electronic components and automatic equipment. The growth expands to overseas electronic products as well.

Wah Lee is considered to be an aircraft carrier in the advanced material industry. Since it was founded more than 50 years ago, Wah Lee has always been able to follow the technology development and seize the opportunities in mainstream industries to create striking business results one after another. Wah Lee precisely captures global economic development trends, for example, 5G, HPC, artificial intelligence and AIOT, electric vehicles, clean and environmental friendly green energy, biotech medical and industry 4.0 (i.e. industrial automation and smart factory). We had set out the business plans in the aforementioned fields. In addition, we will remain our leading material and equipment supplier position in each significant technology industry. To sustain the next 50 years of dynamic growth, we are confident to grasp development of each mainstream industry.

At last, we appreciate our shareholders' supports for a long period of time as well as our employees' dedicated efforts. Wah Lee will stride into becoming the world-class technology application total solution provider.

Chairman: Ray-Ching Chang Vice Chairman: Chun-Ying Chen CEO: Tsun-Hsien Chang

Two. Company Profile

I. Date of establishment: October 1, 1968.

II. Company history:

- 1968 : Founded in Kaohsiung with a registered capital of NT\$500,000 to engage in the sale of chemicals.
- 1970 : Established Composite Material Division, to promote fiber glass of Asahi Fiber Glass and polyester resin of Nippon Shokubai Co., Ltd. in Taiwan market.
- 1972 : Established Industrial Material Division, to promote Toray polyester film and printed circuit board of Sumitomo Bakelite Co. in Taiwan market.
- 1973 : Established Plastic Material Division, to promote engineering plastics of General Electric (GE) and Asahi Chemical Industry Co. in Taiwan market.
Established
- 1975 : Established Taipei Branch.
- 1976 : Established Machinery Division, to promote injection molding machine of Japan Steel Works (JSW) and PCB exposure equipment from ORC in Taiwan market.
- 1978 : Established Taichung Branch.
- 1981 : Established Research & Development Division, to promote semiconductor related materials.
- 1987 : Purchased and relocated to unit 11F-1 of BaoFu Commercial Building in Taipei for business expansion.
- 1988 : Renamed R&D Division as Electronic Material Division.
- 1989 : Founded joint venture - Chang Wah Electromaterials, Inc. with NAGASE Co., Ltd.
- 1990 : Founded joint venture - Nagase Wahlee Plastics Corp. with NAGASE Co., Ltd.
Purchased 10F of the building located at No.235, Chung-Cheng 4th Road inKaohsiung, to be used as the headquarter.
- 1997 : Founded joint venture - Asahi Kasei Wah Lee Hi-Tech Corp. with Asahi Kasei Corp..
- 1999 : Reorganized sales divisions to Semiconductor Material Business Division, Electronic Machinery Business Division, Engineering Plastic Business Division, Advanced Material Business Division, Composite Material Business Division and Optoelectronics Business Division.
- 2000 : Received approval from the securities authority to list for trading on TPEX on September 19.
- 2001 : Acquired majority shareholding in Raycong Industrial (Hong Kong) Limited.
Founded Wah Lee Japan Corporation.
- 2002 : Founded Hua Fu International Trading (Shen Zhen) Co., Ltd.
Received approval from the securities authority to list for trading on TWSE on

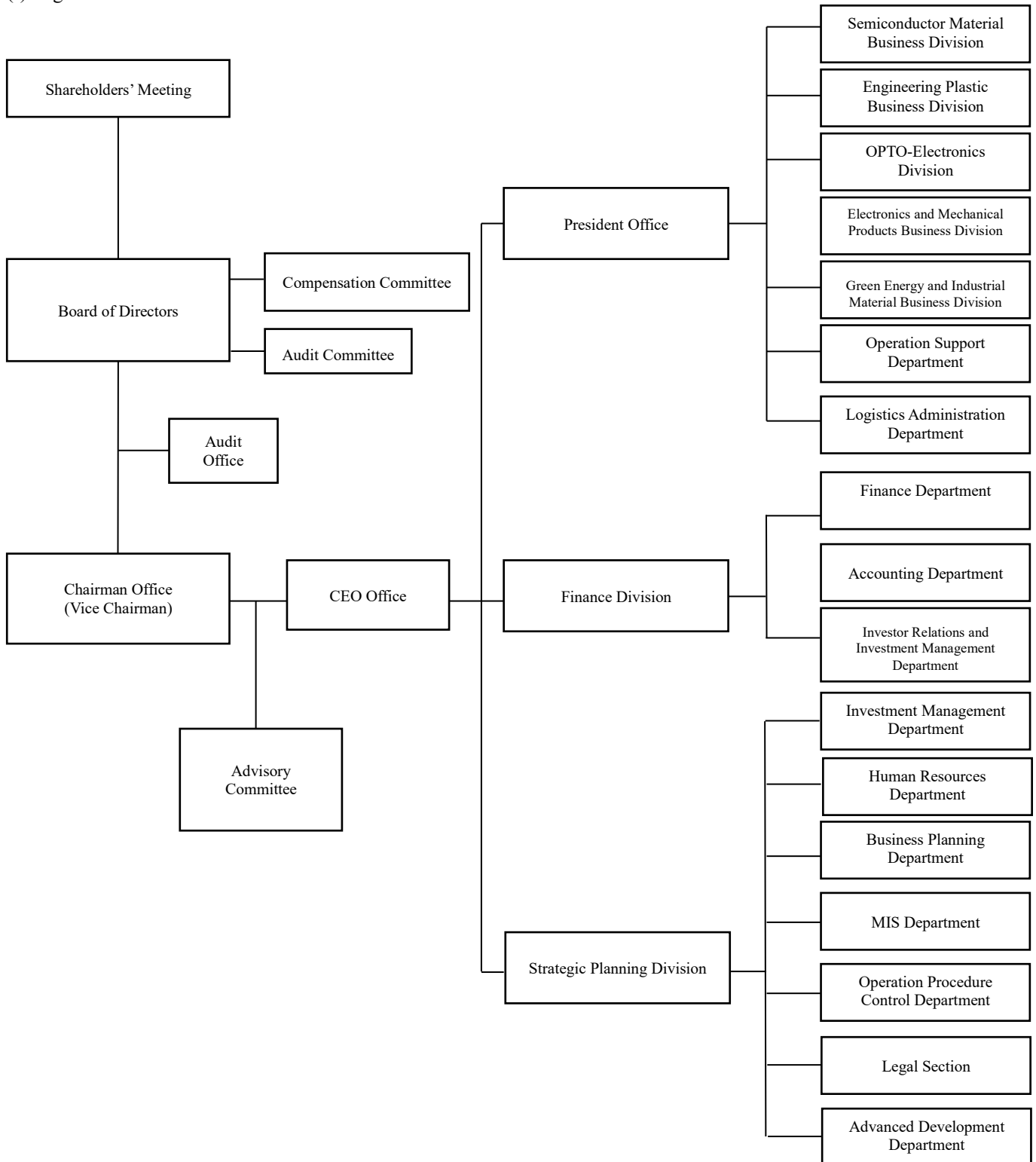
- July 22.
Acquired 12F of BaoFu Commercial Building in Taipei.
- 2003 : Affiliated company Chang Wah Electromaterials, Inc. received approval from the securities authority to list for trading on TPEX on October 30.
Hsinchu office and warehouse were accredited ISO9001 and ISO14001 certifications.
Founded joint venture - Shanghai Hua Chang Trading Co., Ltd. with NAGASE Co., Ltd.
- 2004 : Acquired majority shareholding in Shanghai Yikang Chemicals & Industries Co., Ltd.
Integrated Advanced Material Business Division and PCB related business of Electronic Machinery Business Division into "Printed Circuit Board Business Division".
Kaohsiung and Tainan Offices were accredited ISO9001 and 14001 certifications.
- 2005 : Affiliated company Wah Hong Industrial Corp. received approval from the securities authority to list for trading on TPEX on June 23.
Renamed Composite Material Business Division to Composite Industrial Material Business Division.
Taipei and Taichung Offices were accredited ISO9001 and 14001 certifications.
- 2006 : Invested into Wah Lee Tech (Singapore) Ptd, Ltd.
Shanghai Yikang founded Suzhou Branch.
- 2007 : Founded Dong Guan Hua Gang International Trading Co., Ltd.
Implemented SAP ERP system.
Dong Guan Hua Gang founded Xiamen Branch.
- 2008 : Acquired office space located at Ziqiang South Road, Zhubei City, Hsinchu County.
- 2009 : Established Green Energy & Optoelectronics Business Division.
- 2010 : Liquidated Hua Fu International Trading (Shen Zhen) Co., Ltd. and re-allocated business activities to Dong Guan Hua Gang International Trading Co., Ltd.
Dong Guan Hua Gang founded Guangdong Zhongshan Branch.
- 2011 : Adjusted investment structure in China, and transferred shareholding in Shanghai Yikang Chemicals & Industries Co., Ltd. to Raycong Industrial (Hong Kong) Limited.
Renamed Printed Circuit Board Business Division to Electronics and Mechanical Products Business Division. Dong Guan Hua Gang founded Chongqing Branch.
Shanghai Yi Kang founded Tianjin Branch.
- 2012 : Founded Skypower LLC to invest in solar power stations in Japan.
Shanghai Yi Kang founded Wuhan Branch.

- 2013 : Integrated Industrial Material Business Division and parts of Green Energy & Optoelectronics Business Division into Green Energy & Industrial Material Business Division.
Renamed Green Energy & Optoelectronics Business Division as Optoelectronics Business Division.
- 2014 : Founded Okayama, Sakuragawa, and Miyazaki Solar LLC to invest in solar power stations in Japan.
- 2015 : Founded subsidiaries Hua Ying Supply Chain Management (Shenzhen) Co., Ltd., PT. Wah Lee Indonesia, and Wah Lee (Vietnam) Co., Ltd.
- 2016 : Mr. Chang Tsuen-Hsien assumed the role of CEO and President.
- 2017 : An Audit Committee was assembled according to corporate governance rules of the authority.
Sold Skypower LLC and solar power stations held in its possession.
Acquired majority shareholding in Chuan Shun Logistic Co., Ltd.
- 2018 : Acquired majority shareholding in Wah Tech Industrial Co., Ltd. (Thailand) to establish presence in Southeast Asia.
Sold solar power stations held by Okayama Solar LLC and liquidated the company.
The Company celebrated its 50th anniversary.
- 2019 : Acquired majority shareholding in Kingstone Energy Technology Corp. and commenced deployment of solar power stations.
Founded Wah Lee Philippines.
Founded Guangzhou Xingxian Medical Management Consulting Co., Ltd. as a gateway to the biotechnology industry.
Invested into Cyuan Cheng Logistic Co., Ltd. for broader exposure to the logistics industry.
- 2020 : Founded Hua Heng Energy Co., Ltd.

Three: Corporate Governance

I. Organization of the Company:

(I) Organizational chart



(II) Role and Responsibility of Various Functions

Function	Role and Responsibility
Chairman Office	<ol style="list-style-type: none"> 1. Develop, plan and execute the medium and long-term operating strategies of the Company. 2. Manage the Company's image and corporate relations.
Advisory Committee	<ol style="list-style-type: none"> 1. Provide advice on the long-term operating directions and advisory on management strategies of the Company. 2. Provide advisory on the investment directions and individual issues.
CEO Office	<ol style="list-style-type: none"> 1. Plan and execute the medium and long-term operating strategies of the Company. 2. Provide leadership to various departments and divisions in implementing operating strategies to achieve the yearly budgeting and financial targets of the Company. 3. Plan for major investment decisions and expand new businesses.
Audit Office	<ol style="list-style-type: none"> 1. Devise and execute the internal audit plan. 2. Submit internal audit review report to the board of directors and monitor the results of improvement measures. 3. Establish/manage relationship with supervisors and other related personnel.
President Office	<ol style="list-style-type: none"> 1. Plan and execute the short, medium and long-term operating planning of the business divisions. 2. Achieve the yearly budgeting and financial targets of the business divisions. 3. Manage and oversee the operating performance of the business divisions. 4. Manage the relationships with suppliers and customers, and assist the business divisions in developing the distribution of new products.
Finance Division	<ol style="list-style-type: none"> 1. Plan and establish the short, medium and long-term financial and investment strategies of the Company. 2. Establish and manage the spokesperson mechanism and investor relations. Plan and execute the external financing planning of the Company. 3. Provide the top management with financial advisory, investment planning and financial risk assessment. 4. Manage and oversee the operation of the financial and accounting systems.
Strategic Planning Division	<ol style="list-style-type: none"> 1. Assist to devise the operating, development and human resource strategies of the Company and Group. Devise the investment plans. Devise and establish the overall information technology framework of the Company. 2. Manage and oversee the operations of "Human Resources", "MIS", "Legal Section", "Business Planning", "Investment Management", "Operation Procedure Control" and "Advanced Development" Departments.
Various Business Divisions	<ol style="list-style-type: none"> 1. Engage in market development and sales. 2. Engage in operating procurements. 3. Engage in various customer services and consultations. 4. Plan, manage and utilize operating resources. 5. Engage in international market development and trading matters.
Operation Support Department	<ol style="list-style-type: none"> 1. Undertake environment management, property management and miscellaneous matters.
Logistics	<ol style="list-style-type: none"> 1. Manage the storage, transportation and delivery of raw materials and merchandise.

Function	Role and Responsibility
Administration Department	2. Oversee and assess the storage management, and the cost and efficiency of storage and transportation.
Finance Division	<ol style="list-style-type: none"> 1. Implement financial policies. 2. Undertake stock affairs. 3. Source for capital and manage its utilization. 4. Execute the evaluation and planning of the financing activities of the Company. 5. Undertake customer credit review, investigation and control.
Accounting Department	<ol style="list-style-type: none"> 1. Undertake and execute the planning for accounting and financial budgeting procedures. 2. Undertake and execute the planning for tax matters.
Investor Relations and Investment Management Department	<ol style="list-style-type: none"> 1. Establish communication channels between external investors and the Company. Devise or execute the internal PR mechanism. 2. Oversee the management of investees. 3. Assist the implementation of various systems of the Company in the investees. 4. Undertake and execute the planning for the financial budgeting procedures of the investees and their operating performance assessment.
Human Resources Department	<ol style="list-style-type: none"> 1. Establish the human resource strategy of the Company. Effectively oversee the execution of recruitment, staffing, training and retainment systems. 2. Undertake and promote a comprehensive human resource management and development planning. 3. Plan for and execute the organizational assessment and development. 4. Plan for and execute the use of human resources.
Investment Management Department	<ol style="list-style-type: none"> 1. Devise the planning and evaluation of future development of various investment strategies and directions. 2. Devise and execute the investment strategic projects of the Company.
Business Planning Department	<ol style="list-style-type: none"> 1. Devise and implement the operating strategies of the Company and new development projects for business divisions. 2. Analyze industry environment and development trends. 3. Oversee performance management and budgeting.
MIS Department	<ol style="list-style-type: none"> 1. Devise the planing and design of the overall MIS. Manage computer resources and equipment and promote computerization. 2. Oversee the execution of the internal control of computing cycle and the audit of internal security.
Advanced Development Department	<ol style="list-style-type: none"> 1. Devise and execute the new strategic development programs of the business divisions. 2. Establish the latest industry development trends of the market research mechanism and the new optimization program of collaboration with industrial suppliers. 3. Seek out appropriate strategic alliances and devise the strategic alliance planning.
Operation Procedure Control Department	<ol style="list-style-type: none"> 1. Coordinate and manage the operating transaction procedures and regulations. 2. Optimize and coordinate the procedures of the transaction system.
Legal Section	<ol style="list-style-type: none"> 1. Undertake legal advisory and affairs. 2. Review, plan for, undertake and execute all contracts, litigations and other legal affairs.

II. Directors, Supervisors and Management Team:

(I) Directors

Directors (1)																	March 31, 2021			
Job title)	Nationality or place of incorporation	Name	Gender	Date elected	Tenure	Date of initial appointment	Shareholding when appointed		Current shareholding		Current shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent Position(s) in the Company and other companies	Spouse or relative within the second degree of kinship holding other managerial, director or supervisor position			Remarks
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relation	
Chairman	R.O.C.	Kang Tai Investment Corporation	NA	May 28, 2020	3 years	June 7, 2005	14,439,155	6.24%	16,660,155	7.20%	0	0.00%	0	0.00%	None	None	None	None	None	
	R.O.C.	Kang Tai Investment Corporation Representative: Chang, Ray-Ching	Male	May 28, 2020	3 years	May 26, 1971	14,910,397	6.44%	6,598,397	2.85%	1,295,656	0.56%	7,300,000	3.15%	Honorary Doctorate, National Sun Yat-sen University Honorary Doctorate, National Cheng Kung University Wah Lee Industrial Corporation CEO	Chairman and CEO of Wah Hong Industrial Corporation Chairman of Nagase Wahlee Plastics Corporation Chairman of Wah Hong Holding Ltd. ChairmanChairman of Wah Hong Technology Ltd. Chairman of Wah Hong International Ltd. Chairman of Wah Hong Development Ltd. Chairman of Wah Lee Holding Ltd. Chairman of SHC Holding Ltd. Chairman of Regent King International Ltd. Chairman of Fu Wang Hung Ltd.	Vice Chairman Directors CEO	Chun-Yin Chen Lin, Shu-Chen Chang, Tsuen-Hsien	Affinity Spouse Father and son	Note 1
Vice Chairman	R.O.C.	Chun-Yin Chen	Male	May 28, 2020	3 years	September 7, 1990	3,796,014	1.64%	3,796,014	1.64%	54,089	0.02%	0	0.00%	Department of Metal & Mining, Waseda University, Japan Wah Lee Industrial Corporation Vice CEO	Director of Nagase Wahlee Plastics Corporation Director of ORC Electrical Machinery Co., Ltd Director of Asahi Kasei Wah Lee Hi-Tech Corporation Director of Hsin Hao Company	Chairman Directors Vice president	Chang, Ray-Ching Lin, Shu-Chen Chen, Chih-Yuan	Affinity Father and son	None
Directors	R.O.C.	Kung Tai Investment Corporation	NA	May 28, 2020	3 years	June 7, 2005	14,439,155	6.24%	16,660,155	7.20%	0	0.00%	0	0.00%	None	None	None	None	None	
	R.O.C.	Kung Tai Investment Corporation Representative: Chang, Tsuen-Hsien	Male	May 28, 2020	3 years	May 26, 2017	0	0.00%	410,000	0.18%	0	0.00%	0	0.00%	University of Southern California Department of Electrical Engineering & Department of Biomedical Engineering	CEO and president of Wah Lee Industrial Corporation Director of Chang Wah Electromaterials Inc. Director of Wah Hong Industrial Corporation Chairman of Raycong Industrial (Hong Kong) Limited Chairman of Shanghai Yi Kang Chemicals & Industries Co., Ltd. Director of Shanghai Hua Chang Trading Co., Ltd. Chairman of Dongguan Huagang International Trading Co., Ltd. Director of ORC Electrical Machinery Co., Ltd Chairman of Wah Lee Tech (Singapore) Pte. Ltd. Director of Hua Ying Supply Chain Management (Shenzhen) Co., Ltd. Director of Wah Tech Industrial Co., Ltd.	Chairman Director	Chang, Ray-Ching Lin, Shu-Chen	Father and son Mother and son	Note 1
Directors	R.O.C.	Lin, Chi-Hai	Male	May 28, 2020	3 years	September 17, 1969	2,609,959	1.13%	2,609,959	1.13%	0	0.00%	0	0.00%	Department of Chemical Engineering, National Cheng Kung University Chairman of Toa Resin Corporation	Chairman of Toa Resin Corporation Director of Mingtai Chemical Co., Ltd. Director of Yu Feng Rubber Industrial Co., Ltd. Director of Zhi Hui Technology Co.	None	None	None	None

Directors	R.O.C.	Bau Guang Investment Corporation	NA	May 28, 2020	3 years	June 18, 2008	1,971,873	0.85%	1,971,873	0.85%	0	0.00%	0	0.00%	None	Director of Wah Hong Industrial Corporation	None	None	None	None
	R.O.C.	Bau Guang Investment Corporation Representative: Lin, Shu-Chen (Note 2)	Female	May 28, 2020	3 years	December 1, 2012	1,689,656	0.73%	1,295,656	0.56%	6,598,397	2.85%	7,300,000	3.15%	Department of Accounting, Kaohsiung Vocational Commercial School Bank manager of Taiwan Business Bank Co., Ltd.	Senior advisor of Wah Lee Industrial Corporation Chairman of Bau Guang Investment Corporation	Chairman Vice Chairman CEO	Chang, Ray-Ching Chun-Yin Chen Chang, Tsuen-Hsien	Spouse Affinity Mother and son	None
Directors	R.O.C.	Yeh, Ching-Pin	Male	May 28, 2020	3 years	September 7, 1990	3,356,263	1.45%	3,356,263	1.45%	1,298,985	0.56%	0	0.00%	EMBA, National Sun Yat-sen University Wah Lee Industrial Corporation Senior vice president	Director and president of Wah Hong Industrial Corporation Director of Daily Polymer Corp. Director of Jin Tai Sheng Co., Ltd. Director of Wah Ma Technology Sdn. Bhd. Director of Jun Hong Optometric Corporation	None	None	None	None
Independent Director	R.O.C.	Chu, Hau-Min	Male	May 28, 2020	3 years	May 30, 2002	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D., Economics, Brown University Head of Department of Finance, National Cheng Chi University President of Hsing Kuo Management College	Adjunct professor, Department of Finance, National Chengchi University Chair professor of Ching Kuo Institute of Management and Health Chairman of IIH Management Consultancy Co. Chairman of IIH Biomedical Venture Fund I Co., Ltd. Independent director of Chiawei Life Co. Independent director of BNP Paribas Cardif TCB Life Director of Central Deposit Insurance Corporation Director of Vivasolis Biotechnology Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Wang, Yea-Kang	Male	May 28, 2020	3 years	June 18, 2008	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Urban and Regional Planning, National Chung Hsing University Director of Department of Commerce, MOEA Director of Industrial Development Bureau, MOEA Director of Small and Medium Enterprise Administration, MOEA Secretary General, Chinese National Federation of Industries Chairman of Taiwan Textile Research Institute	Consultant of Chinese National Federation of Industries Evaluation Expert of Public Constitution Commission, Executive Yuan Consultant of Taiwan Textile Research Institute Dean of Knowledge Service Center, Industrial Development Foundation, National Cheng Kung University Director of Johnson Health Tech Co., Ltd. Director of Wisser Industrial Co., Ltd. Independent director of Eclat Textile Co., Ltd. Independent director of Feng Hsin Steel Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Shyu, So-De	Male	May 28, 2020	3 years	May 26, 2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D., Finance, University of Alabama Professor of Department of Finance Management, National Sun Yat-sen University Principal and professor of Takming University of Science and Technology	None	None	None	None	None

Note 1: Where the chairman and the general manager, or the equivalent position holder (the highest management position) are the same person or spouses, or first-degree relatives, the rationale, reasonableness, necessity and countermeasures for the arrangement must be provided:

Although the Chairman and president are first-degree relatives, the decision making process for the business operation is still subject to the internal control provision, that is, the “Regulations Governing the Duties of Job Positions and Authentication of Authorities”. Further, the Chairman regularly communicates the operating status of the Company with the directors to implement corporate governance. “Procedures for Performance Assessment of the Board of Directors and Functional Committees” is also established to enhance the operating efficiency targets of the board of directors and functional committees.

Currently, the Company has established the following measures:

1. Currently, all three independent directors are experts in the financial, legal and industry development areas respectively and therefore, able to assume the supervisory function.
2. Every year, the Company shall arrange for various directors to attend training courses held by the Securities and Futures Institute and other external parties, so as to enhance the functionality of the board of directors.
3. The independent directors are able to participate in extensive discussions of various functional committees and submit their recommendations to the board of directors for reference, thus effectuating the implementation of corporate governance.
4. More than half of the board of directors do not held concurrent positions as the Company’s employees or managers.

Note 2: Shareholding under other person(s) of spouse

Corporate Director/Supervisor March, 31, 2021

Corporate Shareholder	Major Shareholder
Kang Tai Investment Corporation	Fortune Investment Co., Ltd. (94.28%) and Dragon Investment Co., Ltd. (5.72%)
Bau Guang Investment Corporation	Fortune Investment Co., Ltd. (100%)

Major Shareholders of Major Corporate Shareholders March, 31, 2021

Corporate Shareholder	Major Shareholder
Fortune Investment Co., Ltd.	Raycong Investment Co. Ltd. (98.90%) and Crystal Investment Co. Ltd. (1.1%)
Dragon Investment Co., Ltd.	Titino Investment (B.V.I.) Co., Ltd. (100%)

Directors (2)

Criteria Name (Note 1)	Having met one of the following professional qualifications, together with at least five years work experience			Independence Criteria (Note 2)												Number of other public companies in which the individual is concurrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Kang Tai Investment Corporation Representative: Chang, Ray-Ching			✓						✓	✓	✓	✓		✓		None
Chun-Yin Chen			✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	None
Kang Tai Investment Corporation Representative: Chang, Tsuen-Hsien			✓			✓			✓	✓	✓	✓		✓		None
Lin, Chi-Hai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Bau Guang Investment Corporation Representative: Lin, Shu-Chen			✓		✓	✓			✓	✓	✓	✓		✓		None
Yeh, Ching-Pin			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chu, Hao-Min	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Wang, Yea-Kang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Shyu, So-De	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: The number of columns is adjusted based on the actual number.

Note 2: Director and supervisors who meet the following conditions two years prior to appointment or during the term of appointment, indicate with “✓” at the corresponding boxes below.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).
- (5) Not a director, supervisor, or Employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or the designated representative pursuant to Article 27 Section 1 or 2 of Company Act in the Company as director/supervisor. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a director, supervisor, or employee of other company with the Board seats or more than half of the voting shares under control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any

subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)

- (8) Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting services or consultation amounted to less than a cumulative NTD500,000 to the Company or to any affiliate of the company, or a spouse thereof. However, this does not apply to members of Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not a spouse or a relative within two degrees of consanguinity to any director.
- (11) Does not meet any of the criteria described in Article 30 of the Company Act.
- (12) Not the proxy of any government agency, juridical person, or their representative that is a shareholder in the Company as outlined in Article 27 of the Company Act.

(II) Information on President, Vice President, Director, Heads of Departments and Branches

March 31, 2021

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent Position(s) in the Company and other companies	Spouse or relative within the second degree of kinship holding other managerial positions			Remarks
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relation	
CEO & president	R.O.C.	Chang, Tsuen-Hsien	Male	September 1, 2016	410,000	0.18%	0	0.00%	0	0.00%	University of Southern California Department of Electrical Engineering & Department of Biomedical Engineering	Director of Chang Wah Electromaterials Inc. Director of Wah Hong Industrial Corporation Chairman of Raycong Industrial (Hong Kong) Limited Chairman of Shanghai Yi Kang Chemicals & Industries Co., Ltd. Director of Shanghai Hua Chang Trading Co., Ltd. Chairman of Dongguan Huagang International Trading Co., Ltd. Director of ORC Electrical Machinery Co., Ltd. Chairman of Wah Lee Tech (Singapore) Pte. Ltd. Director of Hua Ying Supply Chain Management (Shenzhen) Co., Ltd. Director of Wah Tech Industrial Co., Ltd.	None	None	None	(Note 1)
CEO Office Vice president	R.O.C.	Lu, Jui-Ming	Male	March 1, 2017	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Chengchi University Senior VP of Chem One Holdings (Executive) VP of Neo Solar Power Energy Corporation (Energy Trend)	Vice Chairman of Raycong Industrial (Hong Kong) Limited Director and president of Founded Dongguan Huagang International Trading Co., Ltd. Chairman and president of Hua Ying Supply Chain Management (Shenzhen) Co., Ltd. Chairman of Xiamen Hua Cheng Da Logistics Co., Ltd. Chairman of Guangzhou Xing Xian Medical Management Consultation Co., Ltd.	None	None	None	None
CEO Office Vice president	R.O.C.	Yeh, Ching-Wen	Male	July 1, 2018	0	0.00%	0	0.00%	0	0.00%	National Taipei Institute of Technology Department of Mechanical Engineering Senior manager of Nagase Wahlee Plastics Corporation	Director of Wah Tech Industrial Co., Ltd. Director of Wah Lee Vietnam Co., Ltd. Chairman of Wah Lee Philippines International Corp. Chairman of Wah Lee Philippines Inc.	None	None	None	None
CEO Office Vice president	R.O.C.	Chang, Jui-Sen	Male	July 1, 2019	265,525	0.11%	168,457	0.07%	0	0.00%	Department of Biomedical Engineering, Chung Yuan Christianity University	None	Director	Lin, Fang-Su	Spouse	None
Semiconductor Material Division Vice president	R.O.C.	Chen, Chih-Yuan	Male	July 1, 2016	103,233	0.04%	23,439	0.01%	0	0.00%	Department of Psychology, Columbia University Chief of Planning of Human Resources Department, Acer Inc.	Vice president of Wah Lee Tech (Singapore) Pte. Ltd. Chairman of Hsin Hao Company	None	None	None	None
OPTO-Electronics Division Vice president	R.O.C.	Liu, Feng-Jung	Male	July 1, 2018	4,466	0.00%	0	0.00%	0	0.00%	Department of Electronic Engineering, Feng Chia University Manager of OEM Development Department, ADI Corporation Director of Marketing Planning and Sales Department, Atoz-Pullman Co., Ltd.	None	None	None	None	None
Engineering Plastic Division Vice president	R.O.C.	Su, Yu-Liang	Male	July 1, 2019	0	0.00%	0	0.00%	0	0.00%	Commercial and Industrial Department, Nan Kai Institute of Technology	None	None	None	None	None
Senior Director of Engineering Plastic Division & head of Taichung Office	R.O.C.	Chang, Jui-Yu	Male	July 1, 1996	1,002,765	0.43%	174,546	0.08%	0	0.00%	Department of Business Administration, Tunghai University	None	None	None	None	None
CEO Office Senior Director	R.O.C.	Yu, Ching-Tien	Male	April, 9, 2019	0	0.00%	0	0.00%	0	0.00%	Department of Textile Engineering, National Taipei Institute of Technology Research assistant of Taiwan Textile Federation	Director and president of Shanghai Yi Kang Chemicals & Industries Co., Ltd.	None	None	None	None
Engineering Plastic Division Senior Director	R.O.C.	Yang, Chen-Ming	Male	July 1, 2014	32,044	0.01%	0	0.00%	0	0.00%	Department of Chemical Engineering, Tamkang University Research engineer of Chang Chun Plastics Co., Ltd.	None	None	None	None	None
Engineering Plastic	R.O.C.	Chen, Yi-	Male	July 1, 2014	131	0.00%	0	0.00%	0	0.00%	Department of Business Decision Making, Sanno	None	None	None	None	None

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent Position(s) in the Company and other companies	Spouse or relative within the second degree of kinship holding other managerial positions			Remarks
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relation	
Division Director		Jen									University					
Engineering Plastic Division Project Director	R.O.C.	Pan, Ching-Feng	Male	July 1, 2014	954	0.00%	0	0.00%	0	0.00%	Department of Chemical Engineering, Chinese Culture University Research engineer of Tai Chin Chemical Industry Co., Ltd.	None	None	None	None	None
Semiconductor Material Division Project Director	R.O.C.	Wu, Hsiu-I	Male	January 1, 2007	0	0.00%	0	0.00%	0	0.00%	Department of Chemistry, Chung Yuan Christian University Researcher of Industrial Technology Research Institute	None	None	None	None	None
Semiconductor Material Division Acting Senior Director	R.O.C.	Yang, Cheng-Ju	Male	July 3, 2014	0	0.00%	0	0.00%	0	0.00%	Department of Chemical Engineering, National Cheng Kung University Assistant researcher of Industrial Technology Research Institute	None	None	None	None	None
Semiconductor Material Division Director	R.O.C.	Chang, Chi-An	Male	July 1, 2016	0	0.00%	0	0.00%	0	0.00%	Department of Mechanical Engineering, Feng Chia University Research engineer of Taiwan Sakura Corporation	Director of Wah Lee Tech (Singapore) Pte. Ltd.	None	None	None	None
Semiconductors Division Director	R.O.C.	Chen, Mao-Hua	Male	July 1, 2019	447	0.00%	0	0.00%	0	0.00%	Department of Chemical Engineering, National Taiwan University of Science and Technology	None	None	None	None	None
Semiconductors Division Director	R.O.C.	Chang, Tzu-Cheng	Male	July 1, 2020	0	0.00%	0	0.00%	0	0.00%	University of Massachusetts Lowell Department of Chemical Engineering Vice president of Formosa Technologies Corporation	Director of Forcera Materials Co., Ltd.	None	None	None	None
Electronics and Mechanical Products Division Director	R.O.C.	Wang, Shi-Min	Male	June 19, 2018	0	0.00%	0	0.00%	0	0.00%	Eindhoven University of Technology / Netherlands Department of Electrical Engineering Senior director of Navitas Semiconductor Ltd.	None	None	None	None	None
Electronics and Mechanical Products Division Director	R.O.C.	Tsai, Yu-Tang	Male	July 1, 2014	0	0.00%	1,075	0.00%	0	0.00%	Department of Chemical Engineering, Chinese Culture University Material development engineer of Kao (Taiwan) Corporation	Supervisor of ORC Electrical Machinery Co., Ltd	None	None	None	None
Green Energy and Industrial Material Division Senior Director	R.O.C.	Shao, Kuang-Wei	Male	April 13, 2015	0	0.00%	0	0.00%	0	0.00%	Department of Chemical Engineering, Kuang Wu Industry and Commerce Junior College	Director of Kingstone Energy Technology Co., Ltd.	None	None	None	None
Green Energy and Industrial Material Division Senior Director	R.O.C.	Lin, Li-Chang	Male	July 1, 2007	81,984	0.04%	94,936	0.04%	0	0.00%	Kaohsiung Industrial High School	None	None	None	None	None
Strategic Planning Division Senior Director	R.O.C.	Chang, Yu-Wen	Male	July 1, 2010	53,204	0.02%	0	0.00%	0	0.00%	Department of Chemical Engineering, Yuan Ze University Manager of Hsin Song Electronics Co., Ltd.	None	None	None	None	None
Strategic Planning Division Director	R.O.C.	Liu, Tsung-Ming	Male	June 9, 2006	0	0.00%	0	0.00%	0	0.00%	Graduate Institute of Business Administration, National Sun Yat-sen University Corporate management executive director of Yen Li En Co., Ltd.	None	None	None	None	None
Strategic Planning Division Director	R.O.C.	Lin, Fang-Su	Female	July 1, 2010	168,457	0.07%	265,525	0.11%	0	0.00%	Department of International Trade and Business Administration, Ming Chuan Junior College	None	Vice President	Chang, Jui-Sen	Spouse	None
Strategic Planning Division Senior Director	R.O.C.	Chiang, Kuo-Jui	Male	March 10, 2021	0	0.00%	0	0.00%	0	0.00%	Department of Chemistry, Chinese Culture University Chief of Hon Hai Precision Industry Co., Ltd.	None	None	None	None	None
MIS Department Director	R.O.C.	Shih, Ching-Hsien	Male	July 1, 2014	0	0.00%	0	0.00%	0	0.00%	Department of Information Management, Yuan Ze University Senior manager of MIS Department, Ichia Technologies Inc.	None	None	None	None	None
Finance Department Director	R.O.C.	Lin, Ren-Chih	Male	July 1, 2008	0	0.00%	0	0.00%	0	0.00%	Graduate Institute of Industrial Economics, National Central University Project manager of Chien Hung Securities Co., Ltd.	None	None	None	None	None
Finance Division Director	R.O.C.	Tsai, Shu-Fen	Female	July 1, 2019	100,280	0.04%	0	0.00%	0	0.00%	Department of Accounting, National Cheng Kung University (Open Junior College)	Chairman, Kang Tai Investment Corporation	None	None	None	None

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent Position(s) in the Company and other companies	Spouse or relative within the second degree of kinship holding other managerial positions			Remarks
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relation	
											Accounting personnel of Cheng Hsin CPA Firm					
Accounting Department Director	R.O.C.	Li, Kuo-Ping	Male	July 1, 2013	25,865	0.01%	0	0.00%	0	0.00%	Department of Accounting, Chung Yuan Christian University Manager of Finance Division, Wus Printed Circuit Co., Ltd.	Director of Dongguan Huagang International Trading Co., Ltd. Director of Raycong Industrial (Hong Kong) Limited	None	None	None	None

Note 1: Where the chairman and the general manager, or the equivalent position holder (the highest management position) are the same person or spouses, or first-degree relatives, the rationale, reasonableness, necessity and countermeasures for the arrangement must be provided:

Although the Chairman and president are first-degree relatives, the decision making process for the business operation is still subject to the internal control provision, that is, the “Regulations Governing the Duties of Job Positions and Authentication of Authorities”. Further, the Chairman regularly communicates the operating status of the Company with the directors to implement corporate governance. “Procedures for Performance Assessment of the Board of Directors and Functional Committees” is also established to enhance the operating efficiency targets of the board of directors and functional committees.

Currently, the Company has established the following measures:

1. Currently, all three independent directors are experts in the financial, legal and industry development areas respectively and therefore, able to assume the supervisory function.
2. Every year, the Company shall arrange for various directors to attend training courses held by the Securities and Futures Institute and other external parties, so as to enhance the functionality of the board of directors.
3. The independent directors are able to participate in extensive discussions of various functional committees and submit their recommendations to the board of directors for reference, thus effectuating the implementation of corporate governance.
4. More than half of the board of directors do not held concurrent positions as the Company’s employees or managers.

III. Remuneration of directors, president and vice president(s) in the most recent fiscal year:

Unit: NT\$; % December 31, 2020																						
Title	Name	Compensation of directors								Sum of A, B, C and D as a percentage of net income after tax (Note 6)		Compensation to directors also serving as company employees								Sum of A, B, C, D, E, F and G as a percentage of net income after tax (Note 6)		Compensation from Affiliates Other than Subsidiaries or Parent Company (Note 8)
		Remunerations (A) (Note 1)		Pensions (B)		Remuneration of director (C) (Note 2)		Business department implementation fees for services rendered (D) (Note 3)				Salary, Bonuses, and Special Allowances etc (E) (Note 4)		Pension (F) (Note 7)		Share of profit as an employee (G) (Note 5)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
Director	Kang Tai Investment Corporation Representative: Chang, Ray-Ching	0	0	0	0	23,335	23,335	350	350	1.27%	1.27%	19,831	19,831	328	328	14,500	0	14,500	0	3.14%	3.14%	14,941
	Chun-Yin Chen																					
	Kang Tai Investment Corporation Representative: Chang, Tsuen-Hsien																					
	Lin, Chi-Hai																					
	Bau Guang Investment Corporation Representative: Lin, Shu-Chen																					
	Yeh, Ching-Pin																					
Independent Director	Chu, Hau-Min	0	0	0	0	3,600	3,600	380	380	0.21%	0.21%	0	0	0	0	0	0	0	0	0.21%	0.21%	0
	Wang, Yea-Kang																					
	Shyu, So-De																					
<div>1. The correlation between the policies, standards, and structure of the compensation, and the responsibilities, risk and time undertaken by the independent directors: For the compensation of independent directors, according to the Articles of Incorporation, Article 19, they shall be compensated for their service to the Company, regardless of earnings results. The board shall make the decision regarding the compensation scheme with reference to their participation in and contribution to the Company's operation, but shall not exceed the highest salary range defined by the salary policy of the Company. In addition, earnings distribution shall be made in accordance with Article 20 when the Company is profitable.</div> <div>2. In addition to the disclosure in the above table, in 2020, the remuneration received by directors from all companies included in the financial statements for service rendered: None.</div>																						

Range of Compensation for Directors	Compensation bracket table			
	Director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	Parent company and all investees
Less than NT\$1,000,000	-	-	-	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Directors: Chen, Chun-Yin, representative of Kang Tai Investment Corporation: Chang, Tsuen-Hsien, Lin, Chi-Hai, Lin, Shu-Chen, Yeh, Ching-Pin Independent Directors: Chu, Hao, Min, Wang, Yea-Kang and Shyu, So-De	Directors: Chen, Chun-Yin, representative of Kang Tai Investment Corporation: Chang, Tsuen-Hsien, Lin, Chi-Hai, Lin, Shu-Chen, Yeh, Ching-Pin Independent Directors: Chu, Hau-Min, Wang, Yea-Kang and Shyu, So-De	Directors: Lin, Chi-Hai, Yeh, Ching-Pin Independent Directors: Chu, Hau-Min, Wang, Yea-Kang and Shyu, So-De	Directors: Lin, Chi-Hai Independent Directors: Chu, Hau-Min, Wang, Yea-Kang and Shyu, So-De
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-	Directors: Lin, Shu-Chen	Directors: Lin, Shu-Chen
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-	Directors: Representative of Kang Tai Investment Corporation: Chang, Tsuen-Hsien	-
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-	-	Directors: Representative of Kang Tai Investment Corporation: Chang, Tsuen-Hsien, Yeh, Ching-Pin
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	Directors: Representative of Kang Tai Investment Corporation: Chang, Ray-Ching	Directors: Representative of Kang Tai Investment Corporation: Chang, Ray-Ching	Directors: Representative of Kang Tai Investment Corporation: Chang, Ray-Ching, Chen, Chun-Yin	Directors: Representative of Kang Tai Investment Corporation: Chang, Ray-Ching, Chen, Chun-Yin
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	-	-

NTS\$50,000,000 (inclusive) to NTS\$100,000,000 (exclusive)	-	-	-	-
More than NTS\$100,000,000	-	-	-	-
Total	9	9	9	9

Note 1: Referring to director salaries, allowance, severance package, various rewards, bonuses and etc.

Note 2: Referring to appropriation of director remuneration for 2020 that has been resolved by the board of directors.

Note 3: Referring to professional fees for services rendered made to directors for 2020 (including honorarium and compensation for Compensation Committee members).

Note 4: Referring to salaries, allowance, severance package, various rewards, bonuses, honorarium, special allowance, various allowances, dormitories, cars and other material provisions made to directors who held concurrent positions as company employees (including president, vice presidents, other managers and employees) for 2020.

Note 5: Referring to employee cash salaries made to directors who held concurrent positions as company employees (including president, vice presidents, other managers and employees) for 2020; the amount for distribution which was resolved by the board of directors was extrapolated based on the pro rata disbursement in the preceding year.

Note 6: The net income after tax refers to the net income after tax for 2020.

Note 7: Referring to pension appropriation for 2020.

Note 8: (1) If the director receives compensation from investees other than the Company's subsidiary or the parent company, the said compensation shall be incorporated in column I of the compensation bracket table. The column shall be renamed "parent company and all investees".

(2) Compensation refers to the remuneration, stipends (including stipends as employee, director and supervisor) and business department implementation fees for services rendered made to directors for holding concurrent director, supervisor or manager positions in investees other than the Company's subsidiary or the parent company.

(II) Compensation of supervisors: Since the shareholders' meeting on May 26, 2017, the Audit Committee has been established to replace the functions of supervisors.

(III) Compensation of president and vice president

Unit: NT\$; % December 31, 2020

Title	Name	Salary (A) (Note 1)		Pensions (B) (Note 5)		Bonuses and Special Allowance (C) (Note 2)		Employee Earnings Distribution (D) (Note 3)				Sum of A, B, C and D as a percentage of net income after tax (%) (Note 4)		Parent company and all investees (Note 6)
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
CEO & president	Chang, Tsuen-Hsien	14,775	21,202	485	485	12,741	20,537	21,466	0	21,466	0	2.66%	3.43%	1,830
Vice president	Lu, Jui-Ming													
Vice president (Note 7)	Chen, Chi-Hsing													
Vice president	Chen, Chih-Yuan													
Vice president	Liu, Feng-Jung													
Vice president	Yeh, Ching-Wen													
Vice president	Chang, Jui-Sen													
Vice president	Su, Yu-Liang													

Compensation bracket table

The compensation awarded to the president and vice presidents of the Company	President and vice president	
	The Company	Parent company and all investees (E)
Less than NTS\$1,000,000	-	-
NTS\$1,000,000 (inclusive) to NTS\$2,000,000 (exclusive)	-	-
NTS\$2,000,000 (inclusive) to NTS\$3,500,000 (exclusive)	Chen, Chi-Hsing	Chen, Chi-Hsing
NTS\$3,500,000 (inclusive) to NTS\$5,000,000 (exclusive)	Lu, Jui-Ming	-
NTS\$5,000,000 (inclusive) to NTS\$10,000,000 (exclusive)	Chang, Tsuen-Hsien, Chen, Chih-Yuan, Liu, Feng-Jung, Yeh, Ching-Wen, Chang, Jui-Sen, Su, Yu-Liang	Chang, Tsuen-Hsien, Lu, Jui-Ming, Chen, Chih-Yuan, Liu, Feng-Jung, Yeh, Ching-Wen, Chang, Jui-Sen, Su, Yu-Liang
NTS\$10,000,000 (inclusive) to NTS\$15,000,000 (exclusive)	-	-
NTS\$15,000,000 (inclusive) to NTS\$30,000,000 (exclusive)	-	-
NTS\$30,000,000 (inclusive) to NTS\$50,000,000 (exclusive)	-	-
NTS\$50,000,000 (inclusive) to NTS\$100,000,000 (exclusive)	-	-
More than NTS\$100,000,000	-	-
Total	8	8

Note 1: Referring to president and vice president salaries, allowances, severance package and etc for 2020.

Note 2: Referring to president and vice presidents’ various rewards and bonuses for 2020.

Note 3: The employee compensation for 2020 resolved by the board of directors was extrapolated based on the pro rata disbursement in the preceding year.

Note 4: The net income after tax refers to the net income after tax for 2020.

Note 5: Referring to pension appropriation for 2020.

Note 6: (1) If the president and vice presidents receive compensation from investees other than the Company’s subsidiary or the parent company, the said compensation shall be incorporated in column I of the compensation bracket table. The column shall be renamed ”parent company and all investees”.

(2) Compensation refers to the remuneration, allowance (including stipends as employee, director and supervisor) and professional fees for services rendered made to president and vice presidents for holding concurrent director, supervisor or manager positions in investees other than the Company’s subsidiary or the parent company.

Note 7: Retired in February 2020.

- (IV) The percentage of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the company, relative to net income, and the correlation between policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and business performance and future risks.

Title	The Company		Consolidated Financial Statements	
	2019	2020	2019	2020
Director	4.08%	3.35%	4.08%	3.35%
Supervisor	0.00%	0.00%	0.00%	0.00%
President and vice president	4.02%	2.66%	4.90%	3.43%

Note: The information for 2020 includes earnings distribution items. The earnings distribution was proposed by the board of directors and extrapolated based on the information of the preceding year. It is yet to be resolved by the shareholders' meeting.

Description:

- (1) The director compensation made by the Company and its subsidiaries includes honorarium and compensation. Meanwhile, the compensation for directors who hold concurrent managerial positions includes salary, bonuses and employee compensation. The president and vice president compensation made by the Company and its subsidiaries includes salary, bonuses and employee compensation.

- (2) The performance assessment and basis of compensation for directors and managers:

According to the Articles of Incorporation, Article 19, the directors and supervisors shall be compensated for their service to the Company, regardless of earnings results. The board shall make the decision regarding the compensation scheme with reference to their participation in and contribution to the Company's operation, but shall not exceed the highest salary range defined by the salary policy of the Company. Earnings distribution shall be made in accordance with Article 20 when the Company is profitable; the managers of the Company and its subsidiaries are compensated according to the Company's compensation standard.

Per Articles of Incorporation, Article 20:

When the Company is profitable for the fiscal year, 9% to 13% shall be appropriated as employee compensation and not more than 2% shall be appropriated as director compensation. However, the profit shall be retained when there are accumulated losses yet to be offset.

Employee compensation stated above may be made in cash or stock and shall also be allocated to employees of affiliated companies who have met certain criteria.

The two items above shall be executed according to the board's resolution and reported in the shareholders' meeting.

The compensation made to the managers by the Company and its subsidiaries includes salary and bonuses. Of which, the education and experience qualification, professional capabilities, scope of management and industry standard are taken into consideration for the salary compensation, which is payable monthly and according to job ranking.

Job appraisal, contribution to the Company, management skills and future potential are some of the factors to be considered in terms of the annual salary adjustment, promotion and job ranking.

For bonus payments to managers, various performance evaluation items are taken into consideration, including financial indicators (e.g. effectiveness in achieving revenue and profit targets) and non-financial indicators (e.g. innovations and integration, risk and security management). The Compensation Committee shall take the job position, scope of duty and contribution of achieving operating targets into consideration and make reference to the yearly operating performance improvement proposal in determining the bonuses before resolving within the committee and forwarding the payment proposal to the board of directors for resolution.

- (3) Apart from honorarium, the compensation made to directors from the Company and its subsidiaries mainly

consists of bonuses resolved by the board of directors; apart from fixed salaries, the compensation made to president and vice presidents also mainly consists of bonuses. As such, the compensation made is mainly related to the operating performance of the Company and its subsidiaries.

(4) Analysis on the fluctuation for the most recent two years:

1. The director and employee compensation ratio for 2020 was lower compared to the previous year. This was mainly due to while the profit before tax for 2020 was higher as compared to 2019, the distribution percentage of compensation had been lowered. The fluctuation was reasonable.
2. The compensation to president and vice presidents for 2020 was lower compared to the previous year, mainly due to a decrease in the number of the top management by one person and that the distribution percentage of compensation had been lowered. The fluctuation was reasonable.

(V) Distribution of compensation to management

Unit: NT\$, % December 31, 2020

	Title	Name	Stock amount	Cash amount (Note 1)	Total	Total as a percentage of after-tax profit (%)
Manager	CEO & president	Chang, Tsuen-Hsien	0	54,597	54,597	2.94%
	Vice president (Note 2)	Chen, Chi-Hsing				
	Vice president	Chen, Chih-Yuan				
	Vice president	Lu, Jui-Ming				
	Vice president	Liu, Feng-Jung				
	Vice president	Yeh, Ching-Wen				
	Vice president	Su, Yu-Liang				
	Vice president	Chang, Jui-Sen				
	Director	Chang, Jui-Yu				
	Director	Lin, Li-Chang				
	Director	Liu, Tsung-Ming				
	Director (Note 2)	Wu, Hsi-Lin				
	Director	Lin, Fang-Su				
	Director	Wu, Hsiu-I				
	Director	Chang, Yu-Wen				
	Director	Yang, Chen-Ming				
	Director	Yu, Ching-Tien				
	Director	Shih, Ching-Hsien				
	Director	Tsai, Yu-Tang				
	Director	Chen, Yi-Jen				
	Director	Pan, Ching-Feng				

	Director	Yang, Cheng-Ju				
	Director (Note 2)	Weng, Chen-Tsang				
	Director	Shao, Kuang-Wei				
	Director	Chang, Chi-An				
	Director	Wang, Shi-Min				
	Director	Tsai, Shu-Fen				
	Director	Chen, Mao-Hua				
	Director (Note 3)	Chang, Tzu-Cheng				
	Director (Note 4)	Chiang, Kuo-Jui				
	Director	Lin, Ren-Chih				
	Director	Li, Kuo-Ping				

Note 1: The employee compensation paid to managers in cash which was resolved by the board of directors was extrapolated based on the pro rata disbursement in the preceding year.

Note 2: Retired in 2020.

Note 3: Promoted in 2020.

Note 4: Appointed in 2021.

IV. Implementation of corporate governance:

(I) Participation of board of directors:

1. There were 6 board meetings (A) in 2020. The attendance of directors is as follows:

Title	Name	Attendance in Person (B)	By proxy	Attendance in Person (%) [B/A] (Note 1)	Remarks
Chairman	Kang Tai Investment Corporation Representative: Chang, Ray-Ching	6	0	100%	
Vice Chairman	Chun-Yin Chen	6	0	100%	
Directors	Kang Tai Investment Corporation Representative: Chang, Tsuen-Hsien	5	1	83%	
Directors	Lin, Chi-Hai	6	0	100%	
Directors	Bau Guang Investment Corporation Representative: Lin, Shu-Chen	6	0	100%	
Directors	Yeh, Ching-Pin	6	0	100%	
Independent Director	Chu, Hau-Min	5	1	83%	
Independent Director	Wang, Yea-Kang	6	0	100%	
Independent Director	Shyu, So-De	6	0	100%	

Note 1: The Attendance in Person (%) is computed based on the number of board meetings during the directors' tenure and the actual attendance in person.

Other matters:

- I. For board meetings that meet any of the following descriptions, state the date, session, the resolutions, independent directors' opinions and how the company has responded to such opinions:
 - (1) Conditions described in Article 14-3 of the Securities and Exchange Act:
Please see the participation of board of directors for 2020 below.
 - (2) Other issues opposed by independent directors or of which, the directors have reservations about that have been noted in the record or declared in writing: None.
- II. Recusal by directors due to conflict of interests: None.
- III. The frequency, assessment, scope, method and content of the self (or peer) assessment of Board of Directors for public listed companies. Attachment 2 indicates the implementation of assessments for the board of directors.
- IV. Evaluation of the target achievement and execution by the board of directors in the current and most recent year:
 - (1) Audit report:
To enable the comprehension of the board members on the Company's systems, the head of internal audit shall make reports on the internal audit operations to the board meetings.
 - (2) Increase the information transparency:
The Company upholds the principle of transparency in operation and respects the shareholders' interest. After every board meeting, the Company shall announce important resolutions passed by the board of directors. This practice shall be continued in the future to achieve information transparency.
 - (3) On May 8, 2020, the board of directors passed a resolution regarding the purchase of liability insurance for all board members and managers. The insured period is between June 19, 2020 to June 18, 2021.

2. Attendance of Independent Directors in 2020:

◎: Attendance in Person; ★: By proxy; ✕: Absence; N/A: Not applicable

2020	First meeting	Second meeting	Third meeting	Fourth meeting	Fifth meeting	Sixth meeting
Chu, Hau-Min	◎	◎	◎	◎	◎	★
Wang, Yea-Kang	◎	◎	◎	◎	◎	◎
Shyu, So-De	◎	◎	◎	◎	◎	◎

3. Implementation of performance evaluation for the board of directors:

As per the "Procedures for Performance Assessment of the Board of Directors and Functional Committees", before the end of the fiscal year, various units shall collect the related information regarding the board members and their activities, and distribute Attachment 1 "Self-assessment Questionnaire of the Board of Directors" and Attachment 2, "Board Members (Self or Peer) Assessment Questionnaire", Attachment 3, "Self-assessment Questionnaire of the Compensation Committee" and Attachment 4 "Self-assessment Questionnaire of the Audit Committee" for them to fill in. Lastly, the coordinating unit shall consolidate the information. Pursuant to Article 8, for the scoring of the performance indicators, the coordinating unit shall prepare and submit the assessment report to the board of directors for review and improvement.

The performance assessment result of the board of directors is as follows:

Method of assessment <Note 1>	Assessment period <Note 2>	Scope of assessment <Check all that apply>	Content of assessment <Note 3>	Assessment result <Note 4>
<input checked="" type="checkbox"/> Board of directors Internal self-assessment <input type="checkbox"/> Self-assessment by director <input type="checkbox"/> Peer assessment <input type="checkbox"/> External assessment	Start date: January 1, 2020 End date: December 31, 2020	<input checked="" type="checkbox"/> Board of directors <input type="checkbox"/> Individual board member <input type="checkbox"/> Functional committee	1. Participation level in the management of the Company. 2. Enhancement of the decision-making quality of the Board. 3. Composition and structure of the Board of Directors. 4. Appointment of director and continuing education. 5. Internal control.	Item awaiting improvement: Some board members have not met the minimum requirement for continuing education of 6 hours per year. The improvement measure is to provide further training courses from time to time. The rest of the assessment items are met. The overall performance assessment scores lie in the Outstanding category at 92.95%.
<input type="checkbox"/> Board of directors Internal self-assessment <input checked="" type="checkbox"/> Self-assessment by director <input type="checkbox"/> Peer assessment <input type="checkbox"/> External assessment	Start date: January 1, 2020 End date: December 31, 2020	<input type="checkbox"/> Board of directors <input checked="" type="checkbox"/> Individual board member <input type="checkbox"/> Functional committee	1. Comprehension of the goals and missions of the Company; 2. Comprehension of the duties of director; 3. Participation level in the management of the Company. 4. Management of internal relationship and communication; 5. Professionalism and continuing education of director; and 6. Internal control.	Item awaiting improvement: Three members have not met the minimum requirement for continuing education of 6 hours per year. The improvement measure is to provide training courses from time to time. The rest of the assessment items are met. The performance assessment scores for individual board members lie in the Outstanding category at 90.40%.
<input type="checkbox"/> Board of directors Internal self-assessment <input type="checkbox"/> Self-assessment by director <input checked="" type="checkbox"/> Peer assessment <input type="checkbox"/> External assessment	Start date: January 1, 2020 End date: December 31, 2020	<input type="checkbox"/> Board of directors <input type="checkbox"/> Individual board member <input checked="" type="checkbox"/> Functional committee	1. Participation level in the management of the Company. 2. Comprehension of the duties of functional committee. 3. Enhancement of the decision-making quality of the functional committee. 4. Composition of functional committee and appointment of members. 5. Internal control.	The rest of the assessment items are met. •Attachment 3: For the Self-assessment Questionnaire of the Compensation Committee, there were a total of 53 items scoring Excellent and 4 items scoring Good. •Attachment 4: For the Self-assessment Questionnaire of the Audit Committee, there were a total of 59 items scoring Excellent and 4 items scoring Good.

Note 1: Method of assessment includes the internal self-assessment undertaken by the board of directors, the self-assessment undertaken by individual board members, peer assessment and assessment conducted by external professional agencies and experts, or other appropriate methods.

Note 2: Indicate the period covered for the performance assessment of the board of directors. If the assessment period is less than one year, please indicate the reasons at the remark column (e.g. the re-election of directors).

Note 3: According to the scope of assessment, the content of assessment shall at least the following items:

- (1) Performance assessment of board of directors: Includes at least the participation level in the management of the Company, the decision-making quality of the board, composition and structure of the board of directors, election of directors, continuing education of directors and the execution of the internal control.
- (2) Performance assessment of individual directors: Includes at least the monitoring of company goals and tasks, the comprehension of duties of director, the participation level in the management of the Company, the management and communication of internal relationships, the professionalism and continuing education of directors, and internal control.
- (3) Performance assessment of functional committees: Includes at least the participation level in the management of the Company, the comprehension of duties of functional committees, the decision-making quality of the functional committees, composition and structure of the functional committees, election of functional committees, and internal control.

Note 4: Summarize the performance assessment result of the board of directors, e.g. the areas/items for improvement, and recommendation and measures for improvements.

Participation of board of directors for 2020:

Date of board meeting	Session	Resolution	Opinion of Independent Directors	Actions to be taken
February 21, 2020	First meeting	Operational plan for 2020.	Resolution passed unanimously.	Not applicable
		Authorization for business transactions with the banks for 2020.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of US\$3.1 million to subsidiary, PT. Wah Lee Indonesia.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of US\$8.1 million to subsidiary, Wah Lee (Vietnam) Co., Ltd.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of NT\$25,194,000 to investee, ASAHI KASEI WAH LEE HI-TECH CORPORATION	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of NT\$360 million and material procurement guarantee of NT\$120 million to investee, Nagase Wahlee Plastics Corporation.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of NT\$17.7 million and material procurement guarantee of US\$7 million to investee, Shanghai Hua Chang Trading Co., Ltd.	Resolution passed unanimously.	Not applicable
		Establishment of "Procedures for Handling Reports on Illegal or Unethical Conduct".	Resolution passed unanimously.	Not applicable
		Amendments to partial articles of "Procedures for Audit Committee Meetings".	Resolution passed unanimously.	Not applicable
		Amendments to audit plan for 2020.	Resolution passed unanimously.	Not applicable
		Election of the board of directors.	Resolution passed unanimously.	Not applicable
March 25, 2020	Second meeting	Determination of the date and venue of the shareholders' meeting for 2020.	Resolution passed unanimously.	Not applicable
		Business reports, standalone and consolidated financial statements for 2019.	Resolution passed unanimously.	Not applicable
		Earnings distribution for 2019.	Resolution passed unanimously.	Not applicable
		Appropriation of the director and employee compensation for 2019.	Resolution passed unanimously.	Not applicable
		Appropriation of the director and employee compensation for 2020.	Resolution passed unanimously.	Not applicable

		Continued to provide procurement performance bond to Raycong Industrial (Hong Kong) Limited, Dong Guan Hua Gang International Trading Co., Ltd. and Shanghai Yi Kang Chemicals & Industries Co., Ltd. to Shinkong Synthetic Fiber Corporation and its subsidiary, Shinkong Industrial (Hangzhou) Co., Ltd, all of which amounted to NT\$120 million.	Resolution passed unanimously.	Not applicable
		Provided endorsement and guarantee of US\$5.2 million to subsidiary, Shanghai Yi Kang Chemicals & Industries Co., Ltd. who makes procurement from Japanese supplier, JSR.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of US\$7.5 million to subsidiary, Wah Lee Tech (Singapore) Pte., Ltd. for procurement guarantee to JSR of US\$7.4 million.	Resolution passed unanimously.	Not applicable
		Amendments to partial articles of the “Procedures for Endorsements and Guarantees”, “Articles of Incorporation” and “Rules of Procedure for Shareholders Meetings”.	Resolution passed unanimously.	Not applicable
		Establishment of the “Procedures for Performance Assessment of the Board of Directors and Functional Committees”.	Resolution passed unanimously.	Not applicable
		Statement of Internal Control System for 2019.	Resolution passed unanimously.	Not applicable
		Nomination and review of the director and independent director candidates.	Resolution passed unanimously.	Not applicable
		Rescission of prohibiting the participation in competing businesses for newly appointed directors.	Resolution passed unanimously.	Not applicable
		Change of the venue of shareholders’ meeting and amendments to the shareholders’ meeting agenda.	Resolution passed unanimously.	Not applicable
May 8, 2020	Third meeting	Purchase of liability insurance for all board members and managers.	Resolution passed unanimously.	Not applicable
		Land sale of subsidiary, Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.	Not applicable
		Application for medium-term work capital loan to the bank.	Resolution passed unanimously.	Not applicable
May 28, 2020	Fourth meeting	Election of Chairman and Vice Chairman.	Resolution passed unanimously. Director, Chang, Ray-Ching (representative of Kang Tai Investment Co., Ltd.) takes office as the Chairman of the Company and director, Chen, Chun-Yin takes office as the Vice Chairman.	Not applicable
		Appointment of the Fourth Compensation Committee members.	Attending Directors (excluding Wang, Yea-Kang and Chu, Hau-Min who recused due to conflict of interests) passed the resolution unanimously after the convener solicited opinion from the Board.	Not applicable
		Matters regarding the disbursement of cash dividends for 2019.	Resolution passed unanimously.	Not applicable

August 12, 2020	Fifth meeting	Deliberation of the manager compensation by the Compensation Committee.	Resolution passed unanimously.	Not applicable
		Adjustment to the percentage of employee compensation for 2020.	Resolution passed unanimously.	Not applicable
		Deliberation on whether to classify overdue accounts receivable in the second quarter as funds lent.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of THB468 million to subsidiary, Wah Tech Industrial Co., Ltd. (Thailand).	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of US\$6.7 million to subsidiary, Shanghai Yi Kang Chemicals & Industries Co., Ltd. who makes procurement guarantee from Japanese supplier, JSR.	Resolution passed unanimously.	Not applicable
		Continued to provide procurement guarantee of US\$7.7 million to subsidiary, Wah Lee Tech (Singapore) Pte., Ltd.	Resolution passed unanimously.	Not applicable
		New endorsement and guarantee of US\$2 million to subsidiary, Wah Lee Philippines Inc.	Resolution passed unanimously.	Not applicable
		Establishment of the officer of corporate governance	Resolution passed unanimously.	Not applicable
November 12, 2020	Sixth meeting	Provided additional shares of stock of Kingstone Energy Tech. Co., Ltd. acquired from stock dividend as collateral for the syndicated loan taken up by subsidiary, Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.	Not applicable
		Purchased office space at Neihu from ORC Electrical Machinery Co., Ltd.	Resolution passed unanimously.	Not applicable
		Deliberation on whether to classify overdue accounts receivable in the third quarter as funds lent to others.	Resolution passed unanimously.	Not applicable
		Audit plan for 2021.	Resolution passed unanimously.	Not applicable

(II) Participation of Audit Committee:

1. Participation of Audit Committee:

There were 6 Audit Committee meetings (A) in 2020. The attendance of independent directors is as follows:

Title	Name	Attendance in Person (B)	By proxy	Attendance in Person (%) (B/A) (Note 1)	Remarks
Independent Director	Shyu, So-De	6	0	100%	
Independent Director	Chu, Hau-Min	6	0	100%	
Independent Director	Wang, Yea-Kang	6	0	100%	

Note 1: The Attendance in Person (%) is computed based on the number of board meetings during the independent directors' tenure and the actual attendance in person.

Other matters:

I. Duties of the Audit Committee:

1. Establish or amend internal control system in accordance with the Securities and Exchange Act, Article 14-1.
2. Assess the effectiveness of internal control system.
3. Establish or amend procedures for material financial activities including acquisition or disposal of assets, derivative transactions, funds lending to others, provision of endorsement or guarantee in accordance with the Securities and Exchange Act, Article 36-1.
4. Oversee matters involving conflict of interest of Directors.
5. Oversee transactions involving material assets or derivatives.
6. Oversee major funds lending, and provision of endorsement or guarantee.

- 7.Oversee offering, issuance, or private placement of equity-type securities.
- 8.Oversee the appointment or discharge of a certified public accountant, or their fees.
- 9.Oversee appointment or discharge of a financial, accounting, or internal audit officer.
- 10.Oversee annual and semi-annual financial reports.
11. Prepare the proposal of surplus earnings distribution or loss off-setting proposals.
- 12.Oversee other material matters as may be required by the Company or by the competent authority.

II.Participation of Audit Committee:

- (1) Matters described in the Securities and Exchange Act, Article 14-5:

Please see the participation of Audit Committee for 2020 below.

- (2) Apart from the aforementioned matters, resolutions that have not been passed by the Audit Committee but passed by two-thirds or more of all directors: None.

III. In situations where independent directors recuse themselves due to conflict of interest, the director's name, content of the resolution, reason for recusal, and the voting participation should be properly recorded: None.

IV. Communication between independent directors, head of internal auditor, and external auditors:

- (1) Communication between independent directors and external auditors

Date	Matters communicated	Result
August 12, 2020	[Audit Committee's Report] The summary of audit and follow-up report for the second quarter of 2020.	Good
November 12, 2020	[Audit Committee's Report] Audit Plan for 2020 Financial Statements	Good

- (2) Communication between independent directors and head of internal auditor:

Date	Matters communicated	Result
March 25, 2020	[Report to the board of directors] The summary of audit and follow-up report for the period between February and March 2020.	Good
May 8, 2020	[Report to the board of directors] The summary of audit and follow-up report for April 2020	Good
May 8, 2020	[Summary of seminar] 1. Follow-up on previous directives. 2. Execution progress of the audit plan and status of improvement. 3. Directives of independent directors: (1) Perform a three-year analysis on the gross profit margin of key accounts for the decision making of top management. (2) Develop early alarm information system for abnormal items as a preventive measure. (3) Analyze and review issued raised by corporate entities and departments in the system, management and IT systems areas, and link them to performance appraisal. (4) For the corporate governance result for 2019, the Company fell in the 36% to 50% range. Please assist to improve the ranking of the Company within the scope of responsibility and authority.	Good
May 28, 2020	[Report to the board of directors] The summary of audit and follow-up report for May 2020	Good
August 12, 2020	[Report to the board of directors] The summary of audit and follow-up report for the period between June and July 2020.	Good
November 12, 2020	[Report to the board of directors] The summary of audit and follow-up report for the period between August and September 2020.	Good

Participation of Audit Committee for 2020:

Date of Audit Committee meeting	Session	Resolution	Audit Committee's opinion	Actions to be taken
February 21, 2020	First meeting	Operational plan for 2020.	Resolution passed unanimously.	Not applicable
		Authorization for business transactions with the banks for 2020.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of US\$3.1 million to subsidiary, PT Wah Lee Indonesia.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of US\$8.1 million to subsidiary, Wah Lee (Vietnam) Co., Ltd.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of NT\$25,194,000 to investee, ASAHI KASEI WAH LEE HI-TECH CORPORATION.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of NT\$360 million and material procurement guarantee of NT\$120 million to investee, Nagase Wahlee Plastics Corporation.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of NT\$17.7 million and material procurement guarantee of US\$7 million to investee, Shanghai Hua Chang Trading Co., Ltd.	Resolution passed unanimously.	Not applicable
		Establishment of "Procedures for Handling Reports on Illegal or Unethical Conduct".	Resolution passed unanimously.	Not applicable
		Amendments to partial articles of "Procedures for Audit Committee Meetings".	Resolution passed unanimously.	Not applicable
		Amendments to audit plan for 2020.	Resolution passed unanimously.	Not applicable
		Election of the board of directors.	Resolution passed unanimously.	Not applicable
		Determination of the date and venue of the shareholders' meeting for 2020.	Resolution passed unanimously.	Not applicable
March 25, 2020	Second meeting	Business reports, standalone and consolidated financial statements for 2019.	Resolution passed unanimously.	Not applicable
		Earnings distribution for 2019.	Resolution passed unanimously.	Not applicable
		Continued to provide material procurement performance bond to Raycong Industrial (Hong Kong) Limited, Dong Guan Hua Gang International Trading Co., Ltd. and Shanghai Yi Kang Chemicals & Industries Co., Ltd. to Shinkong Synthetic Fiber Corporation and its subsidiary, Shinkong Industrial (Hangzhou) Co., Ltd, all of which amounted to NT\$120 million.	Resolution passed unanimously.	Not applicable
		Provided endorsement and guarantee of US\$5.2 million to subsidiary, Shanghai Yi Kang Chemicals & Industries Co., Ltd. who makes procurement from Japanese supplier, JSR.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of US\$7.5 million to subsidiary, Wah Lee Tech (Singapore) Pte., Ltd. and procurement guarantee to JSR of US\$7.4 million.	Resolution passed unanimously.	Not applicable
		Amendments to partial articles of the "Procedures for Endorsements and Guarantees", "Articles of Incorporation" and "Rules of Procedure for Shareholders Meetings".	Resolution passed unanimously.	Not applicable
		Establishment of the "Procedures for Performance Assessment of the Board of Directors and Functional Committees".	Resolution passed unanimously.	Not applicable
		Statement of Internal Control System for 2019.	Resolution passed unanimously.	Not applicable
		Nomination and review of the director and independent director candidates.	Resolution passed unanimously.	Not applicable

Date of Audit Committee meeting	Session	Resolution	Audit Committee's opinion	Actions to be taken
		Rescission of prohibiting the participation in competing businesses for newly appointed directors.	Resolution passed unanimously.	Not applicable
		Change of the venue of shareholders' meeting and amendments to the shareholders' meeting agenda.	Resolution passed unanimously.	Not applicable
May 8, 2020	Third meeting	Purchase of liability insurance for all board members and managers.	Resolution passed unanimously.	Not applicable
		Land sale of subsidiary, Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.	Not applicable
		Application for medium-term work capital loan to the bank.	Resolution passed unanimously.	Not applicable
May 28, 2020	First extraordinary meeting	Election of Audit Committee's Chairman.	After deliberation, the Audit Committee members elected Shyu, So-De as the convener and the Chairman of the meeting unanimously.	Not applicable
August 12, 2020	Fourth meeting	Deliberation on whether to classify overdue accounts receivable in the second quarter as funds lent.	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of THB468 million to subsidiary, Wah Tech Industrial Co., Ltd. (Thailand).	Resolution passed unanimously.	Not applicable
		Continued to provide endorsement and guarantee of US\$6.7 million to subsidiary, Shanghai Yi Kang Chemicals & Industries Co., Ltd. who makes procurement guarantee from Japanese supplier, JSR.	Resolution passed unanimously.	Not applicable
		Continued to provide procurement guarantee of US\$7.7 million to subsidiary, Wah Lee Tech (Singapore) Pte., Ltd.	Resolution passed unanimously.	Not applicable
		New endorsement and guarantee of US\$2 million to subsidiary, Wah Lee Philippines Inc.	Resolution passed unanimously.	Not applicable
		Establishment of the officer of corporate governance	Resolution passed unanimously.	Not applicable
November 12, 2020	Fifth meeting	Provided additional shares of stock of Kingstone Energy Tech. Co., Ltd. acquired from stock dividend as collateral for the syndicated loan taken up by subsidiary, Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.	Not applicable
		Purchased office space at Neihu from ORC Electrical Machinery Co., Ltd.	Resolution passed unanimously.	Not applicable
		Deliberation on whether to classify overdue accounts receivable in the third quarter as funds lent.	Resolution passed unanimously.	Not applicable
		Audit plan for 2021.	Resolution passed unanimously.	Not applicable

(III) Corporate governance implementation and deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”:

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the company established and disclosed its corporate governance principles based on the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		On November 8, 2016, the board of directors resolved to establish the “Corporate Governance Best-Practice Principles” which shall serve as the basis of the Company’s undertaking in corporate governance. The disclosure on corporate governance principle and status of implementation is made on the annual reports, the Market Observation Post System and the Company website. For the status of implementation of corporate governance, please see the “Corporate Governance Report” in the annual reports and the Company website.	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure and shareholders’ interests				
(I) Has the company implemented a set of internal procedures to handle shareholders’ recommendations, queries, disputes, and litigations?	✓		(I) To ensure the shareholders' interest, the Company has appointed a spokesperson, acting spokesperson, and personnel in charging of investor relations, stock affairs and investor e-mail account (IR_Relations@wahlee.com). The internal control systems are also established to handle shareholders’ recommendations, queries, disputes, and litigations.	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		(II) The Company is informed of the related list and make monthly report on the list of board of directors, management and major shareholders with 10% stake.	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	✓		(III) The Company has established the related risk mitigation and firewall mechanism in company policies, namely the “Regulations Governing Financial Transactions with Specific Companies”, “Management of Related Party Transactions”, “Management of Financial Statements Preparation” and “Procedures for Subsidiary Supervision”, “Regulations Governing Position Authority in Subsidiaries and Form Management”; the supervision of audit of subsidiaries has also been incorporated in the internal audit plan as required	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(IV) Has the company established internal policies that prevent insiders from trading securities against non-public information?	✓		by the internal control system. For abnormal items, improvement measures shall be provided and follow-up shall be performed. (IV) The Company has established the “Code of Conduct for Directors, Supervisors and Managers” and an internal control policy, “Procedures on Insider Trading Prevention and Control” to prevent insider trading.	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
III. Composition and duties of the board of directors				
(I) Has the board established and implemented policies to ensure the diversity of its members?	✓		(I) As per the Articles of Incorporation, the Company adopts the nomination system for the election of directors. On May 28, 2020, three independent directors (with business management, industry technology expertise) were elected in the shareholders’ meeting to strengthen the functionality of the board of directors. For the status of professionalism, independence and diversity of the board of directors, please see page 37 and 38 of the annual reports.	No evident deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Apart from the Compensation Committee and Audit Committee, has the company assembled other functional committees at its own discretion?		✓	(II) As per the law and regulation, the Company has established the Compensation Committee and Audit Committee. Other functional committees have yet to be established.	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the company established a set of policies and assessment methodology to evaluate the performance of the board? Is regular performance evaluation conducted, at least once a year, and the evaluation result is submitted to the board to serve as a reference in determining the remuneration of individual directors and nomination for a re-		✓	(III) On March 25, 2020, the board of directors passed the resolution to establish the “Procedures for Performance Assessment of the Board of Directors and Functional Committees”. The performance assessment shall be conducted at the year-end of 2020. The result of the assessment shall be reported to the board of directors on January 26, 2021.	The Company shall establish the related policies in accordance with the law and regulations in the future.

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>election?</p> <p>(IV) Does the company assess the independence of external auditors on a regular basis?</p>	✓		<p>(IV) For at least once a year, the Company shall evaluate the independence and qualification of the independent auditors. Pertaining the scale and reputation of the public accounting firm, the Company shall compare the nature and fees of the audit and non-audit services for the most recent two years. The Company requires the independent auditors to produce the “Independence Declaration” every year. The board of directors is designated to assess the qualification and independence of the independent auditors on a yearly basis. The assessment result for the most recent two years were produced on February 21, 2020 and January 26, 2021 respectively.</p>	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
<p>IV. Does the TWSE/TPEX listed company dedicate competent managers or sufficient number of managers to take charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the board and supervisors in legal compliance, convening board/shareholders' meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of board/shareholders' meetings)?</p>	✓		<p>1. The Company has established an integrity management committee which comprises members of the management team. The Chairman of the committee is assumed by the CEO. Further, the executive secretary shall call upon the committee members on a regular basis to assist the Chairman of the committee to manage affairs related to integrity management.</p> <p>2. On August 12, 2020, the board of directors passed a resolution to appoint Lin, Ren-Chih as the officer of corporate governance to ensure the shareholders' interest and strengthen the functionality of the board of directors. Director, Lin, Ren-Chih possesses more than three years of experience as a supervisor overseeing financial and stock affairs. The duties of the officer of corporate governance include undertaking matters pertaining to the board and shareholders' meetings, preparing the board and shareholders' meeting minutes, assisting the directors taking office and their continuing education, providing the information needed by the directors to execute their duties</p>	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
			and assisting the directors in compliance. For the status of execution for 2020, please see page 38 and 39 of the annual reports.	
V. Has the company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, et cetera) or created stakeholder section on the company website? Does the company respond to stakeholders' questions on corporate responsibilities?	✓		<ol style="list-style-type: none"> 1. According to the daily undertakings of the Company, the related units designated for communication with stakeholders include: (1) spokesperson, investor relations and stock affairs units handle the feedback from external investors and shareholders and hold institutional investor conferences to reveal the company operation and development; (2) Finance Department who is in charge of communication with financial institutions; (3) Human Resources Department and Operation Support Department who are in charge of communication with employees, protection of personal information and fostering of working relationships; (5) various business divisions who are in charge of communication with suppliers and customers in a way that respects their legal interests. 2. The Company website comprises an Investor Relations section with contact information, including an e-mail address (IR_Relations@wahlee.com), as well as a Contact-Us e-mail for external communication (service@wahlee.com). Both serve as communication channels between stakeholders and the Company. These e-mails are managed by designated personnel, which shall be forwarded to the related departments according to product information, business dealing queries, investor services, job opportunity queries, corporate social responsibility and etc. 	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VI. Does the company appoint the professional stock transfer agent to handle the stock affairs?	✓		The Company has engaged stock affair agency department of Taishin Bank to handle stock matters.	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEx

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
				Listed Companies.
VII. Information disclosure				
(I) Has the company established a website that discloses financial, business and corporate governance-related information?	✓		(I) Via the Company website (http://www.wahlee.com), the latest financial, business and corporate governance information is disclosed promptly and linked to the Market Observation Post System.	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(II) Does the company make disclosure on other information (e.g. setting up an English website, designating specific personnel to collect and provide disclosure on the company, implementing spokesperson system, disclosing the process of institutional investor conferences on the company website and et cetera)?	✓		(II) 1. The Company has designated personnel to take charge of information disclosure and public announcement in accordance with the law and regulations. 2. The Company has established the spokesperson and acting spokesperson system, and designated personnel to take charge of investor relations. 3. The information on the institutional investor conferences has been made available on the Company website.	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status report before the stipulated deadlines?		✓	(III) The Company has observed the deadlines stipulated by the authority in filing its annual financial statements, the first, second and third quarterly financial reports and monthly operating status report.	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VIII. Does the company have other important information for better understanding the company's corporate governance system (including but not limited to interests and rights of employees, care for employees, investor relations, relations with suppliers, relations with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer	✓		1. For the benefits, training and education, safety and health measures, please see the Labor Relations section of the annual reports for further details. 2. For the continuing education, all directors have accumulated a total of 42.5 training hours in 2020. Please see page 40 of the annual reports for further details. 3. The attendance of directors in the board meeting: In 2020, the attendance rate of directors in the board meeting	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
policies, liability insurance for the company's directors and supervisors)?			<p>amounted to 96%, which was fairly good.</p> <p>4. Since the shareholders' meeting on May 25, 2017, the Audit Committee has been established to replace the functions of supervisors.</p> <p>5. Participation of managers in the training and education related to corporate governance: Please see page 101 of the annual reports on "Participation of managers in the training and education related to corporate governance" for further details.</p> <p>6. To promote sustainable development, risk management and reduction of impact on environment, the Company conducts safety, health and environment management courses for employees on a regular basis and undertakes various procedures in accordance with the environmental protection regulations.</p> <p>7. The Company has purchased liability insurance for all board members and managers.</p> <p>8. For the risk management policy, please see page 117 to 118 of the annual reports on "Analysis and evaluation of risk management" for further details.</p> <p>9. Please see page 41 of the annual reports on the succession planning for board members and key management for further details.</p>	
<p>IX. Please describe improvements that have been made pertaining to the results of the corporate governance evaluation as prescribed by the Taiwan Stock Exchange Corporate Governance Center, as well as priorities and measures for matters that have yet to be improved.</p> <p>In 2019, the sixth corporate governance assessment fell in the 36% to 50% range among the public listed companies. To strengthen the composition and operation of the board of directors, the Company has established the Audit Committee which is in operation. On March 25, 2020, the board passed the resolution to establish the "Procedures for Performance Assessment of the Board of Directors and Functional Committees", which shall serve as the basis for the performance assessment at the year-end of 2020. For the implementation of corporate social responsibility (CSR), the Company shall comply with the code of conduct issued by Responsible Business Alliance (RBA). The Company also acknowledges and implements policies pertaining to various issues, namely labor, health and safety,</p>				

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
environmental protection, ethics and management systems, thus ensuring the work place safety, employee morale, eco-friendliness and morality. The Company is thus listed as one of the “Taiwan High Compensation 100 Index “companies in consecutive years. In the future, the Company shall establish plans for energy conservation, carbon reduction, greenhouse gas emission, reduction in water use or waste treatment policies, so as to continue to strengthen its commitment to the CSR.				

Status of professionalism, independence and diversity of the board of directors:

To strengthen corporate governance and promote a healthy composition and structure of the board of directors, the “Corporate Governance Best Practice Principles” established by the Company lists five points, of which Section 5.1 Structure of the board of directors provides for the diversity policy of the board members:

5.1 Structure of the board of directors

- 5.1.1. The board of directors shall instruct the Company’s policies and supervise the management. It is responsible to the Company and shareholders. Pertaining to various corporate governance system, the board of directors must observe the law and regulations, Articles of Incorporation or any resolutions passed by the shareholders’ meeting in undertaking its duties.
- 5.1.2. For the structure of the board of directors, the Company shall consider the business development, the shareholding of major shareholders, as well as the actual operational needs when determining more than five people suitable to assume the director seats.
- 5.1.3. The composition of the board of directors shall take diversity into consideration. The number of directors holding concurrent managerial positions in the Company shall not exceed one third of the total board seats. By accounting for the operation, business model and development needs, the Company shall establish the appropriate diversity policy, including but not limited to the following two aspects:
 - 5.1.3.1. Basic criteria and values: Gender, age, nationality and culture.
 - 5.1.3.2. Professional knowledge and skill sets: Professional background (e.g. legal, accounting, industry, financial, marketing or technology), professional skill sets and industry experience.
- 5.1.4. The board members shall possess the necessary knowledge, skills and temperament. To achieve the corporate governance ideals of the Company, the board altogether shall possess the following capabilities:
 - 5.1.4.1. Business judgement.
 - 5.1.4.2. Accounting and financial analytical skills.
 - 5.1.4.3. Business management skills.
 - 5.1.4.4. Crisis management skills.
 - 5.1.4.5. Industry knowledge.

5.1.4.6. Knowledge on international market.

5.1.4.7. Leadership.

5.1.4.8. Decision making capability.

The independence and diversity of the board members are important to the Company, as well as their professional knowledge and skill sets. The existing board of directors consists of nine members, in which 44% holding concurrent positions as the Company's employees, 33% are independent directors and 11% are female directors. The board members altogether possess much experience and professional knowledge in the financial, electronic, chemical and management sectors. Amongst the board members, Chairman, Chang, Ray-Ching, Vice Chairman, Chen, Chun-Yin, directors, Lin, Chi-Hai, Chang, Tsuen-Hsien and Yeh, Ching-Pin possess industry knowledge and are experts in chemical and electronic engineering, and business management; directors, Lin, Shu-Chen, Chu, Hau-Min and Shyu, So-De possess financial and accounting expertise; independent director, Wang, Yea-Kang possesses business administration and legal expertise. All three independent directors possess academic background. The diverse background of the board members in industry, academic and knowledge allows them to offer professional opinion from different perspectives to enhance the management efficiency and performance result of the Company.

Business undertaking of the officer of corporate governance in 2020:

1. Assisted independent directors and directors in performing their duties, provided information needed and arranged for their training courses:
 - (1) Kept the board members updated on a regular basis with the latest development of amendments to the law and regulations pertaining to business management and corporate governance.
 - (2) Reviewed the confidentiality level of the related information and provided directors with company information. Maintained and facilitated communication between directors and managers.
 - (3) Assisted the independent directors in gaining understanding of the Company's financial and business aspects from the head of internal auditor or independent auditors pursuant to the Corporate Governance Best Practice Principles by arranging their meetings.
 - (4) Assisted the independent directors and directors in planning their continuing education and arranging for their training courses according to the characteristics of the Company's industry and their education and experience.
2. Assisted in performing the procedures of the board and shareholders' meetings, and ensuring the conformity to resolutions passed.
 - (1) Reported the status of implementation of corporate governance to the board of directors and Audit Committee, and ensured that the shareholders' and board meetings were convened in accordance with the law and regulations and corporate governance guidelines.
 - (2) Assisted and kept the directors posted to observe the regulations in performing their duties or passing resolutions, as well as reminding the board of directors when the resolutions they intended to pass violated the regulations.
 - (3) Assisted with checking the significant information of major resolutions before the public announcements after the meetings to ensure the appropriateness and accuracy of the information and secure the information symmetry of the investors.
3. Prepared the agenda of the board meetings and informed the directors seven days prior to the meetings. Convened the meetings and provided the meeting information. Reminded the related directors on issues that required their recusal and prepared the minutes 20 days after the meetings.

4. Made registration prior to the date of the shareholders' meeting in accordance with the regulations, prepared the meeting notice, handbook and minutes within the stipulated deadline, and performed change registration for amendments to the Articles of Incorporation and director election.

Continuing education of management for 2020:

Date of training		Organizer	Course name	Training Hours	Total training hours for the year
Start	End				
September 2, 2020	September 2, 2020	Securities and Futures Institute of R.O.C.	Discussion on the Practical Aspects of Anti-Money Laundering Mechanism and Counter-Terrorist Financing Measures	3 hours	18 hours
September 4, 2020	September 4, 2020		Discussion of Issues Pertaining to Employee and Director Compensation - from the perspective of Securities and Exchange Act, Article 14	3 hours	
September 24, 2020	September 24, 2020		Discussion on Planning of Shareholding and Defense Strategies in Board and Shareholders' Meetings from the Perspective of Recent Case Studies on Right of Management Dispute	3 hours	
October 6, 2020	October 6, 2020		Discussion on the Duties of the Board of Directors from the Perspective of Fraud	3 hours	
October 14, 2020	October 14, 2020		Discussion on the Duties of Directors from the Perspective of Violation Case Studies in Securities Market	3 hours	
October 21, 2020	October 21, 2020		Sharing Session on the Practical Aspect of Corporate Mergers - From the Perspective of Hostile Takeover	3 hours	

Continuing education of directors for 2020:

Title	Name	Organizer	Course name	Training Hours
Directors	Chun-Yin Chen	Taiwan Printed Circuit Association	Benchmark Forum - What Will and Will not Change in the World after the Pandemic	7.5 hours
		Taiwan Academy of Banking and Finance	Corporate Governance Forum - Practical Aspects of the Company Act and Tax Governance	
		Taiwan Corporate Governance Association	Latest Must-Know Trend in Corporate Governance Assessment for Directors and Supervisors - Intellectual Property Management	
Directors	Chang, Tsuen-Hsien	Taiwan Corporate Governance Association	Key Technologies and Market Application of 5G and IoT and Market Application	9 hours
		Taiwan Corporate Governance Association	Discussion on Right of Management Dispute from the Perspective of Corporate Governance	
		Taiwan Academy of Banking and Finance	Corporate Governance Forum - Global Political and Economic Outlook and Risks of Corporate Management	
Directors	Yeh, Ching-Pin	Taiwan Stock Exchange Corporation	2020 Awareness Forum for Directors and Supervisors in Corporate Governance and Ethics	6 hours
		Taiwan Institute of Directors	2020, Year of Strategic Turning Point - Seeking New Growth Momentum	
Independent Director	Wang, Yea-Kang	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Global Political and Economic Outlook and Risks of Corporate Management	6 hours
		Taiwan Academy of Banking and Finance	Corporate Governance Forum - Trend and Impact of Risk-Oriented Anti-Money Laundering	
Independent Director	Chu, Hau-Min	Securities and Futures Institute of R.O.C.	Alarm for Financial Crisis of Companies and Pattern Analysis	6 hours
		Securities and Futures Institute of R.O.C.	Sharing Session on the Practical Aspect of Corporate Mergers - From the Perspective of Hostile Takeover	
Independent Director	Shyu, So-De	Taiwan Listed Company Association	Common Malpractices in Corporate Governance	8 hours
		Taiwan Academy of Banking and Finance	Corporate Governance Forum - Discussion on Corporate Ethics from the Perspective of Business Reputation Risks	
		Taiwan Stock Exchange Corporation	Summit of Corporate Governance 3.0 - Blueprint of Sustainable Development	

Succession planning for board members and key management:

In addition to professional background and skill sets, the board members shall possess the capabilities in business planning and industry knowledge. To enhance the board members on their professionalism and constant improvement, by considering the scope beyond the professional capabilities of the directors, the Company selects training courses that cover the financial, industry, legal, risk management, business management, corporate governance and other areas to groom the top management to join the board of directors in May 2017. The management has familiarized with the board, which has since functioned well.

When making the succession plan for key management, the successor must possess the core competencies and management capabilities. The areas of training for the top management level is divided into management competency, professional capabilities and personal development planning, which include human resources, financial risks, risk management, business development and strategic planning. Meanwhile, the management of the Company is also encouraged to interact with high level management of other companies. The training for each stage lasts for three to five years. The training for professional competencies and practice shall be able to cultivate the decision-making ability and judgement of the high level management.

On June 17, 2016, the board of directors passed a resolution to have a younger management team. The Company appointed Chang, Tsuen-Hsien as the CEO and President. The previous CEO, Chang, Ray-Ching was exempted from holding the CEO position concurrently and was appointed as the Chairman. They have since carried out their management roles with the Company core value of “Integrity, Enthusiasm, Respect, Consistency, Innovation”.

(IV) Composition, duties and status of operation of the Compensation Committee:

(1) Members of Compensation Committee

Title (Note 1)	Criteria Name	Having met one of the following professional qualifications, together with at least five years work experience			Independence Criteria (Note 2)										Number of other public companies in which the individual is concurrently serving as the Remuneration Committee member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chu, Hau-Min	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Wang, Yea-Kang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Others	Chen, Yi-Ming		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	

Note 1: For title, please indicate whether it is a director, independent director or others.

Note 2: Members who meet the following conditions two years prior to appointment or during the term of appointment, indicate with “ ” at the corresponding boxes below.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or the designated representative pursuant to Article 27 Section 1 or 2 in the Company as director/supervisor. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a director, supervisor, or employee of other company with the Board seats or more than half of the voting shares under control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)
- (8) Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)

- (9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting services or consultation amounted to less than a cumulative NTD500,000 to the Company or to any affiliate of the company, or a spouse thereof. However, this does not apply to members of Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act. - -
- (10) Does not meet any of the criteria described in Article 30 of the Company Act.

(2) Participation of Compensation Committee

I. The Compensation Committee consists of three members.

II. Tenure: May 28, 2020 to May 27, 2023. There were 3 Compensation Committee meetings (A) in 2020. The attendance of committee members is as follows:

Title	Name	Attendance in Person (B)	By proxy	Attendance in Person (%) (B/A) (Note)	Remarks
Convener	Wang, Yea-Kang	3	0	100%	
Member	Chu, Hau-Min	3	0	100%	
Member	Chen, Yi-Ming	3	0	100%	
<p>Note: The Attendance in Person (%) is computed based on the number of Compensation Committee meetings during their tenure and the actual attendance in person.</p> <p>Other matters:</p> <p>I. Circumstances where the board of directors declines to adopt or modify a recommendation of the remuneration committee: None.</p> <p>II. Resolutions of the compensation committee objected by members or become subjected to a qualified opinion, which has been recorded or declared in writing: None.</p>					

III. Regular review of salary and compensation:

The Compensation Committee shall practice duty of care when performing the following responsibilities and answering to the board of directors as required by forwarding all recommendations it makes to the board for discussion.

1. Duties of the Compensation Committee:

- (1) Regularly review the performance appraisal of directors and managers, the compensation policy, system, standard and structure.
- (2) Regularly evaluate and establish the salary and compensation of directors and managers.

2. When performing the aforementioned duties, the Committee shall observe the following principles:

- (1) When deliberating on the performance evaluation, salary and compensation of directors (members of Audit Committee) and managers, and the industry standard shall be taken into consideration, as well as the reasonableness of the correlation between individual performance, company performance and future risks.
- (2) The Committee shall not guide the directors and managers to engage in activities that is beyond the risk appetite of the Company to pursue personal salary and compensation.
- (3) For the percentage of short-term performance bonus given to directors and managers and partial change of the disbursement date of salary and compensation, the characteristics of the industry and the Company's business shall be taken into account.

IV. Participation of Compensation Committee for 2020

Date of Compensation Committee meeting	Session	Resolution	Voting result	Company's response to the Compensation Committee's opinion
March 25, 2020	First meeting	Establishment of the appropriation of the director and employee compensation for 2019.	All committee members passed the resolution unanimously.	Forwarding to the board of directors for unanimous approval by all attending directors and reporting to the shareholders' meeting.
		Establishment of the appropriation of the director and employee compensation for 2020.	All committee members passed the resolution unanimously.	Forwarding to the board of directors for unanimous approval by all attending directors.
May 28, 2020	First extraordinary meeting	Election of the convener of Compensation Committee.	After deliberation, the committee members elected Wang, Yea-Kang as the convener and the Chairman of the meeting unanimously.	
August 12, 2020	Second meeting	Appropriation of management compensation for 2019 and management salary for 2020	All committee members passed the resolution unanimously.	Forwarding to the board of directors for unanimous approval by all attending directors.
		Adjustment to the percentage of employee compensation for 2020.	All committee members passed the resolution unanimously.	Forwarding to the board of directors for unanimous approval by all attending directors.

(V) Implementation of corporate social responsibilities:

Assessment criteria	Participation (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description (Note 2)	
I. Has the company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the company in accordance with materiality principle, and established the corresponding risk management policies or strategies? (Note 3)	✓		“Integrity, Enthusiasm, Respect, Consistency, Innovation” is the business philosophy and major principle of the Company. While pursuing sustainable development and profitability, the Company shall perform its CSR and respect the stakeholders’ interests. The Company shall also pay close attention to the environmental, social and corporate governance issues, which shall be incorporated into the management policies and operating activities to achieve sustainable development.	Consistent with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
II. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?		✓	The units responsible for promoting CSR are the Chairman Office, CEO Office, Finance Division, Human Resources Department, Operation Support Department and Logistics Administration Department. These units are collectively responsible to the undertakings of CSR. Meanwhile, the board of directors has yet to authorize the top management to take over the CSR and report to the board.	In the future, the board of directors may authorize the top management to take over the CSR and report to the board depending on actual needs.
III. Environmental issues (I) Has the company developed an appropriate environmental management system, given the distinctive characteristics of its industry?	✓		(I) The Company continues to increase value-adding services and adopt the management philosophy that benefit the employees, customers and	(I) Consistent with the Corporate Social Responsibility Best Practice Principles

			<p>shareholders. Apart from upholding its core values pertaining to environmental protection, pollution prevention and consistent improvement in environmental management system, in 2003, the Company obtained the ISO 14001 certification on environmental management from UKAS, and has since maintained the certification.</p>	<p>for TWSE/GTSM Listed Companies.</p>
<p>(II) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p>	✓		<p>(II) The Company makes concerted effort in energy conservation, carbon reduction and waste reduction in its operating activities, e.g. improving the lighting of the facilities, recycling and re-using resources and actively inspecting the greenhouse gases (GHG) emission of electricity purchased, as well as setting yearly environmental protection target for the GHG emission of electricity purchased. The Company shall continue to promote and follow up on target meeting and make disclosure, both internally (e.g. ISO Management Review Committee) and externally (e.g. SGS, customers and stakeholders), on the operating performance. Meanwhile, pertaining to customers' (TSMC, UMC and etc.) requests, the Company coordinates with suppliers for inspection of GHG emission to reduce the environmental impact.</p>	<p>(II) Consistent with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>(III) Has the company made an assessment on the present and future potential risks and opportunities posed by climate</p>	✓		<p>(III) The global warming and climate change cause environmental changing impacts, e.g. thermal</p>	<p>(III) Consistent with the Corporate Social</p>

changes to the company and undertaken countermeasures pertaining to climate changes?			effect, extreme climate, air pollution and infectious diseases. Apart from ISO 14001 certification on environmental management in 2003, the Company reviews the impact of climate change on the potential risks and opportunities facing its product sales and services. Via the marketing activities, the Company guides its customers in identifying green products, thus enabling the promotion and sales of these products.	Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(IV) Has the company measured its greenhouse gas emission, water use and total weight of waste for the past two years, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal?	✓		(IV) The Company upholds its environmental protection and improvement policy consistently. In 2020, the total GHG emission index caused by electricity supply purchased dropped from 0.533 in 2018 to 0.509 in 2019 by 4.5%. The GHG emission caused by electricity supply purchased in 2020 amounted to 454.97 metric tons of carbon dioxide, down by 0.91 metric ton from 455.88 metric tons in 2019. The emission factor of water usage for 2020 was computed using the emission factor of 0.15 for 2019 or 0.9113 metric ton of carbon dioxide. 2019 is also set to be the Company's base year for emission factor of water use. The Company shall continue to follow up, gather statistics and make improvements in accordance with company policy.	(IV) Consistent with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
IV. Social issues				
(I) Has the company developed its policies and procedures in	✓		(I) 1. In accordance with the Labor Standard Act, Act of	(I) Consistent with the Corporate

accordance with laws and International Bill of Human Rights?			<p>Gender Equality in Employment and other labor law, the Company has established the “Regulations Governing Employee Work”, “Procedures for Handling Work Place Sexual Harassment Complaints”, “Declaration of Prevention of Work Place Violence” and other management policies and procedures, and made effort to institutionalize them, so as to foster a conducive working environment, protecting the employee interests and welfare. At the same time, the Company conforms to the Universal Declaration of Human Rights of the International Bill of Human Rights adopted by the United Nations. Thus, the Company has prohibited the hiring of labor less than 18 years old and child labor. For the hiring policy, the Company adopts a non-discriminatory treatment, whereby ethnicity, skin color, age, gender, race or nationality, disability, pregnancy, religion, political views, organization background, marital status, etc. do not constitute reasons for discriminatory treatment or any form of discrimination. The Company is keen to foster a work place that is dignified, safe, equal and harassment free.</p> <p>2. The Company has established the Staff Benefit Committee and provided various subsidies for employees (e.g. wedding congratulatory money and scholarship for the children of employees, etc.), as well as sponsoring social</p>	<p>Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>
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			<p>events and staff retreats of employees.</p> <p>3.The Company provides group insurance and travel insurance to ensure the rights and welfare of employees.</p> <p>4. The Company has established an employee stock ownership plan (ESOP) to assist employees in long-term saving and wealth accumulation, as well as protecting the security of their future lives and promoting their sense of belongs toward the Company.</p>	
(II) Has the Company established and implemented reasonable Employee benefit measures (including salary, leave and other benefits), reasonably reflecting the operating results in Employee salary?	✓		<p>(II) The Company makes concerted effort in ensuring the fairness of salaries, both internally and externally. Its long-term participation and referencing of the industry salary research shall be able to maintain the competitiveness in this area. For staff welfare, apart from leave stipulated by the law and regulations, the Company also provides pay leave and sick leave quota, as well as a diverse and flexible welfare measures.</p>	<p>(II) Consistent with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		<p>(III) 1. The Company provides a conducive working environment. Employee health examinations are performed on a regular basis every year. Consultation provided by medical professional on the medical report and education on safety and hygiene are provided. In addition, in accordance with the law and regulations, the Company has hired “the diplomate with</p>	<p>(III) Consistent with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>

			<p>occupational medicine” and “nurse practitioner with occupational medicine” to conduct on-site health management service on a regular basis.</p> <p>2. To provide a friendly work place, as well as empathizing with female employees who have breastfeeding needs, the Company has establish “Breastfeeding Rooms” in its facilities at Kaohsiung, Hsinchu and Taipei.</p>	
(IV) Has the company implemented an effective training program that helps employees develop skills over the course of their career?	✓	(IV)	The Company holds employee seminars regularly every year to establish its communication with employees and the mechanism of promoting company policies.	(IV) Consistent with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(V) Pertaining to the health and safety of customer when using the company’s products and services, consumer privacy, marketing and labeling, does the company comply with the relevant regulations and international standards, and establish relevant policies on consumer protection and complaint procedure?	✓	(V)	The marketing and labeling of products and services are compliant with the respective domestic regulations of the customers and suppliers, and the regulations of international standards.	(V) Consistent with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(VI) Has the company established policy on supplier management, demanding suppliers to observe code of conduct pertaining to environmental protection, labor safety and health or labor rights, and monitoring their implementation?	✓	(VI)	In accordance with supplier review standard of ISO9001, the Company has established “Procedures for Supplier and Subcontractor Management” to select, evaluate, review suppliers and subcontractors to satisfy customer requirements in the product quality, delivery, pricing, service, safety and environmental protection.	(VI) Consistent with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

			The Company has established the “Supplier Evaluation Checklist” and “Subcontractor’s Basic Information Evaluation Checklist”, consistently encouraging the collaboration with suppliers and subcontractors to fulfill its CSR, and providing assistance to them in making improvements. For the annual supplier and subcontractor evaluation, the Company incorporates the environmental protection, occupational health and safety, labor rights and other environmental and social risks, as well as status of improvements into the evaluation items and audit plan. If violations are found, the Company may suspend, cease or terminate the business relationship.	
V. Does the company refer to universal standard or guideline for report preparation when preparing for CSR report and other non-financial disclosure reports? Does the company obtain the confirmation or affirmation opinion from third certification party for the aforementioned reports?		✓	The Company has yet to prepare the CSR Report. However, at the Company website, annual reports and the Market Observation Post System, the Company has made disclosure pertaining to its non-financial information. From time to time, the updates on the Company website shall provide more information for the reference of the public.	Consistent with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
<p>VI. If the company has established corporate social responsibility in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the current practices and any deviations from the Best Practice Principles:</p> <p>The Company has yet to establish its corporate social responsibility. However, the Company aspires to become a model enterprise and is committed to its employees, shareholders and customers. In addition to implementation of information transparency, the Company is also keen to introduce new industrial technologies, new materials and new equipment, as well as providing devoted services. These measures are beneficial to the corporate growth and success, and at the same, creating more job opportunities. All in which, these measures have ensured the Company’s conformity to the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>				

VII. Other information relevant to understanding the company's corporate social responsibility:

- (1) The Company participated in making donation for the medical building of National Sun Yat-sen University, which shall provide much medical benefit to the residents at Kaohsiung, Pingtung, Taitung and Penghu, thus adding to a healthy balance in medical resource distribution of the northern and southern Taiwan: In southern Taiwan, for almost 40 years, there had not been a new public medical college. In 2020, the Company donated NT\$3.4 million to assist National Sun Yat-sen University to cultivate public medical professionals that will cater to the needs of residents at the rural areas, outlying islands and aboriginal inhabited areas, thus narrowing the medical resource gap between the north and the south. In the future, long-distance AI medicine, economic medicine, ecological medicine, precision and preventive medicine are some of the aspects that will see much development in the medical field, thus heightening the competitiveness of the Kaohsiung, Pingtung, Taitung and Penghu and cultivating smart medical talents at these areas.
- (2) The Company made donation for the mobile library van of the public library, thus enhancing the book resources at rural areas and solidifying equal reading right; the Company also donated the second generation mobile library vans to Kaohsiung City, facilitating resource sharing between the city and rural areas.
Every reader at every corner of Kaohsiung County thus has access to 6 million books via the book vans; the second generation book vans combine drawing and reading for children, thus becoming a much anticipated facility for young readers. The book vans are believed to be able to increase the reading momentum at Kaohsiung County.
- (3) The Company has been sponsoring many scholarship at universities to help underprivileged and outstanding students: In 2020, the Company made a donation of a total of NT\$2.1 million to Culture and Education Foundation of Department of Chemistry, National Cheng Kung University, as well as National Sun Yat-sen University and Takming University of Science and Technology for assisting the underprivileged students; the management of the Company also participated in the Elite Forum held by National Cheng Kung University, sharing the entrepreneurial journey and life experience with students.
- (4) The Company consistently sponsors external culture and education foundations and charity foundations to contribute to the regional development of culture, education and social welfare: In 2020, the Company donated NT\$290 thousand to Fu Tse Social Foundation, Christian Mennonite Church, Xue Xue Foundation, Taiwan Reading Culture Foundation, facilitating the organization of cultural and charity activities and promoting a society of kindness and grace.
- (5) The Company has been sponsoring musical bands and musicians consistently to enhance artistic and cultural appreciation: In 2020, the Company sponsored NT\$100 thousand for the Baroque Camerata to support artists and foster a gracious, kind and wondrous life spheres.
- (6) The Company has been actively joining various associations, organizations and alliances to enhance industrial technologies and expanding markets, as well as being part of a competitive player nationally: In 2020, the Company sponsored a total of NT\$430 thousand to Taiwan Industrial Technology Association, Composite Materials Industry Association, International Federation of Inventors' Associations, Taiwan Printed Circuit Association to promote industry upgrading.
- (7) Human rights:

1. Equal opportunities: By upholding the principles of equal opportunities and acknowledging the diverse contribution made by talents, the Company hires employees by holding open recruitments. The Company believes in meritocracy and the right person for the right job, and not in discrimination by ethnicity, gender, age, lifestyle, religion, nationality or political views.

2. Act of Gender Equality in Employment: The Company has established sexual preventive measures for filing of complaint and punishment procedures.

(8) Stakeholders' rights:

In accordance with the provisions of the competent authorities, the Company announces its operating, financial and other related information on a regular basis. Major policies must receive the board's resolution before coming into effect.

Note 1: For operating conditions in which "Yes" is selected, please indicate the major policies, strategies, measures and implementation status; for operating conditions in which "No" is selected, please indicate the reason and the related policies, strategies and measures to be made in the future.

Note 2: The Company has prepared the CSR Report. For the annotation of the status of implementation, please replace with the method of reference and page number of the CSR Report.

Note 3: Major principles are pertaining to the environmental, social, corporate governance issues that may pose major impact on the Company's investors and other stakeholders.

(VI) Implementation of integrity management:

Assessment item	Participation (Note 1)			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
<p>I.Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(I) Does the Company establish corporate conduct and ethics policy that is approved by the Board of Directors and document such policy and procedure, as well as ensuring the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available</p>	✓		<p>(I) The Company has established the "Ethical Corporate Management Best Practice Principles", in which directors, supervisors, managers, employees and person(s) with de facto control must comply with the law and regulations. Integrity is the number one core value in the Company's culture. By upholding its commitment, mutual trust and reciprocity, the Company insists on professional ethics and morality of the utmost level when conducting all operating activities.</p>	<p>(I) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>

Assessment item	Participation (Note 1)			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
documents? (II) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, penalty for violation and appeal system in such policies?	✓		(II) To prevent unethical conducts, apart from prohibiting directors, supervisors, managers and employees from giving out and receiving bribery, and making illegal political contribution in the course of conducting business activities, the Company has also prohibited any direct or indirect receipt of unreasonable gifts, receptions or other illegal interests, to avoid employees compromising the Company's interest for personal gains. The employees and the board members strictly comply with the regulations.	(II) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Has the company established measures for the prevention of unethical conduct covered by the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", Article 7, Paragraph 2?	✓		(III) To promote and raise the awareness of ethical conduct, the Company has established the "Ethical Corporate Management Best Practice Principles" and other related regulations, which are made available on the Company's intranet to facilitate reference and compliance. The Company has also established that it shall hold any violators accountable.	(III) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
II. Implementation of integrity management (I) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		(I) The customers and suppliers of the Company are mostly well-known companies. Their information regarding integrity management are more easily obtained. If business contracts are made, the importance of integrity is also underscored in these contracts.	(I) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Does the company task a unit that reports directly to the board of directors and with promoting ethical standards, making periodical updates (at least once a	✓		(II) The Company has established the Professionalism Promotion Committee to oversee and supervise the implementation, and shall report to the board of directors,	(II) Consistent with the Ethical Corporate Management Best Practice Principles for

Assessment item	Participation (Note 1)			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
year) to the board on the status of implementation?			depending on circumstances.	TWSE/GTSM Listed Companies.
(III) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	✓		(III) The Company has executed the related regulations. The documents signed by employees also contain terms for avoidance of conflict of interests and confidentiality clause. Meanwhile, the Company has established an e-mail for whistle-blowing.	(III) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(IV) Has the company implemented effective accounting and internal control systems for the purpose of maintaining business integrity, and had the internal audit unit or external auditors conducted regular audits on a regular basis?	✓		(IV) The Company has established the accounting and internal control systems. Amendments shall be made in tandem with the changes in environment and regulations to ensure the effectiveness of the systems. The Audit Office reports to the board of directors directly. This is to ensure the independence and objectivity of the execution of the auditing activities. Every year, the office shall make risk assessment to prepare the audit plan and execute the review as per the plan. Regular reports are made to the board of directors to ensure that the management level is familiar with the execution status of the systems.	(IV) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(V) Does the company conduct internal and external ethical training programs on a regular basis?	✓		(V) To promote and raise the awareness for ethical conducts, the Company has conducted training for all employees in this regard. The related regulations are disclosed on the Company website for convenient reference of all employees.	(V) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
III. Implementation of whistle-blowing system				

Assessment item	Participation (Note 1)			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
(I) Does the company provide incentives and means for employees to report malpractice, and implement an accessible whistle-blowing channel? Does the company dedicate personnel to investigate the reported malpractice?	✓		(I) The Company has established a whistle-blowing channel and the related punishment and complaint system, while observing the personal information protection and prohibiting retaliation behavior. The whistle-blowing information is managed by designated personnel.	(I) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices?	✓		(II) The “Ethical Corporate Management Best Practice Principles” stipulates the procedures in conducting investigation. The parties involved shall maintain confidentiality and conduct the investigation in accordance with these principles.	(II) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Does the company assure malpractice reporters that they will not be mistreated for making such reports?	✓		(III) The identity of the whistle-blower is protected throughout the complaint process. The whistle-blower shall not be subject to inappropriate measures due to making a complaint.	(III) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
IV. Strengthening information disclosure (I) Has the company disclosed relevant CSR principles and implementation on its website and Market Observation Post System?	✓		(I) The “Ethical Corporate Management Best Practice Principles” are disclosed on the Company website, annual reports and the Market Observation Post System. The updates on its implementation shall be disclosed on the Company website from time to time.	(I) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
V. If the company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”,				

Assessment item	Participation (Note 1)			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
please describe its current practices and any deviations from the Best Practice Principles: To establish a corporate culture that is based on integrity and promote a robust management system, by referring to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, the Company established the “Ethical Corporate Management Best Practice Principles” and has observed these principles in the implementation. There is no deviation from these principles so far.				
VI. Other information relevant to understanding the company’s business integrity (e.g. review the company’s corporate conduct and ethics policy): Integrity is the number one core value in the Company’s culture. By upholding its commitment, mutual trust and reciprocity, the Company insists on professional ethics and morality of the utmost level when conducting all operating activities. In accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, on August 9, 2017, the board of directors passed the resolution to establish the “Ethical Corporate Management Best Practice Principles” and announced publicly.				

(VII) For corporate governance guidelines and regulations and other relevant internal policies, the company should disclose how to access to these policies:

- (1) The Company has established the “Rules and Procedures of Board of Director Meetings”, “Rules of Procedure for Shareholders Meetings”, “Procedures for Election of Directors”, “Procedures for Acquisition or Disposal of Assets”, “Procedures for Endorsements and Guarantees”, “Procedures for Lending Funds to Other Parties”, “Rules for Continuing Education of Directors”, “Code of Conduct of Wah Lee”, “Procedures on Insider Trading Prevention and Control”, “Ethical Corporate Management Best Practice Principles”, “Corporate Governance Best Practice Principles”, “Audit Committee Charter”, “Compensation Committee Charter”, “Articles of Incorporation” and “Procedures for Handling Reports on Illegal or Unethical Conduct”.
- (2) The related company regulations and procedures are disclosed in the annual report, shareholder’s meeting handbook, the Market Observation Post System (<http://mops.tse.com.tw>) and the Company website (<http://www.wahlee.com>).

(VIII) Other material information that may enhance the understanding of the corporate governance status of the company: Please see page 31 to 37 of the annual report.

(IX) Disclosure pertaining to internal control systems:

1. Statement of Internal Control System

WAH LEE INDUSTRIAL CORP.

Statement of Internal Control System

March 26, 2021

Based on the findings of a self-assessment, WAH LEE INDUSTRIAL CORP. states the following with regard to its internal control system during the year 2020:

1. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on March 26, 2021, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

WAH LEE INDUSTRIAL CORP.

Chairman

Chief Executive Officer

2. Hiring an accountant to audit the company's internal control system, the audit report prepared by the CPAs should be disclosed: None.

(X) For the most recent year until the publication date of the annual report, penalties imposed against the company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations, all of which may impact the Shareholders' interest or the share price. State any corrective actions taken in the most recent years up to the date of the annual report: None.

The Company has established the related regulations and procedures, and disclosed on the Company website the complaints on violation of the law and misconducts by internal and external parties.

(XI) For the most recent year until the publication date of the annual report, major resolutions made in shareholders' and board meetings:

1. Material resolutions in shareholders' meeting:

Name of meeting (date)	Major resolutions
Annual Shareholders' Meeting for 2020 (May 28, 2020)	<p>I. Ratification of Business Report and Financial Statements for 2019.</p> <p>II. Resolution passed for earnings distribution for 2019. Cash dividends of NT\$3.3 per share was appropriated.</p> <p>III. Resolution passed for amendments to "Articles of Incorporation".</p> <p>IV. Resolution passed for amendments to partial articles of the "Procedures for Endorsements and Guarantees".</p> <p>V. Resolution passed for amendments to partial articles of the "Rules of Procedure for Shareholders Meetings".</p> <p>VI. Resolution passed for election of the board of directors. (The board consists of nine directors, of which three is independent directors)</p> <p>VII. Resolution passed for rescission of prohibiting the participation in competing businesses for newly appointed directors.</p>

2. Major resolutions of the board of directors

Date of board meeting	Session	Resolution	Voting result
February 21, 2020	First meeting	Operational plan for 2020.	Resolution passed unanimously.
		Authorization for business transactions with the banks for 2020.	Resolution passed unanimously.
		Continued to provide endorsement and guarantee of US\$3.1 million to subsidiary, PT Wah Lee Indonesia.	Resolution passed unanimously.
		Continued to provide endorsement and guarantee of US\$8.1 million to subsidiary, Wah Lee (Vietnam) Co., Ltd.	Resolution passed unanimously.
		Continued to provide endorsement and guarantee of NT\$25,194,000 to investee, ASAHI KASEI WAH LEE HI-TECH CORPORATION.	Resolution passed unanimously.
		Continued to provide endorsement and guarantee of NT\$360 million and procurement guarantee of NT\$120 million to investee, Nagase Wahlee Plastics Corporation.	Resolution passed unanimously.
		Continued to provide endorsement and guarantee of NT\$17.7 million and procurement guarantee of US\$7 million to investee, Shanghai Hua Chang	Resolution passed unanimously.

Date of board meeting	Session	Resolution	Voting result
		Trading Co., Ltd.	
		Establishment of “Procedures for Handling Reports on Illegal or Unethical Conduct”.	Resolution passed unanimously.
		Amendments to partial articles of “Procedures for Audit Committee Meetings”.	Resolution passed unanimously.
		Amendments to audit plan for 2020.	Resolution passed unanimously.
		Election of the board of directors.	Resolution passed unanimously.
		Determination of the date and venue of the shareholders’ meeting for 2020.	Resolution passed unanimously.
March 25, 2020	Second meeting	Business reports, standalone and consolidated financial statements for 2019.	Resolution passed unanimously.
		Earnings distribution for 2019.	Resolution passed unanimously.
		Appropriation of the director and employee compensation for 2019.	Resolution passed unanimously.
		Appropriation of the director and employee compensation for 2020.	Resolution passed unanimously.
		Continued to provide material procurement performance bond to Raycong Industrial (Hong Kong) Limited, Dong Guan Hua Gang International Trading Co., Ltd. and Shanghai Yi Kang Chemicals & Industries Co., Ltd. to Shinkong Synthetic Fiber Corporation and its subsidiary, Shinkong Industrial (Hangzhou) Co., Ltd, all of which amounted to NT\$120 million.	Resolution passed unanimously.
		Provided endorsement and guarantee of US\$5.2 million to subsidiary, Shanghai Yi Kang Chemicals & Industries Co., Ltd. who makes procurement from Japanese supplier, JSR.	Resolution passed unanimously.
		Continued to provide endorsement and guarantee of US\$7.5 million to subsidiary, Wah Lee Tech (Singapore) Pte., Ltd. and procurement guarantee to JSR of US\$7.4 million.	Resolution passed unanimously.
		Amendments to partial articles of the “Procedures for Endorsements and Guarantees”, “Articles of Incorporation” and “Rules of Procedure for Shareholders Meetings”.	Resolution passed unanimously.
		Establishment of the “Procedures for Performance Assessment of the Board of Directors and Functional Committees”.	Resolution passed unanimously.
		Statement of Internal Control System for 2019.	Resolution passed unanimously.
		Nomination and review of the director and independent director candidates.	Resolution passed unanimously.
		Rescission of prohibiting the participation in competing businesses for newly appointed directors.	Resolution passed unanimously.
		Change of the venue of shareholders’ meeting and amendments to the shareholders’ meeting agenda.	Resolution passed unanimously.
May 8, 2020	Third meeting	Purchase of liability insurance for all board members and managers.	Resolution passed unanimously.
		Land sale of subsidiary, Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.
		Application for medium-term work capital loan to the bank.	Resolution passed unanimously.
May 28, 2020	Fourth meeting	Election of Chairman and Vice Chairman.	Resolution passed unanimously.

Date of board meeting	Session	Resolution	Voting result
			Director, Chang, Ray-Ching (representative of Kang Tai Investment Co., Ltd.) takes office as the Chairman of the Company and director, Chen, Chun-Yin takes office as the Vice Chairman.
		Appointment of the Fourth Compensation Committee members.	Attending Directors (excluding Wang, Yea-Kang and Chu, Hau-Min who recused due to conflict of interests) passed the resolution unanimously after the convener solicited opinion from the Board.
		Matters regarding the disbursement of cash dividends for 2019.	Resolution passed unanimously.
August 12, 2020	Fifth meeting	Deliberation of the manager compensation by the Compensation Committee.	Resolution passed unanimously.
		Adjustment to the percentage of employee compensation for 2020.	Resolution passed unanimously.
		Deliberation on whether to classify overdue accounts receivable in the second quarter as funds lent.	Resolution passed unanimously.
		Continued to provide endorsement and guarantee of THB468 million to subsidiary, Wah Tech Industrial Co., Ltd. (Thailand).	Resolution passed unanimously.
		Continued to provide endorsement and guarantee of US\$6.7 million to subsidiary, Shanghai Yi Kang Chemicals & Industries Co., Ltd. who makes procurement guarantee from Japanese supplier, JSR.	Resolution passed unanimously.
		Continued to provide procurement guarantee of US\$7.7 million to subsidiary, Wah Lee Tech (Singapore) Pte., Ltd.	Resolution passed unanimously.
		New endorsement and guarantee of US\$2 million to subsidiary, Wah Lee Philippines Inc.	Resolution passed unanimously.
		Establishment of the officer of corporate governance	Resolution passed unanimously.
November 12, 2020	Sixth meeting	New provision of shares and dividends as collateral for the syndicated loan taken up by subsidiary, Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.
		Purchased office space at Neihu from ORC Electrical Machinery Co., Ltd.	Resolution passed unanimously.
		Deliberation on whether to classify overdue accounts receivable in the third quarter as funds lent.	Resolution passed unanimously.
		Audit plan for 2021.	Resolution passed unanimously.
January 7, 2021	First extraordinary meeting	Resolution passed for the participation of capital increase by cash in Le Chia Regeneration Technology Co., Ltd.	Resolution passed unanimously.
January 26, 2021	First meeting	Resolution passed for the authorization for business transactions with the banks for 2021.	Resolution passed unanimously.
		Approval for continuing to provide endorsement and guarantee of NT\$25,194,000 to investee, ASAHI KASEI WAH LEE HI-TECH	Resolution passed unanimously.

Date of board meeting	Session	Resolution	Voting result
		CORPORATION.	
		Approval for continuing to provide endorsement and guarantee of NT\$480 million and procurement guarantee of NT\$120 million to investee, Nagase Wahlee Plastics Corporation.	Resolution passed unanimously.
		Approval for continuing to provide endorsement and guarantee of NT\$19.2 million and procurement guarantee of US\$9 million to investee, Shanghai Hua Chang Trading Co., Ltd.	Resolution passed unanimously.
		Resolution passed for the date and venue of the shareholders' meeting for 2020.	Resolution passed unanimously.
		Resolution passed for the proposal to invest in Hua Hsuan Energy Co., Ltd.	Resolution passed unanimously.
March 26, 2021	Second meeting	Resolution passed for the discussion of the business reports, standalone and consolidated financial statements for 2021.	Resolution passed unanimously.
		Resolution passed for earnings distribution for 2020. Dividends of NT\$925,560,552 was appropriated and shall be disbursed in cash (NT\$4 per share).	Resolution passed unanimously.
		Resolution passed for the proposal of capitalization of capital surplus to issue new shares.	Resolution passed unanimously.
		Resolution passed for the appropriation of the director and employee compensation for 2020.	Resolution passed unanimously.
		Resolution passed for the distribution percentages of director and employee compensations for 2021.	Resolution passed unanimously.
		Approval for continuing to provide material procurement performance bond to Raycong Industrial (Hong Kong) Limited, Dong Guan Hua Gang International Trading Co., Ltd. and Shanghai Yi Kang Chemicals & Industries Co., Ltd. to Shinkong Synthetic Fiber Corporation and its subsidiary, Shinkong Synthetic Fiber (Jiangsu) Co., Ltd, all of which amounted to NT\$120 million.	Resolution passed unanimously.
		Approval for continuing to provide endorsement and guarantee of US\$5.4 million to subsidiary, Shanghai Yi Kang Chemicals & Industries Co., Ltd. who makes procurement from Japanese supplier, JSR.	Resolution passed unanimously.
		Approval for continuing to provide endorsement and guarantee of US\$10.5 million to subsidiary, Wah Lee Tech (Singapore) Pte., Ltd. and procurement guarantee to JSR of US\$8.4 million.	Resolution passed unanimously.
		Resolution passed for lending funds to subsidiary, Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.
		Resolution passed for application for medium-term work capital loan to the bank.	Resolution passed unanimously.
		Resolution passed for amendments to "Articles of Incorporation".	Resolution passed unanimously.
		Resolution passed for the partial articles of "Procedures for Acquisition or Disposal of Assets".	Resolution passed unanimously.
		Resolution passed for amendments to partial articles of the "Rules of Procedure for Shareholders Meetings".	Resolution passed unanimously.
		Resolution passed for the Statement of Internal Control System for 2020.	Resolution passed unanimously.
		Resolution passed for amendments made to agenda of shareholders' meeting for 2021.	Resolution passed unanimously.

(XII) Review of the implementation of resolutions passed in shareholders' meeting:

Resolutions passed in shareholders' meeting for 2020 (May 28, 2020)	Implementation of resolution
Resolution passed for earnings distribution for 2019.	The resolution passed on May 28, 2020 by the board of directors stipulated that July 8, 2020 as ex-dividend date. The cash dividends disbursed on July 29, 2020 amounted to NT\$763,587,456.
Resolution passed for amendments to "Articles of Incorporation".	Reviewed and registered as documented in June 24, 2020 DOC, MOEA Doc. No. 10901106060.
Resolution passed for amendments to partial articles of the "Procedures for Endorsements and Guarantees" and "Rules of Procedure for Shareholders Meetings".	Subsequent undertakings have been performed in accordance with the amended procedures.
Resolution passed for election of the board of directors.	Election of nine directors (including three independent directors) had been reviewed and registered as documented in DOC, MOEA Doc. No. 10901106060.

(XIII) For the most recent year until the publication date of the annual report, major issues of record or written statements made by any director or supervisor dissenting to important resolutions passed by the board of directors: None.

(XIV) For the most recent year until the publication date of the annual report, resignation or discharge of the company's key individuals, including the chairman, general manager, and heads of accounting, finance, internal audit, and R&D: None.

V. Audit Fees:

CPA Firm	Independent auditor		Period covered by audit	Remark
Deloitte & Touche Taiwan	Wu, Chiu-Yen	Chen, Chen-Li	January 1, 2020 to December 31, 2020	

Audit fees table

Amount \ Fees		Audit fee	Non-audit fee	Total
1	Less than NT\$2,000 thousand		✓	
2	NT\$2,000 thousand (inclusive) to NT\$4,000 thousand			
3	NT\$4,000 thousand (inclusive) to NT\$6,000 thousand			
4	NT\$6,000 thousand (inclusive) to NT\$8,000 thousand	✓		✓
5	NT\$8,000 thousand (inclusive) to NT\$10,000 thousand			
6	More than NT\$10,000 thousand			

(I) Non-audit fees amounting to one fourth or more of audit fees: None.

(II) Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year: None.

(III) Reduction of audit fees by more than 15% compared to the previous year: None.

(IV) Other non-audit fees paid to independent auditors, accounting firms, and affiliated companies:

Unit: NTD thousands

Accounting Firm	Independent auditor	Non-audit fee					Period covered by audit	Remark
		System design	Company registration	Human resources	Others	Subtotal		
Deloitte & Touche Taiwan	Lai, Yung-Fa				410	410	2020	Transfer pricing
	Wu, Chiu-Yen				50	50	2020	Fees for review on salary declaration of non-managerial employees
	Chang, Wei-Chu		18			18		Change of Registration for amendments to Articles of Incorporation, election of directors and addition of scope of business.

VI. Replacement of independent auditors:

(I) Previous independent auditors

Date of replacement	Resolution passed by the board of directors on November 11, 2019		
Causes for the replacement	The original independent auditors from Deloitte & Touche Taiwan were Chen, Chen-Li and Kung, Chun-Chi. Due to internal adjustment in Deloitte, from the fourth quarter of 2019 onward, the financial statements were audited by Wu, Chiu-Yen and Chen, Chen-Li from Deloitte & Touche Taiwan.		
Causes of termination or rejection of appointment of the appointer or independent auditors	Parties involved	Certified Public Accountant	Appointer
	Circumstance	Not applicable	
	Termination of appointment		
	Rejection of appointment		
For the most recent two years, the causes for audit opinion other than unqualified audit opinion	Not applicable		
Opinion differing from the issuer	Yes		Accounting principles or practice
			Disclosure of financial statements
			Audit scope or procedures
			Others
	None		
	Explanation	Not applicable	
Other disclosures (Disclosure in pursuant of Article 10, Paragraph 6, Subparagraph 1(4) to 1(7))	None		

(II) Re-appointed independent auditors:

Accounting Firm	Deloitte & Touche Taiwan
Independent auditor	Wu, Chiu-Yen and Chen, Chen-Li
Date of engagement	Resolution passed by the board of directors on November 11, 2019
Prior to formal engagement, any inquiry or consultation on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report	Not applicable
Written opinions from the successor independent auditors that are different from the former independent auditors' opinions	Not applicable

(III) Reply from previous independent auditors in pursuant of Article 10, Paragraph 6, Subparagraph 1, 2(3):
None.

VII. For any of the Company's Chairman, General Manager, or managers responsible for Financial or Accounting Affairs Being Employed by the Auditor's Firm or Any of Its Affiliated Company in the Most Recent Year, Name, Job Title and Tenure of Employment Shall be Disclosed: None.

VIII. For the Most Recent Year until the Publication Date of the Annual Report, the Transfer of Equity Interest and Change in Stock Pledge of Directors, Supervisors, Managers and Shareholders with Stake of 10% or More:

(I) Transfer of equity interest and change in stock pledge of directors, supervisors, managers and shareholders:

Job title	Name	2020		As of March 31, 2021	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Kang Tai Investment Corporation	1,960,000	0	286,000	0
Representative of Chairman	Chang, Ray-Ching	(8,302,000)	0	(10,000)	0
Vice Chairman	Chun-Yin Chen	0	0	0	0
Directors	Lin, Chi-Hai	0	0	0	0
Representative of director	Chang, Tsuen-Hsien	410,000	0	0	0
Directors	Bau Guang Investment Corporation	0	0	0	0
Representative of director	Lin, Shu-Chen	(394,000)	0	0	0
Directors	Yeh, Ching-Pin	0	0	0	0
Independent Director	Wang, Yea-Kang	0	0	0	0
Independent Director	Chu, Hau-Min	0	0	0	0
Independent Director	Shyu, So-De	0	0	0	0
CEO & President	Chang, Tsuen-Hsien	410,000	0	0	0
Vice president (Note 1)	Chen, Chi-Hsing	0	0	Not applicable	Not applicable
Vice president	Chen, Chih-Yuan	0	0	0	0
Vice president	Liu, Feng-Jung	0	0	0	0
Vice president	Yeh, Ching-Wen	0	0	0	0
Vice president	Lu, Jui-Ming	0	0	0	0
Vice president	Su, Yu-Liang	0	0	(94,504)	0

Job title	Name	2020		As of March 31, 2021	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Vice president	Chang, Jui-Sen	0	0	0	0
Director	Chang, Jui-Yu	0	0	0	0
Director	Lin, Li-Chang	0	0	0	0
Director	Liu, Tsung-Ming	0	0	0	0
Director (Note 1)	Wu, Hsi-Lin	0	0	Not applicable	Not applicable
Director	Wu, Hsiu-I	0	0	0	0
Director	Yang, Chen-Ming	0	0	0	0
Director	Chang, Yu-Wen	(18,000)	0	0	0
Director	Lin, Fang-Su	0	0	0	0
Director	Yu, Ching-Tien	0	0	0	0
Director	Pan, Ching-Feng	0	0	0	0
Director	Tsai, Yu-Tang	0	0	0	0
Director	Chen, Yi-Jen	0	0	0	0
Director	Shih, Ching-Hsien	0	0	0	0
Director	Yang, Cheng-Ju	0	0	0	0
Director (Note 1)	Weng, Chen-Tsang	0	0	Not applicable	Not applicable
Director	Shao, Kuang-Wei	0	0	0	0
Director	Chang, Chi-An	(6,988)	0	0	0
Director	Wang, Shi-Min	0	0	0	0
Director	Tsai, Shu-Fen	0	0	0	0
Director	Chen, Mao-Hua	0	0	0	0
Director (Note 2)	Chang, Tzu-Cheng	Not applicable	Not applicable	0	0
Director (Note 2)	Chiang, Kuo-Jui	Not applicable	Not applicable	0	0
Director	Lin, Ren-Chih	0	0	0	0
Director	Li, Kuo-Ping	0	0	0	0

Note 1: Discharged in 2020.

Note 2: Promoted in 2021.

(II) Transfer of equity interest

Unit: Share; NT\$

Name	Reason for the transfer of equity interest	Trade date	Transacted party	Relation of transacted party with the Company, directors, supervisors, managers and shareholders with a 10% stake or more	Shares	Transaction price
Chang, Ray-Ching	Gift	November 26, 2020	Chang, Tsuen-Hsien	Father and son	213,000	58.6
Chang, Ray-Ching	Gift	December 8, 2020	Chang, Tsuen-Hsien	Father and son	197,000	63.3
Lin, Shu-Chen	Gift	December 8, 2020	Chang, Tsuen-Yi	Mother and son	394,000	63.3
Chang, Ray-Ching	Transacted party	December 9, 2020	Provisional Office of Ting Pao Co., Ltd Representative: Chang, Ray-Ching	Shareholding under other person(s)	7,300,000	75.0

(III) Pledge of equity interest: None.

IX. Shareholding Percentage of Top 10 Shareholders and Their Affiliated Persons, Spouses, or Other Relatives within Two Degrees of Consanguinity:

March 31, 2021

Name	Shareholding		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Names of spouse or other relatives within two degrees of consanguinity who are also among the Company's top 10 largest shareholders		Remarks
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Name	Relation	
Kang Tai Investment Corporation	16,660,155	7.20%	0	0.00%	0	0.00%	Fortune Investment Co., Ltd.	Parent company of the Company	
Kang Tai Investment Corporation Representative: Tsai, Shu-Fen	100,280	0.04%	0	0.00%	0	0.00%	None	None	
Fortune Investment Co., Ltd.	13,246,583	5.72%	0	0.00%	0	0.00%	Kang Tai Investment Corporation	Subsidiary of the Company	
Fortune Investment Co., Ltd. Representative: Chang, Yu-Jen	0	0.00%	0	0.00%	0	0.00%	None	None	
Dragon Investment Co., Ltd.	11,017,422	4.76%	0	0.00%	0	0.00%	None	None	
Dragon Investment Co., Ltd. Representative: Hsieh, Hsin-Mo	1,061	0.00%	0	0.00%	0	0.00%	None	None	
Ting Pao Co., Ltd	7,300,000	3.15%	0	0.00%	0	0.00%	Chang, Ray-Ching	Chairman of Ting Pao Co., Ltd	
Ting Pao Co., Ltd Representative: Chang, Ray-Ching	6,598,397	2.85%	1,295,656	0.56%	7,300,000	3.15%	Ting Pao Co., Ltd	is held by Chang, Ray-Ching under other person(s)	
Cathay Life Insurance Co., Ltd.	7,182,000	3.10%	0	0.00%	0	0.00%	None	None	

Name	Shareholding		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Names of spouse or other relatives within two degrees of consanguinity who are also among the Company's top 10 largest shareholders		Remarks
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Name	Relation	
Representative of Cathay Life Insurance Co., Ltd.: Huang, Tiao-Kuei	0	0.00%	0	0.00%	0	0.00%	None	None	
Chang, Ray-Ching	6,598,397	2.85%	1,295,656	0.56%	7,300,000	3.15%	Chen, Chun-Yin and Ting Pao Co., Ltd	Ting Pao Co., Ltd and shareholding of Chang, Ray-Ching under relative within the second degree of kinship	
Crystal Investment Co. Ltd.	5,984,882	2.59%	0	0.00%	0	0.00%	None	None	
Crystal Investment Co. Ltd. Representative: Lin, Li-Hsiu	33,883	0.01%	0	0.00%	0	0.00%	None	None	
Special account of Wah Lee Industrial's employee stocks entrusted to CTBC Bank	4,687,486	2.03%	0	0.01%	0	0.00%	None	None	
Chun-Yin Chen	3,796,014	1.64%	54,089	0.02%	0	0.00%	Chang, Ray-Ching	Relative within the second degree of kinship	
Chang Wah Electromaterials Inc.	3,490,000	1.51%	0	0.00%	0	0.00%	None	None	
Representative of Chang Wah Electromaterials Inc.: Huang, Canon	0	0.00%	0	0.00%	0	0.00%	None	None	

X. Aggregate investments:

December 31, 2021; unit: share

Investees (Note 1)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregated investment	
	Shares	Shares Ratio	Shares	Shares Ratio	Shares	Shares Ratio
Wah Lee Holding Ltd.	13,070,000	100.00%	0	0.00%	13,070,000	100.00%
Raycong Industrial (Hong Kong) Limited	56,000,000	53.69%	48,296,655	46.31%	104,296,655	100.00%
Chang Wah Electromaterials Inc.	197,902,180	30.98%	10,456,100	1.64%	208,358,280	32.62%
Nagase Wahlee Plastics Corporation	4,000,000	40.00%	0	0.00%	4,000,000	40.00%
Wah Hong Industrial Corporation	26,118,978	26.67%	6,420,780	6.56%	32,539,758	33.23%
ORC Technoloty Corp.	600,000	35.00%	0	0.00%	600,000	35.00%
ORC Electrical Machinery Co., Ltd	400,000	100.00%	0	0.00%	400,000	100.00%
Chuan Shun Logistic Co., Ltd.	9,500,000	63.33%	0	0.00%	9,500,000	63.33%
Chuan Cheng Logistics Co., Ltd.	0	0.00%	2,500,000	100.00%	2,500,000	100.00%

Investees (Note 1)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregated investment	
	Shares	Shares Ratio	Shares	Shares Ratio	Shares	Shares Ratio
Hua Heng Energy Co., Ltd.	3,000,000	100.00%	0	0.00%	3,000,000	100.00%
Kingstone Energy Technology Co., Ltd.	17,962,577	51.00%	0	0.00%	17,962,577	51.00%
KSD Energy Corporation	0	0.00%	6,700,000	100.00%	6,700,000	100.00%
KSA Energy Corporation	0	00.00%	6,130,000	100.00%	6,130,000	100.00%
KSB Energy Corporation	0	00.00%	1,113,000	100.00%	1,113,000	100.00%
Wahlee Green Energy Corporation (dissolved)	200,000	25.00%	432,000	51.00%	643,000	76.00%
Eco Energy Corporation	8,000,000	20.00%	8,000,000	20.00%	16,000,000	40.00%
KSC Energy Corporation	0	00.00%	100,000	100.00%	100,000	100.00%
Wah Lee Japan Co., Ltd.	1,500	83.33%	0	0.00%	1,500	83.33%
Wah Lee Korea Ltd.	147,000	100.00%	0	0.00%	147,000	100.00%
Sakuragawa Solar GK.	- (Note 4)	99.99%	- (Note 4)	0.00%	- (Note 4)	99.99%
Miyazaki Solar GK.	- (Note 4)	99.99%	- (Note 4)	0.00%	- (Note 4)	99.99%
Hua Ying Supply Chain Management (Shenzhen) Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	100.00%	- (Note 2)	100.00%
PT. Wah Lee Indonesia	1,610,000	70.00%	0	0.00%	1,610,000	70.00%
Wah Lee Vietnam Co., Ltd.	-	100.00%	0	0.00%	-	100.00%
Regent King International Ltd.	-	0.00%	(Note 2)	100.00%	(Note 2)	100.00%
Dongguan Huagang International Trading Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	100.00%	- (Note 2)	100.00%
Shanghai Yi Kang Chemicals & Industries Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	70.00%	- (Note 2)	70.00%
SHC Holding Ltd.	0	0.00%	1,290,000	100.00%	1,290,000	100.00%
Wah Lee Tech (Singapore) Pte. Ltd. Ltd.	0	0.00%	1,600,000	100.00%	1,600,000	100.00%
Shanghai Hua Chang Trading Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	30.00%	- (Note 2)	30.00%
Adi International Trading (Shanghai) Co., Ltd	- (Note 2)	0.00%	- (Note 2)	49.00% (Note 3)	- (Note 2)	49.00% (Note 3)
Shanghai Li Huang Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	48.98%	- (Note 2)	48.98%
Guangzhou Xing Xian Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	100.00%	- (Note 2)	100.00%
WT Industrial	7,650	51.00%	0	0.00%	7,650	51.00%
WT Indonesia	0	00.00%	18,150	66.00%	18,150	66.00%
Gishine Tech	- (Note 2)	00.00%	- (Note 2)	49.00%	- (Note 2)	49.00%
Wah Lee Philippines International Corp.	127,495	99.99%	1	0.00%	127,496	99.99%
Wah Lee Philippines Inc.	126,997	99.99%	1	0.00%	126,998	99.99%
Xiamen Hua Cheng Da Logistics Co., Ltd.	-	0.00%	(Note 2)	70%	(Note 2)	70%

Investees (Note 1)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregated investment	
	Shares	Shares Ratio	Shares	Shares Ratio	Shares	Shares Ratio
Xiamen Jian Yuan Rong Logistics Co., Ltd.	-	0.00%	(Note 2)	30%	(Note 2)	30%
Xiamen Jia Sheng Yuan Trading Development Co., Ltd.	-	0.00%	(Note 2)	30%	(Note 2)	30%

Note 1: Long-term investment of the Company accounted for using equity method.

Note 2: As a limited liability company, no shares held.

Note 3: The Company and its subsidiary, Wah Lee Holding Ltd. hold a combined stake of 100% in Raycong Industrial (Hong Kong) Ltd.; Raycong Industrial (Hong Kong) Ltd. holds a 70% stake in Shanghai Yi Kang Chemicals & Industries Co., Ltd.; Shanghai Yi Kang Chemicals & Industries Co., Ltd holds a 70% stake in Adi International Trading (Shanghai) Co., Ltd. As such, the Company's aggregate stake in Adi International Trading (Shanghai) Co., Ltd. amounts to 49%.

Note 4: See page 248 to 250 of this Annual Report.

Four: Capital Raising

I. Capital and shares

(I) 1. Source of capital

March 31, 2021; unit: share/NT\$

Month/Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources	Assets other than cash contributed as equity capital	Others
February 2006	NT\$10	240,000,000	2,400,000,000	196,495,062	1,964,950,620	Corporate bonds of NT\$7,667,270 converted to shares	None	February 20, 2006 DOC, MOEA Doc. No. 09501028140
June 2006	NT\$10	300,000,000	3,000,000,000	209,354,864	2,093,548,640	Capitalization of retained earnings NT\$128,598,020	None	June 6, 2006 SFB, FSC Doc. No. 0950122737
June 2007	NT\$10	300,000,000	3,000,000,000	219,635,510	2,196,355,100	Capitalization of retained earnings NT\$102,806,460	None	June 28, 2007 SFB, FSC Doc. No. 0960032751
August 2008	NT\$10	300,000,000	3,000,000,000	230,134,006	2,301,340,060	Capitalization of retained earnings NT\$104,984,960	None	August 6, 2008 SFB, FSC Doc. No. 0970039612
June 2009	NT\$10	300,000,000	3,000,000,000	234,409,138	2,344,091,380	Capitalization of retained earnings NT\$42,751,320	None	June 23, 2009 CFD, SFB, FSC Doc. No. 0980031087
June 2010	NT\$10	300,000,000	3,000,000,000	231,390,138	2,313,901,380	Treasury shares retired NT\$30,190,000	None	June 30, 2010 DOC, MOEA Doc. No. 09901134430 Change of Registration
June 2019	NT\$10	500,000,000	5,000,000,000	231,390,138	2,313,901,380		None	June 21, 2019 DOC, MOEA Doc. No. 10801072090 Change of Registration

March 31, 2021; unit: share

Type of shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Common share	231,390,138	268,609,862	500,000,000	Taiwan Stock Exchange listed

1.2 Information on shelf registration: None.

(II) Shareholder structure

March 31, 2021

Shareholder structure Amount	Government agencies	Financial institution	Other corporate entities	Individual	Overseas entities and individuals	Total
Number of holders	2	20	166	21,280	170	21,638
Number of shares held	583,047	16,148,844	72,380,544	106,180,087	36,097,616	231,390,138
Shareholding percentage	0.25%	6.98%	31.28%	45.89%	15.60%	100.00%

(III) Shareholding distribution

Shareholding brackets	Par value of NT\$10 per share		March 31, 2021
	Number of shareholders	Number of shares held	Shareholding percentage
1-999	10,358	562,357	0.24%
1,000-5,000	8,473	16,970,263	7.33%
5,001-10,000	1,294	10,099,282	4.36%
10,001-15,000	458	5,813,308	2.51%
15,001-20,000	244	4,453,126	1.92%
20,001-30,000	245	6,176,191	2.67%
30,001-40,000	129	4,583,811	1.98%
40,001-50,000	77	3,556,285	1.54%
50,001-100,000	154	10,889,669	4.71%
100,001-200,000	100	14,053,676	6.07%
200,001-400,000	37	11,226,316	4.85%
400,001-600,000	21	10,300,202	4.45%
600,001-800,000	10	6,938,358	3.00%
800,001-1,000,000	5	4,507,337	1.95%
Over 1,000,001	33	121,259,917	52.40%
Total	21,638	231,390,138	100.00%

Preference share: None.

(IV) Major shareholders

Shareholder	Share		March 31, 2021
	No. of shares held	Shares Ratio	
Kang Tai Investment Co., Ltd.	16,660,155	7.20%	
Fortune Investment Co., Ltd.	13,246,583	5.72%	
Dragon Investment Co., Ltd.	11,017,422	4.76%	
Ting Bao Co., Ltd.	7,300,000	3.15%	
Cathay Life Insurance Co., Ltd.	7,182,000	3.10%	
Chang, Ray-Ching	6,598,397	2.85%	
Crystal Investment Co., Ltd.	5,984,882	2.59%	
Special account of Wah Lee Industrial's employee stocks entrusted to CTBC Bank	4,687,486	2.03%	
Chun-Ying Chen	3,796,014	1.64%	
Chang Wah Electromaterial Inc.	3,490,000	1.51%	

(V) Share information in the past two years

Unit: NT\$/share

<div>Year</div> <div>Item</div>			2019	2020	Current year up until March 31, 2021
Market price per share (Note 1)	Highest		58.40	79.80	86.50
	Lowest		49.00	41.60	72.50
	Average		53.64	58.32	79.50
Net value per share (Note 2)	Before distribution		49.48	55.65	Not applicable
	After distribution		49.48	(Note 7)	Not applicable
Earnings per share	Weighted average shares		231,390,138	231,390,138	Not applicable
	Earnings per share (Note 3)	Before adjustment	6.12	8.03	Not applicable
		After adjustment	6.12	(Note 7)	Not applicable
Dividends Per Share	Cash dividends		3.3	4 (Note 7)	Not applicable
	Stock divide nds	From retained earnings	None	None	Not applicable
		From capital surplus	None	0.2	Not applicable
	Accumulated unpaid dividends		None	None	Not applicable
Return on investment	Price to earnings ratio (Note 4)		8.76	7.26 (Note 7)	Not applicable
	Price to dividend ratio (Note 5)		16.25	14.58 (Note 7)	Not applicable
	Cash dividend yield (Note 6)		6.15%	6.86% (Note 7)	Not applicable

Note 1: The source of information is the Taiwan Stock Exchange website.

Note 2: Calculated based on the number of shares issued at yearend and distribution as per resolution of the shareholders' meeting in the following year.

Note 3: Retrospective adjustment due to stock dividends, capital increase from employee profit sharing and corporate bonds converted to ordinary share.

Note 4: Price to earnings ratio = Average market price / Earnings per share

Note 5: Price to dividend ratio = Average market price / Cash dividend per share

Note 6: Cash dividend Yield = Cash dividend per share / Average market price

Note 7: As of the publication date of the annual report, the earning distribution for 2020 is yet to be resolved by the shareholders' meeting.

(VI) Dividend Policy and Implementation

1. Dividend policy:

Where the Company made a profit in a fiscal year, the profit shall be used to pay taxes and offset losses of

previous years. 10% of the remaining profit shall be set aside as legal reserve. However, if the legal reserve has reached the amount of the paid-in capital, no appropriation shall be made. The remaining profit shall be appropriated to or subject to reversal of special reserve in accordance with the laws and regulations. Any remaining profit, along with the accumulated undistributed earnings shall be used by the Company's board of directors as the basis for proposing an earning distribution plan, which should be resolved in the shareholders' meeting for dividends and bonus distribution to shareholders.

The Company's dividend policy is stipulated based on its current and future development plans, together with the consideration of the investment environment, capital requirements, domestic and international competition, and shareholders' interests. Earnings distribution to common shareholders shall not be less than 10% of distributable earnings. However, no distribution shall be made if the balance of distributable earnings is less than 1% of paid-in capital. Dividends may be distributed to shareholders in cash or shares, with cash dividends being no less than 50% of the total dividends.

2. Status of dividend distribution proposal for the coming shareholders' meeting: The shareholders' meeting shall propose to distribute cash dividends of NT\$4 per share and stock dividends of NT\$0.2 per share.

- (VII) The impact on the operating performance of the Company and EPS posed by the proposal of the shareholders' meeting to issue free allotment shares:

The shareholders' meeting proposes to distribute stock dividend from capital surplus of NT\$0.2 per share, which shall increase the capital of the Company by 2%. As such, the impact on the operating performance and EPS is approximately 2%.

- (VIII) Employee compensation and director remuneration

1. Employee and director remuneration policies stated in the Articles of Incorporation:

The Company shall set aside 9%~13% and no more than 2%, respectively, from profit as employee compensation, and director and supervisor remuneration. However, the profit shall be retained when there are accumulated losses yet to be offset.

Employee compensation stated above may be made in cash or stock and shall also be allocated to employees of affiliated companies who have met certain criteria.

The two items above shall be executed according to the board's resolution and reported in the shareholders' meeting.

2. The estimation basis of the employee compensation, and director remuneration for the current period, the computation basis for the number of shares issued as stock dividend serving as employee compensation, and accounting treatments for any discrepancies between the estimation and the actual allotment:

The employee compensation and director remunerations for 2020 are NT\$210,798,000 and NT\$26,935,000 respectively, which are appropriated in accordance with the Articles of Incorporation, Article 20. Any discrepancy between the amount approved by the Board and the estimation recognized shall be treated as a change in accounting estimate and recognized in profit or loss for 2020.

3. Remuneration proposal passed by the Board of directors:

- (1) Director and supervisor remuneration in cash compensation or stock dividend:

The employee compensation and director and supervisor remunerations for 2020 are NT\$210,798,000 and NT\$26,935,000 respectively.

- (2) Percentage of compensation to employees by stock dividends over net income in stand-alone Financial

Statements, and over total compensation to employees: Not applicable, as the Company did not distribute stock dividends as employee compensation for the current period.

4. Actual disbursement of employee compensation and director and supervisor remuneration for the preceding year:

On March 25, 2020, the Board resolved that NT\$200,997,000 was distributed as employee compensation and NT\$21,013,000 was distributed as director remuneration, both of which are in cash from 2019 earnings.

(IX) Share repurchase by the Company: None.

II. Corporate bonds: None.

III. Preference share: None.

IV. Overseas depositary receipt: None.

V. Subscription of warrants for employee and new employee restricted stock plans: None.

VI. New share issuance in connection with mergers and acquisitions: None.

VII. Capital utilization plan: None.

Five. Operational Overview

I. Business activities:

(I) Scope of business

1. Principal business activities

- (1) International Trade.
- (2) Wholesale of Precision Chemical Materials.
- (3) Wholesale of Raw Plastic Material.
- (4) Wholesale of Electronic Materials.
- (5) Wholesale of Batteries.
- (6) Wholesale of Telecom Instruments.
- (7) Retail Sale of Electrical Appliances.
- (8) Wholesale of Medical Devices.
- (9) Wholesale of Synthetic Resin.
- (10) Wholesale of Synthetic Rubber.
- (11) Wholesale of Industrial Catalyst.
- (12) Wholesale of Pollution Controlling Equipments.
- (13) Wholesale of Refractory Materials.
- (14) Wholesale of Other Chemical Products (photoresist, stripper, metal oxides, silicon oxide polishing compound, silicon carbide heating element, glass substrate, conductive glass, liquid crystal, dry film resist, foaming agent, refrigerant, air conditioner coolant, automobile and refrigerator coolant, elastic fiber, glass fiber, carbon fiber, boron fiber, polyethylene fiber).
- (15) Wholesale of Precision Instruments.
- (16) Wholesale of Animal Feeds.
- (17) Retail Sale of Feeds.
- (18) Self-usage Power Generation Equipment Utilizing Renewable Energy Industry.
- (19) Electric Appliance Construction.
- (20) Energy Technical Services.
- (21) Information Software Services.
- (22) Data Processing Services.
- (23) Waste Treatment.
- (24) Wastewater (Sewage) Treatment.
- (25) Waste Recycling.
- (26) Wholesale of Plumbing Materials.
- (27) Wholesale of Furniture, Bedding, Kitchen Utensils and Fixtures.
- (28) Wholesale of Ceramic and Glassware.
- (29) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Main products and sales percentage

Unit: NTD thousands

Product	2020 consolidated revenues	Sales percentage (%)
Information and communication	20,224,937	34.2%
Flat-panel displays	16,249,182	27.5%
Semiconductors	12,129,747	20.5%
PCB/motherboard	6,369,176	10.8%
Green energy	1,640,036	2.8%
Others	2,467,842	4.2%
Total	59,080,920	100.0%

3. Products of the Company

The Company operates with the vision of sourcing advanced materials, components, systems, equipment, technologies, and integrated services for world's key or growing industries, and promotes them to global markets, particularly Greater China Region and Southeast Asia, to satisfy the one-stop shopping needs of customers in high-tech, prominent, and high-profile industries. The Company currently offers products in five main categories, namely: (1) IT/communication and electronics assembly (such as high-speed servers, 5G mobile devices and materials, AI-powered devices, cloud computing, artificial intelligence of things (AIoT) related, car imaging and radar, electronic power modules etc.); (2) semiconductors; (3) opto-electronics, optical communication, and flat-panel display (materials/IC/parts/modules/systems); (4) green energy (solar power, wind power, hydro electricity, biofuel, marsh gas etc.), energy conservation, and energy storage (e.g. LED, energy storage equipment, charging equipment...); and (5) others (such as environmental protection/circular economy, biotech/biomedicine, food additives and packaging materials, advanced manufacturing materials...). Product categories by industry:

Industry	Main product categories
IT/communication and electronics assembly	High-performance engineering plastics, thermosetting engineering plastics, general purpose engineering plastics, plastic films & sheets, Dry Films, substrates, exposure machines and parts, copper balls/copper wires, separation films, other PCB assembly materials and equipment, materials for high frequency application, optical inspection machines.....
Semiconductors	Process photoresist, electronic-grade gas, semiconductor assembly materials, Slurry, Developer, Spare Parts, Polyimide, target materials.....
Opto-electronics, optical communication, and flat-panel display	Optical display materials and equipment: Display systems and materials, T-Con ICs, IC Chemicals, polaroids, FPD Materials, Non T-Con ICs, opto-electronic equipment/parts, OLED materials and parts, LCM Panel & glass slimming; optical communication materials
Green energy (solar power, wind power, hydro electricity, biofuel, marsh gas etc.), energy conservation, and energy storage	LED finished goods/semi-finished goods/assembly materials, solar cell materials, solar cells, solar power system/equipment, solar system engineering, energy storage device, fan blade materials, rechargeable battery materials.....
Others	Ship engine and parts, coolants, foaming agents, glass fiber, carbon fiber, resin, core materials, functional materials, special chemicals, silica fume,

	automated equipment and control components, other industrial materials...
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4. New products under development

The Company operates with the vision of supplying to the needs of world's growing industries and markets, particularly in the Greater China Region and Southeast Asia. It pays close and constant attention to trends and needs of relevant industries/markets, and looks for opportunities to cooperate with suppliers on researching, developing, and introducing the latest products and technologies in order to supply high-quality, high-performance, and fairly priced materials, components, modules, equipment, and consumables for manufacturers as well as end users. The Company also cooperates with business partners on the research and development of integrated solutions, and plays its role of an industry integrator and total solution provider.

Below is a list of new products that the Company is actively developing in the five main industries:

Industry	Agency or distribution of new products
IT/communication and electronics assembly	<u>Handheld Device, NB, Smart Phone</u> : High Stiffness Computer Case, new USB Type C connectors and DDR4/DDR5 applications; <u>car electronics, 3C applications</u> : Pulley, Water Pump, Piston, Gasket, LIB Separator Film, car lens, 5G antenna station, small cells, household WiFi, set up box and smart home applications; <u>solar power</u> : solar power connections; <u>consumer goods</u> : luggage, glasses frame; <u>3C, home appliance</u> : TAFK PE Maskings; <u>new applications of food packaging, consumer goods, and medical instrument</u> ; <u>PCB/motherboard/electronics assembly</u> : Copper clad laminate for fine-line HDI/flexible copper clad laminate/IC substrate/low flow PP for Rigid-Flex, Ultra Low Dk & Df copper clad laminate and LCP Film for high-frequency and low wear applications, next generation ultra-high resolution direct imaging dry film photoresist, 3D optical inspection machines, contactless electrical tester, high-frequency materials for 5G communication.
Semiconductors	Next-generation EUV photoresist, 3D IC Package Material, IC Bumping chemicals, low Dk & Df materials needed for high frequency applications, electroformed stencil, electronic-grade gas (NF ₃ , WF ₆ , TCS, DCS, CO, HCL, CO ₂ , SO ₂ , C ₃ H ₆ , Si ₂ H ₆ , CF ₄ ...), laser gas mixture, coolant, reclaimed wafers, CVD SiC consumers, and secondhand machines.
Opto-electronics, optical communication, and flat-panel display	Materials and equipment relating to OLED panels, organic light-emitting materials and packaging materials, Touch Panel Controller, Power Management Unit, Timing Controller Board Solution, DisplayPort IC (NB, TV, Smart Phone), public information display (PID), optical communication ICs and modules, YPI, CPI.
Green energy, energy conservation, and energy storage	OLED Lighting, high-performance/dual wave/shingled array modules, fuel cell materials, solar modules, equipment, and power stations, wind power materials, modules, and equipment, energy storage systems, green energy products, distributed natural gas generator, marsh gas generator, large natural gas generator.
Environmental protection, biomedicine, and others	Pharmaceutical materials (excipients, additives), biotech applications (biotech materials), class 1/2 medical supplies, cosmetic medicine supplies, medical service terminals, ship engines/generators and related equipment and coating materials, IoT- and mobile device-related products and integrated solutions, graphene and related products and applications, environmental-friendly products, air pollution control and water treatment technologies and materials

(II) Industry overview

1. Current and future industry prospects

(1) Overall industry development

Although CES 2021 was initially intended to be held as a physical event, it eventually succumbed to the threat of the pandemic and progressed online for the very first time. This year's CES emphasized on people's day-to-day needs in the post-pandemic era, such as: personalized disease prevention and precision health care on the individual level, transforming home into work and lifestyle headquarter on the household level, and public health and contactless business opportunities on the urban level. All these visions are based upon the foundation of a complete communication and application platform. Outside of conceptualization, the practical discussions still revolved around known technologies such as AIOT, 5G, and self-driving cars.

(2) Semiconductors industry

Due to the combined effect of the China-USA trade war and the COVID-19 pandemic, major consumer electronics brands around the world have overbooked the supply of ICs, causing the semiconductor industry to operate at near full capacity from foundry, IC design, to assembly. Production value of Taiwan's semiconductor industry grew by 20.7% in 2020, and as production capacity constraints are brought to attention in 2021, semiconductors are expected to remain in short supply at least until Q3 2021. Unlike the year before, the market is growing concerned towards the possibility of idle capacity in Q4. Overall, semiconductor industry in 2021 is still full of optimistic expectation.

(3) FPD industry

The pandemic caused a surge in demand for flat panel displays, from home entertainment to remote teaching, in the first quarter of 2020. Sale of 70-inch models and above grew nearly 6% in 2020.

From manufacturers' perspective, however, Korean and Japanese panel manufacturers are slowly exiting the market, giving way to China manufacturers who now have to exercise more careful discretion on future production decisions. The pandemic first caused a decrease in labor demand in early 2020, but later resulted in a surge of demand for video solutions. In response to this drastic swing in demand, major manufacturers in China, including BOE, TCL, and HKC, first cut back on production activities and then quickly reversed to normal production capacity later in the year, but overall, flat panel displays were still in slight oversupply in 2020. As for 2021, the surge in demand caused by the pandemic will reduce over time, and the oversupply and prices fall may happen again in Q3 of 2021.

(4) PCB industry

According to data consolidated by Taiwan Printed Circuit Association (TPCA), Taiwan's PCB industry may have been the best-performing industry during the pandemic. 2021 is expected to be the best performing year for Taiwan's PCB industry since 2001. Due to the effect of the pandemic, deployment of 5G infrastructures has slowed down in most parts of the world except China, but demand for mobile phones and servers rose against expectation. There has also been strong demand for other IC substrates and high-end HDI boards. In terms of HDI boards, manufacturers such as Compeq, Tripod Technology, Zhen Ding, and Dynamic Electronics all took actions to expand production capacity in 2020 and 2021. Production value of substrates in Taiwan averaged an annual compound growth rate of 3.55% between 2016 and 2021, compared to global average of 0.14%.

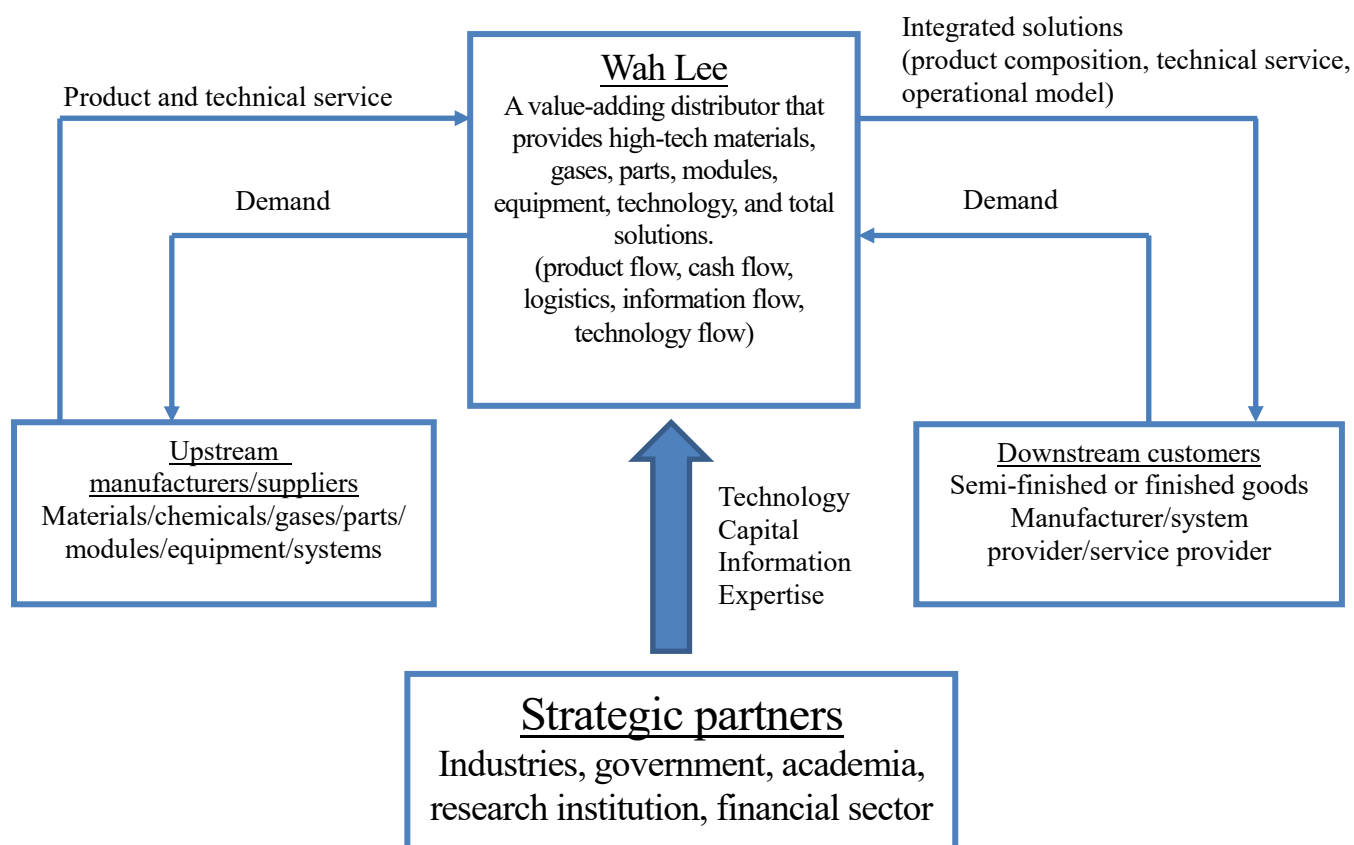
(5) Green energy industry

Growth of green energy had been stagnant in most parts of the world due to the pandemic. Wind power and solar power remained the main drivers of green energy, but there are drastic differences in their state of progression. In Taiwan, wind power is an emerging industry that has the strong support of the local government. Not only were environmental assessments conducted on new sites in 2020, the government also encouraged developers to submit development proposals for the phase 3 site. In countries where wind power is relatively mature, such as Germany and UK, deployment of wind power facilities has been postponed by a significant extent. Overall, impact of the pandemic on Taiwan's wind power and solar power industries was significantly less compared to the ITC industry. The global wind power market as a whole is expected to grow by 17% in 2021.

Green energy was affected by the China-USA trade war, and while wind farm constructions continued in China, projects are no longer subsidized as strongly as they had been at the end of 2019. In the United States, green energy development was severely impaired by the pandemic, but overall, offshore wind power and electric cars still made noticeable progress during the year.

2. Connection between upstream, midstream, and downstream industry participants

The Company is a midstream/upstream provider/distributor of high-tech materials, chemicals, gases, parts, modules, equipment, technical support, and integrated solutions. It serves customers across a vast number of industries including but not limited to ITC and electronics assembly, semiconductors, opto-electronics, optical communication, flat-panel display, green energy, energy conservation and energy storage, biotech and biomedicine, consumer goods, environmental protections, and material and chemical engineering. The Company sources supply mainly from local and foreign manufacturers/suppliers of the above industries, and sells products to finished and semi-finished goods manufacturers, system integrators, and service providers of the above industries. In addition to distributing products/services from upstream manufacturers/suppliers to downstream customers, the Company also provides integrated technical services and collaborates with suppliers, customers, industry participants, government agencies, academic institutions, and research institutions to explore and invest into new business models. Association between upstream, midstream, and downstream industry participants is depicted in the following figure.



3. Product trends

The Company is a supplier of high-tech materials, chemicals, gases, parts, modules, and equipment, both as individual products and as total solutions. The Company distributes a broad variety of products, and all of its services and products are highly relevant to the growth and needs of high-tech industries in Greater China Region, Southeast Asia, and the world.

The Company has long been monitoring future trends and demands in private consumption, environment safety, medical care, lifestyle, industry localization, and smart production, and taken pro-active steps to secure supply of related materials. Noticeable progress has been made with regards to: carbon fiber, graphene, smart packaging, nano coat, anti-corrosion paint, lightweight materials, biomass material, self-healing material, quantum dot, water treatment film etc.

The Company still possesses leading position in the supply of high-performance engineering plastics for the ITC industry, and has made successful entry into optical lens materials, smartphone antenna modules, non-metallic alternative auto parts, self-driving camera modules, and medical instruments. In the semiconductors industry, the Company maintains its lead in advanced processes and continues to achieve revenue growth from the supply of advanced electronic-grade chemicals, materials, gases and consumables. The company's strength in the PCB industry lies in its ability to supply high-end consumables such as dry films and copper clad laminates; given the rise of advanced applications such as 5G communication, cloud computing, high-frequency transmission, smartphone, and auto electronics, we will aim to supply the raw materials, consumables, and equipment needed and thereby capitalize on the rapid growth of the PCB industry inspired by 5G applications. As for opto-electronics, we expect growing sales from the industry's increasing demand for chemical consumables, optical sheets, and electronic components as well as our introduction of next-generation electronics and systems to Europe, USA, and India. In light of the government's active support for the green energy industry, the Company not only supplies raw materials and

equipment and facilitates system integration in the upstream and downstream, but also acquired a solar power solution provider to construct solar power stations in Taiwan through EPC, and invested into wind power companies to generate consistent income while at the same time fulfill corporate social responsibilities to the benefit of the general public.

We shall adhere to our tradition of pragmatic business practices, and approach next-generation technologies and emerging industries such as biotech/biomedicine, environmental protection, 5G communication, AI, IOT, electric cars, and self-driving cars with caution and optimism. These new technologies and industries should provide opportunities for the Company to grow against the challenges ahead.

The Company's growth path has been largely in sync with industrial developments in Taiwan and the Greater China Region. Apart from strengthening its role as a materials distributor, the Company has also committed substantial efforts into vertical supply chain integration and application market establishment ~~exporting~~ to ensure the success of its well-developed products in local markets. The Company sets its goals to add more products to the portfolio each year to sustain performance growth, and has envisioned itself as the driver of industry innovations from Greater China Region, Southeast Asia to the rest of the world.

4. Product competition

The Group as a whole sells more than 620 different product categories; 90 of which generated more than NT\$100 million in revenues whereas 240 of which generated more than NT\$10 million of revenues for the Group in 2020. The Company sells products to nearly 6 thousand customers, and more than 600 of which purchased more than NT\$10 million from the Company in 2020. These results are indicative of the strong competitiveness and high acceptability of the Company's products and services in the market.

Furthermore, the Company would segment its markets for various products depending on the attributes of the products offered or characteristics of market participants, and target specific market segments in which it has the highest competitive advantage. The Company mostly targets mid-level and high-end markets and customers, and has gained a strong share in all its target customers. The Company sells such a diverse range of products to customers spread across many industries that its share of customers' purchases is inconsistent from customer to customer. For this reason, the report will focus on products that have top three market shares in their respective target markets namely: engineering plastics, flat-panel display materials, IC and equipment, coolant, photoresist, stripper, developer, CVD Precursor, Bulk Chemical, dry film photoresist, and ship engine. Detailed descriptions are as follows:

The Company has long maintained market leadership in engineering plastics; it supplies to a broad range of applications from IT/IA products, mobile/wearable devices, auto parts, medical instruments to food packaging, and has made successful entry to the supply of parts for electric car charging equipment and wireless charging stations for smartphones. High-end engineering plastics have showed growth as high as in the double digits in recent years. It is apparent that the Company has secured a strong leadership position in the supply of high-end engineering plastics.

The Company is a long-time player in the semiconductor industry and has grown to become a key supplier for semiconductor industries in both Taiwan and China. The Company distributes high-end

semiconductor process chemicals, gases, materials, and equipment for key manufacturers around the world, and is often invited to participate in customers' research and development projects. For this reason, the Company takes benefits whenever customers make a breakthrough in high-end processes.

The Company has more than 40 years of experience in the PCB industry. Apart from conventional applications such as communication, server, and semiconductors, the Company also explores new applications involving cryptocurrency, cloud computing, and next-generation high frequency communication/5G. Its recent efforts to expand into the upstream and downstream have been successful at generating new revenues from PCB materials and equipment, which enabled the Company to report high level of growth in 2020.

Governments on both sides of the strait are actively encouraging localization of material and equipment supply; this uprise of local suppliers with improved technical capacity and undercutting practices intensifies competition within the market. In response, the Company will continue adding value to existing products with integrated services and enhanced technology, while at the same time invest into the development of next-generation materials, equipment, and total solutions. The Company will also support ongoing movements toward localized production and trade/economic policies of local governments by engaging local strategic partners in localized research, development, and manufacturing activities to reduce production and transportation costs. These efforts will help the Company connect with local industry partners, and put it in a favorable position to lead the local industry in innovation, and thereby develop competitive advantage in terms of technology, quality, service, pricing, and maintenance.

(III) Technological research and development

1. R&D expense

The Company plays the role of distributor in the industry chain, and does not have a separate R&D department like manufacturers. However, the Company pays close attention to industry and market trends (through paid membership with industry think tanks, and close interaction with industry participants/government agencies/academic institutions such as NCKU Innovation Headquarters) and positions itself at the frontline to gather information on customers' needs and suppliers' R&D roadmaps, so that new products and business models can be developed in time to support industry innovations. Not only do all employees perceive new product and new technology introduction a critical part of their responsibilities, the Company also established a Marketing and Planning Team and New Businesses Department at the group level to support development of new industries and products and to expand alliance with viable business partners. Furthermore, the Company adopts project management concepts and practices advocated by Project Management Institute (PMI), and introduces the use of business development rewards and funds to stimulate and support business development activities throughout the Company. As of 2020, the Company generated more than NT\$4 billion in revenues from new products introduced in the last 3 years.

If we were to treat training expenses, think tank implementation expenses, NCKU Innovation Headquarters membership fees, New Businesses Department expenses, new business development rewards, and market survey expenses as R&D expenses, the Company had incurred a total of approximately NT\$38 million in 2020. However, actual amounts incurred on the development of new businesses and products far exceeded this sum. In addition to budgeting comparable amounts of the above expenses for 2021, the Company plans to expand its new business development fund further and hire more business personnel and

commit more resources as needed.

2. 2020 development outcomes:

Industry	Agency or distribution of new products
IT/communication (engineering plastics) and electronics assembly	LDS materials, 5G-related plastic materials, PVC, XLPE, rare earth oxides/metals/neodymium magnet, SiC semiconductors, Ultra Low Dk & Df organic resins for 5G high-frequency and low wear applications, non-organic fillers, electrical property-enhancing chemicals, LCP FCCL (liquid crystal polymer flexible copper clad laminate substrates), next generation ultra-high resolution direct imaging dry film photoresist, rolling LDI equipment, contactless tester, LCP high-speed laminating press, IC substrate solder mask UV protection film.
Semiconductors	Advanced production materials (including PR and Slurry), IC Bumping Chemical, electroformed stencil, electronic-grade gas (NF ₃ , WF ₆ , TCS, DCS, CO, HCL, CO ₂ , SO ₂ , C ₃ H ₆ , Si ₂ H ₆ , CF ₄ ...), laser gas mixture, coolant, reclaimed wafers, CVD SiC consumables.
Opto-electronics, optical communication, and FPD applications	OLED panel-related equipment, process chemicals and consumables, Power Management Unit, mobile and wearable devices and Internet solutions, GPS Module, optical communication transmitter/receiver IC and modules, OLED materials (e.g. Driver IC, quartz crystal, light-emitting materials, NOR Flash.), Black Column Spacer for FPD, e-ink display.
Green energy, energy conservation, and energy storage	Assessment, design, installation, and maintenance of solar power plant, high efficiency solar wafer/cell/module, roof/ground-mounted solar power station, lithium batter materials, hard carbon negative electrode materials, fast charging negative electrodes, separator films, energy storage systems, beamformers, relays.
Environmental protection and others	Environment purification materials and equipment, antibody development, water treatment materials, 100% bio-degradable packaging materials for medical supply and food, environment-friendly coolant, hemodialysis equipment and consumables.

(IV) Long, medium, and short-term business plans

1. Short-term plans

(1) Marketing strategies

- A. Grow relationship with key customers, expand product portfolio, broaden integrated solutions and increase share in existing markets/customers, offer localized services, and establish new offices in line with customers' growth.
- B. Strive to win distributionship for new products offered from existing suppliers to optimize product portfolio.
- C. Adjust product portfolio and pricing strategy, and appeal to new customers by exploring new applications for existing products.
- D. Integrate and develop solutions relevant to the industry chain, using popular end user products at the base.

- E. Coordinate with suppliers to explore influential customers on a case-by-case basis; provide timely feedback to supply partners and cooperate on the development of new specifications and applications.

(2) Product development strategies

- A. Expand application of engineering plastics to areas such as home appliance, healthcare, food packaging, container, consumer goods, electrical vehicle, lighting, 3C, solar energy, communication etc. Develop new technologies such as high stiffness computer case, NMT, or NMT-like solutions.
- B. For opto-electronics and flat-panel display industries, the Company will continue introducing existing and new generation of flat-panel display-related materials, ICs, parts, modules, and equipment, and work with downstream users on the development of relevant solutions and source the materials, parts, and systems needed.
- C. Continue development of products and solutions for new green energy, energy conservation, environment protection (water treatment and air purification), biotech, mobile device, cloud computing, IoT, next-generation communication etc.
- D. For the semiconductors industry, the Company will work with customers on researching new generation production lines and source new materials accordingly.

(3) Management strategies

- A. Continue enhancement of employee training and technical capacity for improved work efficiency and professionalism.
- B. Continue enforcement of a total performance-driven culture for improved service and communication efficiency.
- C. Integrate business, financial, human resource, and reward strategies across overseas subsidiaries, and standardize performance management.
- D. Closely monitor operations of key business investments to enhance the investment performance.
- E. Continue introduction of practices from Project Management Institute (PMI), enhance project management awareness and capabilities across employees, and integrate resources and support across the Company for greater organizational efficiency.
- F. Cooperate with external industry participants, academia, and research institutions on market survey and joint development.
- G. Continue enforcement of the new business development reward system to encourage and reward employees' business development efforts.
- H. Expand development funds, and actively invest the resources needed for new business development.
- I. Introduce KPIs and reward systems for key managers to raise competitiveness of the management.

2. Medium and long-term business plans

(1) Marketing strategies

- A. Consolidate resources across the Greater China Region; grow sales and market share in China, Southeast Asia, Northeast Asia, as well as European and American markets; optimize terms with existing suppliers to maintain reasonable levels of procurement and sales cost, and maximize sales margin in a low-interest environment.

- B. Continue enhancement to the group's technological capacity and integration capabilities, as well as its ability to provide high value-adding and integrated solutions.
- C. Leverage long-established advantage in cross-strait businesses and strong relationship with overseas customers, and set up new offices in emerging markets to gain overseas agency rights, exclusive distributorship, and long-term supply commitments.
- D. Make synergistic and strategic investments in the supply chain to secure supply and sales channels.
- E. Take initiative in the development of new industries, new applications, and new operating models; engage in strategic investments and alliances for rapid expansion in product line and technology.
- F. Establish office in technologically advanced countries and pay close attention to trends of new technologies and products.

(2) Product development strategies

- A. Pay close attention to new technologies/processes and explore materials, equipment, and solutions for future mainstream industries such as semiconductors, new man-machine interface, next-generation display, solar energy, rechargeable battery, green energy, new energy, energy conservation, energy storage, biomedicine, flexible electronics, smart city, biotech, environmental protection (water treatment, waste treatment, air pollution control), cloud computing, wearable device, IoT, and next-generation communication.
- B. Place emphasis on the development of high value-adding products and government-incentivized high-tech industries.
- C. Balance between expansive and maintenance development efforts, and strive to increase revenue weight from expansive development efforts.

(3) Management strategies

- A. Continue optimizations to the organizational structure, and develop core knowledge, professional skills, and essential characters across all employees.
- B. Continue enforcement of the total performance management system; help employees build up the habit to observe and make improvements with respect to customers/suppliers, internal processes, learning, and growth, in addition to financial performance.
- C. Emphasize on department specialization while at the same time maintain organizational flexibility and responsiveness; continually enforce the project management philosophy and culture, and raise teamwork, productivity, and problem-solving efficiency across teams.
- D. Continue helping employees develop the skills needed to plan new business developments and manage projects; improve association between new business development progress and rewards.

II. Market and sales overview:

(I) Market analysis

1. Regions of products sold

Unit: NTD thousands

Sales destination \ Year		2018		2019		2020	
		Sales amount	%	Sales amount	%	Sales amount	%
Domestic sale		15,442,928	29.2	14,823,120	27.1	17,279,051	29.2
Export sale	Asia	34,213,346	64.6	35,868,372	65.6	37,379,654	63.3
	America	1,219,132	2.3	1,938,248	3.5	1,908,834	3.2
	Europe	1,972,066	3.7	1,909,887	3.5	2,344,155	4.0
	Others	87,544	0.2	142,202	0.3	169,226	0.3
	Total	37,492,088	70.8	39,858,709	72.9	41,801,869	70.8
Total		52,935,016	100.0	54,681,829	100.0	59,080,920	100.0%

2. Main competitors and market share

(1) Main competitors

The Company mainly distributes midstream/upstream materials and equipment, and has recently been offering technology value-added integrated services to the sales portfolio. The Company has also been active in promoting supply chain vertical integrations and even overseas investment in application markets; the establishment and operation of solar power stations in Japan and investments into solar power companies and water treatment companies via EPC are prominent examples. These practices set the Company apart from other TWSE/TPEX listed IT/communication/IC distributors, which mostly focus on the distribution of mid and downstream products and components. Topco, Unic, and Nagase Wahlee Plastics are the only ones that offer partially similar products as the Company's Semiconductors Business Division and Engineering Plastics Business Division, but due to the broad variety and differences in application, it is impractical to estimate and compare market share across competitors. However, judging by 2020 consolidated revenues, the Company is considered to be in the leading position.

The Company supplies a wide range of products across industries and stay at the forefront of new industries. It has developed strong capabilities to contribute and add value to industry integration, thereby making it an increasingly important member to industry growth. Having been recognized by Commonwealth Magazine as iconic company among industry generation 2.5 and outstanding "Resource Integrator" and "Technology Innovator" in Ministry of Economic Affairs' "2025 Taiwan Industry Research" indicates a level of competitiveness that is not easily surpassed by ordinary distributors.

In the future, the Company will continue drawing support from industry participants, government agencies, academic institutions, research institutions, and the financial sector, and shall strive to broaden industry exposure and explore diversified business types and models through new product introduction, strategic investments, and strategic alliances. The Company will also engage in vertical integrations to connect critical players throughout the industry chain, and expand technical capacity further to form its

distinctive competitive advantage.

(2) Future market supply, demand and growth

Demand for the Company's products is closely related to the prospect of the end user industries, and below is an analysis of the Company's market growth potentials based on prospects of the end solutions.

(Note: Year is presented in Gregorian calendar)

A. Consumer electronics

General trends of the industry's main terminal products are explained below:

1. AIOT

The term AIOT was first introduced in 2018, and it provided a more feasible solution to how AI can be used for commercial applications. However, the issue of "fragmentation" persists even till this day. Today, AIOT is mostly used in commercial applications of small scale and fine quality, whereas large-scale applications are dominated by large platform operators (EX: Google). Although the pandemic has slowed down development of ITC technologies by a significant extent, it does give rise to new demands such as remote healthcare that present opportunities in favor of AIOT. China, for example, commissioned nearly 500 health stations during the pandemic to serve people seeking for medical attention. Meanwhile, IOT solutions are still being developed, but large-scale commercial applications have yet to surface.

In terms of sensor applications, growth in the next three years will continue to be driven by smartphone facial recognition and camera and recognition needs of electric cars (self-driving cars). Facial recognition technologies such as ToF and CMOS imaging modules will become the focus of sensor technologies in the future. CAGR for sensors is expected to reach 14.5% between 2018 and 2023, and the market value is estimated to reach US\$80 billion by 2023.

2. 5G and mobile connection

Discussion of 5G peaked at the end of 2019, and was once believed to bring profound changes to the world. However, the outbreak of COVID-19 turned governments' attention to mitigating economic impacts of the pandemic. In terms of state support, China is still the country that is most active in the installation of 5G infrastructures. China had a total of 4.78 million 4G base stations installed at the end of 2018; 2.41 million of which were owned by China Mobile, 1.38 million of which were owned by China Telecom, and 990,000 of which were owned by China Unicom. Although deployment of 5G base stations has been revised downward significantly from 2 million, the country still managed to deploy nearly 650,000 units, a number that far surpassed any other country in the world.

Aside from 5G base stations, another challenge of 5G is the inherent limitations of mmWave, and while base stations are still under construction, users will begin redirecting resources back to Sub 6 GHz. For this reason, end uses such as servers and 5G smartphones will shift more focus towards the use of Sub 6 GHz. As for servers, higher end RF features and components will encourage suppliers to plan for materials in sync with server IC developers. Most 5G smartphones today have been designed mainly for Sub 6 GHz, and only very few of which can truly take advantage of mmwave. This demand for 5G smartphone was not necessarily inspired by the technology itself, but because of how the pandemic has changed people's lifestyles.

3. Transportation and automobile technologies

Development of self-driving vehicles still requires massive volume of data to progress, and the technology is essentially in standstill due to the effect of the pandemic. As for electric vehicles, the Chinese government's decision to cut back subsidies on lithium iron phosphate battery has affirmed the dominance of ternary lithium battery. The public's attention now turns toward TESLA, which was estimated to have sold 490,000 electric vehicles in 2020, representing a market share of 18%, or 26% in terms of pure electric vehicles.

TESLA continues to lower the prices of its vehicles, and while it seems like a move to increase popularity of Tesla vehicles, the company's ultimate goal is actually to sell its self-driving service. TESLA's logic has significantly affected the mindset of potential newcomers, and being able to work with a major platform will be critical for future success. The MIH open platform for electric vehicles recently proposed by Foxconn would provide an ideal entry point for Taiwanese manufacturers that are competing using old technologies. MIH still emphasizes the use of lithium batteries, which is an area that Taiwanese manufacturers are familiar with.

B. Semiconductors

COVID-19 has had swift and devastating impact on the global economy including the automobile industry, with semiconductors being a rare exception that outgrew all other industries. This phenomenon can be attributed to the introduction of 5G smartphones and the China-USA trade war, which had the combined effect of driving market demand. The pandemic also brought changes to people's lifestyles, and the ongoing movement towards remote offices, online courses, and "home-based economy" puts PCs and data center equipment in hot demand. Simply put, global demand for semiconductors had recovered in 2020 from its slump in early 2019.

Global shipment of semiconductors amounted to US\$41.84 billion in September 2020; compared to the same period in 2019, sales in the U.S. market increased by 21.3%, and virtually all of which was attributed to remote working and data centers. In China, sales for September 2020 grew 8.5% year-on-year, which was significantly higher compared to the 2%-3% reported in August.

As for individual companies, TSMC is still competing with Samsung on advanced processes (3nm-5nm), and TSMC is very likely to win the next round according to market forecasts. Intel, on the other hand, reduced capital expenditure from US\$17 billion to US\$14.4145 billion in 2020, sold a major part of its NAND business to SK Hynix, and postponed construction of its 7nm production line by two years. It is reasonable to infer that Intel might be focusing on the development of 10nm process, and is very likely to outsource more advanced processes (above 10nm) to TSMC.

	10nm (Limited)	2016	2017	2018	2019	2020	2021
Current technologies and processes of major foundries							
	2015	2016	2017	2018	2019	2020	2021
INTEL		14nm+	10nm (Limited) 14nm++		10nm	10nm+	7nm (EUV) 10nm++
SAMSUNG	28nm (FD SOI)	10nm		8nm	7nm (EUV) 6nm (EUV)	18nm (FD SOI) 5nm	4nm
TSMC	16nm+ (FinFET)	10nm	7nm 12nm		7nm+ (EUV)	5nm 6nm	5nm+
Global Foundries	14nm (FinFET)			22nm 12nm (FD SOI) (FinFET)		12nm (FD SOI)	12nm+ (FinFET)
SMIC	28nm				14nm (FinFET)	12nm (FinFET)	
UMC			14nm (FinFET)			22nm (Planar)	

Lastly, the WSTS report revised growth estimate of the global semiconductors industry to 5.1% for 2020 after delivering such a strong performance in Q3 2020. The industry as a whole should fully emerge from its slump in 2019 to achieve growth at 8.4% for 2021.

C. Flat-panel displays

The outbreak of COVID-19 eventually spread to South Korea after causing damage in China. China had emerged as one of the world's major producers of TFT LCD panels at the time, and measures such city-wide lockdown and quarantine did cause stress on the supply of certain parts, but the return of factory workforce in early 2020 was much better than what the market had initially expected; furthermore, this unexpected disaster also gave rise to new opportunities and demands.

Driven by a global movement towards home office and remote teaching, desktop displays and NBs performed exceptionally well in 2020. While desktop displays grew 7.1% to 150 million units, NB shipments increased at a more stunning rate of 22% to 200 million units; both of which were record-high figures.

As for individual companies, Japanese and Korean manufacturers have announced their exits from LCD panel manufacturing, leaving BOE, AUO, Innolux, and LGD to secure 86% of NB supply. Among the top 4 panel manufacturers, LGD and Innolux posted the strongest growth at

25% and 23.1%, respectively. The former mainly benefited from strong shipment of Macbooks and stocking requirements following introduction of the new M1 processor, while the latter had benefited for the reasons explained above. Innolux's shift of business focus towards NB panels was rewarded with surprising results in 2020.

Although many countries have begun vaccination in 2021, COVID-19 should remain active for at least another 6 months considering the slow increase of vaccination coverage and threats of viral mutation. For this reason, demand for remote solutions and ITC products should persist for additional periods of time. According to Topology Research Institute, growth of display panels in 2021 should come mainly from desktop displays and NB, and shipments of which are estimated at 152 million units and 217 million units, respectively, for 2021.

D. PCB

According to TPCA, factors including the pandemic, the competitive trade environment, rate of digitalization, and the smart manufacturing movement will remain critical to the growth of the PCB industry. 5G, on the other hand, is less affected by the pandemic and may continue to drive demands and investments.

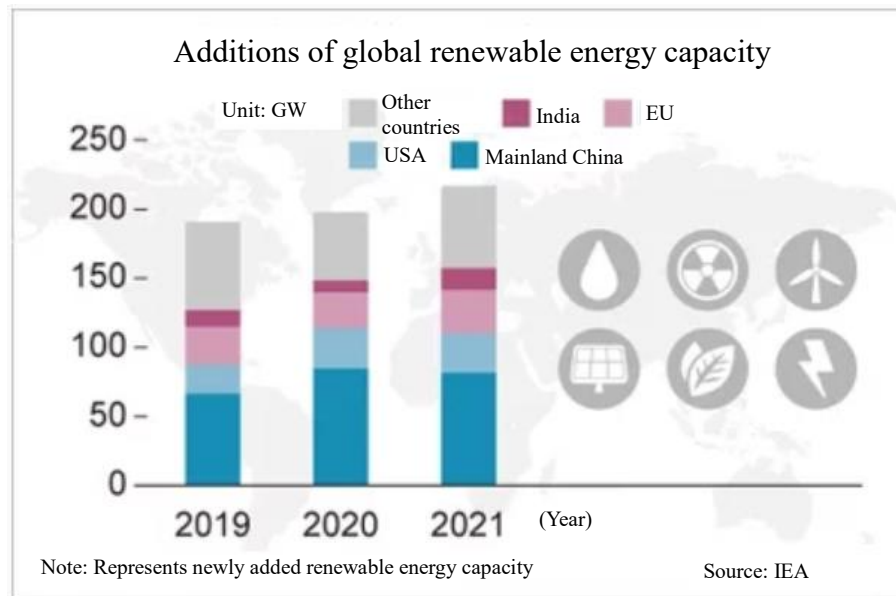
With regards to the outlook of the pandemic, discovery of COVID-19 mutation was reported in various parts of the world between Q4 2020 and Q1 2021, at the same time when vaccines were becoming available. This once again casts doubt on the hopes of ending the pandemic early, forcing people to explore ways of globalization amidst the disease. Currently, it is possible for business traveling to be permitted at the end of 2021.

As for the competitive trade environment, tension induced by the China-USA trade war should wear off now that Biden is elected into office. However, industry participants will continue transitioning from a global supply chain to a regional supply chain, and begin exploring Southeast Asia as the next viable production site. For PCB manufacturers, the quick surge in demand in 2020 gave Taiwanese manufacturers a reason to expand production capacity in Taiwan. Given the fact that manufacturers including Compeq, Tripod Technology, Zhen Ding, and Dynamic Electronics have settled plant facilities almost entirely in Taiwan or China, expansion of PCB production into Southeast Asia is unlikely to happen in the short term.

In 2021, remote applications such as NB, servers, and 5G smartphones should remain the key drivers to PCB growth, and we may see growth at a rate similar to 2020. Of all product categories, high-end HDI and IC substrates are still the mainstream, with possibilities of a slight supply shortage. In 2021, value of the global PCB market is expected to expand by 6%.

E. Green energy

Growth of the green energy industry had slowed down in 2020 due to effects of the pandemic; however, the industry still exhibited strong resilience compared to others thanks to policy support. According to the International Energy Agency (IEA), increase of global renewable energy capacity set a new record in 2020; nearly 90% of additional power capacity was renewable energy-based, and only 10% was natural gas and coal-based. This trend shows that green energy will replace coal as the largest energy source by 2025, ending the 50-year dominance of coal-fired power.



The world's rising awareness to the importance of green energy has made renewable energy an increasingly appealing investment to investors. IEA pointed out that shares of renewable energy equipment manufacturers and energy exploration companies have outperformed the market index in all capital markets around the world. In comparison, the petrochemical industry performed relatively poor due to lockdown measures. This was part of the reason why IEA predicts renewable energy to become the world's primary energy source by 2025, generating approximately one-third of total electricity. Solar power would still be the mainstream form of green energy in the future.

IEA also estimated global renewal energy capacity to reach record-high level of 200GW in 2020, which was mainly attributed to China and U.S. developers having made a last-ditch effort to install additional capacity before the subsidy expired. Capacity in 2021 may grow at a faster rate, as India and the European Union will also be undertaking expansions. According to IEA, global renewable energy capacity is estimated to increase by nearly 10% in 2021, and remain largely unaffected by the pandemic.

3. Competitive advantages, opportunities, threats, and response strategies:

(1) Competitive advantage

- A. More than 50 years of experience, and a strong corporate culture and brand image of Integrity, comprehensive, visionary leadership.
- B. A mutually trusting and benefiting partner to customers and suppliers. Ability to develop flexible, customized, and satisfying integrated services according to customers' requirements, and possession of a complete product line supported by exceptional technical know-how, service capacity, total solutions, and value-adding services. Ability to integrate across the industry chain and establish application markets in collaboration with suppliers and customers.
- C. Accurate foresight to acquire the latest products, information, technologies, and intelligence from China, USA, Japan and other countries; ability to launch new materials, equipment, and technologies

that create demand and motivate research among suppliers and customers; and a role-model global resource integrator that is competent in industry generation 2.5.

- D. Strong funding capacity that is favorable to new business development and corporate expansion.
- E. Established presence in Greater China Region, Southeast Asia, Northeast Asia, Europe, and USA, and valid extension of regional distributorship.
- F. Comprehensive and diversified industry exposure; ability to satisfy customers' one-stop shopping requirements, and balance between business and cyclical risks.
- G. Support of a strong technical team and a globalized, talented marketing and market development team.

(2) Opportunities

- A. Prospects of the Greater China market, the industry, and the global environment are consistent with the Company's industry/product development efforts.
- B. The Company's long-established relationship in China and Southeast Asia has paid off as businesses migrate into China and ASEAN countries. This provides the Company with the advantage to expand into inland areas of China as well as Korea and Japan, and assist in customers' transition into new regions and markets.
- C. High-tech companies are starting to diversify business activities and make purchases at the group level, and are desperately in need of suppliers that can provide one-stop access to the needed products and services. It emphasizes the Company's advantage and value as an all-round distributor and global resource integrator.

(3) Threats

- A. Like all distributors, the Company is prone to the risk of suppliers competing and selling directly to the target market through branch establishment.

Response measures:

- (a) Cooperate with suppliers to set up joint ventures at customers' locations, which in turn secures business relationship and enables proximity to customers.
 - (b) Leverage the Company's local advantages to provide product information, technical support, logistics integration, maintenance consultation, and value-adding services; create competitive advantages that competing suppliers are unable to replicate.
 - (c) Focus on introducing total solutions and leveraging the Company's advantages in product integration; offer packaged services and solutions that are more advantageous and irreplaceable than if products are sold separately.
 - (d) Enhance robustness of financial position and the warehousing/logistics system; prepare adequate working capital to emphasize the Company's added value as a distributor in terms of cash flow, logistics, and operations.
 - (e) Adhere to integrity and commit to delivering satisfying services; strive to become a critical strategic partner to customers and suppliers.
- B. The speed at which the industry, products, and technologies are changing presents tough challenge to distributors.

Response measures:

- (a) Enhance professional training for employees; develop sales culture and skills across employees, and thereby improve sensitivity and responsiveness to market changes.
- (b) Strengthen collaboration with external research institutions and academic institutions to expand the source of industry information; develop an industry think tank and improve industry analysis capabilities within each individual to help identify viable products and technologies at an early time; explore new distributorships and develop new products, technologies, services, and business models quickly through investments and alliances.
- (c) Enhance project management skills, raise new business development rewards and the development fund, and effectively integrate company resources to improve the efficiency and success rate of new products/projects.

C. Advent of the "low profit era" poses substantial challenges to operational performance.

Response measures:

- (a) Develop value-adding services and packages; develop products of high uniqueness, high value-adding, high technological threshold, and high margin that increase the value and profitability of total solutions.
- (b) Tighten control over purchases, sales, and inventory; strive to increase inventory turnover and reduce slow-moving inventory.
- (c) Make use of available funding channels and undertake appropriate treasury transactions to reduce cost of funds during business expansion.
- (d) Make optimal adjustments to the organization and enhance employees' competency and contributions.
- (e) Apply rigorous management practices and strive to improve operational performance and efficiency while maintaining expenses at reasonable level.
- (f) Enhance customer credit risk investigation and control, and exercise proper accounts receivable management.

D. Impact of major environmental changes (e.g.: pandemic or trade war)

Response measures:

- (a) Monitor collection of customer accounts with the support of robust and timely credit analysis to reduce risks.
- (b) Control spending and operating expenses without compromising business operations. Have business units review accomplishment of monthly budget targets and take action plans accordingly. Maintain frequent communication with suppliers and customers' upstream/downstream partners; maintain inventory at the optimal level and avoid shortage and excess where possible.

(II) Main product applications and production processes

1. Main product applications

Main product categories	Main products	Applications
IT/communication/electronics assembly/PCB materials, parts, and equipment	<p><u>Engineering plastics</u>: (1) Plastic materials for computers, networking, communication, and new-generation electronics/appliances; (2) Plastic materials and optical films for TFT LCD; (3) Heat-resistant engineering plastics for electronic connectors; (4) High-performance engineering plastics for electronic/appliance components; (5) Plastic materials for optical components; (6) Electronic/appliance insulators and functional plastic films; (7) Other plastics.</p> <p><u>Electronic assembly materials</u>: PCB copper clad laminate, base/auxiliary materials for semiconductor assembly, process equipment, base materials for 5G high-frequency communication, assembly/packaging materials for power module, materials for high-capacity fast-charging lithium battery</p>	3C electronics, handheld and wearable devices, connectors, antenna base stations, modems, gaming consoles, PCB, motherboards, appliance parts, films/plates for FPD, automobiles, consumer goods, medicine, and packaging materials.
Semiconductor materials and production chemicals, gas, and equipment.	(1) Photoresist and developer; (2) Stripper, remover; (3) IC process chemical and specialty gases; (4) chemical mechanical polishing, cleaning fluid; (5) quartz/silicon/ceramics spare parts; (6) silicon wafer (7) high-end semiconductor assembly materials	Semiconductor wafer manufacturing, assembly, and testing
Opto-electronics, optical communication, and flat-panel display materials, equipment, parts, modules, systems, and solutions	<p><u>Total solution for flat-panel display and touch panel applications</u>: (1) Touch control panel materials, IC (e.g. timing controller IC, Touch Panel Controller, Driver IC, power management), and equipment. (2) LCD materials/parts/ IC/manufacturing equipment and consumables/process chemicals and gases. (3) New display (e.g. Rigid/Flexible AM OLED, Mini LED, Micro LED, QD) materials, IC, modules, and equipment. (4) End-user display applications (e.g. public information display (PID), digital whiteboard, GPS module). (5) Optical communication components and modules</p>	Liquid crystal displays, touch panels, and OLED panel manufacturing. Flat-panel display-related applications and optical communication market

Main product categories	Main products	Applications
Green energy, energy conservation, and energy storage materials, equipment, parts, modules, systems, and solutions	(1) Silicon wafer for solar cell, battery, aluminum paste and processing materials, solar module and assembly materials such as glass, EVA, and Junction Box. (2) Power generation (e.g. solar power station), regional power grid, environment-friendly energy and energy conservation systems. (3) Electric vehicle and energy storage/battery materials, modules, and systems. (4) Wind power materials. (5) LED-related products (process and assembly materials, components, and modules)	Solar power, energy storage system, LED, wind power, lithium battery manufacturing
Environmental protection and other industrial materials, equipment, parts, modules, systems, and solutions	<u>Environmental protection:</u> waste water, air pollution, and environment-cleansing equipment and materials such as ammonia-nitrogen treatment, water treatment films, sludge dryer. <u>Industrial materials:</u> (1) Composite materials - glass fiber, core materials, and resin; (2) Ship engines - diesel engine generator for yacht; (3) Bulletproof fiber, carbon fiber, high-tenacity fiber, abrasive material; (4) Environment-friendly coolant; (5) Special chemicals-silica fume, anti-static agent; (6) Other industrial products (e.g. 3D printing, graphene, nano material) <u>Other industries:</u> (1) Biotech material; (2) Antibody development, agent, reagent; (3) Medical instrument; (4) Enzyme application; (5) Medicine/food packaging material, biomass material, biodegradable material; (6) Hemodialysis material, equipment, and business.	Plastics, home appliance, refrigeration, coating material, heat dissipation, aerospace, national defense, auto parts, sports equipment, fire proof material, household supply, precision ceramic components and environmental protection systems, vessels, biomedicine, models, packaging materials, environmental protection industry, advanced manufacturing.

2. Production processes of main products: Not applicable.

(The Company is not involved in manufacturing activities, hence there is no production process)

(III) Supply of main products

Main product categories	Top 5 suppliers	Supply status
IT/communication industry materials (engineering plastics)	MITSUBISHI ENGINEERING-PLASTICS CO. MITSUBISHI GAS CHEMICAL COMPANY INC. SUMITOMO CHEMICAL CO. LTD. TORAY INTERNATIONAL, INC. Chi Mei Corporation	Good
Semiconductor manufacturing, assembly, and testing materials and process chemicals, gas, and equipment	DU PONT ELECTRONIC TECHNOLOGIES JSR CORPORATION Mitsubishi Chemical Taiwan Co., Ltd. Kemitek Industrial Corp. Purification Equipment Research Institute of CSIC	Good
Opto-electronics, optical communication, and flat-panel display materials, equipment, parts, modules, systems, and solutions	Fitipower Integrated Technology Inc. Megachips Taiwan Corporation Guangzhou Shikun Electronic Technology Company Limited Guangzhou Shiyuan Electronic Technology Company Limited Guangzhou Shirui Electronic Technology Company Limited	Good
Electronics assembly/PCB materials, parts, and equipment	AGC Chemicals ORC MANUFACTURING CO., LTD. PANASONIC CORPORATION Panasonic Industrial Devices Materials Taiwan Co., Ltd. Asahi Kasei Electronics Materials Suzhou Co., Ltd.	Good
Green energy, energy conservation, and energy storage materials, equipment, parts, modules, systems, and solutions	KURARAY CO., LTD. SEOUL SEMICONDUCTOR CO., LTD Kwang Myung Semiconductor (Tianjin) Co., Ltd. Konca Solar Cell Co., Ltd. Motech Industries Inc. TSEC Corporation	Good
Environmental protection and other industrial materials, equipment, parts, modules, systems, and solutions	BELL POLYESTER PRODUCTS, INC. YANMAR ENGINE (SHANGHAI) CO., LTD. Daily Polymer Corporation Taiwan Glass Industry Corporation Formosa Plastics Corporation	Good

(IV) Name of trade partner representing more than 10% of total purchases (sales) in any of the previous two years, and the amount and percentage of purchase (sale). Describe causes of any variation:

1. Main suppliers in the last two years: The Company did not have any supplier that represented more than 10% of consolidated total purchases.

2. Main buyers in the last two years: The Company did not have any buyer that represented more than 10% of consolidated total sales.

(V) Production and sales volume/amount in the last two years:

The Company is not a manufacturer; there is no data on production capacity or volume, hence analysis is performed on the amount of purchase instead of production amount. Furthermore, due to the wide variety of products and the different units of measurement involved, sales are presented in amount by category only for consistent comparison.

Main product category \ Year	2019			2020		
	Amount of purchase	Amount of sales		Amount of purchase	Amount of sales	
		Domestic sales	Export sales		Domestic sales	Export sales
Information and communication	16,209,690	1,789,429	17,052,974	18,414,616	1,946,529	18,278,408
Semiconductors	9,707,526	7,189,094	3,527,986	11,108,066	8,158,828	3,970,919
Flat-panel displays	14,707,772	1,732,842	13,370,912	15,705,068	2,482,461	13,766,721
Green energy	1,879,887	394,166	1,684,368	1,427,298	520,192	1,119,844
PCB/motherboard	4,799,612	2,671,673	2,687,914	5,679,505	3,275,004	3,094,172
Others	1,634,777	1,045,915	1,534,556	1,558,415	896,037	1,571,805
Total	48,939,264	14,823,119	39,858,710	53,892,968	17,279,051	41,801,869

III. Employees:

Year		2019	2020	Current year up until March 31, 2021
Employee count	Sales personnel	689	701	701
	Administrative personnel	290	289	296
	Total	979	990	997
Average age		38.34	39.77	39.89
Average years of service		7.25	8.79	8.80
Academic background	Doctoral Degree	0.20%	0.10%	0.20%
	Masters Degree	11.75%	11.21%	11.43%
	Bachelor Degree	77.63%	76.26%	76.22%
	Senior high school	7.76%	9.50%	9.39%
	Below senior high school	2.66%	2.93%	2.76%

IV. Contribution to environmental protection:

Environment-related spending in the last year up until the publication date of annual report:

No.	Item	Amount (NTD)
1	Losses (including compensations) and fines incurred due to pollution	0
2	Maintenance of the environmental management system	4.5 million
2-1	SGS annual certification for ISO14001 Environmental Management System	
2-2	Ongoing green transformation of the work environment	
2-3	Maintenance of lighting equipment (replacement with T-5 energy-efficient tubes)	
2-4	Waste sorting, recycling, and reuse	
2-5	Purchase and installation of environment-friendly, energy-saving equipment	
2-6	Greenhouse gas reduction for purchased electricity	
2-7	Greenhouse gas reduction on water usage	
2-8	Ongoing promotion of energy conservation, carbon reduction, and waste reduction awareness	
2-9	Elimination and replacement of outdated company vehicles	
2-10	Commissioning of certified service providers for waste treatment	

V. Labor-management relations:

(I) Availability and execution of employee welfare, education, training and retirement policies; elaborate on the agreements between employers and employees, and protection of employees' rights:

1. Appropriate compensation system:

The Company has established its work rules in accordance with the Labor Standards Act. Employees' compensations are determined based on academic background, career experience, and responsibilities of each individual after taking into consideration the market salary level. Salary adjustment and bonus decisions are made according to the Company's annual profitability, employees' individual performance/contribution, the current price level, and market salary level.

2. Complete employee welfare:

Chairman Chang is a role-model entrepreneur; having built the Company from scratch, the Chairman has sincere gratitude for employees who stood by and supported the organization through challenging times. This is why the Chairman and the management team are highly attentive to employees' living and working conditions, and strive to offer the best welfare measures and work environment in return. Aside from mandatory Labor Insurance

coverage, National Health Insurance coverage, and pension contributions, the Company also offers subsidies on group insurance and employee shareholding trust, and has an Employee Welfare Committee in place to oversee employees' welfare.

Below is a list of key welfare measures offered by the Company:

- (1) Sponsorship for social clubs and recreational activities.
- (2) Group insurance and travel insurance.
- (3) Festive cash and vouchers.
- (4) Commendation for senior employees.
- (5) Gathering and lucky draw for festive and year-end occasions.
- (6) Year-end bonus and profit sharing.
- (7) Subsidy for domestic and overseas trips.
- (8) Compassionate benefits for work-related injury and illness, and emergency aid.
- (9) Wedding/funeral cash and childbirth subsidy.
- (10) Annual employee health examination.
- (11) Allocation of company laptop.
- (12) Incentive for employee shareholding trust.
- (13) Paid leave of absence and illness leave up to a prescribed limit.
- (14) Commendation for outstanding team.
- (15) Education scholarship.

3. Diversified talent training plan:

The Company makes annual talent development plans to help employees develop the skills needed to succeed in their roles and responsibilities. Employees are trained in ways that enforce the Company's mission to provide customers with total solutions and satisfying services, and deliver outstanding operational performance. The Company trains talents on the four main aspects below:

(1) Management capacity:

Training activities are organized to help managers of all grades, from entry-level, mid-level to senior level, develop the management skills needed to accomplish their duties.

(2) Specialized skills:

Depending on the characters and skills needed for each role, the Company makes plans and arrangements to have employees undergo specialized training on topics including but not limited to sales, customer service, information service, human resources, finance, accounting, legal affairs, credit management, and logistics.

(3) General knowledge:

General courses on international trade practices, information system workshops, compliance overview, and worker safety and health are organized.

(4) New employee Orientation:

Training courses including: introduction to company history, personnel/administrative processes, the credit management system, international trade flow, products, industry development, and logistics system, message from mid-level and senior managers, and team building activities are organized for new recruits.

(5-1) Execution of employee development plan - 2020:

Course category	Course name	Training subject	Course hours	No. of sessions	Participant count
General knowledge	2020 information security & system upgrade seminar	All employees	3	1	138
General knowledge	Training for point-to-point video conferencing equipment	Applicable employees	1	1	13
General knowledge	Occupational health on-site seminar by physicians/nurses	Hsinchu, Taipei	1	2	18
General knowledge	Health seminar (Hsinchu session)	Hsinchu employees	1	1	12
Specialized skills	Training course on brand enhancement	Logistics employees	7	2	36
Sales skills	Electronics assembly sales training	Sales Department employees	7	1	36
Sales skills	New product/market/knowledge training for engineering plastics	Sales Department employees	63	21	40
Sales skills	Basic concepts of international trade/cost calculation, and explanation on company procedures	Sales Department employees	2	1	15
Information technology	Information skill/technology course	IT Department employees	3	6	29
Sales skills	Compliance training for audit personnel	Internal Audit Office employees	8	18	7

(5-2) Managers' participation in corporate governance-related training - 2020:

Title	Name	Organizer	Course name	Training hours
Director	Lee, Kuo-Ping	Accounting Research and Development Foundation of the R.O.C.	On-job Training for Chief Accountant	12
Director	Lin, Jen-Chih	Securities and Futures Institute	Advanced Practical Workshop for Directors, Supervisors (including Independent Directors) and Corporate Governance Officers	18
Director	Shih, Ching-Hsien	UCOM	EC-Council CEH Certification Course	40
			ITIL® 4 Foundation Certification Course	28

4. Retirement system:

The Company has assembled an Employee Pension Fund Supervisory Committee in accordance with the Labor Standards Act. The Company currently makes monthly contributions at 8% of employees' gross salary to a pension account held with the Trust Department of Bank of Taiwan; for employees who are subject to the new labor pension scheme introduced since July 1, 2005, the Company makes monthly contributions of no less than 6% of employees' gross salary to their individual accounts held with Bureau of Labor Insurance, Ministry of Labor. By providing

security over employees' life after retirement, the Company ensures that employees are able to work free of worries throughout the entirety of their employment.

5. Open labor-management communication channels:

The Company complies with regulations on all matters concerning employment, and has maintained strong labor-management relations to date. Any changes to employment terms are fully communicated with employees through "labor-management meetings" before implementation, hence no employment dispute has arisen to date.

6. Other employee rights measures:

Issues concerning employees' rights have been properly addressed in recent years up until the publication date of annual report. In addition to maintaining open channels of labor-management communication, the human resources department has long been interacting and serving employees using an AO (account officer) system, in which dedicated officers are assigned to gather, track, and make improvements on various issues for the protection of employees' interests.

7. Protective measures in work environment and personal safety of employees:

Items	Description
Access control	<ol style="list-style-type: none"> 1. The access control and surveillance system are in place at all hours. Visitors are required to register themselves and shall be accompanied by employees. 2. Face recognition mainframe (to confirm employee attendance and control access), security mainframes for the Company and each building, and automatic alarm mainframe (emergency phones for building management offices and important personnel of the Company) are installed. After working hours, the elevators for the different floors may be locked.
Maintenance and checks on fire equipment	<ol style="list-style-type: none"> 1. Monthly check on dry chemical/foam fire extinguisher; <ol style="list-style-type: none"> 1.1 Check if there is damage on safety pins and nozzles. 1.2 Check if pressure indicator is normal. 1.3 Check the expiration date of the chemicals. 1.4 Check if there are items blocking the fire extinguishers. 2. Smoke detectors are installed in the Company facilities. Yearly checks are performed on the mainframes, sensors and alarms. 3. Conduct building fire drills (at least once a year). 4. Batteries of the emergency exit lights are charged once every three months to ensure that they are working well. 5. Fire door and smoke exhaust space are installed at lobby.
Health and hygiene	<ol style="list-style-type: none"> 1. Employee health examination are performed on a regular basis every year. Consultation from medical professional on the medical report and education on safety and hygiene are provided. In addition, in accordance with the law and regulations, the Company has hired "the diplomate with occupational medicine" and "nurse practitioner with occupational medicine" to conduct on-site health management service on a regular basis. 2. Janitors clean restrooms and offices, and empty the trash on a daily basis.

(II) Actual or estimated losses arising as a result of employment dispute in the last year up until the publication date of annual report, and any response measures taken:

The Company has been able to maintain open communication and productive interaction with employees since incorporation. Due to the rationality and harmony of existing employment relationship, the Company encountered no employment-related dispute or loss in the most recent year up until the publication date of annual report, and foresees extremely low possibility of encountering such a dispute in the future. Further, the Company has been and will continue to ensure full compliance with labor regulations, enhance welfare measures, implement diverse range of communication and grievance channels, and assign relevant units to keep track of ongoing issues and solutions, and thereby maintain productive employment relations.

VI. Major contracts:

Nature of contract	Parties involved	Contract start/end date	Main contents	Restrictive clauses
Agency/distribution contract	<i>Sabic Innovative Plastics Hong Kong Limited</i>	<i>2018.9.1-2021.8.31</i>	Agency and distribution of thin film and sheet materials	Location: Taiwan, Hong Kong, and the Mainland
Agency sales contract	<i>KURARAY Trading Co., Ltd.</i>	<i>2002.1.1-2002.12.31</i> (automatically renewable)	Agency sale of high-performance nylon	Location: The Mainland, Taiwan, and Hong Kong
Agency sales contract	<i>Nagase & Co., Ltd.</i>	<i>1998.1.1-2000.12.31</i> (automatically renewable)	Agency sale of engineering plastics	Location: Taiwan
Agency sales contract	<i>Sumidurez Singapore Pte. Ltd.</i>	<i>1999.8.20-2001.8.19</i> (automatically renewable)	Agency sale of phenol formaldehyde resin	Location: Taiwan
Agency sales contract	<i>Teijin Dupont Films Japan Ltd.</i>	<i>2000.1.1-2000.12.31</i> (automatically renewable)	Agency sale of <i>PET materials</i>	Location: The Mainland, Taiwan, and Hong Kong
Intermediary sales contract	Chi Mei Corporation	<i>1999.1.1-2001.12.31</i> (automatically renewable)	Agency sale of engineering plastics	Overseas (outside Taiwan)
Distribution contract	Nagase Wahlee Plastics Corp.	<i>2000.1.1-2003.12.31</i> (automatically renewable)	Distribution of engineering plastics materials	
Trading contract	Teijin Kasei Taiwan Co., Ltd.	<i>2007.9.10-2008.9.9</i> (automatically renewable)	Distribution of engineering plastics materials	
Sales contract	SUMIKA Electronic Materials (Shanghai) (Hong Kong) (Wuxi) Corporation	<i>2008-(automatically renewable)</i>	Polaroid/phase plate Diffuser/LCP, PES, electronic materials	The Mainland
Distribution contract	<i>Victrex Manufacturing Limited.</i>	<i>2020.6.1-2021.5.31</i>	<i>Distribution of PEEK materials</i>	Taiwan, Southeast Asia
Basic trading contract	Mitsubishi Chemical Taiwan Co., Ltd. (Tai-Young High Tech Co., Ltd.)	<i>1999.6.1-</i> (expiry not specified)	Commodity chemicals	
Agency contract	<i>JSR Corp</i>	<i>2007.12.1-</i> (expiry not specified)	Photoresist for semiconductors, CMP Slurries, PCMP	
Agency contract	<i>Sumitomo Seika Chemicals Co., Ltd.</i>	<i>2007.11.1-2012.10.31</i>	<i>Gases, PVSA Gas Generator</i>	Automatically renewed for one year six months before expiry if no objection is raised
Agency sales contract	<i>Asahi Kasei Corporation</i> (<i>Asahi Chemical Industry Co., Ltd.</i>)	<i>1997.8.1-1998.7.31</i> (automatically renewable)	Agency sale of dry films	Location: Taiwan, China
Agency sales contract	<i>Sumitomo Bakelite Company Ltd.</i>	<i>2000.1.1-2000.12.31</i> (automatically renewable)	Agency sale of separation film	Location: Taiwan, China
Agency contract	<i>Seho Robot Ind. Co., Ltd.</i>	<i>2008.11.1-2010.10.30</i> (automatically renewable)	Agency sale of flexible printed circuit automation equipment	Location: Taiwan, China
Agency proof	<i>LAN Technical Service Ltd.</i>	<i>2002.1.1-</i> (automatically renewable)	<i>Agency sale of OLED equipment</i>	All except Chi Mei
Agency contract	<i>Megachips Taiwan Corporation</i>	<i>2010.6.15-</i> (automatically renewable)	Agency sale of timing controller IC	

Nature of contract	Parties involved	Contract start/end date	Main contents	Restrictive clauses
Agency contract	<i>Mitsubishi Chemical Corporation</i>	<i>2011.1.1-</i> (automatically renewable)	Agency sale of color photoresist	Location: Taiwan and certain parts in China
Distribution contract	The Chemours (Taiwan) Company Ltd.	2020.1.1-2020.12.31	Agency sale of environment-friendly coolant	Location: Taiwan
Agency sales contract	<i>Fukuoka Cloth Industry Co., Ltd.</i>	<i>1998.1.1-2000.12.31</i> (automatically renewable)	Agency sale of waterstop for cables	Location: Taiwan (specific customers)
Agency sales contract	<i>OG Corporation</i>	<i>1998.1.1-2000.12.31</i> (automatically renewable)	Agency sale of synthetic rubber	Location: Taiwan
Agency sales contract	<i>Teijin Shoji</i>	<i>1992.2.28-1993.2.27</i> (automatically renewable)	Agency sale of <i>TeijinConex Fiber</i>	Location: Taiwan
Distribution contract	Taiwan Glass Industry Corporation	<i>2000.1.1-2002.12.31</i> (automatically renewable)	Agency sale of glass fiber	Distributor in Taiwan
Distribution contract	Daily Polymer Corporation	<i>1999.1.1-2001.12.31</i> (automatically renewable)	Agency sale of unsaturated polyester resin	One of the distributors in Taiwan
Solar power module procurement contract	Southern Taiwan Business Group, Chunghwa Telecom Co., Ltd.	<i>2020.01.20-2022.01.19</i>	Supply of solar power module	Location: Taiwan
Distribution contract	EUKA Power Co., Ltd.	<i>2020.3.13-2023.3.12</i>	Energy storage system (including commercial/household)	Location: Taiwan
Distribution contract	eTreego Co., Ltd	<i>2020.7.28-2021.7.31</i>	Charging facility for electric cars and motorcycles of all models	Location: Taiwan
Medium/long-term syndicated loan contract	Bank of Taiwan, Taiwan Cooperative Bank, Hua Nan Bank, Land Bank of Taiwan, Mega Bank, First Commercial Bank, CTBC Bank, E.Sun Bank, Bank Sinopac, HSBC, Taishin Bank	<i>2018.12 -2023.12</i>	To repay liabilities owed to financial institutions and to source medium-term working capital.	The Company is required to meet the following financial covenants: 1. Current ratio (current assets/current liabilities): $\geq 100\%$. 2. Debt ratio (total liabilities/tangible net worth): $\leq 200\%$. 3. Interest coverage ratio (profit before tax + interest expenses + depreciation + amortization)/interest expenses: ≥ 6 times. 4. Total tangible net worth (equity - intangible assets): \geq Eight billion New Taiwan Dollars.
Kingstone-Medium/long-term syndicated loan contract	Bank SinoPac, Hua Nan Bank, CTBC Bank, Mega International Commercial Bank and Chang Hwa Bank	<i>2019.9.6-2024.9.30</i>	To finance the capital need for the construction of solar cell manufacturing plant and repay the existing borrowings from financial institutions.	The Company is required to meet the following financial covenants: 1. Debt ratio: Balances of borrowings from financial institutions/Equity fund (shareholders' equity plus borrowings from associates) $\leq 400\%$. 2. Interest coverage ratio: Maintained at 1.1 times.

Six. Financial Highlights

I. Condensed financial statements 2016 to 2020 with auditors' opinions:

(I) Condensed Balance Sheet

1-1 Stand-alone statement, prepared under International Financial Reporting Standards

Unit: NTD thousands

Item	Year	5- Year Financials (Note 1)				
		2016	2017	2018	2019	2020
Current asset		9,026,423	9,746,180	10,597,321	10,496,154	11,918,175
Property, plant and equipment		1,162,604	1,165,000	1,171,401	1,165,900	1,147,658
Intangible asset		2,713	7,933	15,576	24,539	23,619
Other assets		10,060,593	10,850,800	11,712,414	12,410,025	13,768,174
Total assets		20,252,333	21,769,913	23,496,712	24,096,618	26,857,626
Current liabilities	Before distribution	7,721,120	7,554,178	8,775,118	8,036,523	9,707,477
	After distribution	8,322,735	8,317,765	9,515,566	8,800,110	(Note 2)
Non-current liabilities		2,645,045	3,429,481	3,655,940	4,615,198	4,272,140
Total liabilities	Before distribution	10,366,165	10,983,659	12,431,058	12,651,721	13,979,617
	After distribution	10,967,780	11,747,246	13,171,506	13,415,308	(Note 2)
Equity attributable to shareholders of the company		9,886,168	10,786,254	11,065,654	11,444,897	12,878,009
Share Capital		2,313,901	2,313,901	2,313,901	2,313,901	2,313,901
Capital surplus		1,378,680	1,440,508	1,331,880	1,318,065	1,331,725
Retained earnings	Before distribution	6,318,424	7,110,005	8,099,220	8,793,018	9,869,001
	After distribution	5,716,809	6,346,418	7,358,772	8,029,431	(Note 2)
Other equities		(124,837)	(78,160)	(679,347)	(980,087)	(636,618)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total Equity	Before distribution	9,886,168	10,786,254	11,065,654	11,444,897	12,878,009
	After distribution	9,284,553	10,022,667	10,325,206	10,681,310	(Note 2)

Note 1: 2016~2020 Financial Statements were audited by Deloitte & Touche Taiwan

Note 2: Proposal for 2020 earnings distribution has yet approved by the shareholders' meeting.

1.2 Consolidated statement, prepared under International Financial Reporting Standards

Unit: NTD thousands

Item \ Year		5- Year Financials (Note 1)				
		2016	2017	2018	2019	2020
Current asset		17,415,674	19,842,854	24,210,165	24,422,954	27,941,304
Property, plant and equipment		2,322,312	1,983,218	2,000,855	3,800,494	3,785,578
Intangible asset		61,349	65,474	117,518	343,275	317,216
Other assets		5,119,082	5,440,881	5,507,174	5,844,151	6,710,871
Total assets		24,918,417	27,332,427	31,835,712	34,410,874	38,754,969
Current liabilities	Before distribution	10,815,419	11,680,056	15,396,929	15,114,050	17,658,921
	After distribution	11,417,034	12,443,643	16,137,377	15,877,637	(Note 2)
Non-current liabilities		3,264,750	3,810,980	4,029,848	6,012,221	6,187,588
Total liabilities	Before distribution	14,080,169	15,491,036	19,426,777	21,126,271	23,846,509
	After distribution	14,681,784	16,254,623	20,167,225	21,889,858	(Note 2)
Equity attributable to shareholders of the company		9,886,168	10,786,254	11,065,654	11,444,897	12,878,009
Share Capital		2,313,901	2,313,901	2,313,901	2,313,901	2,313,901
Capital surplus		1,378,680	1,440,508	1,331,880	1,318,065	1,331,725
Retained earnings	Before distribution	6,318,424	7,110,005	8,099,220	8,793,018	9,869,001
	After distribution	5,716,809	6,346,418	7,358,772	8,029,431	(Note 2)
Other equities		(124,837)	(78,160)	(679,347)	(980,087)	(636,618)
Treasury shares		-	-	-	-	-
Non-controlling interests		952,080	1,055,137	1,343,281	1,839,706	2,030,451
Total Equity	Before distribution	10,838,248	11,841,391	12,408,935	13,284,603	14,908,460
	After distribution	10,236,633	11,077,804	11,668,487	12,521,016	(Note 2)

Note 1: 2016~2020 Financial Statements were audited by Deloitte & Touche Taiwan

Note 2: Proposal for 2020 earnings distribution has yet approved by the shareholders' meeting.

(II) Statement of Comprehensive Income

1-1. Statement of Comprehensive Income (stand-alone), prepared under International Financial Reporting Standards

Unit: NTD thousands

Item \ Year	5- Year Financials (Note)				
	2016	2017	2018	2019	2020
Operating income	24,758,119	26,391,454	29,844,070	29,225,800	33,236,491
Gross profit	1,754,529	1,924,545	2,046,929	1,976,531	2,269,072
Income from operations	529,754	439,242	573,758	479,573	640,341
Non-operating income and expense	752,657	1,218,566	1,088,558	1,125,665	1,464,128
Profit before tax	1,282,411	1,657,808	1,662,316	1,605,238	2,104,469
Income from continuing operation	1,045,390	1,409,506	1,345,959	1,415,822	1,859,120
Loss from discontinuing operation	-	-			
Net income (loss)	1,045,390	1,409,506	1,345,959	1,415,822	1,859,120
Other comprehensive income of the current year (net amount after-tax)	(370,874)	30,367	(194,344)	(274,267)	374,301
Total comprehensive income in the current period	674,516	1,439,873	1,151,615	1,141,555	2,233,421
Net income attributable to shareholders of the parent	1,045,390	1,409,506	1,345,959	1,415,822	1,859,120
Net income attributable to noncontrolling Interests	-	-			
Total comprehensive income attributable to shareholders of the parent	674,516	1,439,873	1,151,615	1,141,555	2,233,421
Total comprehensive income attributable to noncontrolling Interests	-	-			
Earnings per share	4.52	6.09	5.82	6.12	8.03

Note: 2016~2020 Financial Statements were audited and certified by Deloitte & Touche Taiwan

1-2. Consolidated statement, prepared under International Financial Reporting Standards

Unit: NTD thousands

Item \ Year	5- Year Financials (Note)				
	2016	2017	2018	2019	2020
Operating income	39,541,801	42,915,920	52,935,016	54,681,829	59,080,920
Gross profit	3,754,379	3,916,941	4,210,352	4,184,691	4,800,690
Income from operations	1,439,386	1,459,896	1,747,290	1,574,435	2,107,915
Non-operating income and expense	132,282	510,311	282,848	391,729	527,720
Profit before tax	1,571,668	1,970,207	2,030,138	1,966,164	2,635,635
Income from continuing operation	1,145,917	1,538,006	1,489,361	1,559,081	2,046,116
Loss from discontinuing operation	-	-			
Net income (loss)	1,145,917	1,538,006	1,489,361	1,559,081	2,046,116
Other comprehensive income of the current year (net amount after-tax)	(445,940)	18,840	(219,216)	(310,875)	372,397
Total comprehensive income in the current period	699,977	1,556,846	1,270,145	1,248,206	2,418,513
Net income attributable to shareholders of the parent	1,045,390	1,409,506	1,345,959	1,415,822	1,859,120
Net income attributable to noncontrolling Interests	100,527	128,500	143,402	143,259	186,996
Total comprehensive income attributable to shareholders of the parent	674,516	1,439,873	1,151,615	1,141,555	2,233,421
Total comprehensive income attributable to noncontrolling Interests	25,461	116,973	118,530	106,651	185,092
Earnings per share	4.52	6.09	5.82	6.12	8.03

Note: 2016~2020 Financial Statements were audited and certified by Deloitte & Touche Taiwan

(III) Auditors' Opinions from 2016 to 2020

Year	CPA Firm	CPA	Audit Opinion
2016	Deloitte & Touche Taiwan	Chen, Chen-Li and Gong, Jun-Ji	Unqualified opinion with other explanatory paragraphs
2017	Deloitte & Touche Taiwan	Chen, Chen-Li and Gong, Jun-Ji	Unqualified opinion
2018	Deloitte & Touche Taiwan	Chen, Chen-Li and Gong, Jun-Ji	Unqualified opinion with other explanatory paragraphs
2019	Deloitte & Touche Taiwan	Wu, Chiu-Yen and Chen, Chen-Li	Unqualified opinion with other explanatory paragraphs
2020	Deloitte & Touche Taiwan	Wu, Chiu-Yen and Chen, Chen-Li	Unqualified opinion with other explanatory paragraphs

II. Five-year financial analysis:

1-1. Stand-alone statement, prepared under International Financial Reporting Standards

Item \ Year		Five-year financial statements (Note)				
		2016	2017	2018	2019	2020
Capital Structure (%)	Total liabilities to total assets	51.19	50.45	52.91	52.5	52.05
	Long-term fund to property, plant and equipment ratio	1,077.86	1,220.23	1,256.75	1,377.48	1,494.36
Solvency (%)	Current ratio	116.91	129.02	120.77	130.61	122.77
	Quick ratio	96.93	103.07	93.12	99.05	93.51
	Times interest earned	24.7	29.99	15.35	13.79	28.18
Operation Performance	Average collection turnover (times)	3.85	4.23	4.49	4.31	4.68
	Average collection days	95	86	81	85	78
	Average inventory turnover (times)	13.56	15.73	14.88	13.52	15.97
	Average payables turnover (times)	5.25	5.54	6.24	6.91	8.40
	Average inventory turnover days	27	23	25	27	23
	Property, plant and equipment turnover (times)	22.64	22.68	25.55	25.01	28.73
	Total assets turnover (times)	1.19	1.26	1.32	1.23	1.30
Profitability	Return on total assets (%)	5.23	6.94	6.36	6.41	7.57
	Return on equity (%)	10.63	13.64	12.32	12.58	15.29
	Pre-tax income to total paid-in capital (%) (Note)	55.42	71.65	71.84	69.37	90.95
	Net income ratio (%)	4.22	5.34	4.51	4.84	5.59
	Earnings per Share (NT\$)	4.52	6.09	5.82	6.12	8.03
Cash flows	Cash flow ratio (%)	22.01	2.48	(4.36)	0.82	6.86
	Cash flow adequacy ratio (%)	67.77	60.79	37.12	39.83	39.02
	Cash flow reinvestment ratio (%)	8.28	(2.82)	(7.53)	(4.06)	(0.55)
Leverage	Operation leverage	1.48	1.72	1.55	1.69	1.57
	Financial leverage	1.11	1.15	1.25	1.35	1.14

Deviation of 2020 vs. 2019 over 20%:

1. A higher profitability in 2020 increased times interest earned, pre-tax income to total paid-in capital and EPS in the stand-alone statements.
2. To cope with the purchase payment terms, accounts payables were settled within a shorter cycle and increased the average payables turnover
3. Cash flow and cash flow reinvestment ratios went up due to a higher net inflow from the operating activities, compared with 2019.

1-2. Consolidated statement, prepared under International Financial Reporting Standards

<div> <div></div> <div>Year</div> </div> <div>Item</div>		Five-year financial statements (Note)				
		2016	2017	2018	2019	2020
Capital Structure (%)	Total liabilities to total assets	56.51	56.68	61.02	61.39	61.53
	Long-term fund to property, plant and equipment ratio	607.28	789.24	821.59	507.75	557.27
Solvency (%)	Current ratio	161.03	169.89	157.24	161.59	158.23
	Quick ratio	127.92	130.81	117.36	126.85	124.85
	Times interest earned	18.09	21.13	9.63	8.31	14.37
Operation Performance	Average collection turnover (times)	3.56	3.64	3.81	3.54	3.52
	Average collection days	103	100	96	103	104
	Average inventory turnover (times)	9.56	10.73	10.64	10.81	12.58
	Average payables turnover (times)	5.66	6.16	7.50	7.83	7.88
	Average inventory turnover days	38	34	34	34	29
	Property, plant and equipment turnover (times)	16.46	19.94	26.57	18.85	15.58
	Total assets turnover (times)	1.53	1.64	1.79	1.65	1.61
Profitability	Return on total assets (%)	4.70	6.18	5.62	5.35	6.01
	Return on equity (%)	10.63	13.56	12.28	12.14	14.52
	Pre-tax income to total paid-in capital (%) (Note)	67.92	85.15	87.74	84.97	113.90
	Net income ratio (%)	2.90	3.58	2.81	2.85	3.46
	Earnings per Share (NT\$)	4.52	6.09	5.82	6.12	8.03
Cash flows	Cash flow ratio (%)	23.76	(7.68)	(12.41)	11.90	6.84
	Cash flow adequacy ratio (%)	75.8	41.11	6.85	37.32	38.33
	Cash flow reinvestment ratio (%)	13.15	(9.16)	(15.49)	5.21	2
Leverage	Operation leverage	1.27	1.29	1.28	1.38	1.30
	Financial leverage	1.07	1.07	1.16	1.21	1.10

Deviation of 2020 vs. 2019 over 20%:

1. A higher profitability in 2020 increased times interest earned, pre-tax income to total paid-in capital, net margin and EPS under the stand-alone statements.
2. Due to working capital required in a growing operation, the consolidated cash inflow from operating activities went down and the consolidated current liabilities went up, which resulted in a lower consolidated cash flow ratio.
3. A lower consolidated cash inflow from operating activities led to decrease in cash flow reinvestment ratio.

Analysis Formula:

1. Capital Structure

- (1) Total liabilities to total assets ratio = Total liabilities / Total assets
- (2) Long-term fund to fixed assets ratio = (Shareholders' equity + Noncurrent liabilities) / Net 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 = Earnings before interest and taxes / Interest expenses

3. Operation Performance

- (1) Average collection turnover = Net Sales / Average receivables (including account receivables and bill receivables due from trades)
- (2) Average collection days = 365 / Average collection turnover
- (3) Average inventory turnover = Cost of sales / Average inventory
- (4) Account payables turnover = Cost of goods sold / Average account payable (including account payable and note payable from operation)
- (5) Average inventory turnover days = 365 / Average inventory turnover
- (6) Total fixed assets turnover = Net sales / Fixed assets, net
- (7) Total assets turnover = Net sales / Average total assets

4. Profitability

- (1) Return on total assets = (Net income + Interest expenses * (1 - Tax Rate)) / Average total assets
- (2) Return on equity = Net income / Average shareholders' equity
- (3) Net margin = Net income / Net sales
- (4) Earnings Per Share = (Net income - preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flows

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditure + Increases in inventory + Cash dividends) over the past five years
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital)

6. Leverage:

- (1) Operations leverage = (Operating income - Variable cost and expenses from operations) / Income from operations
- (2) Financial leverage = Income from operations / (Income from operations - Interest expenses)

III. 2020 Audit committee's report for financial statements:

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of quarterly earnings. The CPA firm of Deloitte & Touche was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and quarterly earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of WAH LEE INDUSTRIAL CORP. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

WAH LEE INDUSTRIAL CORP.

Chairman of the Audit Committee: Shyu, So-De

IV. For 2019 Financial Statement: please refer to P.136~223 in this annual report.

V. 2020 certified parent-only Financial Statements: please refer for P.224~314 in this annual report.

VI. Any financial difficulties in the Company and subsidiaries in 2020 and up to the date of publication of this annual report, and the effects on the Company's financial situation: Nil.

VII. Other material disclosures:

Certifications and training obtained by accounting and auditing personnel

1. Certifications obtained by personnel in charge of financial transparency, required by the authority and regulator
Bookkeeping x 2, Level B technician for accounting x 3, Level C technician for accounting x 13 and Certified Internal Auditor x 1

2. 2020 Training attended by accounting and auditing personnel

Accounting Department	Position/Name	Training Course	Training Hours
	Accounting manager Li, Kuo-Ping	Continuing education for accounting manager in listed companies	12 hours
	Accounting personnel	Quarterly seminars for law and regulation compliance	12 hours
		Quarterly seminars held by Taxation Bureau	12 hours

Audit Office	Position/Name	Training Course	Training Hours
	Senior Audit Manager Yang, Yu-Guang	Case studies on anti-money laundering and countering the financing of terrorism	6 hours
		Practical operation and new order letters after the implementation of Company Act	6 hours
	Audit/ personnel Tsai, Kuen-Chiau	Compliance risks and corresponding practice by audit personnel	6 hours
		Working practices for business contract management and audit	6 hours
	Audit/ personnel Lin, Yo-Da	Working practices for subsidiary audit	6 hours
		Auditing essentials for sales & collection cycle and law compliance	6 hours
	Audit/ personnel Wei, Li-Chun	How to detect frauds in financial reports by auditing personnel	6 hours
		Preventing financial frauds (embezzlement, insider trading, tunneling, share price manipulation, abnormal trading, false financial statements, etc.)	6 hours
		Working practices for information audit	6 hours
		Working practices for auditing enterprise costs and value creation	6 hours
	Audit/ personnel Wang, Tzu-Jen	Internal audit essentials for law compliance	6 hours
		Orientation for corporate auditing freshmen	18 hours
	Audit/ personnel Wang Yi-Lin	Working practice for self-evaluation	6 hours
		Orientation for corporate auditing freshmen	18 hours

Seven. Review of the Financial Position, Business Performance, and Risk Management

I. Financial Position:

Changes of assets, liabilities and shareholders' equity

Unit: NT\$ thousands

Item \ Year	2019	2020	Difference	
			Amount	%
Current asset	\$24,422,954	27,941,304	3,518,350	14
Property, plant and equipment	3,800,494	3,785,578	(14,916)	-
Other assets	5,844,151	6,710,871	866,720	15
Total assets	34,410,874	38,754,969	4,344,095	13
Current liabilities	15,114,050	17,658,921	2,544,871	17
Long-term debts	6,012,221	6,187,588	175,367	3
Total liabilities	21,126,271	23,846,509	2,720,238	13
Paid-in Capital	2,313,901	2,313,901	-	-
Additional paid-in capital	1,318,065	1,331,725	13,660	1
Retained earnings	8,793,018	9,869,001	1,075,983	12
Shareholders' equity	13,284,603	14,908,460	1,623,857	12
1. Deviation of 2020 vs. 2019 over 20%: No significant changes				
2. Effects on material changes in 2019 and 2020, and the effect thereof and the measures to be taken in response.: No significant changes				

II. Financial Performance:

Comparison and analysis of operation results

Unit: NT\$ thousands

Item \ Year	2019	2020	Increase (decrease)	Difference (%)
Net Operating income	\$54,681,829	59,080,920	4,399,091	8
Operating cost	50,497,138	54,280,230	3,783,092	7
Gross profit	4,184,691	4,800,690	615,999	15
Operating expenses	2,610,256	2,692,775	82,519	3
Income from operations	1,574,435	2,107,915	533,480	34
Non-operating income	695,244	783,818	88,574	13
Non-operating expense	303,515	256,098	(47,417)	(16)
Income before tax from continuing operation	1,966,164	2,635,635	669,471	34
Income tax expense	407,083	589,519	182,436	45
Income after tax from continuing operation	1,559,081	2,046,116	487,035	31
1. Deviation of 2020 vs. 2019 over 20%:				
Incomes from operations and income before tax from continuing operation grew over 2019 due to higher sales and margin driven from strong customer demands along with slight increase in operating expenses after the strict control in expenditure over the pandemic.				
A higher tax expense and income from continuing operation was driven by increase in income before tax from continuing operation				
2. Sales forecast and the basis therefor, and the effect upon the financial operations with measures to be taken in response: Please refer to letter to shareholders and operational overview in this report.				

III. Cash Flow:

(I) Change in cash flow in 2020 and the analysis

Unit: NTD thousands

Beginning cash balance	Annual net cash flow from operating activities	Annual cash inflow (outflow)	Cash balance (insufficiency)	Remedy for cash shortages	
				Investment plans	Financial management plans
792,785	666,069	(264,150)	1,194,704	-	-

1. Analysis of cash flow changes:

2020 operating activities generated a net inflow of cash under stand-alone statement. Cash outflow was mainly due to cash dividend distribution.

2. Measures to be taken in response to cash shortage: Not applicable.

3. Liquidity analysis for the coming year: Not applicable.

(II) Change in consolidated cash flow in 2020 and the analysis

Unit: NTD thousands

Beginning consolidated cash balance	Annual net cash flow from consolidated operating activities	Annual consolidated cash inflow (outflow)	Consolidated cash balance (insufficiency)	Remedy for consolidated cash shortages	
				Investment plans	Financial management plans
2,348,526	1,208,075	(503,419)	3,053,182	-	-

1. Analysis of cash flow changes:

2020 consolidated operating activities generated a net inflow of cash under consolidated statement. Cash outflow was mainly for cash distribution and facility acquisition for solar station

2. Measures to be taken in response to consolidated cash shortage: Not applicable.

3. Consolidated liquidity analysis for the coming year: Not applicable.

IV. Effect upon financial operations of any major capital expenditures in the most recent year: No major capital investments were made during the year.

V. Review of investment policies, performance and improving plans in the coming year:

Investment	Explanation	Policy	Reasons for gains or losses	Improvement plan	Investment plans in the coming year
	Wah Lee Holding (Including Shanghai Yikang, Shanghai Wah Chung, Wah Lee Tech (Singapore), Raycong Industrial (including Dongguan Huagang) and Regent King International	Core business expansion into Mainland China, Hong Kong and Southeast Asia to meet customers' demands	Despite impacts from Covid-19, benefited from loosening tension between China and U.S.A. and properly adjusted market strategy, the profitability has improved mildly compared with last year.	Focusing on customer service and new product development	Evaluation pending on further market indication on overseas needs.

Investment / Explanation	Policy	Reasons for gains or losses	Improvement plan	Investment plans in the coming year
Nagase Wahlee Plastics Corporation ORC Electrical Machinery Co., Ltd	Strengthen collaboration with suppliers in Japan and seek for reward in stock dividends	Earning has improved gradually compared with last year as tension between China and U.S.A. loosened and market demand improved.	Focusing on customer service and new product development	Evaluation pending on further operation needs
Chang Wah Electromaterials Inc.	Long-term investment for dividend earnings	Earning decreased due to one-off recognition on investment earnings despite strong in the semiconductor industry.	Pursuing new product opportunities and customers	Evaluation pending on further operation needs
Wah Hong Industrial Corporation	Long-term investment for dividend earnings	Earning increased due to new demands brought by pandemic lockdown and good market feedback from the new products	Pursuing new product opportunities and customers	Evaluation pending on further operation needs
Sakuragawa Solar GK., Miyazaki Solar GK.	Investing in power station to expand the solar energy business	Sakuragawa Solar has started to operate with steady earnings. Miyazaki Solar has combined to the grid in June 2019 and started to generate steady profit.	None	None
Adi International Trading (Shanghai) Co., Ltd	developing medical care industry for long-term operation momentum.	Currently at loss due to fixed expenses while continuing the business development	Continuous business expansion	Evaluation pending on further operation needs
Chuan Shun Logistic Co., Ltd.	Catering customer needs with shorter circulation hour and lower costs for value-added service	Due to increased manpower, salary and administration expenses went up and the earning was cu despite steady operating income growth	Continuous business expansion for bigger market share	Evaluation pending on further operation needs
Xiamen Hua Cheng Da Logistics Co., Ltd., Hua Ying Supply Chain Management (Shenzhen) Co., Ltd.	Expanding the logistic business in Mainland China based on the Company's strategy	Affected by Covid-19, logistic sector in China declined in the first half of 2020. The trend reversed in the second half but the business was disbursed by cargo shortage; therefore the operation resulted in a loss.	Earnings is expected as the revenue shall pick up for better control of the pandemic	None

Investment \ Explanation	Policy	Reasons for gains or losses	Improvement plan	Investment plans in the coming year
Wah Tech Industrial Co., Ltd. (Thailand)	Expansion in Southeast Asia through cooperation with the local operator, Wah Tech	Earnings increased over the year, due to proper expense control by management during the pandemic.	Focusing on customer service and new product development	Evaluation pending on further market indication on overseas needs.
Kingstone Energy Technology Corporation	Solar power station investment for making stable income from power generation, as well as for associated business developments in the field.	Steady income stream shall kick off following the completion of the stations in construction.	Develop new projects which continuing finishing the station in construction	Making associated investment in the field while developing new projects.
Eco Energy Corporation	Energy conservation and related field development and expansion.	Earning improved as we dedicated in core business along with associated businesses (such as solar power and other projects)	Continue the expansion in core business and solar power field.	Making associated investment in the field while developing new projects.

VI. Risk management analysis and assessment:

(I) Risk management policy

1. Continue reinforcing a risk-driven operation model.
2. Create a risk management mechanism which enables early recognition, accurate assessment, effective and strict monitoring and control.
3. Structure an integrated risk management system which limits the risk exposure within a manageable range.

(II) Risk management framework:

The Board recognizes and manages the economic risks of the Company along with a risk management framework which, based on the business nature, is divided into the following working units:

1. Strategic materials committee: Inspecting the controlling operation of the strategic goods and continuing improving the controlling procedures in order to lower operation risks.
2. Information security committee: In charge of the stipulation and promotion of the information security policy to safeguard all data and systems in order to lower information security risks.
3. Crisis management team: Handling any incidents that require immediate attention and threaten the business fundamentals and survivals according to the type of the incident and necessary actions taken in order to lower the damages.
4. Chairman office: In charge of developing, planning and implementing mid to long terms operation strategies for the Company, including ensuring the delivery of annual operation targets, making major investment decisions for business expansion and managing the corporate image and enterprise relationships in order to lower operation risks.

5. CEO office: In charge of regularly reviewing potential risks associating with operation and funding and ensuring the alignment of business strategies and operation direction in order to lower operation risks.
6. General manager office: In charge of planning and implementing short to mid term operation plans, covering managing and supervising cooperation among operating units and logistic efficiency. In addition, the office shall strategize corresponding measures upon changes of laws, strategies and market in order to lower operation risks relating to business accounts.
7. Strategy making division: In charge of devising the operating and human resources strategies of the Company along the overall information technology framework in order to lower strategic risks.
8. Finance division: Establishing financial strategies for short, mid and long terms to assist top executive in financial assessment when making major decisions.
9. Audit office: Reviewing risk impacts on operation goals. Examining efficiencies of the internal control system for high-risk projects and following up the correction results to enhance organization value and improve operation and management risks.

VII. Risk matters analysis and assessment:

1. The effect upon profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and responding measures to be taken:
 - (1) Interest rate fluctuation:

Interest rate risk exposure incurred by the group from fixed or floating rates of loans taken by each individual entity. A properly-managed portfolio mixed with fixed and floating rates will be maintained by the group to control interest rate risk.

All factor unchanged, when the interest rate increased/decreased by 1%, the combined profit before tax would decrease/increase by NT\$ 37,118 thousand and NT\$ 50,495 thousand, respectively in 2010 and 2019 as of the result of the consolidated entity's deposits and borrowings.

The Company will assess the interest rate trend from time to time and work closely with financial institutions to obtain favorable interest rates.
 - (2) The effect upon profits (losses) of exchange rate fluctuations and responding measures in the future:

Exchange losses in 2020 was NT\$ 31,107 thousand, or 1.18% of profit before tax. With more than 50% goods are imported from overseas dominated mainly in USD and JPY and export sales are quoted in foreign currencies (mostly USD, JPY and CNY), the consolidated statements are susceptible to currency fluctuation and related risks. Sensitivity ratio applied by for internal reporting to the top management, on currency risk assessment was 1%. The sensitivity analysis was limited to foreign currency outstanding as of the balance sheet date. The consolidated profit before tax would increase (or decrease) by NT\$ 3,837 thousand and NT\$ 6,252 thousand, respectively in 2010 and 2019 if the functional currency as of the currency date depreciated (appreciate) by 1% against USD. Overall, the Company adopts a natural hedging strategy as it maintains a relatively low levels of exposure or sensitivity gap. When necessary, derivative tools or changes of quoting currency will be used to avoid the currency risk.
 - (3) The effect upon profits (losses) of inflation rate and responding measures in the future:

Due to a short trading cycle of materials and equipment in high-tech industries, inflation rates have minor impacts to the Company.
2. The effect upon profits (losses) of undertaking high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions and responding measures in the future:

- (1) The Company focus has been devoted to core businesses and upheld practical operation. It undertakes no high-risk or highly leveraged investments. All investments are made after prudent assessment.
- (2) All loans made, guarantees endorsed and derivatives dealt were conducted according the pertaining procedures and guidance. No losses were incurred from the transaction mentioned above.

3. Future research and development work and the related expenditures:

The Company plays the role of distributor in the industry chain, and does not have a separate R&D department like manufacturing industry. However, the Company pays close attention to industry and market trends (through enrolling membership with industry think tanks and NCKU Innovation Headquarters, and close interaction with industry participants/government agencies/academic institutions such) and positions itself at the frontline to gather information on customers' needs and suppliers' R&D roadmaps through cooperation with customers, so that new products and business models can be developed in time to support industry innovations. Not only do all employees perceive new product and new technology introduction a critical part of their responsibilities, the Company also established a New Businesses Department and a Marketing Planning Team and at the group level to support and speed up developments of new industries and products and to expand alliance with viable business partners. Furthermore, the Company adopts project management concepts and practices advocated by Project Management Institute (PMI), and introduces business development rewards and funding to stimulate and support business development activities with better effects throughout the Company. As of 2020, the Company generated more than NT\$4 billion in revenues from new products introduced in the past 3 years.

To sum up, the research & development budget has been deployed in promoting current businesses for greater synergy. The Company did not allocate stand-alone R&D budget, as it is in a distributing business, not manufacturing. Actual R&D expenses in 2020 amounted to NT\$38 million, which covered employee training, building the industry think tank, membership fee for NCKU Innovation Headquarters, expenditures and developing rewards paid for new business lines and market research. However, actual amounts incurred on the development of new businesses and products far exceeded this sum.

For 2021, we have made a R&D budget covering the expenses items above plus a higher funding for new business development. The budget is adjustable when necessary. Development achievement in 2020 are as follows:

Industry	Agency or distribution of new products
IT/communication (engineering plastics) and electronics assembly	LDS materials, 5G-related plastic materials, PVC, XLPE, rare earth oxides/metals/neodymium magnet, SiC semiconductors, Ultra Low Dk & Df organic resins for 5G high-frequency and low wear applications, non-organic fillers, electrical property-enhancing chemicals, LCP FCCL (liquid crystal polymer flexible copper clad laminate substrates), next generation ultra-high resolution direct imaging dry film photoresist, rolling LDI equipment, contactless tester, LCP high-speed laminating press, IC substrate solder mask UV protection film.
Semiconductors	Advanced production materials (including PR and Slurry), IC Bumping Chemical, electroformed stencil, electronic-grade gas (NF ₃ , WF ₆ , TCS, DCS, CO, HCL, CO ₂ , SO ₂ , C ₃ H ₆ , Si ₂ H ₆ , CF ₄ ...), laser gas mixture, coolant, reclaimed wafers, CVD SiC consumables.
Opto-electronics, optical communication, and FPD applications	OLED panel-related equipment, process chemicals and consumables, Power Management Unit, mobile and wearable devices and Internet solutions, GPS Module, optical communication transmitter/receiver IC and modules, OLED materials (e.g. Driver IC, quartz crystal, light-emitting materials, NOR Flash), Black Column Spacer for FPD, e-ink display.
Green energy, energy conservation, and energy storage	Assessment, design, installation, and maintenance of solar power plant, high efficiency solar wafer/cell/module, roof/ground-mounted solar power station, lithium battery materials, hard carbon negative electrode materials, fast charging negative electrodes, separator films, energy storage systems, beamformers, relays.
Environmental protection and others	Environment purification materials and equipment, antibody development, water treatment materials, 100% bio-degradable packaging materials for medical supply and food, environment-friendly coolant, hemodialysis equipment and consumables.

4. Effect on the financial operations of important policies adopted and changes in the legal environment at domestic and abroad, and measures to be taken in response

(1) Labor and health insurance premium:

Labor insurance premium adopted by the Company stayed intact for the current year. The average family member covered under the health insurance went down to 1.58% from 1.61%, which accounted for 0.05% salary expenses in the current year.

(2) Amendments to Labor Standard Act:

According to the amendments, in recent years, to articles regarding annual paid leave to employees, unused vacation leaves shall be, after the negotiation between the employer and employee, carried forward to the next year or reimbursed in cash based on overtime ratio. Reimbursements for unused vacation leaves and overtime payment rose in 2020 and accounted for 0.81% salary expenses in the year due to put-off vacation in 2019 and less vacation taken during Covid-19 in 2020.

5. Effect on the financial operations of developments in science and technology as well as industrial change, and measures to be taken in response.

Changes of un-written off consolidated revenue by sectors in 2020, compared with 2019, are as follows:

IT/communication engineering plastics, +8%; electronics assembly, +19%; semiconductors, +13%; optoelectronics, optical communication, and flat-panel display, +4.6%; green energy, energy conservation, and energy storage, -21%; others, -6.7%. Effect upon changes of important technology and industry trend to the Company and measures to be taken are as follows:

World attention to energy-saving, new energy, renewable energy and other green energy industries has come back to the center stage since the nuclear disaster happened in Japan caused by an earthquake few years back. The Company has been making solid progresses with substantial sales revenue in the sector from product lines covering silicon and wafers, solar battery/module solar power plant, LED materials, lithium battery materials, wind power materials, etc. Solar industry is currently experiencing a temporary setback due to contracting government grant worldwide, rising manufacturers in local markets, our suppliers' lagging competitiveness and the delay of the construction of power stations and the government's green energy policy. It's certain that pushes of green energy, energy conservation and energy storage has become important and non-stoppable priorities for governments around the world. Therefore, the Company will continue to grow in related sectors, especially when we have made solid progress in the energy storage system and wind power. We are expecting to rake up rewarding revenue when related government policies start to deploy. In addition, we are making efforts to the new clean energy sectors, such as wind power, energy conserving system, biogas power generation while involving in power station building sector.

Declining business lines (such as resin, glass fiber, refrigerant) are mainly due to product adjustment and elimination on laggard and low-margin product lines. In the future, the Company will cooperate with existing and new suppliers to develop products of competitive pricing and larger markets.

We are currently engaged in bio-medicine, long-term care and environment protection, water resources, air pollution control, hazardous waste treatment and recycling economy industries, as well as sectors contributing to carbon reduction, intelligent packaging under the rising awareness of civic rights, environment friendly and aging society. We are expecting revenues and profits generated from these sectors will account for a significant percentage.

Following the technology advancements, the company is phasing in corresponding new materials, covering OLED, new semiconductor and IC packaging developments, thinning 3C products, the new structure of touch panels, electric vehicle, 5G communication, as well as graphene and nano materials, AIOT, bio medical, etc. We are capable of grasping the technology road maps through co-working with existing suppliers and investments and mergers for new product development and distribution to ensure timely product and technology availability. By becoming a best partner to our customers, we are forming strengthening relationship with them.

To cut down impacts brought by Covid-19 starting from early 2020, apart from operating under a diversified business lines, we have also adjusted management and marketing costs to maximize the marginal benefits from overhead expenses and manpower, with new business initiations to minimize the adversities. We, therefore, were able to push further growth in both revenue and profitability.

We continued to stay ahead of the emerging sectors and demands to introduce, timely or in advance, the right materials, components, modules, systems and equipment to underpin our robust growth in the revenue. Under our long-term strategy of diversified business, we were able to reduce the impact from the macro economy and industry cycles and continue the growing trend.

6. Effect on crisis management of changes in corporate image, and measures to be taken in response: None

7. Expected benefits and possible risks associated with any merger and acquisitions, and measures to be taken in

response: None

8. Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response:
None

9. Risks associated with any consolidation of sales or purchasing operations, and measures to be taken in response:

- (1) The Company's sales and purchase activities have been evenly distributed in five industries. No single customer or supplier has taken up 10% or more of sales or purchases, respectively.
- (2) We are less vulnerable to industry cycles, as we operate on a multiple-industry combination. In addition, no sales or purchase is concentrated on a single particular customer or supplier that can affect our overall operation or profitability significantly.

10. Effect upon and risk in the event a huge quantity of shares belonging to a director, supervisor, or shareholder holding more than 10% stake has been transferred or has otherwise changed hands, and measures to be taken in response: None

11. Effect upon and risk associated with any change in top management, and measures to be taken in response:
None

12. Major litigious, non-litigious or administrative disputes that: (1) involve the Company, any director, supervisor, general manager, any person with actual responsibility for the Company, any major shareholder with shareholding greater than 10%, and any associated entities controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities:

- (1) Company A filed a law suit to Taipei District Court against Kingstone Energy Technology Co., Ltd. for not making orders based on the purchase agreement, and asked for a damage of NT\$ 50,363 thousand. A verdict was made in favor of Company A in October, 2020. Kingstone Energy Technology has appealed. The Company believes that the plaintiff's claims are without merit; still, the outcome of the litigation is subject to material uncertainty. The related losses were not recognized in the financial statements.
- (2) In November 2020, Company B sent a letter to Kingstone Energy Technology Co., Ltd. to terminate a lease contract of a solar power station and asked the subsidiary to pay a penalty of NT\$41,704,000 with the performance bond confiscated. According to the opinions of lawyers hired by Kingstone Energy, it could be exempted from the penalty, as there were relevant non-culpable reasons. The losses from performance bond and unfinished construction were recognized but the penalty was not recognized in the financial statements.

13. Other important risks, and measures to be taken in response: None

Information security risk and policy

>Framework for information security management:

The Company, in accordance with the laws, has established a cross-department Information Security Committee, in charge of policy formation, promotion, execution, and audit. The committee holds a discussion covering the latest policy developments and risk matters with responding measures. All working progress shall be reported to the top executive from the strategic planning division and the Chairman.

>Information security policy

Apart from regular risk assessment by the audit unit, employee training, email reminder to lower down information risks, suggested under Cyber Security Management Act, the Company continues to improve its authorization and online control systems. In addition, computer room control and monitoring measures are on the work priority list to ensure a stable and certain system and sound operation environment.

>Internet safety risk management

Despite impacts brought by Covid-19 in 2020, the cyber attacks have not slowed down; international enterprises continue to suffer from the incidents. The Company has been paying increased attention to the network security after some minor damages caused by attacks to a few working computers in 2019. We are completing the vulnerability upgrades to achieve a planned and layered protection framework. We have

installed advanced firewall in our branches in Taiwan, China and Southeast Asia, inspection system for weakness points and attacks, mechanism of multi-factor authentication and personal device protection. We are now able to protect ourselves from malwares, including but not limited to Trojan, and phishing, etc.

Conquering challenges from external information is a continuous and non-stopping process, the Company will invest in related manpower in all group locations to build up a group safety net. However, with the continuous attacks and threats, the Company is unable to guarantee a perfect and flawless protection. Still, the Company will exercise all its power to mitigate operation risks incurred by information security incidents to strengthen its position as the key equipment, materials and parts in the greater China market and to maximum the profit of our partners and stakeholders as our goal.

VIII. Other important matters: None

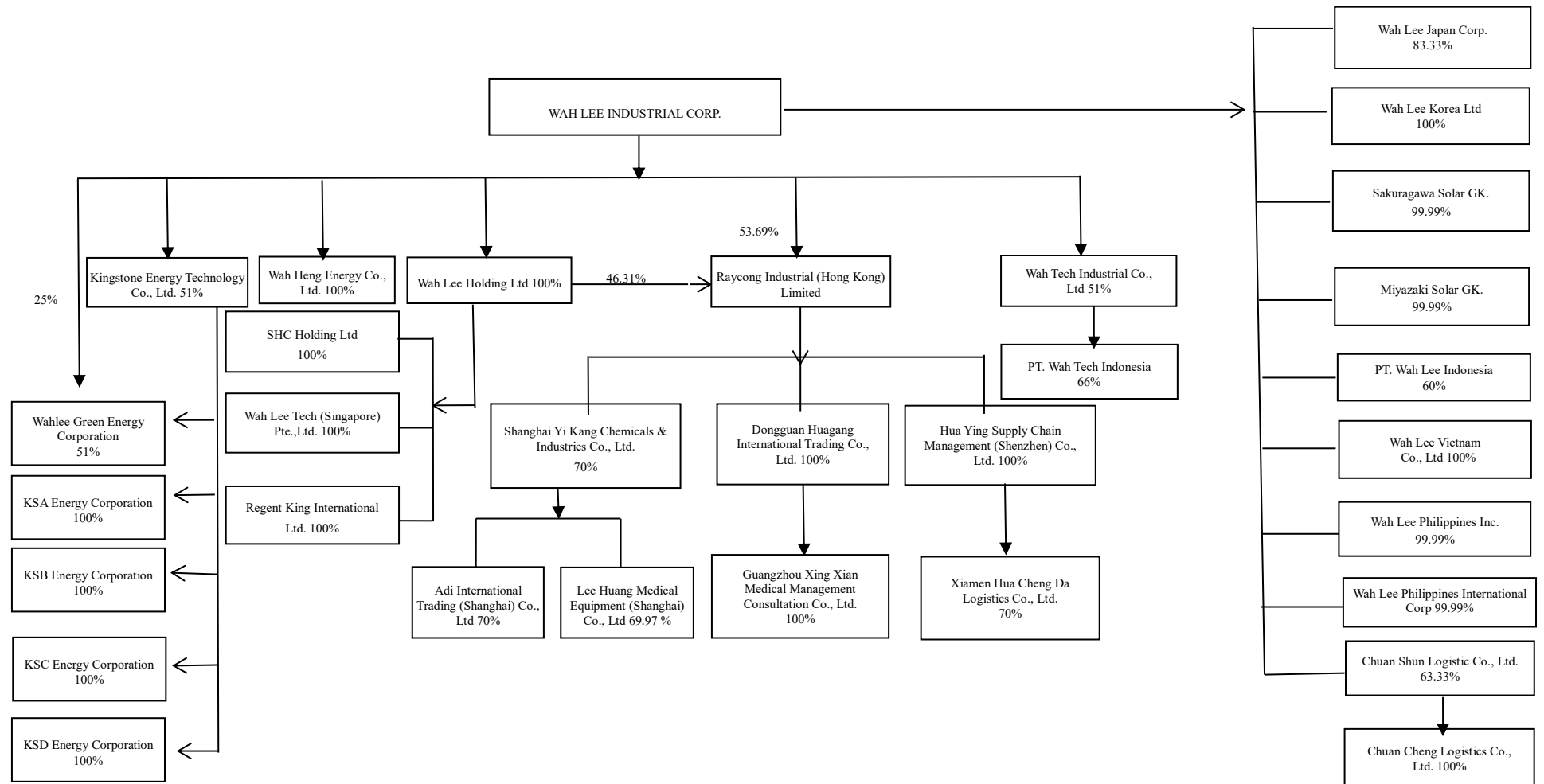
Eight: Special Notes

I. Subsidiary Information:

(I) Consolidated business report

1. Overview

(1) Subsidiaries chart



(2) Subsidiary information

Unit: NT\$

Company	Date of incorporation	Address	Currency	Paid-in Capital	Core business or product
Wah Lee Holding Limited	2003.12.05	Jipfa Building, 3 rd Floor, Main Street, Road Town, Tortola, British Virgin Islands.	USD	13,070,000	International investment
Raycong Industrial (Hong Kong) Limited	1990.06.08	Units 1008~1011, 10th floor, Tower II, Metroplaza, Hing Fong Road, Kwai Chung, N.T. Hong Kong	HKD	104,296,655	Selling and distributing engineering plastics, high-performance composite materials, industrial materials and equipment
Wah Lee Korea Ltd.	2010.08.26	#208, Hyoseong Intellian, 1594-1, Gwanyang-dong, Dongan-gu, Anyang-si, Gyeonggi-do, 431-060, Krea.	KRW	735,000,000	Selling and distributing engineering plastics, high-performance composite materials, industrial materials and equipment
Sakuragawa Solar GK.	2014.11.7	Yodoyabashisogo Kaikei, 4-3-7 Kita Bld., Koraibashi, Chuo-ku, Osaka-shi, Osaka, 541-0043, Japan	JPY	10,000	Solar power station operation
Miyazaki Solar GK.	2014.11.7	Yodoyabashisogo Kaikei, 4-3-7 Kita Bld., Koraibashi, Chuo-ku, Osaka-shi, Osaka, 541-0043, Japan	JPY	10,000	Solar power station operation
PT. Wah Lee Indonesia	2015.6.11	Jl. Cakung Industri I No. 12 Kawasan Industri Cakung, Jakarta Utara, 14140	USD	2,300,000	International trade
Wah Lee Vietnam Co., Ltd.	2015.6.24	5 th Floor, Petroland Tower, 12 Tan Trao, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam	USD	500,000	International trade
Wah Tech Industrial Co., Ltd.	1989.8.21	141/21-22 Skulthai Surawongse Tower, 18F, Surawongse Rd., Bangrak, Bangkok 10500	THB	15,000,000	Trading industrial materials
Chuan Shun Logistic Co., Ltd.	2012.2.22	F11-2, No. 235, Chung Cheng 4th Rd., Kaohsiung City	NTD	150,000,000	Automobile Cargo Transportation Business, Container Truck Transportation Enterprise, international trade, warehousing
Kingstone Energy Technology Corporation	2010.11.8	F8-2., No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	352,188,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
Hua Heng Energy Co., Ltd.	2020.7.13	F8-2., No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	90,000,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
Wah Lee Philippines International Corp.	2019.9.28	122 East Science Drive, Laguna Technopark - SEZ, Binan(Poblacion), CITY OF BlnAN, REGION IV-A, LAGUNA, Philippines	PHP	12,750,000	Trading industrial materials

Company	Date of incorporation	Address	Currency	Paid-in Capital	Core business or product
Wah Lee Philippines Inc.	2019.11.8	123 East Science Drive, Laguna Technopark - SEZ, Binan(Poblacion), CITY OF BlnAN, REGION IV-A, LAGUNA, Philippines	PHP	12,700,000	Trading industrial materials
Wah Lee Japan Corporation	2001.05.01	4F Kyobashi 3 Chome Bldg.,3-1-3 Kyobashi, Chuo-ku,Tokyo 104-0031,JAPAN	JPY	90,000,000	Selling and distributing engineering plastics, high-performance composite materials, industrial materials and equipment
Chuan Cheng Logistic Co., Ltd.	2017.08.31	F11-2, No. 235, Chung Cheng 4th Rd., Qianjin Dist., Kaohsiung City	NTD	25,000,000	Automobile Cargo Transportation Business, Container Truck Transportation Enterprise, international trade, warehousing
KSA Energy Corporation	2016.12.26	F8-2., No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	61,300,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
KSB Energy Corporation	2015.11.17	F8-2., No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	11,130,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
Wahlee Green Energy Corporation (under dissolution and liquidation)	2018.3.16	# 23, Ln. 69, Anxiang Rd., Xindian Dist., New Taipei City	NTD	20,000,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
KSC Energy Corporation	2020.06.30	F8-2., No. 55, Dongguang Rd., Hsinchu City	NTD	1,000,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
KSD Energy Corporation	2020.11.03	#11, Ln. 666, Sec. 2, Zhongshan Rd., Changhua City, Changhua County	NTD	67,000,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
Wah Lee Tech (Singapore) Pte., Ltd	2003.10.04	20 Science Park Road,Teletech Park,#01-03A,Singapore 117674 #208, Hyoseong Intellian, 1594-1, Gwanyang-dong,	SGD	1,600,000	Selling and distributing semiconductor materials and equipment
SHC Holding Limited	2003.12.17	Suite 802,St James Court, St Denis Street, Port Louis, Mauritius	USD	1,290,000	International investment
Regent King International Ltd.	2013.5.10	Room 803, Tung Hip Commercial Building, 248 Des Voeux Road Central, Hong Kong	HKD	10,000	Selling and distributing engineering plastics, high-performance composite materials, industrial materials and equipment
PT. Wah Tech Indonesia	2015.11.6	Jl. Cakung Industri I No. 12 Kawasan Industri Cakung, Jakarta Utara, 14140	RP	2,750,000,000	Trading industrial materials
Shanghai Yi Kang Chemicals & Industries Co., Ltd.	1993.10.09	Rm 204C, F2, 4 Department, Bld. 1, No. 2001, Yanggao N. Rd, Ziyoumaoyi Testing District, Shanghai, China	USD	30,200,000	International trading and trade brokerage
Dongguan Huagang International Trading Co., Ltd.	2007.01.31	F23, Di-WangGuangChang, , Changqing Road, Changan Town, Dongguan City	HKD	300,000,000	Selling and distributing engineering plastics, high-performance composite materials, industrial materials and equipment

Company	Date of incorporation	Address	Currency	Paid-in Capital	Core business or product
Hua Ying Supply Chain Management (Shenzhen) Co., Ltd.	2015.2.9	Rm 201, Bld. A, No. 1, Qianwany Road, Qianhai Shengang Cooperative District, Shenzhen City	HKD	7,000,000	Supply chain management, selling&distributing engineering plastics, high-performance composite materials, industrial materials and equipment
Adi International Trading (Shanghai) Co., Ltd	2013.8.1	Rm 203, F2, Bld. 5, No. 350, Yuanqu Road, Anting Town, Jiading District, Shanghai City	CNY	3,000,000	Good and technology trading and medical and biotech equipment service
Lee Huang Medical Equipment (Shanghai)	2014.1.22	Rm 205, F2, Bld. 5, No. 350, Yuanqu Road, Anting Town, Jiading District, Shanghai City	CNY	3,330,000	Selling medical equipment
Xiamen Hua Cheng Da Logistics Co., Ltd.	2018.3.2	Unit 21-2, F3, Baoshui Market Building, No. 88, Xiangyu Rd, Baoshui District, Xiamenpian District, Free Trade Testing District, Fujian	CNY	3,000,000	Warehousing and logistics
Guangzhou Xing Xian Medical Management Consultation Co., Ltd.	2019.8.1	Rm 1808, No. 180, Jiangnan Blvd, Haizhu District, Guangzhou City	CNY	1,000,000	Hospital management, medical equipment service and supplies selling and distribution.

(3) Affiliated deemed as a controlled or subordinate entities under Company Act #369-3 and their shareholder information: None

(4) Business sectors covered by subsidiaries

A. Business sectors covered by subsidiaries

High-tech material and equipment sales distribution, including semiconductor, IC packaging, TFT-LCD, OLED, PCB, fiber-optic communication, solar power, etc.

B. Business engagement among subsidiaries.

(A) Wah Lee Japan and Wah Lee Korea were set up to enhance the relationship with local customers and suppliers, as well as to collect the latest product information to maintain industry competitiveness. Japan is the number-one market for solar power station in the world, many international institutions have made presence in the local market. We have set up Sakuragawa Solar GK. and Miyazaki Solar GK. to take the advantage of the trend.

(B) To cope with our customers' migration to Southeast Asia and China, we have also extended our selling and production network to overseas and, via a third country to enter China market. We have set up Raycong Industrial (Hong Kong) Limited, Shanghai Yi Kang Chemicals & Industries, Wah Lee Holding, SHC Holding, Dongguan Huagang International Trading, Hong Kong Meidi Investment, Adi International Trading (Shanghai) Co., Regent King International, Hua Ying Supply Chain Management (Shenzhen) and Xiamen Hua Cheng Da Logistics. Following the government's New Southbound Initiative, we've also established several footholds in the region, including Wah Lee Tech (Singapore), Wah Tech Industrial in Thailand, Wah Tech Indonesia, Wah Lee (Vietnam) and WL Philippines. Wah Tech Indonesia 、

Wah Lee (Vietnam) Co., Ltd 、WL Philippines and etc.

(C) Under government’s “Non-nuclear home in 2025” target, solar power has become a highlighted industry. We, thus, invested in Kingstone Energy Technology Corporation to devote into solar energy sector and strengthen operation advantage.

(5) Directors, Supervisors, and Presidents of Subsidiaries

Company	Title	Name	Shareholding	
			Shares	Shares Ratio
Wah Lee Holding Limited (BVI)	Chairman	Chang, Ray-Ching	Wah Lee: 13,070,000 shares	100%
Raycong Industrial (Hong Kong) Limited	Chairman	Chang, Tsuen-Hsien	Wah Lee: 56,000,000 shares	100%
	Directors	Lu, Jui-Ming	Wah Lee Holding: 48,296,655 shares	
	Directors	Li, Kuo-Ping		
Wah Lee Korea Ltd.	Chairman	Wang, Yi-Wen	Wah Lee: 147,000 shares	100%
Sakuragawa Solar GK.	Directors	Yuichiro Yasuda	-	99.99% owned by Wah Lee
Miyazaki Solar GK.	Directors	Yuichiro Yasuda	-	99.99% owned by Wah Lee
PT. Wah Lee Indonesia	Directors	You, Kai-Yuan	Wah Lee: 1,610,000 shares	70%
Wah Lee Vietnam Co., Ltd.	Directors	Yeh, Ching-Wen	-	100% owned by Wah Lee
	Supervisor	Chang, Yu-Dian		
Wah Tech Industrial Co., Ltd.	Directors	Chang, Tsuen-Hsien	Wah Lee: 7,650 shares	51%
	Directors	Yeh, Ching-Wen		
Chuan Shun Logistic Co., Ltd.	Chairman	Shih, Chia-Sheng (representing Wah Lee)	Wah Lee: 9,500,000 shares	63.33%
	Directors	Zhao, Kuang-Chi (representing Wah Lee)		
	Directors	Kao, Hsu-Ke (representing Wah Lee)		
	Supervisor	Tsai, Chung-Min		
Chuan Cheng Logistic Co., Ltd.	Chairman	Shih, Chia-Sheng (representing Chuan Shun Logistic)	Chuan Shun: 2,500,000 shares	100%
	Supervisor	Tsai, Chung-Min (representing Chuan Shun Logistic)		

Company	Title	Name	Shareholding	
			Shares	Shares Ratio
Kingstone Energy Technology Corporation	Chairman	Tsai, Yun-Ray (representing Wah Lee)	Wah Lee: 17,962,577 shares	51%
	Directors	Shao, Kuang-Wei (representing Wah Lee)		
	Directors	Shih, Tung-Yi (representing Open Sky Technology Corp)	Open Sky: 7,562,276 shares	21.47%
	Supervisor	Hsiao, Han-Yueh		
KSD Energy Corporation	Chairman	Tsai, Yun-Ray (representing Kingstone Energy Technology)	Kingstone Energy Technology: 6,700,000 shares	100%
	Supervisor	Hsiao, Han-Yueh (representing Kingstone Energy Technology)		
Wah Lee Philippines International Corp.	Chairman	Yeh, Ching-Wen	Wah Lee: 127,495 shares	99.99%
	Directors	Wang, Yi-Wen		
	Directors	Lin, Chen-Chuan		
	Directors	Tsai, Yun-Ray		
	Directors	Darren Lim Jee Heng		
Wah Lee Philippines Inc.	Chairman	Yeh, Ching-Wen	Wah Lee: 126,997 shares	99.99%
	Directors	Wang, Yi-Wen		
	Directors	Lin, Chen-Chuan		
Wah Lee Japan Corp.	Chairman	Yeh, Yi-Lin	Wah Lee: 1,500 shares	83.33%
	Directors	Lin, Chen-Chuan		
	Directors	Kao, Hsu-Ke		
	Supervisor	Wang, Yi-Wen		
Hua Heng Energy Co., Ltd.	Chairman	Tsai, Yun-Ray (representing Wah Lee)	Wah Lee: 9,000,000 shares	100%
	Supervisor	Hsiao, Han-Yueh (representing Wah Lee)		
Wahlee Green Energy Corporation (under dissolution and liquidation)	Supervisor	Chen, Yu-Cheng	Wah Lee: 500,000 shares	25%
			Kingstone Energy Technology: 1,020,000 shares	51%

Company	Title	Name	Shareholding	
			Shares	Shares Ratio
KSA Energy Corporation	Chairman Supervisor	Tsai, Yun-Ray (representing Kingstone Energy Technology) Hsiao, Han-Yueh (representing Kingstone Energy Technology)	Kingstone Energy Technology: 6,130,000 shares	100%
KSB Energy Corporation	Chairman Supervisor	Tsai, Yun-Ray (representing Kingstone Energy Technology) Hsiao, Han-Yueh (representing Kingstone Energy Technology)	Kingstone Energy Technology: 1,113,000 shares	100%
KSC Energy Corporation	Chairman Supervisor	Tsai, Yun-Ray (representing Kingstone Energy Technology) Hsiao, Han-Yueh (representing Kingstone Energy Technology)	Kingstone Energy Technology: 100,000 shares	100%
Wah Lee Tech (Singapore) Pte., Ltd	Chairman Directors	Chang, Tsuen-Hsien Chang, Chi-An	Wah Lee Holding: 1,600,000 shares	100%
SHC Holding Limited (Mauritius)	Chairman	Chang, Ray-Ching	Wah Lee Holding: 1,290,000 shares	100%
Regent King International Ltd.	Directors	Chang, Ray-Ching	Wah Lee Holding: 10,000 shares	100%
PT. Wah Tech Indonesia	Directors	You, Kai-Yuan	Wah Tech: 18,150 shares	66%
Shanghai Yi Kang Chemicals & Industries Co., Ltd.	Chairman Directors and general manager	Chang, Tsuen-Hsien Yu, Ching-Tien	-	70% owned by Raycong (Hong Kong)
	Directors Supervisor	Chen, Chi-Hsing Lulu Huang		
Dongguan Huagang International Trading Co., Ltd.	Chairman Directors Directors Supervisor	Chang, Tsuen-Hsien Lu, Jui-Ming Li, Kuo-Ping Tsai, Yun-Ray	-	100% owned by Raycong (Hong Kong)
Hua Ying Supply Chain Management (Shenzhen) Co., Ltd.	Chairman Directors Directors	Lu, Jui-Ming Chang, Tsuen-Hsien Shih, Chia-Sheng	-	100% owned by Raycong (Hong Kong)

Company	Title	Name	Shareholding	
			Shares	Shares Ratio
	Supervisor	Tsai, Yun-Ray		
Adi International Trading (Shanghai) Co., Ltd	Chairman	Ren, You-Ming	-	70% owned by Shanghai Yikang
	Directors and general manager	Zhao, Guo-Bin		30% owned by Zhao, Guo-Bin
	Directors	Wu, Zhi-Long		
	Supervisor	Huang, Liang-Rao		
Lee Huang Medical Equipment (Shanghai)	Chairman	Ren, You-Ming	-	69.97% owned by Shanghai Yikang
	Directors	Zhao, Guo-Bin		30.03% owned by Zhao, Guo-Bin
	Directors	Wu, Zhi-Long		
	Supervisor	Huang, Liang-Rao		
Xiamen Hua Cheng Da Logistics Co., Ltd.	Executive Director and general manager	Shih, Chia-Sheng	-	70% owned by Hua Ying Supply Chain
	Supervisor	Li Ping		10% owned by Li Ping
Guangzhou Xing Xian Medical Management Consultation Co., Ltd.	Executive Director and general manager	Lu, Jui-Ming	-	100 % owned by Dongguan Huagang

2. Subsidiary Operations

December 31, 2020 Unit: NT\$ thousands								
Company	Share capital	Total assets	Total liabilities	Book value	Operating income	Income from operations	Current profit and loss	Earnings per Share, after tax (NT\$)
							(after tax)	
Wah Lee Holding Limited (BVI)	430,665,850	4,186,005,180	0	4,186,005,180	-	(91,558)	430,778,696	32.96
Raycong Industrial (Hong Kong) Limited	383,081,614	7,139,369,540	707,183,578	6,432,185,962	3,554,943,192	63,370,369	741,375,807	7.11
Wah Lee Korea Ltd.	19,433,400	3,401,719	2,703,613	698,106	-	(501,038)	1,847,555	12.57
Sakuragawa Solar GK.	47,645,715	178,248,811	91,672,497	86,576,314	22,842,987	8,915,224	7,661,970	-
Miyazaki Solar GK.	83,441,748	290,350,215	252,910,535	37,439,680	26,845,366	6,743,819	4,278,748	-
PT. Wah Lee Indonesia	61,654,145	55,569,305	2,504,369	53,064,936	109,216,675	(5,438,576)	(7,867,731)	(9.71)
Wah Lee Vietnam Co., Ltd.	12,420,900	252,411,525	216,278,876	36,132,649	488,725,999	13,010,962	9,401,509	-
Wah Tech Industrial Co., Ltd.	14,334,000	517,001,301	167,310,946	349,690,355	1,033,569,271	73,612,858	52,414,622	3,494.31
Chuan Shun Logistic Co., Ltd.	150,000,000	464,365,570	270,992,337	193,373,233	377,695,142	34,838,884	25,214,370	1.68
Chuan Cheng Logistic Co., Ltd.	25,000,000	13,776,576	2,375,841	11,400,735	8,438,198	(570,765)	(569,516)	(0.23)
Kingstone Energy Technology Corporation	352,188,000	2,231,941,825	1,535,665,062	696,276,763	189,965,135	40,633,580	26,464,313	0.81
Hua Heng Energy Co., Ltd.	30,000,000	30,030,721	129,383	29,901,338	-	(127,613)	(98,662)	(0.03)
Wah Lee Philippines International Corp.	7,472,775	7,669,686	205,244	7,464,442	-	(29,739)	(8,030)	-
Wah Lee Philippines Inc.	7,443,470	7,102,375	629,414	6,472,961	-	(929,723)	(973,043)	-
Wah Lee Japan Corp.	24,867,000	5,959,871	903	5,958,968	-	(68,799)	(69,215)	(38.45)
Wahlee Green Energy Corporation	8,000,000	4,823,811	169,588	4,654,223	-	30,733	(184,561)	(0.09)
KSA Energy Corporation	61,300,000	307,628,293	238,949,759	68,678,534	23,042,325	11,263,969	6,668,379	1.09
KSB Energy Corporation	11,130,000	42,875,477	30,228,095	12,647,382	4,768,330	2,371,666	1,390,706	1.25
KSC Energy Corporation	1,000,000	112,963,826	112,046,920	916,906	-	(104,023)	(83,094)	(0.83)

Company	Share capital	Total assets	Total liabilities	Book value	Operating income	Income from operations	Current profit and loss	Earnings per Share, after tax (NT\$)
							(after tax)	
KSD Energy Corporation	67,000,000	90,734,251	23,927,315	66,806,936	-	(210,350)	(193,064)	(0.03)
Wah Lee Tech (Singapore) Pte., Ltd	28,810,846	777,917,648	441,691,699	336,225,949	1,158,062,368	40,968,314	34,963,429	21.85
SHC Holding Limited(Mauritius)	35,026,449	763,090,263	-	763,090,263	-	(90,590)	53,095,471	41.16
Regent King International Ltd.	34,938	4,053,292	1,745,908	2,307,384	6,778,369	1,514,445	1,064,830	106.48
PT. Wah Tech Indonesia	5,582,500	34,566,749	31,714,097	2,852,652	112,014,552	(3,482,750)	(3,224,592)	(117.26)
Shanghai Yi Kang Chemicals & Industries Co., Ltd.	990,731,212	8,520,021,913	4,090,622,487	4,429,399,426	12,745,909,094	638,596,605	503,201,031	-
Dongguan Huagang International Trading Co., Ltd.	1,137,186,415	4,982,731,332	2,652,249,295	2,330,482,037	9,959,825,842	446,750,313	317,690,899	-
Hua Ying Supply Chain Management (Shenzhen) Co., Ltd.	24,084,105	253,748,466	45,881,422	207,867,044	62,272,999	7,785,233	8,597,325	-
Adi International Trading (Shanghai) Co., Ltd	13,085,229	95,101,193	57,628,402	37,472,791	76,424,719	(6,328,441)	(6,354,711)	-
Lee Huang Medical Equipment (Shanghai)	14,524,604	3,941,550	4,031,635	(90,085)	14,182,707	861,763	919,046	-
Xiamen Hua Cheng Da Logistics Co., Ltd.	13,085,229	30,061,419	19,359,755	10,701,664	30,409,450	(139,579)	(238,539)	-
Guangzhou Xing Xian Medical Management Consultation Co., Ltd.	21,808,715	149,485,946	105,153,124	44,332,822	121,495,862	18,609,121	12,216,469	-

Note: 1. Not applicable. It is a limited company; no shares were issued.

2. Exchange rates used in reports are as follows: 1USD = NT\$28.48; 1 JPY = NT\$ 0.2763; 1 HKD 1 = NT\$3.673; 1 SGD = NT\$21.56; 1 KRW = NT\$ 0.02644; 1 IDR = NT\$ 0.00203; 1 VND = NT\$ 0.00111.

3. Par value per share is 50,000 JPY for Wah Lee Japan, 5,000 KRW for Wah Lee Korea, 1000 Piso for Wah Lee Philippines, NT\$ 1,000 for Wah Lee Thailand and NT\$ 10,000 for Wah Lee Indonesia.

II. Private placements of securities in 2019 and 2020 and as of the date of report publication: None

III. Shares of the Company held and disposed by subsidiaries in 2019 and 2020 and as of the date of report publication: None

IV. Other supplementary information and notes: None.

Nine: Events with Material Impacts on Equity or Stock Price

Any events in 2020 and as of the date of report publication that had material impacts on shareholders' interests or securities prices as stated in Item 3 Paragraph 2 of Article 36 under Securities and Exchange Law of Taiwan:

None

V. For 2019 Financial Statement

DECLARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATES

The entities required to be included in the consolidated financial statements of affiliates of Wah Lee Industrial Corporation for the year ended December 31, 2020, 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 of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Wah Lee Industrial Corporation and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Wah Lee Industrial Corporation

By

Jui-Chin Chung
Chairman

March 26, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Wah Lee Industrial Corporation

Opinion

We have audited the accompanying consolidated financial statements of Wah Lee Industrial Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. 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.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2020 is discussed as follows:

Occurrence of revenue from specific customers

The operating revenue of the Group for the year ended December 31, 2020 was NT\$59,080,920 thousand, of which the revenue and gross profit from specific customers show significant growth over the past year. In addition, based on the ROC GAAS, revenue recognition is presumed to have a significant risk. Therefore, we considered the occurrence of revenue from specific customers as a key audit matter.

Refer to Note 4 to the consolidated financial statements for the related accounting policy on revenue recognition.

The main audit procedures that we performed to address the occurrence of the revenue from specific customers were as follows:

1. We understood and tested the design and operating effectiveness of the internal controls relevant to shipment and revenue recognition.
2. We verified, on a sampling basis, the occurrence of recorded revenue from specific customers against supporting documents, including shipping and collection documents, and we checked whether the payer is the same as the buyer.

Other Matter

The financial statements of certain investees accounted for using the equity method in the Group's consolidated financial statements for the years ended December 31, 2020 and 2019 were audited by other independent auditors; accordingly, our opinion insofar as it relates to the amounts and information disclosed, is based solely on the reports of other independent auditors.

The carrying values of the investments accounted for using the equity method as of December 31, 2020 and 2019 were NT\$728,537 thousand and NT\$675,514 thousand, respectively, both representing 2% of total consolidated assets; and the amounts of the share of profit of associates for the years ended December 31, 2020 and 2019 were NT\$111,793 thousand and NT\$69,036 thousand, both representing 4% of consolidated profit before income tax.

We have also audited the parent company only financial statements of Wah Lee Industrial Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with other matter paragraph.

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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2020 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 audits resulting in this independent auditors' report are Chiu-Yen Wu and Chen-Li Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,053,182	8	\$ 2,348,526	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	211,665	1	172,741	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	119,600	-	68,900	-
Notes receivable (Notes 9, 28 and 30)	2,399,770	6	1,972,660	6
Notes receivable - related parties	6,925	-	15,538	-
Accounts receivable, net (Notes 4, 5 and 9)	15,111,761	39	13,482,001	39
Accounts receivable - related parties (Notes 4, 5, 9 and 29)	113,442	-	105,120	-
Other receivables	132,686	-	65,284	-
Other receivables - related parties (Note 29)	59,752	-	83,571	-
Current tax assets	114	-	-	-
Merchandise (Notes 4, 5 and 10)	4,286,609	11	3,935,974	11
Prepayments for purchases	1,398,090	4	1,018,095	3
Other financial assets - current (Notes 11 and 30)	838,212	2	858,536	3
Other current assets	209,496	1	296,008	1
Total current assets	27,941,304	72	24,422,954	71
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	634,098	2	572,981	2
Investments accounted for using the equity method (Notes 4 and 13)	4,826,082	12	4,555,030	13
Property, plant and equipment (Notes 4, 14, 29 and 30)	3,785,578	10	3,800,494	11
Right-of-use assets (Notes 4 and 15)	624,245	2	147,846	-
Goodwill (Notes 4 and 25)	111,809	-	112,668	-
Other intangible assets	205,407	1	230,607	1
Deferred tax assets (Notes 4 and 23)	345,131	1	325,649	1
Prepayments for equipment	20,663	-	1,706	-
Prepayments for investments	10,000	-	-	-
Other financial assets - noncurrent (Notes 11 and 30)	196,403	-	188,572	1
Other noncurrent assets	54,249	-	52,367	-
Total noncurrent assets	10,813,665	28	9,987,920	29
TOTAL	\$ 38,754,969	100	\$ 34,410,874	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16, 28 and 29)	\$ 7,400,936	19	\$ 6,790,253	20
Short-term bills payable (Note 16)	59,917	-	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	280	-	1,372	-
Contract liabilities - current (Note 21)	345,351	1	289,480	1
Notes payable (Note 17)	102,174	-	335,214	1
Notes payable - related parties (Notes 17 and 29)	1,261	-	201	-
Accounts payable (Note 17)	7,066,208	18	5,532,981	16
Accounts payable - related parties (Notes 17 and 29)	378,004	1	354,710	1
Dividends payable	1,400	-	10,352	-
Other payables (Notes 18 and 29)	1,223,813	3	1,118,228	3
Current tax liabilities (Note 23)	272,968	1	221,112	1
Lease liabilities - current (Notes 4 and 15)	64,747	-	32,649	-
Current portion of long-term borrowings (Note 16)	538,534	2	250,456	1
Refund liabilities - current	174,275	1	161,493	-
Other current liabilities	29,053	-	15,549	-
Total current liabilities	17,658,921	46	15,114,050	44
NONCURRENT LIABILITIES				
Long-term borrowings (Note 16)	4,107,003	11	4,510,009	13
Provision for employee benefits - noncurrent (Note 4)	41,875	-	14,760	-
Lease liabilities - noncurrent (Notes 4 and 15)	566,902	1	109,532	-
Net defined benefit liabilities - noncurrent (Notes 4 and 19)	314,840	1	320,668	1
Guarantee deposits received	1,616	-	419	-
Deferred tax liabilities (Notes 4 and 23)	1,155,352	3	1,056,833	3
Total noncurrent liabilities	6,187,588	16	6,012,221	17
Total liabilities	23,846,509	62	21,126,271	61
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)				
Share Capital	2,313,901	6	2,313,901	7
Capital surplus	1,331,725	3	1,318,065	4
Retained earnings				
Legal reserve	2,228,083	6	2,084,659	6
Special reserve	980,087	3	679,347	2
Unappropriated earnings	6,660,831	17	6,029,012	17
Total retained earnings	9,869,001	26	8,793,018	25
	(2)		(3)	
Other equity	(636,618))	(980,087))
Total equity attributable to owners of the Company	12,878,009	33	11,444,897	33
NON-CONTROLLING INTERESTS (Notes 20 and 25)	2,030,451	5	1,839,706	6
Total equity	14,908,460	38	13,284,603	39
TOTAL	\$ 38,754,969	100	\$ 34,410,874	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated March 26, 2021)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 28)	\$ 59,080,920	100	\$ 54,681,829	100
OPERATING COSTS (Notes 10, 22 and 29)	<u>54,280,230</u>	<u>92</u>	<u>50,497,138</u>	<u>92</u>
GROSS PROFIT	<u>4,800,690</u>	<u>8</u>	<u>4,184,691</u>	<u>8</u>
OPERATING EXPENSES (Notes 9 and 22)				
Selling and marketing expenses	2,051,331	4	2,015,201	4
General and administrative expenses	531,187	1	505,988	1
Expected credit loss	<u>110,257</u>	<u>-</u>	<u>89,067</u>	<u>-</u>
Total operating expenses	<u>2,692,775</u>	<u>5</u>	<u>2,610,256</u>	<u>5</u>
OPERATING INCOME	<u>2,107,915</u>	<u>3</u>	<u>1,574,435</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	52,018	-	14,879	-
Other income (Notes 22 and 29)	151,737	-	149,958	-
Other gains and losses (Note 22)	(51,449)	-	(29,489)	-
Finance costs (Notes 22 and 28)	(204,649)	-	(274,026)	-
Share of profit of associates and joint ventures	<u>580,063</u>	<u>1</u>	<u>530,407</u>	<u>1</u>
Total non-operating income and expenses	<u>527,720</u>	<u>1</u>	<u>391,729</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,635,635	4	1,966,164	4
INCOME TAX EXPENSE (Notes 4 and 23)	<u>589,519</u>	<u>1</u>	<u>407,083</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>2,046,116</u>	<u>3</u>	<u>1,559,081</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (Notes 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(4,470)	-	9,375	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	110,390	-	(114,290)	-
Share of other comprehensive income of associates accounted for using the equity method	236,698	1	72,454	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	7,804	-	9,797	-

(Continued)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ 16,626	-	\$ (240,268)	(1)
Share of other comprehensive gain (loss) of associates accounted for using the equity method	9,920	-	(93,657)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(4,571)	-	45,714	-
Other comprehensive gain (loss) for the year, net of income tax	372,397	1	(310,875)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,418,513</u>	<u>4</u>	<u>\$ 1,248,206</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,859,120	3	\$ 1,415,822	3
Non-controlling interests	186,996	-	143,259	-
	<u>\$ 2,046,116</u>	<u>3</u>	<u>\$ 1,559,081</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,233,421	4	\$ 1,141,555	2
Non-controlling interests	185,092	-	106,651	-
	<u>\$ 2,418,513</u>	<u>4</u>	<u>\$ 1,248,206</u>	<u>2</u>
EARNINGS PER SHARE (Note 24)				
Basic	\$ 8.03		\$ 6.12	
Diluted	\$ 7.81		\$ 5.93	

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
						Other Equity		Subtotal	Total	Non-Controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2019	\$ 2,313,901	\$ 1,331,880	\$ 1,950,063	\$ 78,160	\$ 6,070,997	\$ (355,909)	\$ (323,438)	\$ (679,347)	\$ 11,065,654	\$ 1,343,281	\$ 12,408,935
Appropriation of 2018 earnings											
Legal reserve	-	-	134,596	-	(134,596)	-	-	-	-	-	-
Special reserve	-	-	-	601,187	(601,187)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(740,448)	-	-	-	(740,448)	-	(740,448)
	-	-	134,596	601,187	(1,476,231)	-	-	-	(740,448)	-	(740,448)
Changes in percentage of ownership interests in subsidiaries (Notes 12 and 23)	-	-	-	-	(8,049)	-	-	-	(8,049)	-	(8,049)
Changes in capital surplus from investments in associates accounted for using the equity method	-	(13,815)	-	-	-	-	-	-	(13,815)	-	(13,815)
Net profit for the year ended December 31, 2019	-	-	-	-	1,415,822	-	-	-	1,415,822	143,259	1,559,081
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	7,550	(251,603)	(30,214)	(281,817)	(274,267)	(36,608)	(310,875)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,423,372	(251,603)	(30,214)	(281,817)	1,141,555	106,651	1,248,206
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	(20,328)	(20,328)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	(4,652)	-	4,652	4,652	-	-	-
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income (Note 20)	-	-	-	-	23,575	-	(23,575)	(23,575)	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	410,102	410,102
BALANCE AT DECEMBER 31, 2019	2,313,901	1,318,065	2,084,659	679,347	6,029,012	(607,512)	(372,575)	(980,087)	11,444,897	1,839,706	13,284,603
Appropriation of 2019 earnings											
Legal reserve	-	-	143,424	-	(143,424)	-	-	-	-	-	-
Special reserve	-	-	-	300,740	(300,740)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(763,587)	-	-	-	(763,587)	-	(763,587)
	-	-	143,424	300,740	(1,207,751)	-	-	-	(763,587)	-	(763,587)
Changes in percentage of ownership interests in subsidiaries (Note 12)	-	(846)	-	-	-	-	-	-	(846)	846	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	14,506	-	-	(50,382)	-	-	-	(35,876)	-	(35,876)
Net profit for the year ended December 31, 2020	-	-	-	-	1,859,120	-	-	-	1,859,120	186,996	2,046,116
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(2,328)	23,879	352,750	376,629	374,301	(1,904)	372,397
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,856,792	23,879	352,750	376,629	2,233,421	185,092	2,418,513
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	(3,196)	(3,196)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 8 and 20)	-	-	-	-	18,567	-	(18,567)	(18,567)	-	-	-
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income (Note 20)	-	-	-	-	14,593	-	(14,593)	(14,593)	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	8,003	8,003
BALANCE AT DECEMBER 31, 2020	\$ 2,313,901	\$ 1,331,725	\$ 2,228,083	\$ 980,087	\$ 6,660,831	\$ (583,633)	\$ (52,985)	\$ (636,618)	\$ 12,878,009	\$ 2,030,451	\$ 14,908,460

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,635,635	\$ 1,966,164
Adjustments for:		
Depreciation expense	277,884	214,504
Amortization expense	41,073	31,815
Expected credit loss	110,257	89,067
Net loss of financial instruments at fair value through profit or loss	6,464	4,814
Finance costs	204,649	274,026
Interest income	(52,018)	(14,879)
Dividend income	(16,696)	(12,714)
Share of profit of associates accounted for using the equity method	(580,063)	(530,407)
Gain on disposal of property, plant and equipment	(24,182)	(1,189)
Impairment loss recognized (reversed) on non-financial assets	(9,074)	53,689
Net loss (gain) on foreign currency exchange	38,430	(87,709)
Others	8,059	(67)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	778	9,650
Notes receivable	(427,110)	(149,619)
Notes receivable - related parties	8,613	(15,496)
Accounts receivable	(1,739,094)	(329,574)
Accounts receivable - related parties	(9,033)	63,701
Other receivables	(10,692)	(6,490)
Other receivables - related parties	(5,746)	18,924
Inventories	(340,836)	1,039,205
Prepayments for purchases	(379,995)	(117,963)
Other current assets	86,540	(8,369)
Financial liabilities held for trading	(9,837)	(19,023)
Contract liabilities	55,871	107,283
Notes payable	(233,040)	(195,890)
Notes payable - related parties	1,060	(1,347)
Accounts payable	1,533,227	(376,444)
Accounts payable - related parties	23,294	(57,542)
Other payables	117,421	151,966
Refund liabilities	12,782	29,170
Other current liabilities	13,504	(4,777)
Net defined benefit liabilities	(9,540)	(9,222)
Cash generated from operations	1,328,585	2,115,257
Interest received	51,433	14,879
Dividends received	485,434	335,880
Interest paid	(202,930)	(269,021)
Income tax paid	(454,447)	(398,971)
Net cash generated from operating activities	<u>1,208,075</u>	<u>1,798,024</u>

(Continued)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (50,000)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	47,285	4,782
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	1,288	-
Purchase of financial assets at fair value through profit or loss	(478,692)	(304,141)
Proceeds from disposal of financial assets at fair value through profit or loss	443,877	291,853
Purchase of investments accounted for using the equity method	(7,005)	(7,310)
Proceeds from disposal of investments accounted for using the equity method	82,897	-
Net cash outflow on acquisition of subsidiaries (Notes 25 and 26)	(3,000)	(401,261)
Payments for property, plant and equipment	(348,003)	(430,499)
Proceeds from disposal of property, plant and equipment	137,265	3,373
Payments for intangible assets	(5,850)	(13,776)
Decrease (increase) in other financial assets	12,493	(776,529)
Increase in other noncurrent assets	(9,031)	(4,168)
Prepayments for investments	<u>(10,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(186,476)</u>	<u>(1,637,676)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	551,400	(114,677)
Increase (decrease) in short-term bills payable	59,840	(100,000)
Proceeds from long-term borrowings	8,147,702	5,575,433
Repayment of long-term borrowings	(8,264,918)	(4,588,851)
Decrease in guarantee deposits received	1,197	-
Repayment of the principal portion of lease liabilities	(66,892)	(54,833)
Cash dividends	(763,587)	(740,448)
Change in non-controlling interests	<u>(4,145)</u>	<u>(13,651)</u>
Net cash used in financing activities	<u>(339,403)</u>	<u>(37,027)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>22,460</u>	<u>(316,646)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>704,656</u>	<u>(193,325)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,348,526</u>	<u>2,541,851</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,053,182</u>	<u>\$ 2,348,526</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

Wah Lee Industrial Corporation (the “Company”) was incorporated in October 1968, and is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, and computer related manufacturing materials and equipment.

The Company’s shares have been listed and traded on the Taiwan Stock Exchange since July 22, 2002.

The consolidated financial statements, which include the Company and its subsidiaries (collectively, the “Group”), are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Company’s board of directors on March 26, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following impact, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies:

Amendments to IFRS 3 “Definition of a Business”

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments require that for an entity to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To judge whether the acquired process is substantive, there will be different judgement requirements depending on whether there is output on the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of standards and interpretations will not have a material impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Noncurrent"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between the aggregate of the fair value of consideration received and the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interest. The Group shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

The detailed information of subsidiaries (including the percentage of ownership and main business) is referred to Note 12, Tables 6 and 7.

e. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at fair value.

f. Acquisition of a subsidiary that does not constitute a business

When the Group acquires a subsidiary that does not constitute a business, the Group will identify and recognize the individual identifiable assets acquired (including intangible assets) and liabilities assumed, and then allocate the transaction price to the individual identifiable assets and liabilities. When allocating the transaction price, first, any identifiable assets or liabilities initially measured at an amount other than cost are initially measured at the amount specified in the applicable IFRS standards. Then the amounts of the assets and liabilities determined according to the applicable IFRS standards are deducted from the transaction price; the residual transaction price is then allocated to the remaining identifiable assets and liabilities (i.e., assets and liabilities initially measured at cost) based on their relative fair values at the date of the acquisition.

g. Foreign Currencies

In preparing the financial statements of each individual entity, transactions in currencies other than [the entity's functional currency (i.e., foreign currencies)] are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from

the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the New Taiwan dollar at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

Goodwill and fair value adjustments recognized on identifiable assets and liabilities of acquired foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

h. Merchandise

Merchandise is stated at the lower of cost or net realizable value; comparison of cost and net realizable value and recognition of write-downs are made by item. The net realizable value is the estimated selling price of merchandise less all estimated costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

i. Investments in Associates and joint ventures

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of the equity of associates and joint ventures.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate and a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly

disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate and joint venture that are not related to the Group.

j. Property, Plant, and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating unit") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative

values of the operation disposed of and the portion of the cash-generating unit retained.

1. Impairment of property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating unit on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial Instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

i Financial assets at FVTPL

- 1.
2. Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL; such assets include debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.
- 3.
4. Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 28.
- 5.

ii Financial assets at amortized cost

6.

7. Financial assets that meet the following conditions are subsequently measured at amortized cost:

8.

9. i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

10.

11. ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

12.

13. Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables, and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

14.

15. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

16.

17. Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

18.

iii Investments in equity instruments at FVTOCI

19.

20. On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

21.

22. Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

23.

24. Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instruments at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast,

12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default without taking into account any collateral held by the Group:

- i Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

The Group's financial liabilities, except for derivative financial instruments, are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange options or forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

n. Provisions

Provisions, including levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

o. Revenue Recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from sale of goods

Revenue from sale of goods comes from sales of composite materials, engineering plastic and semiconductor. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

2) Revenue from rendering of services

Commission revenue comes from providing intermediary or agency service to client in the transfer of merchandise to clients' customers. The Group recognizes revenue as control of the goods is transferred to the customer, and the Group has no further obligations to the customer. Other revenue from rendering of services is recognized as the Group fulfills the obligation.

p. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

When the Group is a lessee, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease. If that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

q. Borrowing Costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

r. Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

s. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act of the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

Key sources of estimation uncertainty

a. Estimated impairment of accounts receivable

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Impairment of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 1,702	\$ 2,742
Demand deposits	2,865,503	1,939,221
Checking accounts	17,702	214,936
		(Continued)

	December 31	
	2020	2019
Cash equivalents		
Time deposits with original maturities of 3 months or less	\$ 168,275	\$ 191,627
	<u>\$ 3,053,182</u>	<u>\$ 2,348,526</u>
		(Concluded)

- a. The market rate intervals of cash equivalents at the end of the reporting period were as follows:

	December 31	
	2020	2019
Time deposits (%)	0.20-1.10	0.85-1.97

- b. The Group interacts with a variety of financial institutions with sound credit ratings to disperse credit risk, hence, there was no expected credit loss.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2020	2019
Financial assets		
Mandatorily classified as at FVTPL		
Hybrid instruments - structured deposits (a)	\$ 139,576	\$ 99,007
Non-derivative financial assets - mutual funds	72,066	72,611
Derivate instruments (not designated for hedge) (b)		
Foreign exchange forward contracts	23	-
Foreign exchange options contracts	-	1,123
	<u>\$ 211,665</u>	<u>\$ 172,741</u>
Financial liabilities		
Held for trading		
Derivative instruments (not designated for hedge) (b)		
Foreign exchange forward contracts	\$ 280	\$ 1,372

- a. The Group entered into a structured time deposit contract with Bank. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract was assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.
- b. The Group entered into foreign exchange options or forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These contracts did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

At the end of the year, outstanding foreign exchange options contracts were as follows:

December 31, 2020

Currency	Maturity Date	Notional Amount (In Thousands)
Buy USD/Sell RMB	2021.01-2021.02	USD2,000/RMB13,147
Buy JPY/Sell RMB	2021.01	JPY50,000/RMB3,163

December 31, 2019

Currency	Maturity Date	Notional Amount (In Thousands)
Buy RMB/Sell USD	2020.01-2020.03	RMB21,243/USD3,000
Buy THB/Sell USD	2020.01-2020.02	THB9,055/USD300
Buy IDR/Sell USD	2020.01	IDR1,404,500/USD100

As of December 31, 2019, outstanding foreign exchange forward contracts were as follows:

Currency	Maturity Date	Notional Amount (In Thousands)
Buy RMB/Sell USD	2020.01-2020.04	RMB17,630/USD2,500
Buy RMB/Sell JPY	2020.01-2020.02	RMB6,470/JPY100,000

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<hr/> Current <hr/>		
Domestic investments in equity instruments		
Listed shares	<u>\$ 119,600</u>	<u>\$ 68,900</u>
<hr/> Noncurrent <hr/>		
Domestic investments in equity instruments		
Listed shares	\$ 109,962	\$ 30,808
Unlisted shares	<u>426,667</u>	<u>419,792</u>
	<u>536,629</u>	<u>450,600</u>
Foreign investments in equity instruments		
Listed shares	19,956	30,679
Unlisted shares	<u>77,513</u>	<u>91,702</u>
	<u>97,469</u>	<u>122,381</u>
	<u>\$ 634,098</u>	<u>\$ 572,981</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they consider that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In 2020 and 2019, the Group sold some equity shares in order to manage credit concentration risk. The sold shares had fair values of \$47,285 thousand and \$4,782 thousand, respectively, and their related unrealized valuation gain of \$26,285 thousand and loss of \$4,652 thousand, respectively, were transferred from other equity to retained earnings.

In 2020, Telelynx Inc. has been liquidated, and the Group received the capital reduction of \$1,288 thousand and transferred the unrealized valuation loss of \$7,718 thousand from other equity to retained earnings.

Dividends of \$16,696 thousand and \$12,714 thousand, respectively, recognized in 2020 and 2019 were all related to the investments held at December 31, 2020 and 2019, respectively.

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2020	2019
Notes receivable - unrelated parties		
Notes receivable - operating	\$ <u>2,399,770</u>	\$ <u>1,972,660</u>
Notes receivable - related parties		
Notes receivable - operating	\$ <u>6,925</u>	\$ <u>15,538</u>
Accounts receivable - unrelated parties		
At amortized cost		
Gross carrying amount	\$ 15,327,728	\$ 13,596,297
Less: Allowance for impairment loss	<u>215,967</u>	<u>114,296</u>
	\$ <u>15,111,761</u>	\$ <u>13,482,001</u>
Accounts receivable - related parties		
At amortized cost		
Gross carrying amount	\$ 114,448	\$ 105,415
Less: Allowance for impairment loss	<u>1,006</u>	<u>295</u>
	\$ <u>113,442</u>	\$ <u>105,120</u>

For the amounts and related terms of factored notes receivable and the carrying amount of notes receivable pledged as collateral for borrowing, refer to Notes 28 and 30.

The main credit period of sales of goods was 60-90 days. No interest was charged on receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off receivables when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under

liquidation. For receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of receivables as of December 31, 2020 based on the Group's provision matrix.

	Customers without Signs of Default				Customers With Signs of Default	Total
	Not Past Due	Past Due 1-60 Days	Past Due 61-180 Days	Past Due Over 181 Days		
Expected credit loss rate (%)	0.01-1	1-10	10-100	50-100	100	
Gross carrying amount	\$ 17,029,388	\$ 550,724	\$ 69,676	\$ 85,484	\$ 113,599	\$ 17,848,871
Loss allowance (Lifetime ECL)	<u>(26,308)</u>	<u>(15,840)</u>	<u>(17,301)</u>	<u>(45,615)</u>	<u>(111,909)</u>	<u>(216,973)</u>
Amortized cost	<u>\$ 17,003,080</u>	<u>\$ 534,884</u>	<u>\$ 52,375</u>	<u>\$ 39,869</u>	<u>\$ 1,690</u>	<u>\$ 17,631,898</u>

The following table details the loss allowance of accounts receivable as of December 31, 2019 based on the Group's different customer industry categories.

	Customers without Signs of Default						Customers With Signs of Default	Total
	Flat Panel Display	Information Technology	PCB/Mobo	Semiconductor	Green Energy	Other		
Expected credit loss rate (%)	0.01-0.26	0.01-3.80	0.01-0.15	0.01-0.50	0.01-0.21	0.01-1.21	30-100	
Gross carrying amount	\$ 2,896,513	\$ 2,709,290	\$ 1,405,816	\$ 1,674,667	\$ 361,551	\$ 4,550,129	\$ 103,746	\$ 13,701,712
Loss allowance (Lifetime ECL)	<u>(1,850)</u>	<u>(11,572)</u>	<u>(597)</u>	<u>(546)</u>	<u>(109)</u>	<u>(3,406)</u>	<u>(96,511)</u>	<u>(114,591)</u>
Amortized cost	<u>\$ 2,894,663</u>	<u>\$ 2,697,718</u>	<u>\$ 1,405,219</u>	<u>\$ 1,674,121</u>	<u>\$ 361,442</u>	<u>\$ 4,546,723</u>	<u>\$ 7,235</u>	<u>\$ 13,587,121</u>

The aging of receivables based on the past due days from invoice date was as follows:

	December 31, 2019
Up to 90 days	\$ 12,418,582
91-150 days	2,381,209
151-180 days	156,880
Over 181 days	<u>733,239</u>
	<u>\$ 15,689,910</u>

The movements of the loss allowance of receivables were as follows:

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 114,591	\$ 14,748
Acquisitions through business combinations	-	12,040
Impairment losses recognized	110,257	89,067
Amounts written off	(7,663)	(896)
Foreign exchange translation losses	<u>(212)</u>	<u>(368)</u>
Balance at December 31	<u>\$ 216,973</u>	<u>\$ 114,591</u>

10. MERCHANDISE

The costs of inventories recognized in cost of goods sold for the years ended December 31, 2020 and 2019 were \$53,661,734 thousand and \$49,952,454 thousand respectively, which included the following items:

For the Year Ended December 31

	2020	2019
Write-downs (reversal) of inventories	\$ (9,074)	\$ 53,689

11. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
Current		
Time deposits with original maturities of more than 3 months	\$ 63,055	\$ 66,044
Structured deposits	767,667	791,147
Pledged deposits	1,300	1,345
Refundable deposits	6,190	-
	<u>\$ 838,212</u>	<u>\$ 858,536</u>
Noncurrent		
Pledged deposits	\$ 89,330	\$ 79,673
Refundable deposits	107,073	108,899
	<u>\$ 196,403</u>	<u>\$ 188,572</u>

a. The market rate intervals of other financial assets at the end of the reporting period were as follows:

	December 31	
	2020	2019
Time deposits (%)	0.25-3.58	1.00-3.80

b. The counterparties of the Group's time deposits were banks with good credit ratings with no significant default concerns, hence, there was no expected credit loss.

c. Refer to Note 30 for information of other financial assets pledged as collateral.

12. SUBSIDIARIES

The subsidiaries in the consolidated financial statements

The detailed information of the subsidiaries at the end of the reporting period was as follows:

Investor	Investee	Main Businesses	Percentage of Ownership		Remark
			December 31, 2020	December 31, 2019	
The Company	Wah Lee Holding Ltd.	International investment	100.00	100.00	
	Raycong Industrial (H.K.) Ltd. (Raycong H.K.)	Trading business of engineering plastic, composite materials and equipment	53.69	53.69	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership		Remark
			December 31, 2020	December 31, 2019	
Wah Lee Holding Ltd.	Wah Lee Japan Corp. (WL Japan)	Trading business of synthetic resin, industrial plastic, molding machine and electromechanical parts	83.33	83.33	
	Wah Lee Korea Ltd. (WL Korea)	Trading business of synthetic resin, industrial plastic, molding machine and electromechanical parts	100.00	100.00	
	Okayama Solar Ltd.	Solar power generation business	-	-	Note 1
	Sakuragawa Solar Ltd.	Solar power generation business	99.99	99.99	
	Miyazaki Solar Ltd.	Solar power generation business	99.99	99.99	
	P.T. Wahlee Indonesia (WL Indonesia)	Trading business of industrial materials	70.00	60.00	Note 2
	Meidi H.K.	International investment	-	80.00	Note 3
	Wah Lee Vietnam Co., Ltd. (WL Vietnam)	Trading business of industrial materials	100.00	100.00	
	QuanShun Logistics Co., Ltd. (QuanShun Logistics)	Freight forwarders and leasing business	63.33	63.33	
	Wah Tech Industrial Co., Ltd. (WL Industrial)	Trading business of industrial materials	51.00	51.00	
	Kingstone Energy Technology Corporation (KS Corp.)	Battery manufacturing, renewable energy self-use power generation equipment business	51.00	51.00	Note 4
	Wahlee Green Energy Corporation (WL Green Corp.)	Battery manufacturing, renewable energy self-use power generation equipment business	25.00	25.00	Note 4
	Wah Lee Philippines International Corp. (WL Philippines Corp.)	Trading business of industrial materials	99.99	99.99	Note 5
	Wah Lee Philippines Inc. (WL Philippines Inc.)	Trading business of industrial materials	99.99	99.99	Note 6
	Wah Heng Energy Technology Corp. (WH Energy)	Solar power generation business	100.00	-	Note 7
	SHC Holding Ltd.	International investment	100.00	100.00	
	Wah Lee Teach (Singapore) Pte., Ltd. (WL Singapore)	Agency of semiconductor materials and equipment	100.00	100.00	
	Raycong H.K.	Trading business of engineering plastic, composite materials and equipment	46.31	46.31	
	Regent King International Limited (Regent King H.K.)	Trading business of engineering plastic composite materials and equipment	100.00	100.00	
Raycong H.K.	Hua Gang International Trading Co., Ltd. (Dongguan Hua Gang)	Trading business of industrial materials	100.00	100.00	
Shanghai Yikang	Shanghai Yikang Chemicals and Industries Co., Ltd. (Shanghai Yikang)	Trading business of industrial materials	70.00	70.00	
	Huaying Supply Chain Management (Shenzhen) Co., Ltd. (Shenzhen Huaying)	Supply chain management and consultancy service	100.00	100.00	
	Yadi International Trading Co., (Shanghai) Ltd. (Shanghai Yadi)	Import and export business of goods and techniques	70.00	70.00	Note 8
	Lihuang Medical Devices (Shanghai) Co., Ltd. (Shanghai Lihuang)	Trading business of medical devices and equipment	69.97	69.97	Please refer to Note 25

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership		Remark
			December 31, 2020	December 31, 2019	
Dongguan Hua Gang	Meizhou Bailun Hemodialysis Co., Ltd. (Meizhou Bailun)	Hemodialysis and examination	-	51.00	Note 9
	Guang Jou Shing Shian Medical Management Consulting Co., Ltd. (Guangjou Shing Shian)	Medical consulting	100.00	100.00	Note 10
Huaying Shenzhen	Xiamen Hua Chen Da Logistics Co., Ltd. (Xiamen Hua Chen Da)	Warehousing and logistics	70.00	70.00	
KS Corp.	KSA Energy Corporation (KSA Corp.)	Battery manufacturing, renewable energy self-use power generation equipment business	100.00	100.00	Note 4
	KSB Energy Corporation (KSB Corp.)	Battery manufacturing, renewable energy self-use power generation equipment business	100.00	100.00	Note 4
	Wahlee Green Energy (WL Green Corp.)	Battery manufacturing, renewable energy self-use power generation equipment industry	51.00	51.00	Note 4
	KSC Energy Corporation (KSC Corp.)	Solar power generation business	100.00	-	Note 11
	KSD Energy Corporation (KSD Corp.)	Solar power generation business	100.00	-	Note 12
WT Industrial	P.T. Wah Tech Indonesia (WT Indonesia)	Trading business of industrial materials	66.00	66.00	Please refer to Note 25
QuanShun Logistics Co., Ltd. (Quanshun Logistics)	Chuancheng Logistics Co., Ltd. (Chuancheng Logistics)	Freight forwarders and leasing business	100.00	-	Please refer to Note 26
(Concluded)					

Note 1: In July 2019, Okayama Solar Ltd. has been liquidated.

Note 2: The ownership percentage in WL Indonesia increased to 70% due to the subscription of the Company for additional new shares of WL Indonesia at a percentage different from its existing shareholding proportion in June 2020. As the transaction did not change the control of the Group over WL Indonesia, the Group processed the equity transaction by reducing capital surplus by \$846 thousand.

Note 3: In May 2020, Meidi H.K. has been liquidated.

Note 4: The Group acquired KS Corp. and its subsidiaries at May 1, 2019 and obtained 51% ownership, refer to Note 25. In addition, WL Green Corp. is in the process of liquidation.

Note 5: In September 2019, the Company invested \$7,755 thousand (PHP12,750 thousand) in WL Philippines Corp. which was established in Philippines.

Note 6: In October 2019, the Company invested \$7,747 thousand (PHP12,700 thousand) in WL Philippines Inc. which was established in Philippines.

Note 7: In July 2020, the Company invested \$30,000 thousand in WH Energy which was established in Taiwan.

Note 8: Shanghai Yikang sold some of its equity shares of Shanghai Yadi to unrelated party in February 2019. The ownership percentage in Shanghai Yadi decreased to 70% due to the subscription of Shanghai Yikang for additional new shares of Shanghai Yadi at a percentage different from its existing shareholding proportion in June 2019. As the above transaction did not change the control of the Group over Shanghai Yadi, the Group processed the equity transaction by reducing unappropriated earnings by \$8,049 thousand.

- Note 9: In June 2019, Dongguan Hua Gang invested \$2,228 thousand (RMB510 thousand) in Meizhou Bailun which was established in China.
- Note 10: In September 2019, Dongguan Hua Gang invested \$4,368 thousand (RMB1,000 thousand) in Guangjou Shing Shian which was established in China.
- Note 11: In June 2020, KS Corp. invested \$1,000 thousand in KSC Corp. which was established in Taiwan.
- Note 12: In November 2020, KS Corp. invested in KSD Corp. which was established in Taiwan. As of December 31, 2020, the investment amount was \$67,000 thousand.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in associates		
Material associates		
Chang Wah Electromaterials Inc.	\$ 2,080,267	\$ 1,799,523
Associates that are not individually material	<u>2,741,815</u>	<u>2,755,507</u>
	<u>4,822,082</u>	<u>4,555,030</u>
Investments in joint ventures		
Joint ventures that are not individually material	<u>4,000</u>	<u>-</u>
	<u>\$ 4,826,082</u>	<u>\$ 4,555,030</u>

Refer to Tables 6 and 7 for the main business and location of the investments accounted for using the equity method.

a. Material associates

	Proportion of Ownership and Voting Rights December 31	
Name of Associate	2020	2019
Chang Wah Electromaterials Inc.	30.98%	30.98%

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	December 31	
Name of Associate	2020	2019
Chang Wah Electromaterials Inc.	<u>\$ 6,065,702</u>	<u>\$ 3,532,554</u>

The summarized financial information below represents amounts shown in the financial statements of Chang Wah Electromaterials Inc. prepared for the equity accounting purpose.

	December 31	
	2020	2019
Current assets	\$ 11,117,986	\$ 10,022,351
Noncurrent assets	12,201,685	7,993,130
Current liabilities	(6,282,083)	(5,883,765)
Noncurrent liabilities	<u>(8,122,048)</u>	<u>(4,084,782)</u>
Equity	8,915,540	8,046,934
Non-controlling interests	<u>(2,418,385)</u>	<u>(2,455,979)</u>
	<u>\$ 6,497,155</u>	<u>\$ 5,590,955</u>
Percentage of ownership held by the Group (%)	30.98	30.98
Equity attributable to the Group	\$ 2,012,840	\$ 1,732,096
Goodwill	<u>67,427</u>	<u>67,427</u>
Carrying amount	<u>\$ 2,080,267</u>	<u>\$ 1,799,523</u>

	For the Year Ended December 31	
	2020	2019
Operating revenue	<u>\$ 16,424,018</u>	<u>\$ 15,464,381</u>
Net profit for the year	\$ 1,362,120	\$ 1,405,855
Other comprehensive income for the year	<u>744,564</u>	<u>101,575</u>
Total comprehensive income for the year	<u>\$ 2,106,684</u>	<u>\$ 1,507,430</u>
Cash dividends received	<u>\$ 249,302</u>	<u>\$ 237,483</u>

As of December 31, 2020 and 2019, the Company's dividends receivable from Chang Wah Electromaterials Inc. were \$51,455 thousand and \$81,140 thousand, respectively.

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Group's share of		
Net profit for the year	\$ 271,096	\$ 190,198
Other comprehensive income (loss) for the year	<u>19,293</u>	<u>(65,782)</u>
Total comprehensive income for the year	<u>\$ 290,389</u>	<u>\$ 124,416</u>

c. Fluctuation in investment in associates and joint ventures

- 1) The Company purchased 156 thousand shares of Wah Hong Industrial Corp. from the open market in the amount of \$3,005 thousand. The shareholdings in Wah Hong Industrial Corp. had increased from 26.11% to 26.67%.
- 2) Shanghai Yikang sold all of its equity shares of Shanghai Chang Wah Electromaterials Inc. to Chang Wah Electromaterials Inc. in June 2020 for \$82,897 thousand (RMB19,729 thousand) and recognized loss on disposal of investment under the equity method for \$4,688 thousand.

- 3) Huaying Shenzhen subscribed for additional new shares of Jianyinrong Logistics at existing shareholding proportion in the amount of \$5,391 thousand (RMB1,180 thousand) in January 2019.
- 4) Huaying Shenzhen subscribed for additional new shares of Xiamen Jiashengyuan at existing shareholding proportion in the amount of \$1,919 thousand (RMB420 thousand) in January 2019.
- 5) The Company signed a joint venture agreement with a Japanese company in December 2020 to jointly establish ORC Electrical Machinery Co., Ltd (ORC Co.). According to the joint venture agreement, the Company invested \$4,000 thousand to obtain 40% of the equity, and the two parties jointly led the operating activities of ORC Co.

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2020

	Freehold Land	Buildings	Power Generation Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 895,247	\$ 1,042,511	\$ 1,786,703	\$ 818,826	\$ 244,465	\$ 4,787,752
Acquisitions through business combinations	-	-	-	4,275	-	4,275
Additions	-	1,574	28,516	91,151	230,358	351,599
Disposals	(151,085)	-	(10,556)	(25,217)	(3,009)	(189,867)
Reclassified	-	-	168,622	-	(168,622)	-
Effect of foreign currency exchange differences	68	(68)	395	5,156	-	5,551
Balance at December 31, 2020	<u>\$ 744,230</u>	<u>\$ 1,044,017</u>	<u>\$ 1,973,680</u>	<u>\$ 894,191</u>	<u>\$ 303,192</u>	<u>\$ 4,959,310</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ -	\$ 295,986	\$ 122,637	\$ 568,635	\$ -	\$ 987,258
Acquisitions through business combinations	-	-	-	2,280	-	2,280
Depreciation expense	-	29,123	96,441	78,188	-	203,752
Disposals	-	-	(10,556)	(10,103)	-	(20,659)
Effect of foreign currency exchange differences	-	1,427	-	(326)	-	1,101
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 326,536</u>	<u>\$ 208,522</u>	<u>\$ 638,674</u>	<u>\$ -</u>	<u>\$ 1,173,732</u>
Carrying amount at December 31, 2020	<u>\$ 744,230</u>	<u>\$ 717,481</u>	<u>\$ 1,765,158</u>	<u>\$ 255,517</u>	<u>\$ 303,192</u>	<u>\$ 3,785,578</u>

For the year ended December 31, 2019

	Freehold Land	Buildings	Power Generation Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 741,916	\$ 1,034,978	\$ 261,451	\$ 761,244	\$ 23,080	\$ 2,822,669
Acquisitions through business combinations	151,085	-	1,199,144	7,479	204,475	1,562,183
Additions	2,868	27,456	42,491	84,668	305,165	462,648
Disposals	-	(185)	-	(31,646)	-	(31,831)
Reclassified	-	-	291,335	-	(291,335)	-
Effect of foreign currency exchange differences	(622)	(19,738)	(7,718)	(2,919)	3,080	(27,917)
Balance at December 31, 2019	<u>\$ 895,247</u>	<u>\$ 1,042,511</u>	<u>\$ 1,786,703</u>	<u>\$ 818,826</u>	<u>\$ 244,465</u>	<u>\$ 4,787,752</u>

(Continued)

	Freehold Land	Buildings	Power Generation Equipment	Other Equipment	Property under Construction	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	\$ -	\$ 271,835	\$ 25,181	\$ 524,798	\$ -	\$ 821,814
Acquisitions through business combinations	-	-	39,845	1,537	-	41,382
Depreciation expense	-	29,908	58,221	73,620	-	161,749
Disposals	-	(185)	-	(29,462)	-	(29,647)
Effect of foreign currency exchange differences	-	(5,572)	(610)	(1,858)	-	(8,040)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 295,986</u>	<u>\$ 122,637</u>	<u>\$ 568,635</u>	<u>\$ -</u>	<u>\$ 987,258</u>
Carrying amount at December 31, 2019	<u>\$ 895,247</u>	<u>\$ 746,525</u>	<u>\$ 1,664,066</u>	<u>\$ 250,191</u>	<u>\$ 244,465</u>	<u>\$ 3,800,494</u>

(Concluded)

- a. Reconciliation of the additions to property, plant and equipment and the cash paid stated in the statements of cash flows is as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Additions to property, plant and equipment	\$ 351,599	\$ 462,648
Capitalization of interest	(12,644)	(2,304)
Increase (decrease) in prepayments for equipment	18,957	(12,694)
Decrease (increase) in payables for equipment	17,206	(17,151)
Increase in provisions	<u>(27,115)</u>	<u>-</u>
Cash paid	<u>\$ 348,003</u>	<u>\$ 430,499</u>

- b. Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	
Office	20-63 years
Office interior decoration	5-11 years
Power generation equipment	7-20 years
Others	2-15 years

- c. Refer to Note 30 for the carrying amount of property, plant and equipment pledged as collateral for borrowings.

15. LEASE ARRANGEMENTS

- a. Right-of-use assets

For the year ended December 31, 2020

	Land	Buildings	Other Equipment	Total
Balance at January 1, 2020	\$ 3,317	\$ 135,470	\$ 9,059	\$ 147,846
Additions	28,884	524,091	2,771	555,746
Depreciation expense	(2,029)	(74,617)	(3,352)	(79,998)

(Continued)

	Land	Buildings	Other Equipment	Total
Effects of foreign currency exchange differences	\$ 44	\$ 607	\$ -	\$ 651
Balance at December 31, 2020	<u>\$ 30,216</u>	<u>\$ 585,551</u>	<u>\$ 8,478</u>	<u>\$ 624,245</u> (Concluded)

For the year ended December 31, 2019

	Land	Buildings	Other Equipment	Total
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -
Adjustments on initial application of IFRS 16	<u>3,649</u>	<u>129,964</u>	<u>-</u>	<u>133,613</u>
Balance at January 1, 2019 (adjusted)	3,649	129,964	-	133,613
Acquisitions through business combinations	-	35,563	2,471	38,034
Additions	-	28,725	8,737	37,462
Depreciation expense	(200)	(50,416)	(2,139)	(52,755)
Lease modification	-	(5,506)	-	(5,506)
Effects of foreign currency exchange differences	<u>(132)</u>	<u>(2,860)</u>	<u>(10)</u>	<u>(3,002)</u>
Balance at December 31, 2019	<u>\$ 3,317</u>	<u>\$ 135,470</u>	<u>\$ 9,059</u>	<u>\$ 147,846</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	<u>\$ 64,747</u>	<u>\$ 32,649</u>
Noncurrent	<u>\$ 566,902</u>	<u>\$ 109,532</u>

Range of discount rate (%) for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.85	-
Buildings	1.50-4.80	1.80-4.80
Other equipment	0.98-4.80	1.80-4.80

c. Material leasing activities and terms

The Group leases abovementioned subjects for the use of office and warehouse, for installation of power generation equipment, and transportation equipment with lease terms of 1 to 20 years, which will expire from February 2021 to December 2043. The Group does not have bargain purchase options to acquire the leasehold subjects at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 107,978	\$ 126,200
Expenses relating to low-value asset leases	\$ 4,757	\$ 3,843
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 6,897	\$ 15,372
Total cash outflow for leases	\$ 197,727	\$ 204,023

The Group's leases of certain subjects qualify as short-term or low-value asset leases, and the Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Secured bank loans (Note 30)	\$ 709,245	\$ 1,046,567
Unsecured bank loans	6,691,691	5,720,686
Others (Note 29)	-	23,000
	<u>\$ 7,400,936</u>	<u>\$ 6,790,253</u>
Annual interest rate (%)	0.50-3.70	0.43-3.92

b. Short-term bills payable

	December 31, 2020
Short-term bills payable	
China Bills Finance Corporation	\$ 30,000
Mega Bills Finance Corporation	<u>30,000</u>
	60,000
Less: Discount on short-term bills payable	<u>83</u>
	<u>\$ 59,917</u>
Annual interest rate (%)	1.64-1.79

c. Long-term borrowings

	December 31	
	2020	2019
Unsecured borrowings		
Syndicated bank loans (Note 1)	\$ 1,799,823	\$ 1,799,438
Less: Syndicated loan fee	<u>4,320</u>	<u>5,760</u>
	1,795,503	1,793,678

(Continued)

	December 31	
	2020	2019
Bank loans (Note 2)	\$ 1,240,707	\$ 1,265,830
	<u>3,036,210</u>	<u>3,059,508</u>
Secured borrowings (Note 30)		
Syndicated bank loans (Note 3)	1,080,081	998,755
Less: Syndicated loan fee	<u>11,822</u>	<u>7,513</u>
	1,068,259	991,242
Bank loans	540,149	706,625
Others	<u>919</u>	<u>3,090</u>
	<u>1,609,327</u>	<u>1,700,957</u>
Less: Current portions	<u>538,534</u>	<u>250,456</u>
	<u>\$ 4,107,003</u>	<u>\$ 4,510,009</u>
Annual interest rate (%)		
Syndicated bank loans	0.66-1.85	0.66-1.90
Bank loans	0.87-2.07	0.94-3.16
Others	3.00	3.00
Expiration period		
Syndicated bank loans	2023.01-2024.10	2023.01-2024.10
Bank loans	2021.02-2037.06	2020.06-2037.06
Others	2021.08	2021.08
		(Concluded)

Note 1: The Company signed a syndicated loan agreement with eleven banks led by Bank of Taiwan in December 2018. The main contents of the syndicated loan agreement are as follows:

- 1) The total amount of syndicated bank loans is \$3.6 billion, which is a medium-term cyclical loan and commercial paper issued with insurance quotation. The term of the loan is 5 years from the initial drawdown date (January 2019). Fractional reserve and debt recycling is available within the total amount of syndicated loans.
- 2) Pursuant to the bank loan agreement, the Group should maintain certain financial ratios which should be calculated based on audited annual consolidated financial statements. The Group had met the requirement as of December 31, 2020 and 2019.

Note 2: Pursuant to certain bank loan agreements, the Group should maintain certain financial ratios which should be calculated based on audited annual and unreviewed semiannual consolidated financial statements. The Group had met the requirement as of December 31, 2020 and 2019.

Note 3: The subsidiaries KS Corp., KSA Corp. and KSB Corp. signed a syndicated loan agreement with five banks led by Bank SinoPac in September 2019. The main contents of the syndicated loan agreement are as follows:

- 1) The total amount of syndicated bank loans is \$4 billion, divided into credit limit A, credit limit B and credit limit C, which are non-revolving credit.
 - a) The total amount of credit limit A is \$2.628 billion, which has to be fully paid off 36 months after the initial drawdown date.
 - b) The total amount of credit limit B is \$2.628 billion, the first repayment will be made 6

months after the initial drawdown date and subsequent repayment will be made every 3 months, for a total of 19 periods. The repaid amount for period 1 through period 19 is 34% of the principal and the repaid amount for period 19 is 66% of the principal. Application for extension is acceptable.

- c) The total amount of credit limit C is \$1.715 billion, the first repayment will be made 3 months after the initial drawdown date and subsequent repayment will be made every three months, for a total of 20 periods. The repaid amount for period 1 through period 20 is 36% of the principal and the repaid amount for period 20 is 64% of the principal. Application for extension is acceptable.
- 2) Pursuant to bank loan agreements, each individual borrower should maintain certain financial ratios which should be calculated based on audited annual and unreviewed semiannual standalone financial statements. Each individual borrower had met the requirement as of December 31, 2020 and 2019.

17. NOTES PAYABLE AND ACCOUNTS PAYABLE

Notes payable and accounts payable (including related parties) are mainly related to operating activities. Trading conditions are negotiated separately. The Group has formulated a financial risk management policy, in order to ensure all payables are paid within the pre-agreed credit period; therefore, no interest is required.

18. OTHER PAYABLES

	December 31	
	2020	2019
Payable for salaries or bonuses	\$ 673,642	\$ 524,065
Payable for employees' compensation and remuneration to directors	237,733	222,010
Payable for commission	28,960	18,366
Payable for freight fee	26,010	22,970
Payable for insurance premium	22,861	18,042
Payable for business tax	40,832	83,861
Payable for equipment	6,871	24,077
Others	186,904	204,837
	<u>\$ 1,223,813</u>	<u>\$ 1,118,228</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Subsidiaries are required by local regulations to make contributions to central provident fund and retirement insurance, which are also considered defined contribution plans.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 8% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The subsidiaries Raycong H.K. and WT Industrial both have pension plans covering eligible employees, which is also considered defined benefit plan.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 414,688	\$ 431,598
Fair value of plan assets	<u>(99,848)</u>	<u>(110,930)</u>
Net defined benefit liability	<u>\$ 314,840</u>	<u>\$ 320,668</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 456,907</u>	<u>\$ (117,671)</u>	<u>\$ 339,236</u>
Service cost			
Current service cost	5,309	-	5,309
Past service cost	(566)	-	(566)
Net interest expense (income)	<u>3,241</u>	<u>(915)</u>	<u>2,326</u>
Recognized in profit or loss	<u>7,984</u>	<u>(915)</u>	<u>7,069</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,255)	(4,255)
Actuarial loss - changes in financial assumptions	3,650	-	3,650
Actuarial gain - changes in demographic assumptions	(12)	-	(12)
Actuarial gain - experience adjustments	<u>(8,758)</u>	<u>-</u>	<u>(8,758)</u>
Recognized in other comprehensive income	<u>(5,120)</u>	<u>(4,255)</u>	<u>(9,375)</u>
Contributions from the employer	<u>-</u>	<u>(12,093)</u>	<u>(12,093)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Benefits paid	\$ (28,202)	\$ 24,004	\$ (4,198)
Exchange differences on foreign plans	29	-	29
Balance at December 31, 2019	<u>431,598</u>	<u>(110,930)</u>	<u>320,668</u>
Service cost			
Current service cost	2,370	-	2,370
Past service cost	(42)	-	(42)
Net interest expense (income)	<u>2,623</u>	<u>(741)</u>	<u>1,882</u>
Recognized in profit or loss	<u>4,951</u>	<u>(741)</u>	<u>4,210</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,873)	(3,873)
Actuarial loss - changes in financial assumptions	11,720	-	11,720
Actuarial gain - experience adjustments	<u>(3,377)</u>	<u>-</u>	<u>(3,377)</u>
Recognized in other comprehensive income	<u>8,343</u>	<u>(3,873)</u>	<u>4,470</u>
Contributions from the employer	<u>-</u>	<u>(11,508)</u>	<u>(11,508)</u>
Benefits paid	<u>(29,446)</u>	<u>27,204</u>	<u>(2,242)</u>
Exchange differences on foreign plans	<u>(758)</u>	<u>-</u>	<u>(758)</u>
Balance at December 31, 2020	<u>\$ 414,688</u>	<u>\$ (99,848)</u>	<u>\$ 314,840</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate (%)	0.30	0.65
Expected rate of salary increase (%)	2.00	2.00

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	<u>\$ (8,425)</u>	<u>\$ (9,008)</u>
0.25% decrease	<u>\$ 8,711</u>	<u>\$ 9,319</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 8,542</u>	<u>\$ 9,170</u>
0.25% decrease	<u>\$ (8,307)</u>	<u>\$ (8,913)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 26,354</u>	<u>\$ 27,009</u>
The average duration of the defined benefit obligation	8 years	8 years

20. EQUITY

a. Share capital

	December 31	
	2020	2019
Number of authorized shares (in thousands)	<u>500,000</u>	<u>500,000</u>
Amount of authorized shares	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>231,390</u>	<u>231,390</u>
Amount of issued and fully paid shares	<u>\$ 2,313,901</u>	<u>\$ 2,313,901</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends. Based on the Company's articles of incorporation (the "Articles"), part of authorized shares can be issued as preferred shares.

b. Capital surplus

	December 31	
	2020	2019
<hr/>		
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of share capital	\$ 1,160,519	\$ 1,160,519
Difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	-	29
<hr/>		
May be used only to offset a deficit		
Donations	11,867	11,867
Expired share options	22,374	22,374
Share of changes in capital surplus of associates	21,755	22,572
<hr/>		
May not be used for any purpose		
Share of changes in capital surplus of associates	<u>115,210</u>	<u>100,704</u>
	<u>\$ 1,331,725</u>	<u>\$ 1,318,065</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, except when the accumulated amount of such legal reserve equals to the Company's total issued capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The common share dividends will be distributed after the distribution of preferred share dividends based on the Articles.

The dividend policy of the Company is based on the current and future development plans, investment environment, capital requirements and competition in the domestic and foreign markets, as well as the benefits of shareholders, etc. The dividends to shareholders shall be not less than 10% of the distributable earnings each year, but if the distributable earnings is less than 1% of the Company's paid-in capital, the Company should not make appropriation for dividends. The dividends to shareholders can be paid in cash or/and issued shares, but cash dividends shall be not less than 50% of the total dividends.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. On the first-time adoption of IFRSs, the Company appropriated to the special reserve \$72,302 thousand.

The appropriations of earnings for 2019 and 2018 had been approved in the shareholders' meetings in May 2020 and 2019, respectively; the amounts were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 143,424	\$ 134,596		
Special reserve	300,740	601,187		
Cash dividends to shareholders	<u>763,587</u>	<u>740,448</u>	\$ 3.3	\$ 3.2
	<u>\$ 1,207,751</u>	<u>\$ 1,476,231</u>		

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 26, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	<u>\$ 183,957</u>	
Special reserve	<u>\$ (343,469)</u>	
Cash dividends to shareholders	<u>\$ 925,561</u>	\$ 4.0

The Company's board of directors also proposed to transfer the amount of \$46,278 thousand from capital surplus to share capital, issue share dividend equivalent to \$0.2 per share, and increase capital by 4,628 thousand new ordinary shares.

The appropriations of earnings for 2020 and capital surplus transferred to share capital are subject to the resolution in the shareholders' meeting to be held on May 28, 2021.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (607,512)	\$ (355,909)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	15,159	(202,505)
Share from associates accounted for using the equity method	9,920	(93,657)
Income tax	(4,571)	45,714
Reclassification adjustment		
Disposal of foreign operations	<u>3,371</u>	<u>(1,155)</u>
Balance at December 31	<u>\$ (583,633)</u>	<u>\$ (607,512)</u>

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (372,575)	\$ (323,438)
Recognized for the year		
Unrealized gain (loss) - equity instruments	110,390	(114,290)
Share from associates accounted for using the equity method	235,449	72,404
Income tax	6,911	11,672
Cumulative unrealized loss (gain) of equity instruments transferred to retained earnings due to disposal		
Equity instruments of the Group	(18,567)	4,652
Share from associates accounted for using the equity method	<u>(14,593)</u>	<u>(23,575)</u>
Balance at December 31	<u>\$ (52,985)</u>	<u>\$ (372,575)</u>

e. Non-Controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 1,839,706	\$ 1,343,281
Other comprehensive income (loss) during the year		
Net profit for the year	186,996	143,259
Exchange differences on translating the financial statements of foreign operations	(1,904)	(36,608)
Adjustments relating to changes in capital surplus of associates accounted for using the equity method	-	7,323
Non-controlling interests arising from subsidiaries' capital increase	11,729	16,736
Non-controlling interests arising from acquisition of subsidiaries (Note 25)	-	386,043
Cash dividends distributed to non-controlling interests	(3,196)	(20,328)
Capital refund from subsidiaries	<u>(2,880)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,030,451</u>	<u>\$ 1,839,706</u>

21. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	\$ 58,183,071	\$ 53,969,523
Other operating revenue	<u>897,849</u>	<u>712,306</u>
	<u>\$ 59,080,920</u>	<u>\$ 54,681,829</u>

a. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable (including related parties)	\$ 2,406,695	\$ 1,988,198	\$ 1,823,042
Net accounts receivable (including related parties)	<u>15,225,203</u>	<u>13,587,121</u>	<u>13,331,880</u>
	<u>\$ 17,631,898</u>	<u>\$ 15,575,319</u>	<u>\$ 15,154,922</u>
Contract liabilities			
Sale of goods	<u>\$ 345,351</u>	<u>\$ 289,480</u>	<u>\$ 151,748</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the date the Group fulfills its performance obligation and the date the customer's payment is received. There are no significant changes for the years ended December 31, 2020 and 2019, except the increase in contract liabilities of \$30,449 thousand due to the acquisition of subsidiaries in 2019.

Revenue in the reporting period recognized from the beginning contract liabilities is as follows:

	For the Year Ended December 31	
	2020	2019
Sale of goods	<u>\$ 286,976</u>	<u>\$ 151,748</u>

b. Disaggregation of revenue

Refer to Note 34 for information about the disaggregation of revenue.

22. NET PROFIT

The details of net profit were as follows:

a. Other income (Note 29)

	For the Year Ended December 31	
	2020	2019
Rental income	\$ 25,068	\$ 21,213
Dividends	16,696	12,714
Consulting service income	38,551	16,963
Government grants	31,625	50,497
Others	<u>39,797</u>	<u>48,571</u>
	<u>\$ 151,737</u>	<u>\$ 149,958</u>

b. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Fair value changes of financial instruments designated as at FVTPL	\$ (6,464)	\$ (4,814)

(Continued)

	For the Year Ended December 31	
	2020	2019
Net foreign exchange loss	\$ (31,107)	\$ (5,502)
Gains on disposals of property, plants and equipment	24,182	1,189
Others	<u>(38,060)</u>	<u>(20,362)</u>
	<u>\$ (51,449)</u>	<u>\$ (29,489)</u>
		(Concluded)

c. Financial costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 197,174	\$ 269,138
Syndicated loan fee amortization	3,050	3,417
Interest on lease liabilities	11,203	3,775
Less: amount included in cost of qualifying assets	<u>6,778</u>	<u>2,304</u>
	<u>\$ 204,649</u>	<u>\$ 274,026</u>
Capitalized rate (%)	1.85	1.90

d. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 203,752	\$ 161,749
Right-of-use assets	79,998	52,755
Intangible assets	33,750	26,781
Other noncurrent assets	7,323	5,034
Less: amount included in cost of qualifying assets	<u>5,866</u>	<u>-</u>
	<u>\$ 318,957</u>	<u>\$ 246,319</u>
An analysis of depreciation by function		
Operating costs	\$ 166,101	\$ 92,986
Operating expenses	<u>111,783</u>	<u>121,518</u>
	<u>\$ 277,884</u>	<u>\$ 214,504</u>
An analysis of amortization by function		
Operating costs	\$ 9,700	\$ 4,145
Operating expenses	<u>31,373</u>	<u>27,670</u>
	<u>\$ 41,073</u>	<u>\$ 31,815</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 1,566,685	\$ 1,406,989
Post-employment benefits		
Defined contribution plans	39,632	54,178
Defined benefit plans (Note 19)	4,210	7,069
	<u>43,842</u>	<u>61,247</u>
	<u>\$ 1,610,527</u>	<u>\$ 1,468,236</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 87,960	\$ 58,611
Operating expenses	<u>1,522,567</u>	<u>1,409,625</u>
	<u>\$ 1,610,527</u>	<u>\$ 1,468,236</u>

f. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at the rates between 9% and 13% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 26, 2021 and March 25, 2020, were as follows:

	For the Year Ended December 31			
	2020		2019	
	Withdrawal Rate (%)	Amount	Withdrawal Rate (%)	Amount
Compensation of employees paid in cash	9	\$ 210,798	11	\$ 200,997
Remuneration of directors paid in cash	1.15	26,935	1.15	21,013

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAX

- a. The major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 494,473	\$ 385,625
Income tax on unappropriated earnings	11,325	13,869
Adjustments for prior years	<u>391</u>	<u>7,702</u>
	506,189	407,196
Deferred tax		
In respect of the current year	<u>83,330</u>	<u>(113)</u>
	<u>\$ 589,519</u>	<u>\$ 407,083</u>

The reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 2,635,635</u>	<u>\$ 1,966,164</u>
Income tax expense calculated at the statutory rate	\$ 573,250	\$ 418,251
Nondeductible expenses in determining taxable income	6,972	5,219
Domestic investment income	(113,398)	(103,673)
Deferred tax effect of earnings of subsidiaries	99,715	64,196
Other adjustments	6,912	(4,849)
Income tax on unappropriated earnings	11,325	13,869
Adjustments for prior years	391	7,702
Nondeductible withholding tax	<u>4,352</u>	<u>6,368</u>
	<u>\$ 589,519</u>	<u>\$ 407,083</u>

The corporate income tax rate is 20%, the applicable tax rate used by subsidiaries in China is 25%, the applicable tax rate used by subsidiaries in Singapore is 17%, the applicable tax rate used by subsidiaries in Thailand is 20%, and tax rates used by other entities in the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of appropriations of earnings for 2021 is uncertain, the potential income tax consequences of the 2020 unappropriated earnings are not reliably determinable.

- b. Income tax benefit recognized directly in equity - only for the year ended December 31, 2019

	Amount
<u>Deferred tax benefit</u>	
Disposal parts of subsidiaries' equity	<u>\$ 2,012</u>

c. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<hr/>		
Deferred tax benefit		
In respect of the current year		
Unrealized loss on financial assets at FVTOCI	\$ 6,911	\$ 11,672
Remeasurement on defined benefit plan	893	(1,875)
Translation of foreign operations	<u>(4,571)</u>	<u>45,714</u>
	<u>\$ 3,233</u>	<u>\$ 55,511</u>

d. Current tax assets and liabilities

	December 31	
	2020	2019
<hr/>		
Current tax assets	\$ 114	\$ -
Income tax payable	<u>\$ 272,968</u>	<u>\$ 221,112</u>

e. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<hr/>					
Deferred Tax Assets					
Temporary differences					
Provision for loss on inventories	\$ 42,769	\$ (7,995)	\$ -	\$ 557	\$ 35,331
Unpaid bonuses	67,470	20,544	-	368	88,382
Refund liabilities	32,164	2,627	-	-	34,791
Unrealized consulting expenses	27,248	237	-	369	27,854
Defined benefit plans	62,456	(3,347)	893	-	60,002
Foreign operations loss and exchange differences	36,511	(4,655)	3,987	-	35,843
Others	<u>57,031</u>	<u>4,109</u>	<u>1,929</u>	<u>(234)</u>	<u>62,835</u>
	325,649	11,520	6,809	1,060	345,038
Loss carryforwards	<u>-</u>	<u>93</u>	<u>-</u>	<u>-</u>	<u>93</u>
	<u>\$ 325,649</u>	<u>\$ 11,613</u>	<u>\$ 6,809</u>	<u>\$ 1,060</u>	<u>\$ 345,131</u>
<hr/>					
Deferred Tax Liabilities					
Temporary differences					
Foreign operations income and exchange differences	\$ 1,046,988	\$ 95,044	\$ 3,576	\$ -	\$ 1,145,608
Others	<u>9,845</u>	<u>(101)</u>	<u>-</u>	<u>-</u>	<u>9,744</u>
	<u>\$ 1,056,833</u>	<u>\$ 94,943</u>	<u>\$ 3,576</u>	<u>\$ -</u>	<u>\$ 1,155,352</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Retained Earnings	Business Combination	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>							
Temporary differences							
Provision for loss on inventories	\$ 38,100	\$ 5,401	\$ -	\$ -	\$ 112	\$ (844)	\$ 42,769
Unpaid bonuses	54,485	13,635	-	-	-	(650)	67,470
Refund liabilities	26,159	6,005	-	-	-	-	32,164
Unrealized consulting expenses	27,580	702	-	-	-	(1,034)	27,248
Defined benefit plans	66,667	(2,301)	(1,875)	-	-	(35)	62,456
Foreign operations loss and exchange differences	29,405	(2,147)	9,253	-	-	-	36,511
Others	<u>31,595</u>	<u>24,913</u>	<u>-</u>	<u>-</u>	<u>1,439</u>	<u>(916)</u>	<u>57,031</u>
	<u>\$ 273,991</u>	<u>\$ 46,208</u>	<u>\$ 7,378</u>	<u>\$ -</u>	<u>\$ 1,551</u>	<u>\$ (3,479)</u>	<u>\$ 325,649</u>
<u>Deferred Tax Liabilities</u>							
Temporary differences							
Foreign operations income and exchange differences	\$ 1,046,986	\$ 50,147	\$ (48,133)	\$ (2,012)	\$ -	\$ -	\$ 1,046,988
Others	<u>12,493</u>	<u>(4,052)</u>	<u>-</u>	<u>-</u>	<u>1,404</u>	<u>-</u>	<u>9,845</u>
	<u>\$ 1,059,479</u>	<u>\$ 46,095</u>	<u>\$ (48,133)</u>	<u>\$ (2,012)</u>	<u>\$ 1,404</u>	<u>\$ -</u>	<u>\$ 1,056,833</u>

- f. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Evaluation loss of foreign investments	<u>\$ 116,383</u>	<u>\$ 116,383</u>

- g. Information about unused loss carryforwards

As of December 31, 2020, the loss carryforwards comprise of:

<u>NT\$</u>	<u>Expiry Year</u>
<u>\$ 467</u>	2030

- h. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$1,173,920 thousand and \$803,232 thousand.

- i. Income tax assessments

The income tax returns of the Company and the domestic subsidiaries through 2018 have been assessed by the tax authorities.

Shanghai Yikang and Dongguan Hua Gang had completed the filing of their tax returns through 2019 with the tax authorities.

24. EARNINGS PER SHARE (EPS)

Earnings and weighted average number of shares outstanding used in the computation of EPS were as follows:

- a. Net profit for the year attributable to the owners of the Company

	For the Year Ended December 31	
	2020	2019
Earnings used in the computation to basic/diluted EPS	<u>\$ 1,859,120</u>	<u>\$ 1,415,822</u>

b. Weighted average number of shares outstanding (in thousands)

	For the Year Ended December 31	
	2020	2019
Weighted average number of shares outstanding used in computation of basic EPS	231,390	231,390
Effect of potentially dilutive shares		
Employees' compensation	<u>6,768</u>	<u>7,503</u>
Weighted average number of shares outstanding used in computation of diluted EPS	<u>238,158</u>	<u>238,893</u>

The Company offers to settle the employees' compensation in cash or shares; thus, the Company assumes the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred - Cash
KS Corp.	Battery manufacturing and renewable energy self-use power generation equipment business	May 1, 2019	51	<u>\$ 468,384</u>
Shanghai Lihuang	Medical devices and equipment	June 30, 2019	70	<u>\$ 14,518</u>
WT Indonesia	Trading business of industrial materials	October 31, 2019	66	<u>\$ 2,020</u>

The Group acquired above subsidiaries in 2019 to expand the Group's operation.

b. Assets acquired and liabilities assumed at the date of acquisition

	KS Corp.	Shanghai Lihuang	WT Indonesia
Current assets			
Cash and cash equivalents	\$ 67,714	\$ 6,980	\$ 8,967
Financial assets at FVTPL	7,648	-	-
Accounts receivable	32,420	158	45,530
Other receivables	2,585	150	4,484
Current tax assets	28	-	-
Inventories	11,891	3,761	-
Prepayments for purchases	28,774	-	-
Other current assets	29,989	69	340
Noncurrent assets			
Investments under the equity method	79,989	-	-
Property, plant and equipment	1,520,801	-	-
Right-of-use assets	36,588	1,446	-
Other intangible assets	138,062	20,574	-
Other financial assets - noncurrent	79,607	-	-
Deferred tax assets	1,404	-	147
Refundable deposits	21,301	-	47
Current liabilities			
Short-term borrowings	(160,510)	-	-
Contract liabilities - current	(29,514)	(935)	-
Notes and accounts payable	(115,060)	(10,008)	(51,679)
Other payables	(2,347)	-	(653)
Current tax liabilities	(10,892)	-	(7)
Other current liabilities	(505)	-	-
Noncurrent liabilities			
Long-term borrowings	(932,345)	-	-
Lease liabilities - noncurrent	(36,588)	(1,446)	-
Deferred tax liabilities	(1,404)	-	-
	<u>\$ 769,636</u>	<u>\$ 20,749</u>	<u>\$ 7,176</u>

c. Goodwill recognized on acquisitions

	KS Corp.	Shanghai Lihuang	WT Indonesia
Consideration transferred	\$ 468,384	\$ 14,518	\$ 2,020
Plus: Fair value of the equity held by the Group on the date of acquisition	5,136	-	2,444
Plus: Non-controlling interests	377,101	6,231	2,712
Less: Fair value of identifiable net assets acquired	<u>(769,636)</u>	<u>(20,749)</u>	<u>(7,176)</u>
Goodwill recognized on acquisitions	<u>\$ 80,985</u>	<u>\$ -</u>	<u>\$ -</u>

The goodwill from acquisitions mainly represents the control premium. In addition, the consideration paid for acquisitions effectively included amounts attributed to revenue growth and future market expansions. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

d. Non-controlling interests

The non-controlling interests of KS Corp., Shanghai Lihuang and WT Indonesia were measured at their proportionate share of recognized identifiable net assets.

e. Net cash outflow (inflow) on acquisition of subsidiaries

	KS Corp.	Shanghai Lihuang	WT Indonesia
Consideration paid in cash	\$ 468,384	\$ 14,518	\$ 2,020
Less: Cash and cash equivalent acquired	<u>(67,714)</u>	<u>(6,980)</u>	<u>(8,967)</u>
	<u>\$ 400,670</u>	<u>\$ 7,538</u>	<u>\$ (6,947)</u>

f. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates to December 31, 2019 were as follows:

	KS Corp.	Shanghai Lihuang	WT Indonesia
Revenue	<u>\$ 154,231</u>	<u>\$ 4,104</u>	<u>\$ 21,380</u>
Net profit (loss)	<u>\$ 25,725</u>	<u>\$ (1,185)</u>	<u>\$ (585)</u>

Had these acquisitions of subsidiaries been in effect at the beginning of the annual reporting period, the Group's pro-forma revenue and pro-forma net profit would have been \$54,917,757 thousand and \$1,540,832 thousand, respectively, for the year ended December 31, 2019. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the annual reporting period, nor is it intended to be a projection of future results.

26. ACQUISITION OF A SUBSIDIARY THAT DOES NOT CONSTITUTE A BUSINESS

In order to obtain a logistics transportation business license, the Group acquired 100% of the equity shares of Chuancheng Logistics Co., Ltd. at a consideration of \$12,947 thousand in cash. In accordance with IFRS 3, the Group evaluated and concluded that the acquired shares of Chuancheng Logistics Co., Ltd. do not constitute a business; therefore, the share purchase transaction is accounted for as acquisition of a group of assets.

The information relating to the assets acquired and liabilities assumed and the relevant net cash outflow at the date of acquisition:

a. Acquisition of assets

	Amount
Current assets	
Cash and cash equivalent	\$ 9,947
Other current assets	28
Noncurrent assets	
Property, plant and equipment	1,995
Other intangible assets	<u>977</u>
	<u>\$ 12,947</u>

b. Net cash outflow on acquisition of subsidiaries

	Amount
Consideration paid in cash	\$ 12,947
Less: Cash and cash equivalent acquired	<u>(9,947)</u>
	<u>\$ 3,000</u>

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt and equity.

The key management personnel of the Group periodically reviews the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements, except those discussed in Note 16.

28. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments not measured at fair value

The management of the Group considered the carrying amount of financial assets and financial liabilities that are not measured at fair value as approximate amount of their fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 72,066	\$ -	\$ -	\$ 72,066
Structured deposits	-	139,576	-	139,576
Foreign exchange options contracts	<u>-</u>	<u>23</u>	<u>-</u>	<u>23</u>
	<u>\$ 72,066</u>	<u>\$ 139,599</u>	<u>\$ -</u>	<u>\$ 211,665</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 154,071	\$ 75,491	\$ -	\$ 229,562
Unlisted shares	-	-	504,180	504,180
Foreign listed shares	<u>19,956</u>	<u>-</u>	<u>-</u>	<u>19,956</u>
	<u>\$ 174,027</u>	<u>\$ 75,491</u>	<u>\$ 504,180</u>	<u>\$ 753,698</u>
<u>Financial liabilities at FVTPL</u>				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 280</u> (Concluded)

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 72,611	\$ -	\$ -	\$ 72,611
Structured deposits	-	99,007	-	99,007
Foreign exchange options contracts	<u>-</u>	<u>1,123</u>	<u>-</u>	<u>1,123</u>
	<u>\$ 72,611</u>	<u>\$ 100,130</u>	<u>\$ -</u>	<u>\$ 172,741</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 99,708	\$ -	\$ -	\$ 99,708
Unlisted shares	-	-	511,494	511,494
Foreign listed shares	<u>30,679</u>	<u>-</u>	<u>-</u>	<u>30,679</u>
	<u>\$ 130,387</u>	<u>\$ -</u>	<u>\$ 511,494</u>	<u>\$ 641,881</u>
<u>Financial liabilities at FVTPL</u>				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 1,372</u>	<u>\$ -</u>	<u>\$ 1,372</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial assets

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 511,494	\$ 569,293
Disposal	(1,288)	-
Recognized in other comprehensive income	<u>(6,026)</u>	<u>(57,799)</u>
Balance at December 31	<u>\$ 504,180</u>	<u>\$ 511,494</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Structured deposits	Based on the financial product information provided by financial institutions, the evaluation method is based on the rate of return of the deposit principal and its linked targets.
Derivative financial assets	The estimated future cash flows are based on the observable forward exchange rate at the end of the year and the exchange rate stipulated in the contract, and are discounted separately at rates that reflects the credit risk of each counterparty.
Emerging market shares	The fair value is assessed by reference to the transaction price supported by observable market prices.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of the unlisted shares held by the Group is measured by using the market approach based on the price-book ratio of the comparable companies or by the latest net value of the investees.

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
FVTPL		
Mandatorily classified at FVTPL	\$ 211,665	\$ 172,741
FVTOCI		
Equity instruments	753,698	641,881
Measured at amortized cost (Note 1)	21,912,133	19,119,808
Financial liabilities		
FVTPL		
Held for trading	280	1,372
Measured at amortized cost (Note 2)	20,879,466	18,902,823

Note 1: Including cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables (including related parties) and other financial assets, etc.

Note 2: Including short-term borrowings, short-term bills payable, notes payable (including related

parties), accounts payable (including related parties), other payables, long-term borrowings (including current portion) and guarantee deposits received, etc.

d. Financial risk management objectives and policies

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Group's activities expose it primarily to the financial risks as follows:

a) Foreign currency risk

The Group had foreign currency trades, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the USD.

The sensitivity rate used when reporting foreign currency risk internally to key management personnel is 1%. The sensitivity analysis included only the outstanding foreign currency denominated monetary items at the balance sheet date. Had the functional currency weakened (strengthened) by 1% against the USD, the pre-tax profit for the years ended December 31, 2020 and 2019 would have been higher (lower) by \$3,837 thousand and \$6,252 thousand, respectively.

b) Interest rate risk

The Group was exposed to interest rate risk because the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 1,025,233	\$ 1,127,532
Financial liabilities	6,096,367	4,701,852
Cash flow interest rate risk		
Financial assets	2,929,897	1,941,525
Financial liabilities	6,641,672	6,991,047

Sensitivity analysis

The sensitivity analysis below shows the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have been lower/higher by \$37,118 thousand and \$50,495 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities and mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk was mainly concentrated on equity instruments of unlisted shares.

Sensitivity analysis

The sensitivity analysis below shows the exposure to equity price risk at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have been higher/lower by \$721 thousand and \$726 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have been higher/lower by \$7,537 thousand and \$6,419 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantees provided by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by setting credit limits of counterparties annually.

The concentration of credit risk was limited due to the fact that the customer base was large and unrelated.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Liquidity risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, liabilities with a repayment on demand clause were included in the earliest time band regardless of the probability of the counterparties choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the year.

	Less than 1 Year	1-5 Years	5-10 Years	10-20 Years	Total
<u>December 31, 2020</u>					
Non-interest bearing liabilities	\$ 8,772,860	\$ 1,616	\$ -	\$ -	\$ 8,774,476
Variable interest rate liabilities	4,816,721	988,769	600,451	385,440	6,791,381
Lease liabilities	84,622	253,293	170,577	233,857	742,349
Fixed interest rate liabilities	3,715,747	1,818,464	-	-	5,534,211
Financial guarantee contracts	<u>1,160,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,160,995</u>
	<u>\$ 18,550,945</u>	<u>\$ 3,062,142</u>	<u>\$ 771,028</u>	<u>\$ 619,297</u>	<u>\$ 23,003,412</u>
<u>December 31, 2019</u>					
Non-interest bearing liabilities	\$ 7,351,686	\$ 419	\$ -	\$ -	\$ 7,352,105
Variable interest rate liabilities	4,641,911	2,270,688	234,972	216,833	7,364,404
Lease liabilities	37,408	94,547	11,077	7,749	150,781
Fixed interest rate liabilities	2,611,089	2,071,983	-	-	4,683,072
Financial guarantee contracts	<u>777,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>777,098</u>
	<u>\$ 15,419,192</u>	<u>\$ 4,437,637</u>	<u>\$ 246,049</u>	<u>\$ 224,582</u>	<u>\$ 20,327,460</u>

The amounts included above for financial guarantee contracts were the maximum amounts the Group could be required to settle under the arrangement with an option to demand the full guaranteed amount if that amount is claimed by the counterparty of the financial guarantee contract. Based on expectations at the end of the year, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

The amounts included above for variable interest rate non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates at the end of the year.

e. Transfers of financial assets

1) Recognition of notes receivable that had been transferred

The Group discounted commercial acceptance bills to banks and transferred a portion of commercial acceptance bills in China to some of its suppliers in order to settle the accounts payable to these banks or suppliers. If these commercial acceptance bills are not recoverable at maturity, banks or suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these commercial acceptance bills, it continues to recognize the full carrying amounts of these commercial acceptance bills and treats these commercial acceptance bills that have been transferred as collateral.

	December 31	
	2020	2019
Discounted to banks	\$ 709,245	\$ 1,046,567
Endorsement transfer to suppliers	\$ 413,991	\$ 203,259

2) Derecognition of notes receivable that had been transferred

The Group transferred a portion of its banker's acceptance bills in China to some of its suppliers in order to settle the accounts payable to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated accounts payable. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request the Group to pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2020 and 2019, the face amount of these unsettled bills receivable was \$390,423 thousand and \$39,687 thousand, respectively. The unsettled bills receivable will be due in 1-7 months. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair value of its continuing involvement is not significant.

During the years ended December 31, 2020 and 2019, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

29. RELATED PARTY TRANSACTIONS

Transactions between the Group and related parties were disclosed as follows:

a. Name of related parties and relation

Related Parties	Relation with the Group
Chang Wah Electromaterials Inc.	Associate
Nagase Wahlee Plastics Corp.	Associate
Wah Hong Industrial Corp.	Associate
ORC Technology Corp.	Associate
Shanghai Hua Chang Trading Co., Ltd.	Associate
Xiamen JianYuan Rung Logistic Co., Ltd.	Associate
WL Green Corp.	Associate (became a subsidiary since May 2019)
Eco Energy Corporation	Associate
Open sky Technology Corp.	Associate (adopt equity method for subsidiaries)
Welo-tech Corp.	Associate (adopt equity method for subsidiaries)
Shanghai Chang Wah Electromaterials Inc.	Associate's subsidiary
Chang Wah International Trade (Shenzhen) Co., Ltd.	Associate's subsidiary
Chang Wah Technology Co. Ltd.	Associate's subsidiary
SIP Chang Hong Optoelectronics Ltd.	Associate's subsidiary

(Continued)

Related Parties	Relation with the Group
Sun Hong Optronics Ltd.	Associate's subsidiary
Qingdao Changhong Optoelectronics Ltd.	Associate's subsidiary
Xiamen G&H Electronics Co., Ltd.	Associate's subsidiary
Ningpo Changhong Optoelectronics Ltd.	Associate's subsidiary
Wah Ma Chemical Sdn. Bhd.	Associate's subsidiary
PT Wah Hong Indonesia	Associate's subsidiary
Suzhou Shanji Photoelectric Co., Ltd.	Associate's subsidiary (since April 2019)
Bao Guang Investment Co., Ltd.	Key management personnel (Director of the Company)
Daily Polymer Corp.	Other related party
Raycon Industries Inc.	Other related party
Asahi Kasei Wah Lee Hi-tech Corp.	Other related party
JingYi Technology Co.	Other related party
Forcera Materials Co., Ltd.	Other related party
Taigene Biotechnology Co., Ltd.	Other related party
Minima Co., Ltd.	Other related party
Sin Hao Co., Ltd.	Other related party
Eleocom Co., Ltd.	Other related party (has been incorporated since April 2020) (Concluded)

b. Operating transactions

1) Sales of goods

Related Party Category	For the Year Ended December 31	
	2020	2019
Associates and their subsidiaries	\$ 401,212	\$ 489,260
Other related parties	<u>24,902</u>	<u>17,811</u>
	<u>\$ 426,114</u>	<u>\$ 507,071</u>

The selling prices and collection terms of sales to related parties were similar to third parties.

2) Purchase of goods

Related Party Category	For the Year Ended December 31	
	2020	2019
Associates and their subsidiaries	\$ 576,889	\$ 398,884
Other related parties	<u>1,348,756</u>	<u>1,258,097</u>
	<u>\$ 1,925,645</u>	<u>\$ 1,656,981</u>

The prices of purchases from related parties were made under arm's length terms and there were no similar transactions with third parties for comparison; payment terms were similar to third parties.

3) Commission expense

Related Party Category	For the Year Ended December 31	
	2020	2019
Associates	\$ 608	\$ -
Other related parties	<u>154</u>	<u>241</u>
	<u>\$ 762</u>	<u>\$ 241</u>

4) Receivables from related parties

	December 31	
	2020	2019
<u>Notes receivable - related parties</u>		
Associates	<u>\$ 6,925</u>	<u>\$ 15,538</u>
<u>Accounts receivable - related parties</u>		
Associates and their subsidiaries	\$ 110,179	\$ 98,237
Other related parties	<u>4,269</u>	<u>7,178</u>
	114,448	105,415
Less: Allowance for losses	<u>1,006</u>	<u>295</u>
	<u>\$ 113,442</u>	<u>\$ 105,120</u>
<u>Other receivables - related parties</u>		
Associates and their subsidiaries		
Chang Wah Electromaterials Inc.	\$ 51,455	\$ 81,140
Others	<u>7,998</u>	<u>2,077</u>
Other related parties	<u>299</u>	<u>354</u>
	<u>\$ 59,752</u>	<u>\$ 83,571</u>

The outstanding accounts receivable from related parties are unsecured.

5) Payables to related parties

	December 31	
	2020	2019
<u>Notes payable - related parties</u>		
Associates	<u>\$ 1,261</u>	<u>\$ 201</u>
<u>Accounts payable - related parties</u>		
Associates and their subsidiaries	\$ 127,555	\$ 108,081
Other related parties	<u>250,449</u>	<u>246,629</u>
	<u>\$ 378,004</u>	<u>\$ 354,710</u>

(Continued)

	December 31	
	2020	2019
<u>Other payables</u>		
Associates and their subsidiaries	\$ 7,686	\$ 5
Other related parties	<u>667</u>	<u>329</u>
	<u>\$ 8,353</u>	<u>\$ 334</u>
		(Concluded)

The outstanding payables to related parties are unsecured and will be paid in cash.

6) Contract liabilities

Related Party Category	December 31	
	2020	2019
Associates	<u>\$ 27,872</u>	<u>\$ -</u>

c. Loans from related parties (under short-term borrowings)

Related Party Category/Name	December 31	
	2020	2019
Associates		
Eco Energy Corporation	<u>\$ -</u>	<u>\$ 23,000</u>

Interest expense

Related Party Category/Name	For The Year Ended December 31	
	2020	2019
Associates		
Eco Energy Corporation	<u>\$ (78)</u>	<u>\$ 1,290</u>

The loans from related parties are unsecured and the interest rate was 1.75%.

The overestimated interest expense of \$149 thousand in 2019 was reversed and adjusted to interest expense in 2020.

d. Acquisition of property, plant and equipment

Related Party Category	For The Year Ended December 31	
	2020	2019
Associates	<u>\$ 114,606</u>	<u>\$ 68,762</u>

e. Disposals of property, plant and equipment

	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Associates	<u>\$ 9,181</u>	<u>\$ 57</u>	<u>\$ 1,208</u>	<u>\$ 57</u>

f. Disposals of investment under the equity method - only for the year ended December 31, 2020

Related Party Category/Name	Line Item	Number of Shares	Underlying Assets	Proceeds	Loss on Disposal
Associates Chang Wah Electromaterials Inc.	Investment under the equity method	<u>1,225,000</u>	Share interest of Shanghai Chang Wah Electromaterials Inc.	<u>\$ 82,897</u>	<u>\$ (4,688)</u>

g. Other income

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Associated and their subsidiaries		
Wah Hong Industrial Corp.	\$ 25,059	\$ 7,230
Others	<u>8,173</u>	<u>10,106</u>
	33,232	17,336
Other related parties	3,425	3,408
Key management personnel	<u>24</u>	<u>24</u>
	<u>\$ 36,681</u>	<u>\$ 20,768</u>

Other income included rental income, consulting service income and endorsement income.

h. Lease arrangements

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Lease expense		
Associated	\$ 35	\$ -
Other related parties	<u>279</u>	<u>331</u>
	<u>\$ 314</u>	<u>\$ 331</u>

i. Endorsements and guarantees

Related Party Category	December 31	
	2020	2019
Associates and their subsidiaries		
Amount endorsed	<u>\$ 1,183,456</u>	<u>\$ 1,281,922</u>
Amount utilized	<u>\$ 770,572</u>	<u>\$ 737,411</u>
Other related parties		
Amount endorsed	<u>\$ 25,194</u>	<u>\$ 25,194</u>
Amount utilized	<u>\$ -</u>	<u>\$ -</u>

j. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 128,143	\$ 126,146
Post-employment benefits	<u>909</u>	<u>1,169</u>
	<u>\$ 129,052</u>	<u>\$ 127,315</u>

The remuneration of directors and other key management was determined by the remuneration committee based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL

The Group provided the following assets as collaterals for part of borrowings and performance guarantee.

	December 31	
	2020	2019
Notes receivable	\$ 1,123,236	\$ 1,249,826
Other financial assets - current	1,300	1,345
Other financial assets - noncurrent	89,330	79,673
Property, plant and equipment		
Freehold land	457,022	608,107
Buildings	410,439	426,129
Power generation equipment	1,460,394	1,338,092
Other	<u>1,260</u>	<u>4,694</u>
	<u>\$ 3,452,981</u>	<u>\$ 3,707,866</u>

In addition to the above assets as collateral, the Group also provided the shares of some subsidiaries as collaterals for borrowings.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2020 were as follows:

- a. The Group's unused letters of credit for purchase of merchandise were \$557,592 thousand.
- b. The unrecognized commitments for acquisition of property, plant and equipment were \$209,168 thousand.
- c. Company A filed a lawsuit with the Taipei District Court against KS Corp. for failing to fulfill its obligation of placing orders under a purchase agreement and demanded a compensation of \$50,363 thousand. In October 2020, a judgment entered in the first instance was announced that Company A won the case; KS Corp. filed an appeal. The Group believed that the plaintiff's demand is unfounded and did not record related compensation loss due to the uncertainty of the final trial.
- d. Company B filed a letter to KS Corp. in November 2020 to terminate a lease agreement, requested KS Corp. to pay a default penalty of \$41,704 thousand and confiscate the guarantee deposit. KS Corp., based on the advice from legal counsel, believed that there were unavoidable reasons for it to waive the default penalty. Therefore, KS Corp. derecognized the aforementioned guarantee deposit and related construction in progress and recorded losses, but no loss related to default penalty was recognized. In addition KS Corp. has filed a lawsuit against the request of company B.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency Amount	Exchange Rate		Carrying Amount
<hr/> December 31, 2020 <hr/>				
Monetary financial assets				
USD	\$ 216,737	28.48	(USD:NTD)	\$ 6,172,663
USD	33,776	7.7539	(USD:HKD)	961,941
USD	22,747	6.5295	(USD:RMB)	647,823
USD	2,191	25,657.66	(USD:VND)	62,406
USD	1,011	29.8	(USD:THB)	28,790
Nonmonetary financial assets				
Investments accounted for using the equity method				
USD	11,806	28.48	(USD:NTD)	336,226
RMB	175,480	4.3617	(RMB:NTD)	765,397
RMB	1,293,025	1.1875	(RMB:HKD)	5,638,929
JPY	466,818	0.2763	(JPY:NTD)	128,982
HKD	1,751,208	3.6730	(HKD:NTD)	6,432,186
THB	186,628	0.9556	(THB:NTD)	178,342
PHP	23,780	0.5861	(PHP:NTD)	13,937
Monetary financial liabilities				
USD	211,176	28.48	(USD:NTD)	6,014,305
USD	16,090	7.7539	(USD:HKD)	458,256
USD	26,858	6.5295	(USD:RMB)	764,904
USD	7,511	25,657.66	(USD:VND)	213,921
USD	1,355	29.8	(USD:THB)	38,580
<hr/> December 31, 2019 <hr/>				
Monetary financial assets				
USD	174,296	29.98	(USD:NTD)	5,225,386
USD	30,100	7.7890	(USD:HKD)	902,400
USD	34,298	6.9646	(USD:RMB)	1,028,265
USD	883	25,623.93	(USD:VND)	26,461
USD	656	29.69	(USD:THB)	19,679
Nonmonetary financial assets				
Investments accounted for using the equity method				
USD	10,627	29.98	(USD:NTD)	318,587
RMB	163,033	4.3046	(RMB:NTD)	701,794
RMB	1,134,151	1.118	(RMB:HKD)	4,882,096
JPY	424,092	0.2760	(JPY:NTD)	117,049
(Continued)				

(Continued)

	Foreign Currency Amount	Exchange Rate		Carrying Amount
HKD	\$ 1,467,739	3.849	(HKD:NTD)	\$ 5,649,326
THB	169,240	1.0098	(THB:NTD)	170,898
PHP	25,450	0.6091	(PHP:NTD)	15,502
Monetary financial liabilities				
USD	163,626	29.98	(USD:NTD)	4,905,498
USD	12,193	7.7890	(USD:HKD)	365,545
USD	37,769	6.9646	(USD:RMB)	1,132,316
USD	4,195	25,623.93	(USD:VND)	125,773
USD	1,595	29.69	(USD:THB)	47,816
(Concluded)				

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were \$31,107 thousand and \$5,502 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

33. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investments in subsidiaries and associates): Table 3
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
- 9) Trading in derivative instruments: Note 7, in addition, the Group incurred a net loss of \$9,066 thousand on derivative instruments transactions for the year ended December 31, 2020.
- 10) Intercompany relationships and significant intercompany transactions: Table 9
- 11) Information on investees: Table 6

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 8
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 8
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

The Company's other significant transactions with investee companies in mainland China as of and for the year ended December 31, 2020 were as follow:

Counterparties	Line Item	Amount
Shanghai Yikang	Other income	\$ 29,158
Shanghai Yikang	Commission expense	111,499
Shanghai Yikang	Other receivables	107,472
Shanghai Yikang	Other payables	26,915
Shanghai Hua Chang Trading Co., Ltd.	Other income	369
Shanghai Yadi	Other receivables	2,022
Shanghai Yadi	Other income	2,059

- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 10

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is distinguished by operating area and categories of merchandise and service. The Group's reportable segments were as follows:

- Wah Lee Industrial Corporation (“Wah Lee”) is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, and computer related manufacturing materials and equipment.
- Raycong H.K. and its subsidiary Dongguan Hua Gang (“Raycong”) are mainly engaged in the trade of engineering plastic, composite materials and equipment.
- Shanghai Yikang is mainly engaged in trade of manufacturing materials and import/export business.
- Others - Other subsidiaries which were below the quantitative threshold were not listed as reportable segments. Please refer to Note 12 for details.

Segment revenue and results

- a. The following is an analysis of the Group’s revenue and results from operations by reportable segment:

	Wah Lee	Raycong	Shanghai Yikang	Others	Adjustment and Elimination	Total
For the year ended December 31, 2020						
Revenue from external customers	\$ 30,162,503	\$ 12,929,949	\$ 12,626,605	\$ 3,361,863	\$ -	\$ 59,080,920
Inter-segment revenue	<u>3,073,988</u>	<u>63,123</u>	<u>206,832</u>	<u>200,102</u>	<u>(3,544,045)</u>	<u>-</u>
Segment revenue	<u>\$ 33,236,491</u>	<u>\$ 12,993,072</u>	<u>\$ 12,833,437</u>	<u>\$ 3,561,965</u>	<u>\$ (3,544,045)</u>	<u>\$ 59,080,920</u>
Segment income	\$ 640,341	\$ 535,813	\$ 629,162	\$ 222,259	\$ 80,340	\$ 2,107,915
Interest income	709	2,261	46,104	2,944	-	52,018
Other income	189,594	13,449	44,430	9,307	(105,043)	151,737
Other gains and losses	(49,813)	9,463	(17,844)	(8,981)	15,726	(51,449)
Financial costs	<u>(79,298)</u>	<u>(48,207)</u>	<u>(37,670)</u>	<u>(40,584)</u>	<u>1,110</u>	<u>(204,649)</u>
Profit before income tax	701,533	512,779	664,182	184,945	(7,867)	2,055,572
Income tax expense	<u>(245,349)</u>	<u>(125,229)</u>	<u>(171,269)</u>	<u>(46,932)</u>	<u>(740)</u>	<u>(589,519)</u>
Net profit after tax	<u>\$ 456,184</u>	<u>\$ 387,550</u>	<u>\$ 492,913</u>	<u>\$ 138,013</u>	<u>\$ (8,607)</u>	<u>1,466,053</u>
Share of profit or loss of associates under the equity method						<u>580,063</u>
Consolidated net profit						<u>\$ 2,046,116</u>
December 31, 2019						
Identifiable assets	<u>\$ 14,045,546</u>	<u>\$ 6,738,647</u>	<u>\$ 8,596,468</u>	<u>\$ 5,416,032</u>	<u>\$ (979,615)</u>	<u>\$ 33,817,078</u>
Goodwill						111,809
Investment accounted for using the equity method						<u>4,826,082</u>
Total assets						<u>\$ 38,754,969</u>
For the year ended December 31, 2019						
Revenue from external customers	\$ 26,044,832	\$ 11,973,415	\$ 13,414,743	\$ 3,248,839	\$ -	\$ 54,681,829
Inter-segment revenue	<u>3,180,968</u>	<u>63,282</u>	<u>175,391</u>	<u>162,624</u>	<u>(3,582,265)</u>	<u>-</u>
Segment income	<u>\$ 29,225,800</u>	<u>\$ 12,036,697</u>	<u>\$ 13,590,134</u>	<u>\$ 3,411,463</u>	<u>\$ (3,582,265)</u>	<u>\$ 54,681,829</u>
Segment income	\$ 479,573	\$ 364,892	\$ 484,643	\$ 158,811	\$ 86,516	\$ 1,574,435
Interest revenue	1,274	1,685	6,460	5,460	-	14,879
Other income	183,140	8,462	63,403	10,393	(115,440)	149,958
Other gains and losses	(1,119)	(18,463)	(21,735)	4,122	7,706	(29,489)
Financial costs	<u>(128,708)</u>	<u>(82,720)</u>	<u>(27,761)</u>	<u>(35,278)</u>	<u>441</u>	<u>(274,026)</u>
Profit before income tax	534,160	273,856	505,010	143,508	(20,777)	1,435,757
Income tax expense	<u>(189,416)</u>	<u>(62,251)</u>	<u>(130,616)</u>	<u>(24,766)</u>	<u>(34)</u>	<u>(407,083)</u>
Net profit after tax	<u>\$ 344,744</u>	<u>\$ 211,605</u>	<u>\$ 374,394</u>	<u>\$ 118,742</u>	<u>\$ (20,811)</u>	<u>1,028,674</u>

(Continued)

	Wah Lee	Raycong	Shanghai Yikang	Others	Adjustment and Elimination	Total
Share of profit or loss of associates under the equity method						\$ 530,407
Consolidated net profit						<u>\$ 1,559,081</u>
December 31, 2019						
Identifiable assets	<u>\$ 12,563,868</u>	<u>\$ 6,115,190</u>	<u>\$ 7,995,336</u>	<u>\$ 4,573,669</u>	<u>\$ (1,504,887)</u>	\$ 29,743,176
Goodwill						112,668
Investment accounted for using the equity method						<u>4,555,030</u>
Total assets						<u>\$ 34,410,874</u>
						(Concluded)

Segment profit represented the profit before tax earned by each segment without share of profits of associates. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than interests in associates accounted for using the equity method.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing customers from its major products and services.

	For the Year Ended December 31	
	2020	2019
IT industry	\$ 20,224,937	\$ 18,842,403
FPD industry	16,249,182	15,103,754
Semiconductor industry	12,129,747	10,717,080
PCB industry	6,369,176	5,359,587
Opto-electronics	1,640,036	2,078,534
Others	<u>2,467,842</u>	<u>2,580,471</u>
	<u>\$ 59,080,920</u>	<u>\$ 54,681,829</u>

c. Geographical information

The Group's revenue from external customers by location of customers and information about its noncurrent assets by location of assets are detailed below.

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
Taiwan	\$ 17,279,050	\$ 14,823,120	\$ 3,687,029	\$ 3,186,812
China	32,094,120	30,554,546	438,468	437,545
Others	<u>9,707,750</u>	<u>9,304,163</u>	<u>564,645</u>	<u>608,663</u>
	<u>\$ 59,080,920</u>	<u>\$ 54,681,829</u>	<u>\$ 4,690,142</u>	<u>\$ 4,233,020</u>

Noncurrent assets exclude investments under the equity method, financial assets, deferred tax assets, and

goodwill.

d. Information about major customers

No single customer contributed 10% or more of the Group's revenue for the years ended December 31, 2020 and 2019.

TABLE 1

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance (Note 1)	Actual Amount Drawn (Notes 1 and 3)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-Term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
1	Shanghai Yikang	Shanghai Yadi	Other receivables - related parties	Yes	\$ 64,863	\$ -	\$ -	-	short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,328,820	\$ 1,328,820	
2	Shenzhen Huaying	Xiamen Hua Chen Da	Other receivables - related parties	Yes	17,515	8,723	6,979	4.77	short-term financing	-	Operating capital	-	-	-	62,360	62,360	
3	Dongguan Hua Gang	Guangjou Shing Shain	Other receivables - related parties	Yes	39,408	39,255	-	-	short-term financing	-	Operating capital	-	-	-	699,145	699,145	
3	Dongguan Hua Gang	Meizhou Bailun	Other receivables - related parties	Yes	19,891	-	-	-	short-term financing	-	Operating capital	-	-	-	699,145	699,145	
4	KS Corp.	KSA Energy	Other receivables - related parties	Yes	30,000	30,000	10,000	2.00	short-term financing	-	Operating capital	-	-	-	208,883	208,883	

Note 1: RMB is converted by spot exchange CNY1=NT\$4.3617.

Note 2: Individual and aggregate financing limit should not exceed 30% of the lender's equity.

Note 3: It was eliminated on consolidation.

TABLE 2

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2020 (In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Benefit of Each Party (Notes 1-8)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at The End of the Period (Note 8)	Actual Borrowing Amount (Note 8)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Notes 1-8)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Relationship											
0	The Company	Nagase Wahlee Plastics Corp.	Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage	\$ 2,575,602	\$ 970,000	\$ 480,000	\$ 307,229	\$ -	3.73	\$ 12,878,009	N	N	N	
0	The Company	Asahi Kasei Wah Lee Hi-tech Corp.	Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage	2,575,602	50,388	25,194	-	-	0.20	12,878,009	N	N	N	
0	The Company	Shanghai Yikang	Subsidiary of the Company	2,575,602	197,583	190,816	106,277	-	1.48	12,878,009	Y	N	Y	
0	The Company	Dongguan Hua Gang	Subsidiary of the Company	3,863,403	368,318	256,320	256,320	-	1.99	12,878,009	Y	N	Y	
0	The Company	Raycong H.K., Shanghai Yikang and Dongguan Hua Gang	Subsidiary of the Company	2,575,602	120,000	120,000	71,830	-	0.93	12,878,009	Y	N	Y	
0	The Company	Shanghai Hua Chang Trading Co., Ltd.	Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage	2,575,602	1,494,350	703,456	463,343	-	5.46	12,878,009	N	N	Y	
0	The Company	WL Singapore	Subsidiary of the Company	3,863,403	677,040	432,896	294,186	-	3.36	12,878,009	Y	N	N	
0	The Company	Sakuragawa Solar Ltd.	Subsidiary of the Company	2,575,602	178,414	174,621	90,748	-	1.36	12,878,009	Y	N	N	
0	The Company	Miyazaki Solar Ltd.	Subsidiary of the Company	2,575,602	322,104	315,258	249,958	-	2.45	12,878,009	Y	N	N	
0	The Company	WL Indonesia	Subsidiary of the Company	2,575,602	187,550	88,288	-	-	0.69	12,878,009	Y	N	N	
0	The Company	WL Vietnam	Subsidiary of the Company	3,863,403	490,050	230,688	155,840	-	1.79	12,878,009	Y	N	N	
0	The Company	WT Industrial	Subsidiary of the Company	2,575,602	986,272	447,221	55,279	-	3.47	12,878,009	Y	N	N	
0	The Company	Wah Lee Philippines Inc.	Subsidiary of the Company	2,575,602	58,980	56,960	-	-	0.44	12,878,009	Y	N	N	
0	The Company	KS Corp.	Subsidiary of the Company	2,575,602	179,626	179,626	179,626	179,626	1.39	12,878,009	Y	N	N	
1	Shanghai Yikang	Shanghai Chang Wah Electromaterials Inc.	Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage	-	51,879	-	-	-	-	-	N	N	Y	
1	Shanghai Yikang	Shanghai Yadi	Subsidiary of the Company	885,880	122,128	122,128	29,996	-	2.76	2,214,700	Y	N	Y	
2	KS Corp.	KSA Corp.	Subsidiary of the Company	176,094	1,382	1,382	1,353	-	0.20	352,188	Y	N	N	
2	KS Corp.	KSB Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	1,760,940	100,000	100,000	28,891	10,000	14.36	2,817,504	Y	N	N	
2	KS Corp.	KSA Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	1,760,940	400,000	400,000	125,172	25,000	57.45	2,817,504	Y	N	N	

(Continued)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Benefit of Each Party (Notes 1-8)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at The End of the Period (Note 8)	Actual Borrowing Amount (Note 8)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Notes 1-8)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Relationship											
3	KSA Corp.	KSB Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	\$ 6,130,000	\$ 100,000	\$ 100,000	\$ 28,891	\$ -	145.60	\$ 9,195,000	N	N	N	
3	KSA Corp.	KS Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	6,130,000	1,800,000	1,800,000	926,018	-	2,620.89	9,195,000	N	Y	N	
4	KSB Corp.	KSA Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	2,226,000	400,000	400,000	125,172	-	3,162.81	4,452,000	N	N	N	
4	KSB Corp.	KS Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	2,226,000	1,800,000	1,800,000	926,018	-	14,232.62	4,452,000	N	Y	N	
5	Dongguan Hua Gang Raycong H.K.	Guang Jou Shing Shian	Subsidiary of the Company	699,145	177,035	177,035	87,593	-	7.60	1,165,241	Y	N	Y	
6		Xiamen Hua Chen Da	Subsidiary of the Company	1,286,437	30,020	28,480	5,683	-	0.44	3,216,093	Y	N	Y	

(Concluded)

- Note 1: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the equity of the Company. If the Company directly or indirectly holds 100% of the equity of the endorsee or guarantee, the limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of the Company. The maximum total amount of endorsement/guarantee shall not exceed 100% of the equity of the Company.
- Note 2: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the equity of Shanghai Yikang. If the Company directly or indirectly holds 100% of the equity of the endorsee or guarantee, the limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of Shanghai Yikang. The maximum total amount of endorsement/guarantee shall not exceed 50% of the equity of Shanghai Yikang.
- Note 3: The limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of Dongguan Hua Gang. The maximum total amount of endorsement/guarantee shall not exceed 50% of the equity of Dongguan Hua Gang.
- Note 4: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the equity of Raycong H.K. The maximum total amount of endorsement/guarantee shall not exceed 50% of the equity of Raycong H.K.
- Note 5: The limit on endorsement/guarantee given to each party, based on the construction project, shall not exceed 500% of the paid-in capital of KS Corp.; the maximum total amount of endorsement/guarantee shall not exceed 800% of the paid-in capital of KS Corp. The limit on endorsement/guarantee given to each party, not based on construction project, shall not exceed 50% of the paid-in capital of KS Corp. The total amount of endorsement/guarantee shall not exceed 100% of the paid-in capital of KS Corp.
- Note 6: The limit on endorsement/guarantee given to each party, based on the construction project, shall not exceed 10,000% of the paid-in capital of KSA Corp.; the maximum total amount of endorsement/guarantee shall not exceed 15,000% of the paid-in capital of KSA Corp.
- Note 7: The limit on endorsement/guarantee given to each party, based on the construction project, shall not exceed 20,000% of the paid-in capital of KSB Corp.; the maximum total amount of endorsement/guarantee shall not exceed 40,000% of the paid-in capital of KSB Corp.
- Note 8: USD is converted by spot exchange USD\$1=NT\$28.48; JPY is converted by spot exchange JPY1=NT\$0.2763; RMB is converted by spot exchange RMB1=NT\$4.3617; THB is converted by spot exchange THB1=NT\$0.9556.

TABLE 3

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with The Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Stock							
	Chang Wah Technology Co. Ltd.	Associate's subsidiary	Financial assets at FVTOCI - current	2,000,000	<u>\$ 119,600</u>	-	<u>\$ 119,600</u>	
	Daily Polymer Corp.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,154,410	\$ 34,471	3.02	\$ 34,471	
	Wah Yuen Technology Holding Limited	-	Financial assets at FVTOCI - noncurrent	1,968,180	77,513	0.75	77,513	
	JingYi Technology Co.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,066,432	55,014	16.94	55,014	
	High Power Optoelectronics Inc.	-	Financial assets at FVTOCI - noncurrent	67,991	-	0.12	-	
	Asahi Kasei Wah Lee Hi-tech Corp.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	9,497	85,891	19.38	85,891	
	Forcera Materials Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,102,476	56,581	8.83	56,581	
	Univision Technology Holdings	-	Financial assets at FVTOCI - noncurrent	38,794,190	-	9.10	-	
	Minima Technology Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	3,600,000	82,160	9.27	82,160	
	TaiGene Biotechnology Co., Ltd.	The Company is the supervisor of the company	Financial assets at FVTOCI - noncurrent	2,300,000	11,037	6.57	11,037	
	Shilian Fine Chemicals Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	11,871,585	81,890	4.57	81,890	
	CDIB Capital Group.	-	Financial assets at FVTOCI - noncurrent	5,000,000	54,094	2.86	54,094	
	Darco Water Technologies Ltd.	-	Financial assets at FVTOCI - noncurrent	7,649,782	19,956	8.15	19,956	
	Eleocom Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	1,500,000	-	10.71	-	
	Tien Li Offshore Wind Technology Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	828,572	75,491	1.51	75,491	
					<u>\$ 634,098</u>		<u>\$ 634,098</u>	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with The Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
SHC Holding Ltd.	Guangzhou Yonguang Optoelectronics Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	-	\$ -	12.82	\$ -	
Wah Lee Holding Ltd.	Mutual funds							
	JPMorgan Funds- Multi-Revenue Fund-A (acc) - USD	-	Financial assets at FVTPL - current	7,737	\$ 45,265	-	\$ 45,265	
	JPMorgan Funds-Income Fund A (dist) - USD	-	Financial assets at FVTPL - current	28,629	26,801	-	26,801	
					<u>\$ 72,066</u>		<u>\$ 72,066</u>	

(Concluded)

TABLE 4

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms			Ending Balance	% of Total	
The Company	Raycong H.K.	Subsidiary	Sales	\$ (834,028)	(3)	30 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	\$ 196,628	3	
	Shanghai Yi Kang	Subsidiary	Sales	(1,091,538)	(3)	30 to 120 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	220,188	3	
	Dongguan Huagang	Subsidiary	Sales	(757,187)	(2)	30 to 120 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	190,401	3	
	WL Vietnam	Subsidiary	Sales	(104,275)	-	90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	30,827	-	
	Nagase Wahlee Plastics.	Associates accounted for using the equity method	Purchase	122,831	1	60 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	(5,288)	-	
	Asahi Kasei Wah Lee Hi-tech Corp.	Substantial related party	Purchase	1,205,245	4	105 days after monthly closing	No comparable transactions with third party	The terms with related parties are not significantly different from those with third parties	(226,047)	(6)	
	Chang Wah Electromaterials Inc.	Associates accounted for using the equity method	Sales	(255,686)	(1)	90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	67,565	1	
Raycong H.K.	Dongguan Hua Gang	Subsidiary	Sales	(671,140)	(19)	30 to 180 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	77,962	9	
Shanghai Yikang	Shanghai Hua Chang	Associate’s subsidiary accounted for using the equity method	Purchase	193,496	2	30 days after monthly closing	No comparable transactions with third party	The terms with related parties are not significantly different from those with third parties	(35,982)	(2)	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Shanghai Yikang	The Company	Parent company	Sales	\$ (119,910)	(1)	120 days after monthly closing	No comparable transactions with third party	The terms with related parties are not significantly different from those with third parties	\$ 25,955	-	
WL Indonesia	WT Indonesia	Associates	Sales	(109,217)	(100)	60 days after monthly closing	No comparable transactions with third party	The terms with related parties are not significantly different from those with third parties	31,290	100	

Note: It was eliminated on consolidation.

TABLE 5**WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES**

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Shanghai Yikang	Subsidiary	\$ 327,660	2.01	\$ -	-	\$ 161,033	\$ -
	Raycong H.K.	Subsidiary	250,646	3.62	-	-	98,242	-
	Dongguan Hua Gang	Subsidiary	192,763	5.20	-	-	175,344	-
	Chang Wah Electromaterials Inc.	Associate accounted for using the equity method	119,020	1.86	-	-	67,565	-

Note 1: Including trade receivables and other receivables. Other receivables are mainly service revenue and dividends collected from related parties.

Note 2: Receivables from subsidiary were eliminated on consolidation.

TABLE 6**WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	%	Carrying Amount (Note 2)	Net Income (Loss) of the Investee	Share of Profit (Loss) (Notes 1 and 2)	Note
				December 31, 2020	December 31, 2019						
The Company	Wah Lee Holding Ltd.	BVI	International investment business	\$ 430,666	\$ 430,666	13,070,000	100.00	\$ 4,184,973	\$ 430,779	\$ 430,436	Subsidiary
The Company	Raycong H.K.	Hong Kong	Trading business of engineering plastic, composite materials and equipment	304,113	304,113	56,000,000	53.69	3,453,779	741,376	397,670	Subsidiary
The Company	Chang Wah Electromaterials Inc.	Taiwan	Agency of IC packaging material and equipment	449,349	449,349	197,902,180	30.98	2,080,267	997,299	308,967	Associate
The Company	Nagase Wahlee Plastics Corp.	Taiwan	Trading business of synthetic resin product and related material, agency of domestic and international products distribution quotation and bidding business	20,810	20,810	4,000,000	40.00	728,537	279,524	111,793	Associate
The Company	Wah Hong Industrial Corp.	Taiwan	Manufacturing of LCD material, BMC (bulk molding compound) material and molded product	942,926	939,921	26,118,978	26.67	1,023,436	215,794	57,502	Associate
The Company	ORC Technology Corp.	Taiwan	Trading business and service of exposure machine and parts	6,000	6,000	600,000	35.00	170,408	73,647	25,777	Associate
The Company	WL Japan	Japan	Trading business of synthetic resin, industrial plastic, glass fiber, non-ferrous metal, molding machine, electromechanical parts, office automation equipment, optical mechanical equipment, battery and industrial electrical equipment and parts	21,490	21,490	1,500	83.33	4,966	(69)	(58)	Subsidiary
The Company	WL Korea	South Korea	Trading business of synthetic resin, industrial plastic, glass fiber, non-ferrous metal, molding machine, electromechanical parts, office automation equipment, optical mechanical equipment, battery and industrial electrical equipment and parts	18,856	18,856	147,000	100.00	698	1,848	1,848	Subsidiary
The Company	Sakuragawa Solar Ltd.	Japan	Solar power generation business	46,008	46,008	-	99.99	86,576	7,662	7,662	Subsidiary
The Company	Miyazaki Solar Ltd.	Japan	Solar power generation business	82,103	82,103	-	99.99	37,440	4,279	4,279	Subsidiary
The Company	WL Indonesia	Indonesia	Trading business of industrial materials	48,262	14,840	1,610,000	70.00	37,145	(7,868)	(5,200)	Subsidiary
The Company	Meidi H.K.	Hong Kong	International investment business	-	17,753	-	-	-	-	-	Subsidiary
The Company	WL Vietnam	Vietnam	Trading business of industrial materials	16,293	16,293	-	100.00	36,133	9,402	9,402	Subsidiary
The Company	QuanShun Logistics Co., Ltd.	Taiwan	Freight forwarders and leasing business	95,000	95,000	9,500,000	63.33	122,470	25,214	15,969	Subsidiary
The Company	WL Green Corp.	Taiwan	Battery manufacturing and renewable energy self-use power generation equipment business	2,000	5,000	200,000	25.00	1,164	(185)	(46)	Subsidiary
The Company	WT Industrial	Thailand	Trading business of industrial materials	200,000	200,000	7,650	51.00	197,605	52,415	19,027	Subsidiary
The Company	Eco Energy Corporation	Taiwan	Battery manufacturing and renewable energy self-use power generation equipment business	80,000	80,000	8,000,000	20.00	97,878	14,115	2,855	Associate

(Continued)

Company Name	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	%	Carrying Amount (Note 2)	Net Income (Loss) of the Investee	Share of Profit (Loss) (Notes 1 and 2)	Note
				December 31, 2020	December 31, 2019						
The Company	KS Corp.	Taiwan	Battery manufacturing and renewable energy self-use power generation equipment business	\$ 468,384	\$ 468,384	17,962,577	51.00	\$ 500,767	\$ 26,464	\$ 16,133	Subsidiary
The Company	WL Philippines Corp.	Philippines	Trading business of industrial materials	7,755	7,755	127,495	99.99	7,464	(8)	(8)	Subsidiary
The Company	WL Philippines Inc.	Philippines	Trading business of industrial materials	7,747	7,747	126,997	99.99	6,473	(973)	(973)	Subsidiary
The Company	WH Energy	Taiwan	Solar power generation business	30,000	-	3,000,000	100.00	29,901	(99)	(99)	Subsidiary
The Company	ORC Co.	Taiwan	Trading business of industrial materials	4,000	-	400,000	40.00	4,000	-	-	Joint Venture
QuanShun Logistics Co., Ltd.	Chuancheng Logistics Co., Ltd.	Taiwan	Freight forwarders and leasing business	12,947	-	25,000	100.00	12,248	(570)	(700)	Subsidiary
KS Corp.	KSA Corp.	Taiwan	Solar power generation business	55,000	25,000	6,130,000	100.00	68,679	6,668	6,668	Subsidiary
KS Corp.	KSB Corp.	Taiwan	Solar power generation business	10,000	10,000	1,113,000	100.00	12,647	1,391	1,391	Subsidiary
KS Corp.	WL Green Corp.	Taiwan	Solar power generation business	4,320	10,200	432,000	51.00	2,374	(185)	(94)	Subsidiary
KS Corp.	Eco Energy Corporation	Taiwan	Battery manufacturing and renewable energy self-use power generation equipment business	80,000	80,000	8,000,000	20.00	97,878	14,115	2,855	Associate
KS Corp.	KSC Corp.	Taiwan	Solar power generation business	1,000	-	100,000	100.00	917	(83)	(83)	Subsidiary
KS Corp.	KSD Corp.	Taiwan	Solar power generation business	67,000	-	6,700,000	100.00	66,807	(193)	(193)	Subsidiary
Wah Lee Holding Ltd.	SHC Holding Ltd.	Mauritius	International investment business	43,892	43,892	1,290,000	100.00	763,090	53,095	53,095	Subsidiary
Wah Lee Holding Ltd.	WL Singapore	Singapore	Agency of semiconductor materials and equipment	51,639	51,639	1,600,000	100.00	347,788	34,963	34,963	Subsidiary
Wah Lee Holding Ltd.	Raycong H.K.	Hong Kong	Trading business of engineering plastic, composite materials and equipment	943,164	943,164	48,296,655	46.31	2,978,553	741,376	343,309	Subsidiary
Wah Lee Holding Ltd.	Regent King H.K.	Hong Kong	Trading business of engineering plastic, composite materials and equipment	39	39	-	100.00	2,307	1,065	1,065	Subsidiary
WT Industrial	WT Indonesia	Indonesia	Trading business of industrial materials	3,953	3,953	18,150	66.00	1,883	(3,225)	(2,128)	Subsidiary
WL Singapore	Gishine Tech	Singapore	Research and development of environmental protection and cleaning technology	-	-	-	49.00	-	-	-	Associate

(Concluded)

Note 1: The share of profit (loss) recognized for the year ended December 31, 2020 included eliminated unrealized gains or losses and amortization of investment premium.

Note 2: The share of profit (loss) of subsidiaries are eliminated on consolidation.

Note 3: Please refer to Table 7 for information on investments in mainland China.

TABLE 7

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2020 (In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Dongguan Hua Gang	Sales of industrial materials	\$ 1,137,186	Invested through the third region, Raycong H.K.	\$ -	\$ -	\$ -	\$ -	\$ 317,691	100.00	\$ 317,691	\$ 2,325,413	\$ -	
Shanghai Yikang	Processing and selling of chemical material for release of wax; international trading; trading agent and warehousing business within enterprises in the bonded area	990,731	Invested through the third region, Raycong H.K.	340,629	-	-	340,629	503,201	70.00	352,241	3,118,401	-	
Shenzhen Huaying	Sales of industrial materials	24,084	Invested through the third region, Raycong H.K.	-	-	-	-	8,597	100.00	8,597	207,867	-	
Shanghai Wah Chang Trading Co., Ltd.	International trading and trading consulting; trading agent and commercial simple processing within enterprises in the bonded area	68,352	Invested through the third region, SHC Holding Ltd.	43,714	-	-	43,714	212,717	30.00	63,816	611,292	-	
Shanghai Chang Wah Electromaterials Inc.	Agency of IC packaging material and equipment	113,920	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	24,255	-	7,428	-	-	
Shanghai Yadi	Import and export of goods and technology	13,085	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	(6,355)	49.00	(3,114)	18,362	-	
Shanghai Lihuang	Medical devices and equipment	14,525	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	919	48.98	(1,492)	6,759	-	
Meizhou Bailun	Hemodialysis and examination	-	Invested through Chinese corporation, Dongguan Hua Gang	-	-	-	-	(562)	-	(287)	-	-	
Guangjou Shing Shian	Wholesale of medical supplies	21,809	Invested through Chinese corporation, Dongguan Hua Gang	-	-	-	-	12,216	100.00	12,216	44,333	-	
Xiamen Hua Chen Da	Warehouse logistics	13,085	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(239)	70.00	(167)	7,491	-	
Xiamen Jian Yuan Rong Logistics Ltd.	Warehouse logistics	34,894	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(3,047)	30.00	(910)	9,396	-	
Xiamen Jia Cheng Yuan Trading and Development Co. Ltd.	Warehouse logistics	8,723	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(53)	30.00	(20)	2,990	-	

(Continued)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Note 3)	Investment Amount Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
The Company	\$ 384,343	\$ 2,480,528	\$ -

Note 1: The disclosures of investment gains and losses this period are based on the following:

1. Dongguan Hua Gang and Shanghai Yikang: audited by the Company's CPA.
2. Others are based on unaudited financial statements.

Note 2: The difference of \$2,096,185 thousand between accumulated outward remittance for investment in mainland China and investment amount authorized by investment commission, MOEA is due to investment of \$1,338,686 thousand (USD8,488 thousand and HKD267,000 thousand) through Raycong H.K., investment of \$111,175 thousand (USD3,572 thousand) through Wah Yuen Technology Holding Limited, transferred capital from retained earnings of \$434,385 thousand (USD13,790 thousand) of Shanghai Yikang, investment of \$14,500 thousand (USD500 thousand) through SHC Holding Ltd., investment without significant influence of \$162,978 thousand and the invested amount of \$34,461 thousand which had already been liquidated but not yet revoked.

Note 3: Under the "Principles Governing the Review of Investments or Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, the Company had obtained the certificate issued by the Industrial Bureau of the Ministry of Economic Affairs in accordance with the business scope of the operating headquarters; thus, the amount that can be invested in companies located in mainland China is unlimited.

(Concluded)

TABLE 8

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD AREA, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Trade Receivable (Payable)		Unrealized (Gain) Loss	Note
			Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
The Company	Shanghai Yikang	Sales	\$ 1,091,538	3	Normal trade terms	30 to 120 days after monthly closing	The terms with related parties are not significantly different from those with third parties	\$ 220,188	3	\$ 554	Note
	Shanghai Yikang	Purchase	(119,910)	-	Normal trade terms	120 days after monthly closing	The terms with related parties are not significantly different from those with third parties	(25,955)	(1)	-	Note
	Dongguan Hua Gang	Sales	757,187	2	Normal trade terms	30 to 120 days after monthly closing	The terms with related parties are not significantly different from those with third parties	190,401	3	436	Note
	Shanghai Yadi	Sales	27,571	-	Normal trade terms	90 days after monthly closing	The terms with related parties are not significantly different from those with third parties	6,392	-	-	Note
	Shanghai Lihuang	Sales	10,675	-	Normal trade terms	90 days after monthly closing	The terms with related parties are not significantly different from those with third parties	3,190	-	-	Note
Raycong H.K.	Dongguan Hua Gang	Sales	671,140	19	Normal trade terms	30 to 180 days after monthly closing	The terms with related parties are not significantly different from those with third parties	77,962	9	5,069	Note

Note: It was eliminated on consolidation.

TABLE 9

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	The Company	Shanghai Yikang	Parent to subsidiary	Operating revenue	\$ 1,091,538	According to the contract	2.00
0	The Company	Shanghai Yikang	Parent to subsidiary	Trade receivables	220,188	According to the contract	1.00
0	The Company	Shanghai Yikang	Parent to subsidiary	Other income	29,158	According to the contract	-
0	The Company	Shanghai Yikang	Parent to subsidiary	Other receivables	107,472	According to the contract	-
0	The Company	Raycong H.K.	Parent to subsidiary	Operating revenue	834,028	According to the contract	1.00
0	The Company	Raycong H.K.	Parent to subsidiary	Trade receivables	196,628	According to the contract	1.00
0	The Company	Raycong H.K.	Parent to subsidiary	Other income	38,766	According to the contract	-
0	The Company	Raycong H.K.	Parent to subsidiary	Other receivables	54,018	According to the contract	-
0	The Company	Dongguan Hua Gang	Parent to subsidiary	Operating revenue	757,187	According to the contract	1.00
0	The Company	Dongguan Hua Gang	Parent to subsidiary	Trade receivables	190,401	According to the contract	-
0	The Company	Dongguan Hua Gang	Parent to subsidiary	Other receivables	2,362	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Operating revenue	93,963	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Trade receivables	10,427	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Other income	13,278	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Other receivables	11,958	According to the contract	-
0	The Company	WL Vietnam	Parent to subsidiary	Operating revenue	104,275	According to the contract	-
0	The Company	WL Vietnam	Parent to subsidiary	Trade receivables	30,827	According to the contract	-
0	The Company	WL Vietnam	Parent to subsidiary	Other income	1,108	According to the contract	-
0	The Company	WL Vietnam	Parent to subsidiary	Other receivables	316	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Operating revenue	70,919	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Trade receivables	24,454	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Other income	5,955	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Other receivables	1,187	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Contract liabilities	77,113	According to the contract	-
0	The Company	WL Singapore	Parent to subsidiary	Operating revenue	62,988	According to the contract	-
0	The Company	WL Singapore	Parent to subsidiary	Trade receivables	13,930	According to the contract	-
0	The Company	WL Singapore	Parent to subsidiary	Other income	6,572	According to the contract	-
0	The Company	WL Singapore	Parent to subsidiary	Other receivables	13,483	According to the contract	-
0	The Company	Shanghai Yadi	Parent to subsidiary	Operating revenue	27,571	According to the contract	-
0	The Company	Shanghai Yadi	Parent to subsidiary	Trade receivables	6,392	According to the contract	-
0	The Company	Shanghai Yadi	Parent to subsidiary	Other income	2,059	According to the contract	-
0	The Company	Shanghai Yadi	Parent to subsidiary	Other receivables	2,022	According to the contract	-
0	The Company	Quan Shun Logistics Co., Ltd.	Parent to subsidiary	Other income	17,947	According to the contract	-
0	The Company	Quan Shun Logistics Co., Ltd.	Parent to subsidiary	Other receivables	5,798	According to the contract	-
0	The Company	Shanghai Lihuang	Parent to subsidiary	Operating revenue	10,675	According to the contract	-
0	The Company	Shanghai Lihuang	Parent to subsidiary	Trade receivables	3,190	According to the contract	-

(Continued)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	The Company	KSA Corp.	Parent to subsidiary	Operating revenue	\$ 17,128	According to the contract	-
0	The Company	KSA Corp.	Parent to subsidiary	Trade receivables	23,903	According to the contract	-
0	The Company	KSA Corp.	Parent to subsidiary	Contract liabilities	9,473	According to the contract	-
1	Shanghai Yikang	The Company	Subsidiary to parent	Operating revenue	119,910	According to the contract	-
1	Shanghai Yikang	The Company	Subsidiary to parent	Trade receivables	25,955	According to the contract	-
1	Shanghai Yikang	Dongguan Hua Gang	Subsidiary to subsidiary	Operating revenue	69,761	According to the contract	-
1	Shanghai Yikang	Dongguan Hua Gang	Subsidiary to subsidiary	Trade receivables	7,335	According to the contract	-
1	Shanghai Yikang	Raycong H.K.	Subsidiary to parent	Operating revenue	12,050	According to the contract	-
1	Shanghai Yikang	Raycong H.K.	Subsidiary to parent	Trade receivables	3,133	According to the contract	-
2	Raycong H.K.	Dongguan Hua Gang	Parent to subsidiaries	Operating revenue	671,140	According to the contract	1.00
2	Raycong H.K.	Dongguan Hua Gang	Parent to subsidiaries	Trade receivables	77,962	According to the contract	-
3	Dongguan Hua Gang	Shanghai Yikang	Subsidiary to subsidiary	Operating revenue	47,536	According to the contract	-
3	Dongguan Hua Gang	Shanghai Yikang	Subsidiary to subsidiary	Trade receivables	11,381	According to the contract	-
3	Dongguan Hua Gang	Shanghai Yikang	Subsidiary to subsidiary	Other income	27	According to the contract	-
3	Dongguan Hua Gang	Shanghai Yikang	Subsidiary to subsidiary	Other receivables	28	According to the contract	-
4	QuanShun Logistics Co., Ltd.	The Company	Subsidiary to parent	Operating revenue	82,090	According to the contract	-
4	QuanShun Logistics Co., Ltd.	The Company	Subsidiary to parent	Trade receivables	24,293	According to the contract	-
4	QuanShun Logistics Co., Ltd.	The Company	Subsidiary to parent	Other receivables	6	According to the contract	-
5	Shenzhen Huaying	Dongguan Hua Gang	Subsidiary to subsidiary	Operating revenue	56,396	According to the contract	-
5	Shenzhen Huaying	Dongguan Hua Gang	Subsidiary to subsidiary	Trade receivables	10,744	According to the contract	-
5	Shenzhen Huaying	Xiamen Hua Chen Da	Parent to subsidiary	Other receivables	8,723	According to the contract	-
5	Shenzhen Huaying	Xiamen Hua Chen Da	Parent to subsidiary	Interest revenue	227	According to the contract	-
6	WL Indonesia	WT Indonesia	Subsidiary to subsidiary	Operating revenue	109,217	According to the contract	-
6	WL Indonesia	WT Indonesia	Subsidiary to subsidiary	Trade receivables	31,390	According to the contract	-
7	KS Corp.	KSA Corp.	Parent to subsidiary	Other receivables	17,628	According to the contract	-
7	KS Corp.	KSA Corp.	Parent to subsidiary	Operating revenue	3,762	According to the contract	-
7	KS Corp.	KSA Corp.	Parent to subsidiary	Interest revenue	153	According to the contract	-

(Concluded)

TABLE 10

WAH LEE INDUSTRIAL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2020[illegible]

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter.

VI. 2020 certified parent-only Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Wah Lee Industrial Corporation

Opinion

We have audited the accompanying parent company only financial statements of Wah Lee Industrial Corporation (the “Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, 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 audit of the parent company only financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the parent company only financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. 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.

The key audit matter identified in the Company’s parent company only financial statements for the year ended December 31, 2020 is discussed as follows:

Occurrence of revenue from specific customers

The operating revenue of the Company for the year ended December 31, 2020 was NT\$33,236,491 thousand, of which the revenue and gross profit from specific customers show significant growth over the past year. In addition, based on the ROC GAAS, revenue recognition is presumed to have a significant risk. Therefore, we considered the occurrence of revenue from specific customers as a key audit matter.

Refer to Note 4 to the parent company only financial statements for the related accounting policy on revenue recognition.

The main audit procedures that we performed to address the occurrence of the revenue from specific customers were as follows:

1. We understood and tested the design and operating effectiveness of the internal controls relevant to shipment and revenue recognition.
2. We verified, on a sampling basis, the occurrence of recorded revenue from specific customers against supporting documents, including shipping and collection documents, and we checked whether the payer is the same as the buyer.

Other Matter

The financial statements of certain investees accounted for using the equity method in the Company's parent company only financial statements for the years ended December 31, 2020 and 2019 were audited by other independent auditors; accordingly, our opinion insofar as it relates to the amounts and information disclosed, is based solely on the reports of other independent auditors.

The carrying values of the investments accounted for using the equity method as of December 31, 2020 and 2019 were NT\$728,537 thousand and NT\$675,514 thousand, respectively, both representing 3% of total parent company only assets; and the amounts of the share of profit of associates for the years ended December 31, 2020 and 2019 were NT\$111,793 thousand and NT\$69,036 thousand, representing 5% and 4% of parent company only profit before income tax, respectively.

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 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 for the year ended December 31, 2020 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 audits resulting in this independent auditors' report are Chiu-Yen Wu and Chen-Li Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2021

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

WAH LEE INDUSTRIAL CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,194,704	4	\$ 792,785	3
Financial assets at fair value through other comprehensive income - current (Notes 4 and 7)	119,600	-	68,900	-
Notes receivable (Notes 4 and 8)	131,614	1	155,804	1
Accounts receivable, net (Notes 4, 5 and 8)	6,534,683	24	5,494,610	23
Accounts receivable - related parties (Notes 4, 5, 8 and 25)	800,694	3	1,014,996	4
Other receivables	42,422	-	26,171	-
Other receivables - related parties (Note 25)	253,266	1	406,900	2
Merchandise (Notes 4, 5 and 9)	1,824,901	7	1,831,530	8
Prepayments for purchases (Note 25)	1,004,155	4	690,345	3
Other current assets	12,136	-	14,113	-
Total current assets	11,918,175	44	10,496,154	44
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	634,098	2	572,981	2
Investments accounted for using the equity method (Notes 4, 10 and 26)	12,812,080	48	11,532,750	48
Property, plant and equipment (Notes 4, 11 and 26)	711,059	3	748,692	3
Right-of-use assets (Notes 4 and 12)	21,427	-	27,335	-
Investment properties (Notes 4, 13 and 26)	436,599	2	417,208	2
Other intangible assets	23,619	-	24,539	-
Deferred tax assets (Notes 4 and 21)	236,455	1	227,274	1
Prepayments for equipment	-	-	109	-
Refundable deposits	54,114	-	49,576	-
Prepayments for investments	10,000	-	-	-
Total noncurrent assets	14,939,451	56	13,600,464	56
TOTAL	\$ 26,857,626	100	\$ 24,096,618	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 4,013,494	15	\$ 3,316,962	14
Contract liabilities - current (Notes 20 and 25)	305,104	1	259,153	1
Notes payable (Note 15)	29,219	-	323,906	1
Notes payable - related parties (Notes 15 and 25)	938	-	201	-
Accounts payables (Note 15)	3,602,416	13	2,873,629	12
Accounts payables - related parties (Notes 15 and 25)	271,663	1	274,755	1
Other payables (Notes 16 and 25)	771,384	3	687,301	3
Current tax liabilities (Note 21)	82,325	-	93,596	-
Lease liabilities - current (Notes 4 and 12)	8,043	-	7,314	-
Current portion of long-term borrowings (Note 14)	433,577	2	32,486	-
Refund liabilities - current	173,956	1	155,819	1
Other current liabilities	15,358	-	11,401	-
Total current liabilities	9,707,477	36	8,036,523	33
NONCURRENT LIABILITIES				
Long-term borrowings (Note 14)	2,785,247	11	3,217,425	13
Provision for employee benefits - noncurrent	14,760	-	14,760	-
Deferred tax liabilities (Notes 4 and 21)	1,155,352	4	1,056,833	5
Lease liabilities - noncurrent (Notes 4 and 12)	13,663	-	20,154	-
Net defined benefit liabilities - noncurrent (Notes 4 and 7)	300,009	1	303,006	1
Guarantee deposits received	3,109	-	3,020	-
Total noncurrent liabilities	4,272,140	16	4,615,198	19
Total liabilities	13,979,617	52	12,651,721	52
EQUITY (Note 19)				
Share Capital	2,313,901	8	2,313,901	10
Capital surplus	1,331,725	5	1,318,065	5
Retained earnings				
Legal reserve	2,228,083	8	2,084,659	9
Special reserve	980,087	4	679,347	3
Unappropriated earnings	6,660,831	25	6,029,012	25
Total retained earnings	9,869,001	37	8,793,018	37
	(2)		(4)	
Other equity	(636,618))	(980,087))
Total equity	12,878,009	48	11,444,897	48
TOTAL	\$ 26,857,626	100	\$ 24,096,618	100

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

WAH LEE INDUSTRIAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 25)	\$ 33,236,491	100	\$ 29,225,800	100
OPERATING COSTS (Notes 9, 20 and 25)	<u>30,967,419</u>	<u>93</u>	<u>27,249,269</u>	<u>93</u>
GROSS PROFIT	2,269,072	7	1,976,531	7
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	(2,234)	-	(22,361)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	<u>22,361</u>	<u>-</u>	<u>28,199</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,289,199</u>	<u>7</u>	<u>1,982,369</u>	<u>7</u>
OPERATING EXPENSES (Notes 8, 20 and 25)				
Selling and marketing expenses	1,265,698	4	1,166,533	4
General and administrative expenses	344,463	1	335,182	1
Expected credit loss	<u>38,697</u>	<u>-</u>	<u>1,081</u>	<u>-</u>
Total operating expenses	<u>1,648,858</u>	<u>5</u>	<u>1,502,796</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>640,341</u>	<u>2</u>	<u>479,573</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 20 and 25)				
Interest income	709	-	1,274	-
Other income	189,594	1	183,140	1
Other gains and losses	(49,813)	-	(1,119)	-
Finance costs	(79,298)	-	(128,708)	(1)
Share of profit of subsidiaries, associates and joint ventures	<u>1,402,936</u>	<u>4</u>	<u>1,071,078</u>	<u>4</u>
Total non-operating income and expenses	<u>1,464,128</u>	<u>5</u>	<u>1,125,665</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	2,104,469	7	1,605,238	6
INCOME TAX EXPENSE (Notes 4 and 21)	<u>245,349</u>	<u>1</u>	<u>189,416</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,859,120</u>	<u>6</u>	<u>1,415,822</u>	<u>5</u>

(Continued)

WAH LEE INDUSTRIAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (4,470)	-	\$ 9,375	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	110,390	-	(114,290)	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	236,698	1	72,454	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	7,804	-	9,797	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive gain (loss) of subsidiaries and associates accounted for using the equity method	28,450	-	(297,317)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(4,571)</u>	<u>-</u>	<u>45,714</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>374,301</u>	<u>1</u>	<u>(274,267)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,233,421</u>	<u>7</u>	<u>\$ 1,141,555</u>	<u>4</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 8.03</u>		<u>\$ 6.12</u>	
Diluted	<u>\$ 7.81</u>		<u>\$ 5.93</u>	

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

			Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity	Subtotal	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	\$ 2,313,901	\$ 1,331,880	\$ 1,950,063	\$ 78,160	\$ 6,070,997	\$ (355,909)	\$ (323,438)	\$ (679,347)	\$ 11,065,654
Appropriation of 2018 earnings									
Legal reserve	-	-	134,596	-	(134,596)	-	-	-	-
Special reserve	-	-	-	601,187	(601,187)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(740,448)	-	-	-	(740,448)
	-	-	134,596	601,187	(1,476,231)	-	-	-	(740,448)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(8,049)	-	-	-	(8,049)
Changes in capital surplus from investments in associates accounted for using the equity method	-	(13,815)	-	-	-	-	-	-	(13,815)
Net profit for the year ended December 31, 2019	-	-	-	-	1,415,822	-	-	-	1,415,822
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	7,550	(251,603)	(30,214)	(281,817)	(274,267)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,423,372	(251,603)	(30,214)	(281,817)	1,141,555
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 7 and 18)	-	-	-	-	(4,652)	-	4,652	4,652	-
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income (Note 18)	-	-	-	-	23,575	-	(23,575)	(23,575)	-
BALANCE AT DECEMBER 31, 2019	2,313,901	1,318,065	2,084,659	679,347	6,029,012	(607,512)	(372,575)	(980,087)	11,444,897
Appropriation of 2019 earnings									
Legal reserve	-	-	143,424	-	(143,424)	-	-	-	-
Special reserve	-	-	-	300,740	(300,740)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(763,587)	-	-	-	(763,587)
	-	-	143,424	300,740	(1,207,751)	-	-	-	(763,587)
Changes in percentage of ownership interests in subsidiaries	-	(846)	-	-	-	-	-	-	(846)
Changes in capital surplus from investments in associates accounted for using the equity method	-	14,506	-	-	(50,382)	-	-	-	(35,876)
Net profit for the year ended December 31, 2020	-	-	-	-	1,859,120	-	-	-	1,859,120
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(2,328)	23,879	352,750	376,629	374,301
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,856,792	23,879	352,750	376,629	2,233,421
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 7 and 18)	-	-	-	-	18,567	-	(18,567)	(18,567)	-
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income (Note 18)	-	-	-	-	14,593	-	(14,593)	(14,593)	-
BALANCE AT DECEMBER 31, 2020	\$ 2,313,901	\$ 1,331,725	\$ 2,228,083	\$ 980,087	\$ 6,660,831	\$ (583,633)	\$ (52,985)	\$ (636,618)	\$ 12,878,009

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

WAH LEE INDUSTRIAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,104,469	\$ 1,605,238
Adjustments for:		
Depreciation expense	58,658	57,015
Amortization expense	6,770	4,868
Expected credit loss	38,697	1,081
Finance costs	79,298	128,708
Interest income	(709)	(1,274)
Dividend income	(16,696)	(12,714)
Share of profit of subsidiaries and associates accounted for using the equity method	(1,402,936)	(1,071,078)
Loss (gain) on disposal of investment for using the equity method	3,371	(1,155)
Impairment loss on non-financial assets	3,785	77,316
Unrealized gain on transactions with subsidiaries	2,234	22,361
Realized gain on transactions with subsidiaries	(22,361)	(28,199)
Net loss (gain) on foreign currency exchange	37,629	(63,486)
Others	(2,375)	(1,804)
Changes in operating assets and liabilities		
Notes receivable	24,190	74,622
Accounts receivable	(1,078,059)	76,560
Accounts receivable - related parties	213,591	58,969
Other receivables	(16,251)	3,408
Other receivables - related parties	113,216	(39,199)
Inventories	2,844	119,231
Prepayments for purchases	(313,810)	(319,171)
Other current assets	1,977	12,217
Contract liabilities	45,951	199,934
Notes payable	(294,687)	(187,559)
Notes payable - related parties	737	(1,347)
Accounts payable	728,787	(673,060)
Accounts payable - related parties	(3,092)	(79,034)
Other payables	93,135	13,574
Refund liabilities	18,137	25,023
Other current liabilities	3,957	(3,470)
Net defined benefit liabilities	(7,467)	(11,507)
Cash generated from (used in) operations	422,990	(13,932)
Interest received	709	1,274
Dividends received	493,329	383,463
Interest paid	(86,910)	(123,865)
Income tax paid	(164,049)	(181,129)
Net cash generated from operating activities	666,069	65,811

(Continued)

WAH LEE INDUSTRIAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (50,000)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	47,285	4,782
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	1,288	-
Purchase of investments accounted for using the equity method	(37,005)	(483,886)
Proceeds from the capital reduction of investments accounted for using equity method	3,000	70,804
Payments for property, plant and equipment	(47,420)	(31,754)
Proceeds from disposal of property, plant and equipment	17,194	1,737
Decrease (increase) in refundable deposits	(4,538)	192
Increase in other intangible assets	(5,850)	(13,403)
Prepayments for investments	<u>(10,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(86,046)</u>	<u>(451,528)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	658,903	336,239
Decrease in short-term bills payable	-	(100,000)
Proceeds from long-term borrowings	8,000,385	6,892,239
Repayment of long-term borrowings	(8,032,912)	(6,131,946)
Increase in guarantee deposits received	89	-
Repayment of the principal portion of lease liabilities	(7,560)	(5,269)
Cash dividends	(763,587)	(740,448)
Acquisition of additional interests in subsidiaries	<u>(33,422)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>(178,104)</u>	<u>250,815</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	401,919	(134,902)
CASH AT THE BEGINNING OF THE YEAR	<u>792,785</u>	<u>927,687</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,194,704</u>	<u>\$ 792,785</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

Wah Lee Industrial Corporation (the “Company”) was incorporated in October 1968, and is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, and computer related manufacturing materials and equipment.

The Company’s shares have been listed and traded on the Taiwan Stock Exchange since July 22, 2002.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized for issue by the Company’s board of directors on March 26, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective immediately upon promulgation by the IASB January 1, 2021

As of the date the parent company only financial statements were authorized for issue, the Company assessed that the application of standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

The subsidiaries and associates or joint venture are incorporated in the parent company only financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on the consolidated financial statements, the effect of the differences between parent company only basis and the consolidated basis are adjusted in the parent company only investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and associates and related equity.

c. Classification of current and noncurrent assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the New Taiwan dollar at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

e. Merchandise

Merchandise is stated at the lower of cost or net realizable value; comparison of cost and net realizable value and recognition of write-downs are made by item. The net realizable value is the estimated selling price of merchandise less all estimated costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method.

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in subsidiaries is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiaries. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate and a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint venture accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Company's parent company only financial statements only to the extent of interests in the associate and joint venture that are not related to the Company.

h. Property, plant, and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when

completed and ready for their intended use.

Freehold land is not depreciated.

Depreciation of property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Impairment of property, plant and equipment and investment properties

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and investment properties to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating unit on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

i Financial assets at amortized cost

25.

26. Financial assets that meet the following conditions are subsequently measured at amortized cost:

27.

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

28.

29. Subsequent to initial recognition, financial assets at amortized cost, including cash, notes and accounts receivable, other receivables, other financial assets, and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

30.

31. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

32.

ii Investments in equity instruments at FVTOCI

33.

34. On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

35.

36. Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

37.

38. Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instruments has not increased significantly since initial recognition, the Company

measures the loss allowance for that financial instruments at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default without taking into account any collateral held by the Company:

- i Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

The Company's financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

1. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from sale of goods

Revenue from sale of goods comes from sales of composite materials, engineering plastic and semiconductor. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

2) Revenue from rendering of services

Commission revenue comes from providing intermediary or agency service to client in the transfer of merchandise to clients' customers. The Company recognizes revenue as control of the goods is transferred to the customer, and the Company has no further obligations to the customer. Other revenue from rendering of services is recognized as the Company fulfills the obligation.

m. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as a lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over

the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of tax jurisdiction.

According to the Income Tax Act of the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

Key sources of estimation uncertainty

a. Estimated impairment of accounts receivable

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Impairment of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 538	\$ 577
Demand deposits	1,192,420	790,423
Checking accounts	<u>1,746</u>	<u>1,785</u>
	<u>\$ 1,194,704</u>	<u>\$ 792,785</u>

The Company interacts with a variety of financial institutions with sound credit ratings to disperse credit risk, hence, there was no expected credit loss.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Current		
Domestic investments in equity instruments		
Listed shares	<u>\$ 119,600</u>	<u>\$ 68,900</u>
Noncurrent		
Domestic investments in equity instruments		
Listed shares	\$ 109,962	\$ 30,808
Unlisted shares	<u>426,667</u>	<u>419,792</u>
	<u>536,629</u>	<u>450,600</u>

(Continued)

	December 31	
	2020	2019
Foreign investments in equity instruments		
Listed shares	\$ 19,956	\$ 30,679
Unlisted shares	<u>77,513</u>	<u>91,702</u>
	<u>97,469</u>	<u>122,381</u>
	<u>\$ 634,098</u>	<u>\$ 572,981</u>
		(Concluded)

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they consider that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

In 2020 and 2019, the Company sold some equity shares in order to manage credit concentration risk. The sold shares had fair values of \$47,285 thousand and \$4,782 thousand, respectively, and their related unrealized valuation gain of \$26,285 thousand and loss of \$4,652 thousand, respectively, were transferred from other equity to retained earnings.

In 2020, Telelynx Inc. has been liquidated, and the Company received the capital reduction of \$1,288 thousand and transferred the unrealized valuation loss of \$7,718 thousand from other equity to retained earnings.

Dividends of \$16,696 thousand and \$12,714 thousand, respectively, recognized in 2020 and 2019 were all related to the investments held at December 31, 2020 and 2019, respectively.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2020	2019
Notes receivable		
Notes receivable - operating	<u>\$ 131,614</u>	<u>\$ 155,804</u>
Accounts receivables - unrelated parties		
At amortized cost		
Gross carrying amount	\$ 6,577,457	\$ 5,502,832
Less: Allowance for impairment loss	<u>42,774</u>	<u>8,222</u>
	<u>\$ 6,534,683</u>	<u>\$ 5,494,610</u>
Accounts receivables - related parties		
At amortized cost		
Gross carrying amount	\$ 801,700	\$ 1,015,291
Less: Allowance for impairment loss	<u>1,006</u>	<u>295</u>
	<u>\$ 800,694</u>	<u>\$ 1,014,996</u>

The main credit period of sales of goods was 60-90 days. No interest was charged on receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable

amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on receivables are estimated using a provision matrix by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off receivables when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation. For receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of receivables as of December 31, 2020 based on the Company's provision matrix.

	Customers without Signs of Default				Customers With Signs of Default	Total
	Not Past Due	Past Due 1-60 Days	Past Due 61-180 Days	Past Due Over 181 days		
Expected credit loss rate (%)	0.1	1-5	10-35	50	100	
Gross carrying amount	\$ 7,143,434	\$ 293,031	\$ 17,925	\$ 52,895	\$ 3,486	\$ 7,510,771
Loss allowance (Lifetime ECL)	<u>(7,648)</u>	<u>(3,470)</u>	<u>(2,729)</u>	<u>(26,447)</u>	<u>(3,486)</u>	<u>(43,780)</u>
Amortized cost	<u>\$ 7,135,786</u>	<u>\$ 289,561</u>	<u>\$ 15,196</u>	<u>\$ 26,448</u>	<u>\$ -</u>	<u>\$ 7,466,991</u>

The following table details the loss allowance of accounts receivable as of December 31, 2019 based on the Company's different customer industry categories.

	Customers without Signs of Default						Customers With Signs of Default	Total
	Flat Panel Display	Information Technology	PCB/Mobo	Semiconductor	Green Energy	Other		
Expected credit loss rate (%)	0.0016	0.0016	0.0016	0.0022	0.0016	0.0290	100	
Gross carrying amount	\$ 1,500,958	\$ 470,954	\$ 525,042	\$ 1,356,460	\$ 92,013	\$ 2,565,799	\$ 6,897	\$ 6,518,123
Loss allowance (Lifetime ECL)	<u>(24)</u>	<u>(8)</u>	<u>(8)</u>	<u>(30)</u>	<u>(2)</u>	<u>(1,548)</u>	<u>(6,897)</u>	<u>(8,517)</u>
Amortized cost	<u>\$ 1,500,934</u>	<u>\$ 470,946</u>	<u>\$ 525,034</u>	<u>\$ 1,356,430</u>	<u>\$ 92,011</u>	<u>\$ 2,564,251</u>	<u>\$ -</u>	<u>\$ 6,509,606</u>

The aging of notes and accounts receivable for the year ended December 31, 2019 based on the past due days from invoice date was as follows:

	December 31, 2019
Up to 90 days	\$ 5,402,451
91-150 days	854,199
151-180 days	81,489
Over 181 days	<u>335,788</u>
	<u>\$ 6,673,927</u>

The movements of the loss allowance of notes receivable and accounts receivable were as follows:

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 8,517	\$ 7,436
Impairment losses recognized	38,697	1,081
Amounts written off	<u>(3,434)</u>	<u>-</u>
Balance at December 31	<u>\$ 43,780</u>	<u>\$ 8,517</u>

9. MERCHANDISE

The costs of inventories recognized in cost of goods sold for the years ended December 31, 2020 and 2019 were \$30,963,508 thousand and \$27,244,873 thousand respectively, which included the following items:

	For the Year Ended December 31	
	2020	2019
Write-downs of inventories	\$ 3,785	\$ 77,316
Others	<u>581</u>	<u>(1,010)</u>
	<u>\$ 4,366</u>	<u>\$ 76,306</u>

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 8,707,554	\$ 7,724,827
Investments in associates	4,100,526	3,807,923
Investment in joint ventures	<u>4,000</u>	<u>-</u>
	<u>\$ 12,812,080</u>	<u>\$ 11,532,750</u>

See table 6 and 7 for the information on investment accounted for using the equity method for the nature of activities and country of incorporation of the associate.

a. Investments in subsidiaries

	December 31			
	2020		2019	
Unlisted Company	Book Value	Percentage of Ownership	Book Value	Percentage of Ownership
Wah Lee Holding Ltd.	\$ 4,184,973	100.00	\$ 3,733,888	100.00
Raycong Industrial (H.K.) Ltd. (Raycong H.K.)	3,453,779	53.69	3,023,029	53.69
Wah Lee Japan Corp. (WL Japan)	4,966	83.33	5,018	83.33
Wah Lee Korea Ltd (WL Korea)	698	100.00	(1,248)	100.00
Okayama Solar Ltd.	-	-	-	-

(Continued)

Unlisted Company	December 31			
	2020		2019	
	Book Value	Percentage of Ownership	Book Value	Percentage of Ownership
Sakuragawa Solar Ltd.	\$ 86,576	99.99	\$ 78,867	99.99
Miyazaki Solar Ltd.	37,440	99.99	33,164	99.99
PT. Wah Lee Indonesia (WL Indonesia)	37,145	70.00	11,758	60.00
Medi H.K.	-	-	-	80.00
Wah Lee Vietnam Co., Ltd. (WL Vietnam)	36,133	100.00	28,312	100.00
QuanShun Logistics Co., Ltd. (QuanShun Logistics)	122,470	63.33	106,501	63.33
Wah Tech Industrial Co., Ltd. (WT Industrial)	197,605	51.00	197,866	51.00
Kingstone Energy Technology Corporation (KS Corp.)	500,767	51.00	487,960	51.00
Wahlee Green Energy Corporation (WL Green Corp.)	1,164	25.00	4,210	25.00
Wah Heng Energy Technology Corp. (WH Energy)	29,901	100.00	-	-
Wah Lee Philippines International Corp. (WL Philippines Corp.)	7,464	99.99	7,755	99.99
Wah Lee Philippines Inc. (WL Philippines Inc.)	<u>6,473</u>	99.99	<u>7,747</u>	99.99
	<u>\$ 8,707,554</u>		<u>\$ 7,724,827</u>	(Concluded)

Note 1: Okayama Solar Ltd. returned cash capital of \$70,804 thousand in February 2019, and has been liquidated in July 2019.

Note 2: The ownership percentage in WL Indonesia increased to 70% due to the subscription of the Company for \$33,422 thousand for additional new shares of WL Indonesia at a percentage different from its existing shareholding proportion in June 2020. As the transaction did not change the control of the Company over WL Indonesia, the Company processed the equity transaction by reducing capital surplus by \$846 thousand.

Note 3: In May 2020, Meidi H.K. has been liquidated.

Note 4: To expand the Company's operations, the Company acquired KS Corp. for \$468,384 thousand in May 2019 and obtained 51% ownership; refer to Note 25 to the consolidated financial statements for 2020.

Note 5: WL Green Corp. had been incorporated by resolution in the shareholders' meeting held in November 2019, and had returned cash capital of \$3,000 thousand. It is in the process of liquidation as of the date the parent company only financial statements were authorized for issue.

Note 6: In July 2020, the Company invested \$30,000 thousand in WH Energy which was established in Taiwan.

Note 7: In September 2019, the Company invested \$7,755 thousand (PHP12,750 thousand) in WL Philippines Corp. which was established in Philippines.

Note 8: In October 2019, the Company invested \$7,747 thousand (PHP12,700 thousand) in WL Philippines Inc. which was established in Philippines.

Note 9: Refer to Note 26 for information relating to investments in subsidiaries pledged as collateral for borrowings.

b. Investments accounted for using the equity method

	December 31	
	2020	2019
Investments in associates		
Material associates		
Chang Wah Electromaterials Inc.	\$ 2,080,267	\$ 1,799,523
Associates that are not individually material	<u>2,020,259</u>	<u>2,008,400</u>
	<u>\$ 4,100,526</u>	<u>\$ 3,807,923</u>

1) Material associates

	Proportion of Ownership and Voting Rights December 31	
Name of Associate	2020	2019
Chang Wah Electromaterials Inc.	30.98%	30.98%

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	December 31	
Name of Associate	2020	2019
Chang Wah Electromaterials Inc.	<u>\$ 6,065,702</u>	<u>\$ 3,532,554</u>

The summarized financial information below represents amounts shown in the financial statements of Chang Wah Electromaterials Inc. prepared for the equity accounting purpose.

	December 31	
	2020	2019
Current assets	\$ 11,117,986	\$ 10,022,351
Noncurrent assets	12,201,685	7,993,130
Current liabilities	(6,282,083)	(5,883,765)
Noncurrent liabilities	<u>(8,122,048)</u>	<u>(4,084,782)</u>
Equity	8,915,540	8,046,934
Non-controlling interests	<u>(2,418,385)</u>	<u>(2,455,979)</u>
	<u>\$ 6,497,155</u>	<u>\$ 5,590,955</u>

(Continued)

	December 31	
	2020	2019
Percentage of ownership held by the Company (%)	30.98	30.98
Equity attributable to the Company	\$ 2,012,840	\$ 1,732,096
Goodwill	<u>67,427</u>	<u>67,427</u>
Carrying amount	<u>\$ 2,080,267</u>	<u>\$ 1,799,523</u> (Concluded)

	For the Year Ended December 31	
	2020	2019
Operating revenue	<u>\$ 16,424,018</u>	<u>\$ 15,464,381</u>
Net profit for the year	\$ 1,362,120	\$ 1,405,855
Other comprehensive income for the year	<u>744,564</u>	<u>101,575</u>
Total comprehensive income for the year	<u>\$ 2,106,684</u>	<u>\$ 1,507,430</u>
Cash dividends received	<u>\$ 249,357</u>	<u>\$ 237,483</u>

As of December 31, 2020 and 2019, the Company's dividends receivable from Chang Wah Electromaterials Inc. were \$51,455 thousand and \$81,140 thousand, respectively.

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Company share of		
Net profit for the year	\$ 197,927	\$ 150,577
Other comprehensive loss for the year	<u>14,121</u>	<u>(40,735)</u>
Total comprehensive income for the year	<u>\$ 212,048</u>	<u>\$ 109,842</u>

- 3) The Company purchased 156 thousand shares of Wah Hong Industrial Corp. from the open market in the amount of \$3,005 thousand. The shareholdings in Wah Hong Industrial Corp. had increased from 26.11% to 26.67%.

c. Investment in joint ventures - only as of December 31, 2020

	Amount
Individual non-significant joint ventures	<u>\$ 4,000</u>

The Company signed a joint venture agreement with a Japanese company in December 2020 to jointly establish ORC Electrical Machinery Co., Ltd. (ORC Co.). According to the joint venture agreement, the Company invested \$4,000 thousand to obtain 40% of the equity, and the two parties jointly led the operating activities of ORC Co.

11. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2020

	Freehold Land	Buildings	Power Generation Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 429,363	\$ 298,869	\$ 500,727	\$ 49,595	\$ 1,278,554
Additions	-	1,575	45,954	-	47,529
Reclassified	(16,020)	(11,769)	-	-	(27,789)
Disposals	<u>-</u>	<u>-</u>	<u>(19,978)</u>	<u>(549)</u>	<u>(20,527)</u>
Balance at December 31, 2020	<u>\$ 413,343</u>	<u>\$ 288,675</u>	<u>\$ 526,703</u>	<u>\$ 49,046</u>	<u>\$ 1,277,767</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 136,349	\$ 348,982	\$ 44,531	\$ 529,862
Depreciation expense	-	5,392	40,521	1,526	47,439
Reclassified	-	(4,885)	-	-	(4,885)
Disposals	<u>-</u>	<u>-</u>	<u>(5,159)</u>	<u>(549)</u>	<u>(5,708)</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 136,856</u>	<u>\$ 384,344</u>	<u>\$ 45,508</u>	<u>\$ 566,708</u>
Carrying amount at December 31, 2020	<u>\$ 413,343</u>	<u>\$ 151,819</u>	<u>\$ 142,359</u>	<u>\$ 3,538</u>	<u>\$ 711,059</u>

For the year ended December 31, 2019

	Freehold Land	Buildings	Power Generation Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2019	\$ 429,363	\$ 298,371	\$ 479,481	\$ 51,726	\$ 1,258,941
Additions	-	498	42,792	2,755	46,045
Disposals	<u>-</u>	<u>-</u>	<u>(21,546)</u>	<u>(4,886)</u>	<u>(26,432)</u>
Balance at December 31, 2019	<u>\$ 429,363</u>	<u>\$ 298,869</u>	<u>\$ 500,727</u>	<u>\$ 49,595</u>	<u>\$ 1,278,554</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ -	\$ 130,290	\$ 329,852	\$ 48,004	\$ 508,146
Depreciation expense	-	6,059	40,676	1,413	48,148
Disposals	<u>-</u>	<u>-</u>	<u>(21,546)</u>	<u>(4,886)</u>	<u>(26,432)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 136,349</u>	<u>\$ 348,982</u>	<u>\$ 44,531</u>	<u>\$ 529,862</u>
Carrying amount at December 31, 2019	<u>\$ 429,363</u>	<u>\$ 162,520</u>	<u>\$ 151,745</u>	<u>\$ 5,064</u>	<u>\$ 748,692</u>

- a. Reconciliation of the additions to property, plant and equipment and the cash paid stated in the statements of cash flows is as follows:

	For the Year Ended December 31	
	2020	2019
Additions to property, plant and equipment	\$ 47,529	\$ 46,045
Decrease in prepayments for equipment	<u>(109)</u>	<u>(14,291)</u>
Cash paid	<u>\$ 47,420</u>	<u>\$ 31,754</u>

- b. Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	
Office	41-61 years
Office interior decoration	5-6 years
Power generation equipment	
Cylinder	5-9 years
Warehouse	8 years
Other	4-15 years
Others	6-11 years

- c. Refer to Note 26 for the carrying amount of property, plant and equipment pledged as collateral for borrowings.

12. LEASE ARRANGEMENTS

- a. Right-of-use assets

For the year ended December 31, 2020

	Buildings	Transportation Equipment	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 27,307	\$ 4,022	\$ 31,329
Additions	<u>-</u>	<u>1,798</u>	<u>1,798</u>
Balance at December 31, 2020	<u>\$ 27,307</u>	<u>\$ 5,820</u>	<u>\$ 33,127</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ 3,568	\$ 426	\$ 3,994
Depreciation expense	<u>6,116</u>	<u>1,590</u>	<u>7,706</u>
Balance at December 31, 2020	<u>\$ 9,684</u>	<u>\$ 2,016</u>	<u>\$ 11,700</u>
Carrying amount at December 31, 2020	<u>\$ 17,623</u>	<u>\$ 3,804</u>	<u>\$ 21,427</u>

For the year ended December 31, 2019

	Buildings	Transportation Equipment	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ -	\$ -	\$ -
Adjustments on initial application of IFRS 16	<u>6,981</u>	<u>-</u>	<u>6,981</u>
Balance at January 1, 2019 (adjusted)	6,981	-	6,981
Additions	27,307	4,022	31,329
Lease modification	<u>(6,981)</u>	<u>-</u>	<u>(6,981)</u>
Balance at December 31, 2019	<u>\$ 27,307</u>	<u>\$ 4,022</u>	<u>\$ 31,329</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ -	\$ -	\$ -
Depreciation expense	5,043	426	5,469
Lease modification	<u>(1,475)</u>	<u>-</u>	<u>(1,475)</u>
Balance at December 31, 2019	<u>\$ 3,568</u>	<u>\$ 426</u>	<u>\$ 3,994</u>
Carrying amount at December 31, 2019	<u>\$ 23,739</u>	<u>\$ 3,596</u>	<u>\$ 27,335</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	<u>\$ 8,043</u>	<u>\$ 7,314</u>
Noncurrent	<u>\$ 13,663</u>	<u>\$ 20,154</u>

Range of discount rate (%) for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.80	1.80
Transportation equipment	0.98-1.80	1.80

c. Material leasing activities and terms

The Company leases abovementioned subjects for the use of warehouse and transportation equipment with remaining lease terms of 2 to 4 years, which will expire before or in June 2024. The Company does not have bargain purchase options to acquire the leasehold subjects at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 55,007</u>	<u>\$ 52,931</u>
Expenses relating to low-value asset leases	<u>\$ 1,877</u>	<u>\$ 911</u>
Total cash outflow for leases	<u>\$ 64,873</u>	<u>\$ 59,443</u>

The Company's leases of certain subjects qualify as short-term or low-value asset leases, and the Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INVESTMENT PROPERTY

For the year ended December 31, 2020

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 252,392	\$ 173,307	\$ 425,699
Reclassified	<u>16,020</u>	<u>11,769</u>	<u>27,789</u>
Balance at December 31, 2020	<u>\$ 268,412</u>	<u>\$ 185,076</u>	<u>\$ 453,488</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 8,491	\$ 8,491
Depreciation expense	-	3,513	3,513
Reclassified	<u>-</u>	<u>4,885</u>	<u>4,885</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 16,889</u>	<u>\$ 16,889</u>
Carrying amount at December 31, 2020	<u>\$ 268,412</u>	<u>\$ 168,187</u>	<u>\$ 436,599</u>

For the year ended December 31, 2019

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019 and December 31, 2019	<u>\$ 252,392</u>	<u>\$ 173,307</u>	<u>\$ 425,699</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ -	\$ 5,093	\$ 5,093
Depreciation expense	<u>-</u>	<u>3,398</u>	<u>3,398</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 8,491</u>	<u>\$ 8,491</u>
Carrying amount at December 31, 2019	<u>\$ 252,392</u>	<u>\$ 164,816</u>	<u>\$ 417,208</u>

The abovementioned investment properties are units of land and buildings located in Hsinchu County and leased under operating leases to subsidiaries with lease terms which will expire from June 2021 to June 2025. Lessees do not have bargain purchase options to acquire the leasehold subjects at the end of the lease terms.

The maturity analysis of lease payments receivable under non-cancellable operating leases of investment properties was as follows:

	December 31	
	2020	2019
Within 1 year	\$ 8,384	\$ 7,818
More than 1 year but not more than 5 years	<u>3,004</u>	<u>-</u>
	<u>\$ 11,388</u>	<u>\$ 7,818</u>

All of the Company's investment properties are held under freehold interests, buildings are depreciated using the straight-line method over their estimated useful life of 51 years; for the carrying amount of investment properties pledged as collateral for borrowing, refer to Note 26.

The fair value of the Company's investment properties was around \$500 million as of December 31, 2020 and 2019. The fair value of the land and buildings was not valued by independent valuer; the Company's management determined the fair value with reference to the replacement cost of similar properties in the vicinity of the Company's investment properties.

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Unsecured borrowings	<u>\$ 4,013,494</u>	<u>\$ 3,316,962</u>
Annual interest rate (%)	0.50-2.67	0.50-2.78

b. Long-term borrowings

	December 31	
	2020	2019
Unsecured borrowings		
Syndicated bank loans (Note 1)	\$ 1,799,823	\$ 1,799,438
Less: Syndicated loan fee	<u>4,320</u>	<u>5,760</u>
	1,795,503	1,793,678
Bank loans (Note 2)	<u>900,000</u>	<u>900,000</u>
	2,695,503	2,693,678
Secured borrowings (Note 26)		
Bank loans	<u>523,321</u>	<u>556,233</u>
	3,218,824	3,249,911
Less: Current portion	<u>433,577</u>	<u>32,486</u>
	<u>\$ 2,785,247</u>	<u>\$ 3,217,425</u>
Annual interest rate (%)		
Syndicated bank loans	0.66	0.66
Bank loans	0.87-1.43	0.94-1.68

(Continued)

	December 31	
	2020	2019
Expiration period		
Syndicated bank loans	2024.01	2024.01
Bank loans	2021.02-2037.06	2021.03-2037.06 (Concluded)

Note 1: The Company signed a syndicated loan agreement with eleven banks led by Bank of Taiwan in December 2018. The main contents of the syndicated loan agreement are as follows:

- 1) The total amount of syndicated bank loans is \$3.6 billion, which is a medium-term cyclical loan and commercial paper issued with insurance quotation. The term of the loan is 5 years from the initial drawdown date (January 2019). Fractional reserve and debt recycling is available within the total amount of syndicated loans.
- 2) Pursuant to the bank loan agreement, the Company should maintain certain financial ratios which should be calculated based on audited annual consolidated financial statements. The Company had met the requirement as of December 31, 2020 and 2019.

Note 2: Pursuant to certain bank loan agreements, the Company should maintain certain financial ratios which should be calculated based on audited annual and unreviewed semiannual consolidated financial statements. The Company had met the requirement as of December 31, 2020 and 2019.

15. NOTES PAYABLE AND ACCOUNTS PAYABLE

Notes payable and accounts payable (including related parties) are mainly related to operating activities. Trading conditions are negotiated separately. The Company has formulated a financial risk management policy, in order to ensure all payables are paid within the pre-agreed credit period; therefore, no interest is required.

16. OTHER PAYABLES

	December 31	
	2020	2019
Payable for salaries or bonuses	\$ 378,312	\$ 306,455
Payable for employees' compensation and remuneration to directors	237,733	222,010
Payable for commission	53,074	48,406
Payable for freight fee	20,036	18,173
Payable for insurance premium	19,287	17,325
Others	<u>62,942</u>	<u>74,932</u>
	<u>\$ 771,384</u>	<u>\$ 687,301</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 8% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 399,857	\$ 413,936
Fair value of plan assets	<u>(99,848)</u>	<u>(110,930)</u>
Net defined benefit liability	<u>\$ 300,009</u>	<u>\$ 303,006</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 441,559</u>	<u>\$ (117,671)</u>	<u>\$ 323,888</u>
Service cost			
Current service cost	2,722	-	2,722
Past service cost	(566)	-	(566)
Net interest expense (income)	<u>3,241</u>	<u>(915)</u>	<u>2,326</u>
Recognized in profit or loss	<u>5,397</u>	<u>(915)</u>	<u>4,482</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,255)	(4,255)
Actuarial loss - changes in financial assumptions	3,650	-	3,650

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Actuarial gain - changes in demographic assumptions	\$ (12)	\$ -	\$ (12)
Actuarial gain - experience adjustments	<u>(8,758)</u>	<u>-</u>	<u>(8,758)</u>
Recognized in other comprehensive income	<u>(5,120)</u>	<u>(4,255)</u>	<u>(9,375)</u>
Contributions from the employer	<u>-</u>	<u>(12,093)</u>	<u>(12,093)</u>
Benefits paid	<u>(27,900)</u>	<u>24,004</u>	<u>(3,896)</u>
Balance at December 31, 2019	<u>413,936</u>	<u>(110,930)</u>	<u>303,006</u>
Service cost			
Current service cost	2,201	-	2,201
Past service cost	(42)	-	(42)
Net interest expense (income)	<u>2,623</u>	<u>(741)</u>	<u>1,882</u>
Recognized in profit or loss	<u>4,782</u>	<u>(741)</u>	<u>4,041</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,873)	(3,873)
Actuarial loss - changes in financial assumptions	11,720	-	11,720
Actuarial gain - experience adjustments	<u>(3,377)</u>	<u>-</u>	<u>(3,377)</u>
Recognized in other comprehensive income	<u>8,343</u>	<u>(3,873)</u>	<u>4,470</u>
Contributions from the employer	<u>-</u>	<u>(11,508)</u>	<u>(11,508)</u>
Benefits paid	<u>(27,204)</u>	<u>27,204</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 399,857</u>	<u>\$ (99,848)</u>	<u>\$ 300,009</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate (%)	0.30	0.65
Expected rate of salary increase (%)	2.00	2.00

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	<u>\$ (8,425)</u>	<u>\$ (9,008)</u>
0.25% decrease	<u>\$ 8,711</u>	<u>\$ 9,319</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 8,542</u>	<u>\$ 9,170</u>
0.25% decrease	<u>\$ (8,307)</u>	<u>\$ (8,913)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 26,354</u>	<u>\$ 27,009</u>
The average duration of the defined benefit obligation	8 years	8 years

18. EQUITY

a. Share Capital

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>
Amount of authorized shares	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

(Continued)

	December 31	
	2020	2019
Number of issued and fully paid shares (in thousands)	<u>231,390</u>	<u>231,390</u>
Amounts of issued and fully paid shares	<u>\$ 2,313,901</u>	<u>\$ 2,313,901</u> (Concluded)

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends. Based on the Company's articles of incorporation (the "Articles"), part of authorized shares can be issued as preferred shares.

b. Capital surplus

	December 31	
	2020	2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Issuance of share capital	\$ 1,160,519	\$ 1,160,519
Difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	-	29
<u>May be used only to offset a deficit</u>		
Donations	11,867	11,867
Expired share options	22,374	22,374
Share of changes in capital surplus of associates	21,755	22,572
<u>May not be used for any purpose</u>		
Share of changes in capital surplus of associates	<u>115,210</u>	<u>100,704</u>
	<u>\$ 1,331,725</u>	<u>\$ 1,318,065</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, except when the accumulated amount of such legal reserve equals to the Company's total issued capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The common share dividends will be distributed after the distribution of preferred share dividends based on the Articles.

The dividend policy of the Company is based on the current and future development plans, investment environment, capital requirements and competition in the domestic and foreign markets, as well as the benefits of shareholders, etc. The dividends to shareholders shall be not less than 10% of the distributable earnings each year, but if the distributable earnings is less than 1% of the Company's paid-in capital, the Company should not make appropriation for dividends. The dividends to shareholders can be paid in cash or/and issued shares, but cash dividends shall be not less than 50% of the total dividends.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. On the first-time adoption of IFRSs, the Company appropriated to the special reserve \$72,302 thousand.

The appropriations of earnings for 2019 and 2018 had been approved in the shareholders' meetings in May 2020 and 2019, respectively; the amounts were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	\$ 143,424	\$ 134,596		
Special reserve	300,740	601,187		
Cash dividends to shareholders	<u>763,587</u>	<u>740,448</u>	\$ 3.3	\$ 3.2
	<u>\$ 1,207,751</u>	<u>\$ 1,476,231</u>		

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 26, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	<u>\$ 183,957</u>	
Special reserve	<u>\$ (343,469)</u>	
Cash dividends to shareholders	<u>\$ 925,561</u>	\$ 4.0

The Company's board of directors also proposed to transfer the amount of \$46,278 thousand from capital surplus to share capital, issue share dividend equivalent to \$0.2 per share, and increase capital by 4,628 thousand new ordinary shares.

The appropriations of earnings for 2020 and capital surplus transferred to share capital are subject to the resolution in the shareholders' meeting to be held on May 28, 2021.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (607,512)	\$ (355,909)
Recognized for the year		
Share from associates accounted for using the equity method	25,079	(296,162)
Income tax	(4,571)	45,714
Reclassification adjustment		
Disposal of foreign operations	<u>3,371</u>	<u>(1,155)</u>
Balance at December 31	<u>\$ (583,633)</u>	<u>\$ (607,512)</u>

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (372,575)	\$ (323,438)
Recognized for the year		
Unrealized gain (loss) - equity instruments	110,390	(114,290)
Share from associates accounted for using the equity method	235,449	72,404
Income tax	6,911	11,672
Cumulative unrealized loss (gain) of equity instruments transferred to retained earnings due to disposal		
Equity instruments of the Company	(18,567)	4,652
Share from associates accounted for using the equity method	<u>(14,593)</u>	<u>(23,575)</u>
Balance at December 31	<u>\$ (52,985)</u>	<u>\$ (372,575)</u>

39. 19. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	\$ 33,183,310	\$ 29,167,524
Other operating revenue	<u>53,181</u>	<u>58,276</u>
	<u>\$ 33,236,491</u>	<u>\$ 29,225,800</u>

Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable	\$ 131,614	\$ 155,804	\$ 230,426
Accounts receivable, net (including related parties)	<u>7,335,377</u>	<u>6,509,606</u>	<u>6,646,216</u>
	<u>\$ 7,466,991</u>	<u>\$ 6,665,410</u>	<u>\$ 6,876,642</u>
Contract liabilities			
Sale of goods	<u>\$ 305,104</u>	<u>\$ 259,153</u>	<u>\$ 59,219</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the date the Company fulfills its performance obligation and the date the customer's payment is received. There are no significant changes for the years ended December 31, 2020 and 2019.

Revenue in the reporting period recognized from the beginning contract liabilities is as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Sale of goods	<u>\$ 257,919</u>	<u>\$ 59,219</u>

20. NET PROFIT

The details of net profit were as follows:

a. Other income (Note 25)

	<u>For the Year Ended December 31</u>	
	2020	2019
Rental income	\$ 39,300	\$ 34,084
Dividends	16,696	12,714
Consulting service income	118,243	110,241
Others	<u>15,355</u>	<u>26,101</u>
	<u>\$ 189,594</u>	<u>\$ 183,140</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2020	2019
Foreign exchange gain (loss), net	\$ (33,407)	\$ 10,475
Others	<u>(16,406)</u>	<u>(11,594)</u>
	<u>\$ (49,813)</u>	<u>\$ (1,119)</u>

c. Financial costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 77,429	\$ 125,496
Syndicated loan fee amortization	1,440	2,880
Interest on lease liabilities	<u>429</u>	<u>332</u>
	<u>\$ 79,298</u>	<u>\$ 128,708</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 47,439	\$ 48,148
Right-of-use assets	7,706	5,469
Investment property	3,513	3,398
Intangible assets	<u>6,770</u>	<u>4,868</u>
	<u>\$ 65,428</u>	<u>\$ 61,883</u>
An analysis of depreciation by function		
Operating costs	\$ 632	\$ 390
Operating expenses	54,513	53,227
Non-operating income and expenses	<u>3,513</u>	<u>3,398</u>
	<u>\$ 58,658</u>	<u>\$ 57,015</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 6,770</u>	<u>\$ 4,868</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ <u>881,204</u>	\$ <u>817,007</u>
Post-employment benefits (Note 17)		
Defined contribution plans	18,239	18,073
Defined benefit plans	<u>4,041</u>	<u>4,482</u>
	<u>22,280</u>	<u>22,555</u>
	<u>\$ 903,484</u>	<u>\$ 839,562</u>

f. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at the rates between 9% and 13% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 26, 2021 and March 25, 2020, were as follows:

	For the Year Ended December 31			
	2020		2019	
	Withdrawal Rate (%)	Amount	Withdrawal Rate (%)	Amount
Compensation of employees paid in cash	9	\$ 210,798	11	\$ 200,997
Remuneration of directors paid in cash	1.15	26,935	1.15	21,013

If there is a change in the proposed amounts after the annual parent company only financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAX

- a. The major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 145,955	\$ 147,304
Income tax on unappropriated earnings	11,325	13,829
Adjustments for prior years	<u>(4,502)</u>	<u>4,769</u>
	152,778	165,902
Deferred tax		
In respect of the current year	<u>92,571</u>	<u>23,514</u>
	<u>\$ 245,349</u>	<u>\$ 189,416</u>

The reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	<u>\$ 2,104,469</u>	<u>\$ 1,605,238</u>
Income tax expense calculated at the statutory rate 20%	\$ 420,894	\$ 321,048
Nondeductible expenses in determining taxable income	199	24
Domestic investment income	(111,110)	(104,313)
No recognize the taxable temporary differences associated with investments in subsidiaries	(74,138)	(50,703)
Income tax on unappropriated earnings	11,325	13,829
Adjustments for prior years	(4,502)	4,769
Nondeductible withholding tax	<u>2,681</u>	<u>4,762</u>
	<u>\$ 245,349</u>	<u>\$ 189,416</u>

As the status of appropriations of earnings for 2021 is uncertain, the potential income tax consequences of the 2020 unappropriated earnings are not reliably determinable.

- b. Income tax benefit recognized directly in equity - only for the year ended December 31, 2019

	Amount
Deferred tax benefit	
Disposal parts of subsidiaries' equity	\$ <u>2,012</u>

- c. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax benefit		
In respect of the current year		
Unrealized loss on financial assets at FVTOCI	\$ 6,911	\$ 11,672
Remeasurement on defined benefit plan	893	(1,875)
Translation of foreign operations	<u>(4,571)</u>	<u>45,714</u>
	<u>\$ 3,233</u>	<u>\$ 55,511</u>

- d. Current tax liabilities

	December 31	
	2020	2019
Income tax payable	<u>\$ 82,325</u>	<u>\$ 93,596</u>

- e. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Retained Earnings	Recognized in Other Comprehensive Income	Closing Balance
Deferred Tax Assets					
Temporary differences					
Provision for loss on inventories	\$ 23,724	\$ (3,302)	\$ -	\$ -	\$ 20,422
Unpaid bonuses	50,398	14,034	-	-	64,432
Refund liabilities	31,164	3,627	-	-	34,791
Defined benefit obligations	60,601	(1,492)	-	893	60,002
Foreign operations loss and exchange differences	36,511	(4,655)	-	3,987	35,843
Others	<u>24,876</u>	<u>(5,840)</u>	<u>-</u>	<u>1,929</u>	<u>20,965</u>
	<u>\$ 227,274</u>	<u>\$ 2,372</u>	<u>\$ -</u>	<u>\$ 6,809</u>	<u>\$ 236,455</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Retained Earnings	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Liabilities</u>					
Temporary differences					
Foreign operations income and exchange differences	\$ 1,046,988	\$ 95,044	\$ -	\$ 3,576	\$ 1,145,608
Others	<u>9,845</u>	<u>(101)</u>	<u>-</u>	<u>-</u>	<u>9,744</u>
	<u>\$ 1,056,833</u>	<u>\$ 94,943</u>	<u>\$ -</u>	<u>\$ 3,576</u>	<u>\$ 1,155,352</u>
					(Concluded)

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Retained Earnings	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Provision for loss on inventories	\$ 10,486	\$ 13,238	\$ -	\$ -	\$ 23,724
Unpaid bonuses	38,827	11,571	-	-	50,398
Refund liabilities	26,159	5,005	-	-	31,164
Defined benefit obligations	64,777	(2,301)	-	(1,875)	60,601
Foreign operations loss and exchange differences	29,405	(2,147)	-	9,253	36,511
Others	<u>26,257</u>	<u>(1,381)</u>	<u>-</u>	<u>-</u>	<u>24,876</u>
	<u>\$ 195,911</u>	<u>\$ 23,985</u>	<u>\$ -</u>	<u>\$ 7,378</u>	<u>\$ 227,274</u>
<u>Deferred Tax Liabilities</u>					
Temporary differences					
Foreign operations income and exchange differences	\$ 1,046,986	\$ 50,147	\$ (2,012)	\$ (48,133)	\$ 1,046,988
Others	<u>12,493</u>	<u>(2,648)</u>	<u>-</u>	<u>-</u>	<u>9,845</u>
	<u>\$ 1,059,479</u>	<u>\$ 47,499</u>	<u>\$ (2,012)</u>	<u>\$ (48,133)</u>	<u>\$ 1,056,833</u>

- f. Deductible temporary differences for which no deferred tax assets have been recognized in the parent company only balance sheets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Evaluation loss of foreign investments	<u>\$ 116,383</u>	<u>\$ 116,383</u>

- g. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$1,173,920 thousand and \$803,232 thousand.

- h. Income tax assessments

The income tax returns of the Company through 2018 has been assessed by the tax authorities.

22. EARNINGS PER SHARE (EPS)

Earnings and weighted average number of shares outstanding used in the computation of EPS were as follows:

- a. Net profit for the year attributable to the owners of the Company

	For the Year Ended December 31	
	2020	2019
Earnings used in the computation to basic/diluted EPS	<u>\$ 1,859,120</u>	<u>\$ 1,415,822</u>

- b. Weighted average number of shares outstanding (in thousands)

	For the Year Ended December 31	
	2020	2019
Weighted average number of shares outstanding used in computation of basic EPS	231,390	231,390
Effect of potentially dilutive shares		
Employees' compensation	<u>6,768</u>	<u>7,503</u>
Weighted average number of shares outstanding used in computation of diluted EPS	<u>238,158</u>	<u>238,893</u>

The Company offers to settle the employees' compensation in cash or shares; thus, the Company assumes the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. CAPITAL MANAGEMENT

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt and equity.

The key management personnel of the Company periodically reviews the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

The Company is not subject to any externally imposed capital requirements, except those discussed in Note 14.

24. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments not measured at fair value

The management of the Company considered the carrying amount of financial assets and financial liabilities that are not measured at fair value as approximate amount of their fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 154,071	\$ 75,491	\$ -	\$ 229,562
Unlisted shares	-	-	504,180	504,180
Foreign listed shares	<u>19,956</u>	<u>-</u>	<u>-</u>	<u>19,956</u>
	<u>\$ 174,027</u>	<u>\$ 75,491</u>	<u>\$ 504,180</u>	<u>\$ 753,698</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 99,708	\$ -	\$ -	\$ 99,708
Unlisted shares	-	-	511,494	511,494
Foreign listed shares	<u>30,679</u>	<u>-</u>	<u>-</u>	<u>30,679</u>
	<u>\$ 130,387</u>	<u>\$ -</u>	<u>\$ 511,494</u>	<u>\$ 641,881</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial assets

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 511,494	\$ 569,293
Disposal	(1,288)	-
Recognized in other comprehensive income	<u>(6,026)</u>	<u>(57,799)</u>
Balance at December 31	<u>\$ 504,180</u>	<u>\$ 511,494</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

The emerging market shares' fair value is assessed by reference to the transaction price supported by observable market prices.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of the unlisted shares held by the Company is measured by using the market approach based on the price-book ratio of the comparable companies or by the latest net value of the investees.

c. Categories of financial instruments

	December 31	
	2020	2019
<hr/>		
Financial assets		
<hr/>		
Financial assets at FVTOCI		
Equity instruments	\$ 753,698	\$ 641,881
Measured at amortized cost (Note 1)	9,011,497	7,940,842
<hr/>		
Financial liabilities		
<hr/>		
Measured at amortized cost (Note 2)	11,911,047	10,729,685

Note 1: Including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), other financial assets and refundable deposits, etc.

Note 2: Including short-term borrowings, short-term bills payable, notes payable (including related parties), accounts payable (including related parties), other payables (including related parties), long-term borrowings (including current portion) and guarantee deposits received, etc.

d. Financial risk management objectives and policies

The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Company's activities expose it primarily to the financial risks as follows:

a) Foreign currency risk

The Company had foreign currency trades, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Company was mainly exposed to the USD.

The sensitivity rate used when reporting foreign currency risk internally to key management personnel is 1%. The sensitivity analysis included only the outstanding foreign currency denominated monetary items at the balance sheet date. Had the functional currency weakened (strengthened) by 1% against the USD, the pre-tax profit for the years ended December 31, 2020 and 2019 would have been higher (lower) by \$1,362 thousand and \$2,722 thousand, respectively.

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial liabilities	\$ 3,871,566	\$ 2,848,992
Cash flow interest rate risk		
Financial assets	1,192,420	790,423
Financial liabilities	3,382,458	3,745,349

Sensitivity analysis

The sensitivity analysis below shows the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have been lower/higher by \$21,900 thousand and \$29,549 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits and borrowings.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities and mutual funds. The Company manages this exposure by maintaining a portfolio of investments with different risks. The Company's equity price risk was mainly concentrated on equity instruments of unlisted shares.

Sensitivity analysis

The sensitivity analysis below shows the exposure to equity price risk had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have been higher/lower by \$7,537 thousand and \$6,419 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. At the end of the reporting period, the Company's maximum exposure to credit risk could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantees provided by the Company.

The Company adopted a policy of only dealing with creditworthy counterparties and uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by setting credit limits of counterparties annually.

The concentration of credit risk was limited due to the fact that the customer base was large and unrelated.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Liquidity risk tables for non-derivative financial liabilities

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, liabilities with a repayment on demand clause were included in the earliest time band regardless of the probability of the counterparties choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the year.

	Less than 1 Year	1-5 Years	5-10 Years	10-20 Years	Total
<u>December 31, 2020</u>					
Non-interest bearing liabilities	\$ 4,675,620	\$ 3,109	\$ -	\$ -	\$ 4,678,729
Variable interest rate liabilities	2,902,529	163,362	204,203	171,651	3,441,745
Lease liabilities	8,344	13,911	-	-	22,255
Fixed interest rate liabilities	2,079,165	1,818,464	-	-	3,897,629
Financial guarantee contracts	<u>2,230,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,230,636</u>
	<u>\$ 11,896,294</u>	<u>\$ 1,998,846</u>	<u>\$ 204,203</u>	<u>\$ 171,651</u>	<u>\$ 14,270,994</u>

(Continued)

	Less than 1 Year	1-5 Years	5-10 Years	10-20 Years	Total
December 31, 2019					
Non-interest bearing liabilities	\$ 4,159,792	\$ 3,020	\$ -	\$ -	\$ 4,162,812
Variable interest rate liabilities	2,549,414	868,960	210,865	216,617	3,845,856
Lease liabilities	7,736	20,685	-	-	28,421
Fixed interest rate liabilities	859,095	2,071,005	-	-	2,930,100
Financial guarantee contracts	<u>2,108,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,108,189</u>
	<u>\$ 9,684,226</u>	<u>\$ 2,963,670</u>	<u>\$ 210,865</u>	<u>\$ 216,617</u>	<u>\$ 13,075,378</u> (Concluded)

The amounts included above for financial guarantee contracts were the maximum amounts the Company could be required to settle under the arrangement with an option to demand the full guaranteed amount if that amount is claimed by the counterparty of the financial guarantee contract. Based on expectations at the end of the year, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

The amounts included above for variable interest rate non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates at the end of the year.

25. RELATED PARTY TRANSACTIONS

The transactions between the Company and related parties were disclosed as follows:

a. Name of related parties and relation

Related Parties	Relation with the Company
Raycong Industrial (Hong Kong) Limited	Subsidiary
Shanghai Yikang Chemicals & Industries Co. Ltd.	Subsidiary
Dongguan Huagang International Trading Co. Ltd.	Subsidiary
Quanshun Logistic Co. Ltd.	Subsidiary
Lihouang Medical Devices (Shanghai) Co. Ltd.	Subsidiary
Xiamen Hua Chen Da Logistic Co. Ltd.	Subsidiary
WL Indonesia	Subsidiary
WL Vietnam	Subsidiary
WT Industrial	Subsidiary
Wah Lee Tech (Singapore) Pte. Ltd.	Subsidiary
Regent King International Limited	Subsidiary
Shanghai Yadi International Trading Co. Ltd.	Subsidiary
Kingstone Energy Technology Corporation	Subsidiary
KSA Energy Corporation	Subsidiary
Wah Lee Green Energy Corporation	Subsidiary (associate company before May 2019)
Chang Wah Electromaterials Inc.	Associate
Nagase Wahlee Plastics Corp.	Associate
Wah Hong Industrial Corp.	Associate
ORC Technology Corp.	Associate
Shanghai Hua Chang Trading Co. Ltd.	Associate
Eco Energy Corporation	Associate
Chang Wah Technology Co. Ltd.	Associate's subsidiary

(Continued)

Related Parties	Relation with the Company
SIP Chang Hong Optoelectronics Ltd.	Associate's subsidiary
Sun Hong Optronics Ltd.	Associate's subsidiary
Xiamen G&H Electronics Co., Ltd.	Associate's subsidiary
Ningpo Changhong Optoelectronics Ltd.	Associate's subsidiary
Qingdao Changhong Optoelectronics Ltd.	Associate's subsidiary
Wah Ma Chemical Sdn. Bhd.	Associate's subsidiary
PT. Wah Hong Indonesia	Associate's subsidiary
Suzhou Shanji Photoelectric Co., Ltd.	Associate's subsidiary (since April 2019)
Bao Guang Investment Co. Ltd.	Key management personnel (Director of the company)
Daily Polymer Corp.	Other related party
Asahi Kasei Wah Lee Hi-tech Corp.	Other related party
JingYi Technology Co.	Other related party
Forcera Materials Co. Ltd.	Other related party
Eleocom Co., Ltd.	Other related party (has been incorporated since April 2020)
Taigene Biotechnology Co., Ltd.	Other related party
Minima Co., Ltd.	Other related party
Sin Hao Co., Ltd.	Other related party
Raycon Industries Inc.	Other related party
	(Concluded)

b. Operating transactions

1) Sales of goods

Related Party Category	For the Year Ended December 31	
	2020	2019
Subsidiaries	\$ 3,069,435	\$ 3,178,821
Associates and their subsidiaries	328,342	292,729
Other related parties	<u>15,580</u>	<u>17,811</u>
	<u>\$ 3,413,357</u>	<u>\$ 3,489,361</u>

The selling prices and collection terms of sales to related parties were similar to third parties.

2) Purchase of goods

Related Party Category	For the Year Ended December 31	
	2020	2019
Subsidiaries	\$ 26,525	\$ 28,447
Associates and their subsidiaries	149,208	135,543
Other related parties	<u>1,339,653</u>	<u>1,250,312</u>
	<u>\$ 1,515,386</u>	<u>\$ 1,414,302</u>

The prices of purchases from related parties were made under arm's length terms and there were no similar transactions with third parties for comparison; payment terms were similar to third parties.

3) Commission revenue (Included in operating revenue)

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Commission revenue		
Subsidiaries	\$ 4,271	\$ 1,682
Associates and their subsidiaries	<u>-</u>	<u>1,155</u>
	<u>\$ 4,271</u>	<u>\$ 2,837</u>

4) Commission Expense

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Commission expense		
Subsidiaries		
Shanghai Yikang	\$ 111,499	\$ 111,541
Others	2,655	4,270
Associates and their subsidiaries	608	-
Other related parties	<u>154</u>	<u>241</u>
	<u>\$ 114,916</u>	<u>\$ 116,052</u>
Freight Fee		
Subsidiaries		
Quan Shun Logistice Co., Ltd.	\$ 47,683	\$ 45,110
Others	<u>-</u>	<u>51</u>
	<u>\$ 47,683</u>	<u>\$ 45,161</u>

5) Receivables from related parties

	December 31	
	2020	2019
<u>Accounts receivable - related parties</u>		
Subsidiaries		
Shanghai Yikang	\$ 220,188	\$ 645,560
Others	<u>500,152</u>	<u>281,335</u>
	720,340	926,895
Associates and their subsidiaries	77,950	82,012
Other related parties	<u>3,410</u>	<u>6,384</u>
	801,700	1,015,291
Less: Allowance for losses	<u>1,006</u>	<u>295</u>
	<u>\$ 800,694</u>	<u>\$ 1,014,996</u>

(Continued)

	December 31	
	2020	2019
<hr/>		
Other receivables - related parties		
<hr/>		
Subsidiaries		
Raycong Industrial (HK)	\$ 54,018	\$ 133,734
Shanghai Yikang	107,472	113,173
Others	<u>37,146</u>	<u>76,422</u>
	<u>198,636</u>	<u>323,329</u>
Associates and their subsidiaries		
Chang Wah Electromaterials Inc.	51,455	81,140
Others	<u>2,876</u>	<u>2,077</u>
	<u>54,331</u>	<u>83,217</u>
Other related parties	<u>299</u>	<u>354</u>
	<u>\$ 253,266</u>	<u>\$ 406,900</u>
		(Concluded)

The outstanding accounts receivable from related parties are unsecured.

6) Payables to related parties

	December 31	
	2020	2019
<hr/>		
Notes payable - related parties		
<hr/>		
Associates	<u>\$ 938</u>	<u>\$ 201</u>
<hr/>		
Accounts payable - related parties		
<hr/>		
Subsidiaries	\$ 6,244	\$ 1,366
Associates	14,970	27,986
Other related parties	<u>250,449</u>	<u>245,403</u>
	<u>\$ 271,663</u>	<u>\$ 274,755</u>
<hr/>		
Other payables		
<hr/>		
Subsidiaries	\$ 52,338	\$ 54,602
Associates' subsidiaries	-	5
Other related parties	<u>667</u>	<u>329</u>
	<u>\$ 53,005</u>	<u>\$ 54,936</u>

The outstanding payables to related parties are unsecured and will be paid in cash.

7) Prepayments for purchases

Related Party Category	December 31	
	2020	2019
Associates	\$ <u>60,573</u>	\$ <u>68,762</u>

8) Contract liabilities

Related Party Category	December 31	
	2020	2019
Subsidiaries		
KS Corp.	\$ 77,113	\$ 106,748
Others	<u>9,473</u>	<u>4,217</u>
	86,586	110,965
Associates	<u>27,872</u>	<u>-</u>
	<u>\$ 114,458</u>	<u>\$ 110,965</u>

c. Disposals of property, plant and equipment

Related Party Category	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Subsidiaries	\$ 7,047	\$ -	\$ 1,035	\$ -
Associates	<u>9,181</u>	<u>57</u>	<u>1,208</u>	<u>57</u>
	<u>\$ 16,228</u>	<u>\$ 57</u>	<u>\$ 2,243</u>	<u>\$ 57</u>

d. Other income

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Raycong Industrial (HK)	\$ 38,766	\$ 41,116
Shanghai Yikang	29,158	38,303
Quan Shun Logistice Co., Ltd.	17,947	18,216
Others	<u>19,146</u>	<u>17,856</u>
	<u>105,017</u>	<u>115,491</u>
Associated and their subsidiaries		
Wah Hong Industrial Corp.	25,059	7,230
Others	<u>8,173</u>	<u>10,106</u>
	<u>33,232</u>	<u>17,336</u>
Other related parties	<u>3,425</u>	<u>3,408</u>
Key management personnel	<u>24</u>	<u>24</u>
	<u>\$ 141,698</u>	<u>\$ 136,259</u>

Other income included rental income, consulting service income and endorsement income.

e. Lease agreements

Related Party Category	For the Year Ended December 31	
	2020	2019
Lease expense		
Subsidiaries		
Chuan Shun Logistic Co., Ltd.	\$ 28,145	\$ 32,843
Others	<u>31</u>	<u>88</u>
	28,176	32,931
Other related parties	<u>279</u>	<u>331</u>
	<u>\$ 28,455</u>	<u>\$ 33,262</u>

f. Endorsements and guarantees

Related Party Category	December 31	
	2020	2019
Subsidiaries		
Amount endorsed	<u>\$ 2,492,694</u>	<u>\$ 2,611,392</u>
Amount utilized	<u>\$ 1,460,064</u>	<u>\$ 1,417,319</u>
Associates		
Amount endorsed	<u>\$ 1,183,456</u>	<u>\$ 1,230,506</u>
Amount utilized	<u>\$ 770,572</u>	<u>\$ 690,870</u>
Other related parties		
Amount endorsed	<u>\$ 25,194</u>	<u>\$ 25,194</u>
Amount utilized	<u>\$ -</u>	<u>\$ -</u>

g. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 93,192	\$ 107,380
Post-employment benefits	<u>411</u>	<u>1,017</u>
	<u>\$ 93,603</u>	<u>\$ 108,397</u>

The remuneration of directors and other key management was determined by the remuneration committee based on the performance of individuals and market trends.

26. ASSETS PLEDGED AS COLLATERAL

The Company provided the following assets as collaterals for part of borrowings and performance guarantee.

	December 31	
	2020	2019
Property, plant and equipment		
Freehold land	\$ 188,610	\$ 204,630
Buildings	<u>142,680</u>	<u>153,017</u>
	<u>\$ 331,290</u>	<u>\$ 357,647</u>
Investment property		
Land	\$ 268,412	\$252,392
Buildings	<u>168,187</u>	<u>164,816</u>
	<u>\$ 436,599</u>	<u>\$ 417,208</u>
Investments accounted for using the equity method	<u>\$ 500,767</u>	<u>\$ 487,960</u>

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2020 were as follows:

- The Company's unused letters of credit for purchase of merchandise were \$247,543 thousand.
- Litigation of KS Corp., a subsidiary of the Company, is referred to Note 31 to the consolidated financial statements of 2020.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency Amount	Exchange Rate		Carrying Amount
<hr/> December 31, 2020 <hr/>				
Monetary financial assets USD	\$ 215,959	28.48	(USD:NTD)	\$ 6,150,510
Nonmonetary financial assets Investments accounted for using the equity method HKD	940,276	3.6730	(HKD:NTD)	3,453,634
Monetary financial liabilities USD	211,176	28.48	(USD:NTD)	6,014,305
<hr/> December 31, 2019 <hr/>				
Monetary financial assets USD	173,523	29.98	(USD:NTD)	5,202,210
(Continued)				

(Continued)

	Foreign Currency Amount	Exchange Rate	Carrying Amount
Nonmonetary financial assets			
Investments accounted for using the equity method			
HKD	\$ 788,073	3.849 (HKD:NTD)	\$ 3,033,293
Monetary financial liabilities			
USD	164,444	29.98 (USD:NTD)	4,930,035 (Concluded)

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange were net loss \$33,407 and net gain \$10,475, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Company's entities.

29. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investments in subsidiaries and associates): Table 3
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
- 9) Trading in derivative instruments: None
- 10) Information on investees: Table 6

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 8
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 8
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

The Company's other significant transactions with investee companies in mainland China as of and for the year ended December 31, 2020 were as follow:

Counterparties	Line Item	Amount
Shanghai Yikang	Other income	\$ 29,158
Shanghai Yikang	Commission expense	111,499
Shanghai Yikang	Other receivables	107,472
Shanghai Yikang	Other payables	26,915
Shanghai Hua Chang Trading Co., Ltd.	Other income	367
Shanghai Yadi	Other receivables	2,022
Shanghai Yadi	Other income	2,059

- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9.

TABLE 1

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance (Note 1)	Actual Amount Drawn (Notes 1)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-Term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
1	Shanghai Yikang	Shanghai Yadi	Other receivables - related parties	Yes	\$ 64,863	\$ -	\$ -	-	short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,328,820	\$ 1,328,820	
2	Shenzhen Huaying	Xiamen Hua Chen Da	Other receivables - related parties	Yes	17,515	8,723	6,979	4.77	short-term financing	-	Operating capital	-	-	-	62,360	62,360	
3	Dongguan Hua Gang	Guangjou Shing Shain	Other receivables - related parties	Yes	39,408	39,255	-	-	short-term financing	-	Operating capital	-	-	-	699,145	699,145	
3	Dongguan Hua Gang	Meizhou Bailun	Other receivables - related parties	Yes	19,891	-	-	-	short-term financing	-	Operating capital	-	-	-	699,145	699,145	
4	KS Corp.	KSA Energy	Other receivables - related parties	Yes	30,000	30,000	10,000	2.00	short-term financing	-	Operating capital	-	-	-	208,883	208,883	

Note 1: RMB is converted by spot exchange CNY1=NT\$4.3617.

Note 2: Individual and aggregate financing limit should not exceed 30% of the lender's equity.

TABLE 2

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2020 (In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Benefit of Each Party (Notes 1-8)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at The End of the Period (Note 8)	Actual Borrowing Amount (Note 8)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Notes 1-8)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Relationship											
0	The Company	Nagase Wahlee Plastics Corp.	Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage	\$ 2,575,602	\$ 970,000	\$ 480,000	\$ 307,229	\$ -	3.73	\$ 12,878,009	N	N	N	
0	The Company	Asahi Kasei Wah Lee Hi-tech Corp.	Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage	2,575,602	50,388	25,194	-	-	0.20	12,878,009	N	N	N	
0	The Company	Shanghai Yikang	Subsidiary of the Company	2,575,602	197,583	190,816	106,277	-	1.48	12,878,009	Y	N	Y	
0	The Company	Dongguan Hua Gang	Subsidiary of the Company	3,863,403	368,318	256,320	256,320	-	1.99	12,878,009	Y	N	Y	
0	The Company	Raycong H.K., Shanghai Yikang and Dongguan Hua Gang	Subsidiary of the Company	2,575,602	120,000	120,000	71,830	-	0.93	12,878,009	Y	N	Y	
0	The Company	Shanghai Hua Chang Trading Co., Ltd.	Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage	2,575,602	1,494,350	703,456	463,343	-	5.46	12,878,009	N	N	Y	
0	The Company	WL Singapore	Subsidiary of the Company	3,863,403	677,040	432,896	294,186	-	3.36	12,878,009	Y	N	N	
0	The Company	Sakuragawa Solar Ltd.	Subsidiary of the Company	2,575,602	178,414	174,621	90,748	-	1.36	12,878,009	Y	N	N	
0	The Company	Miyazaki Solar Ltd.	Subsidiary of the Company	2,575,602	322,104	315,258	249,958	-	2.45	12,878,009	Y	N	N	
0	The Company	WL Indonesia	Subsidiary of the Company	2,575,602	187,550	88,288	-	-	0.69	12,878,009	Y	N	N	
0	The Company	WL Vietnam	Subsidiary of the Company	3,863,403	490,050	230,688	155,840	-	1.79	12,878,009	Y	N	N	
0	The Company	WT Industrial	Subsidiary of the Company	2,575,602	986,272	447,221	55,279	-	3.47	12,878,009	Y	N	N	
0	The Company	Wah Lee Philippines Inc.	Subsidiary of the Company	2,575,602	58,980	56,960	-	-	0.44	12,878,009	Y	N	N	
0	The Company	KS Corp.	Subsidiary of the Company	2,575,602	179,626	179,626	179,626	179,626	1.39	12,878,009	Y	N	N	
1	Shanghai Yikang	Shanghai Chang Wah Electromaterials Inc.	Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage	-	51,879	-	-	-	-	-	N	N	Y	
1	Shanghai Yikang	Shanghai Yadi	Subsidiary of the Company	885,880	122,128	122,128	29,996	-	2.76	2,214,700	Y	N	Y	
2	KS Corp.	KSA Corp.	Subsidiary of the Company	176,094	1,382	1,382	1,353	-	0.20	352,188	Y	N	N	
2	KS Corp.	KSB Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	1,760,940	100,000	100,000	28,891	10,000	14.36	2,817,504	Y	N	N	
2	KS Corp.	KSA Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	1,760,940	400,000	400,000	125,172	25,000	57.45	2,817,504	Y	N	N	

(Continued)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Benefit of Each Party (Notes 1-8)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at The End of the Period (Note 8)	Actual Borrowing Amount (Note 8)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Notes 1-8)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Relationship											
3	KSA Corp.	KSB Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	\$ 6,130,000	\$ 100,000	\$ 100,000	\$ 28,891	\$ -	145.60	\$ 9,195,000	N	N	N	
3	KSA Corp.	KS Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	6,130,000	1,800,000	1,800,000	926,018	-	2,620.89	9,195,000	N	Y	N	
4	KSB Corp.	KSA Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	2,226,000	400,000	400,000	125,172	-	3,162.81	4,452,000	N	N	N	
4	KSB Corp.	KS Corp.	The Company is required to provide guarantees or endorsements for the construction project based on the construction contract	2,226,000	1,800,000	1,800,000	926,018	-	14,232.62	4,452,000	N	Y	N	
5	Dongguan Hua Gang	Guang Jou Shing Shian	Subsidiary of the Company	699,145	177,035	177,035	87,593	-	7.60	1,165,241	Y	N	Y	
6	Raycong H.K.	Xiamen Hua Chen Da	Subsidiary of the Company	1,286,437	30,020	28,480	5,683	-	0.44	3,216,093	Y	N	Y	

(Concluded)

- Note 1: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the equity of the Company. If the Company directly or indirectly holds 100% of the equity of the endorsee or guarantee, the limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of the Company. The maximum total amount of endorsement/guarantee shall not exceed 100% of the equity of the Company.
- Note 2: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the equity of Shanghai Yikang. If the Company directly or indirectly holds 100% of the equity of the endorsee or guarantee, the limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of Shanghai Yikang. The maximum total amount of endorsement/guarantee shall not exceed 50% of the equity of Shanghai Yikang.
- Note 3: The limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of Dongguan Hua Gang. The maximum total amount of endorsement/guarantee shall not exceed 50% of the equity of Dongguan Hua Gang.
- Note 4: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the equity of Raycong H.K. The maximum total amount of endorsement/guarantee shall not exceed 50% of the equity of Raycong H.K.
- Note 5: The limit on endorsement/guarantee given to each party, based on the construction project, shall not exceed 500% of the paid-in capital of KS Corp.; the maximum total amount of endorsement/guarantee shall not exceed 800% of the paid-in capital of KS Corp. The limit on endorsement/guarantee given to each party, not based on construction project, shall not exceed 50% of the paid-in capital of KS Corp. The total amount of endorsement/guarantee shall not exceed 100% of the paid-in capital of KS Corp.
- Note 6: The limit on endorsement/guarantee given to each party, based on the construction project, shall not exceed 10,000% of the paid-in capital of KSA Corp.; the maximum total amount of endorsement/guarantee shall not exceed 15,000% of the paid-in capital of KSA Corp.
- Note 7: The limit on endorsement/guarantee given to each party, based on the construction project, shall not exceed 20,000% of the paid-in capital of KSB Corp.; the maximum total amount of endorsement/guarantee shall not exceed 40,000% of the paid-in capital of KSB Corp.
- Note 8: USD is converted by spot exchange USD\$1=NT\$28.48; JPY is converted by spot exchange JPY1=NT\$0.2763; RMB is converted by spot exchange RMB1=NT\$4.3617; THB is converted by spot exchange THB1=NT\$0.9556.

TABLE 3

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with The Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Stock							
	Chang Wah Technology Co. Ltd.	Associate's subsidiary	Financial assets at FVTOCI - current	2,000,000	<u>\$ 119,600</u>	-	<u>\$ 119,600</u>	
	Daily Polymer Corp.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,154,410	\$ 34,471	3.02	\$ 34,471	
	Wah Yuen Technology Holding Limited	-	Financial assets at FVTOCI - noncurrent	1,968,180	77,513	0.75	77,513	
	JingYi Technology Co.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,066,432	55,014	16.94	55,014	
	High Power Optoelectronics Inc.	-	Financial assets at FVTOCI - noncurrent	67,991	-	0.12	-	
	Asahi Kasei Wah Lee Hi-tech Corp.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	9,497	85,891	19.38	85,891	
	Forcera Materials Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,102,476	56,581	8.83	56,581	
	Univision Technology Holdings	-	Financial assets at FVTOCI - noncurrent	38,794,190	-	9.10	-	
	Minima Technology Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	3,600,000	82,160	9.27	82,160	
	TaiGene Biotechnology Co., Ltd.	The Company is the supervisor of the company	Financial assets at FVTOCI - noncurrent	2,300,000	11,037	6.57	11,037	
	Shilian Fine Chemicals Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	11,871,585	81,890	4.57	81,890	
	CDIB Capital Group.	-	Financial assets at FVTOCI - noncurrent	5,000,000	54,094	2.86	54,094	
	Darco Water Technologies Ltd.	-	Financial assets at FVTOCI - noncurrent	7,649,782	19,956	8.15	19,956	
	Eleocom Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	1,500,000	-	10.71	-	
	Tien Li Offshore Wind Technology Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	828,572	75,491	1.51	75,491	
					<u>\$ 634,098</u>		<u>\$ 634,098</u>	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with The Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
SHC Holding Ltd.	Guangzhou Yonguang Optoelectronics Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	-	\$ -	12.82	\$ -	
Wah Lee Holding Ltd.	Mutual funds							
	JPMorgan Funds- Multi-Revenue Fund-A (acc) - USD	-	Financial assets at FVTPL - current	7,737	\$ 45,265	-	\$ 45,265	
	JPMorgan Funds-Income Fund A (dist) - USD	-	Financial assets at FVTPL - current	28,629	26,801	-	26,801	
					<u>\$ 72,066</u>		<u>\$ 72,066</u>	

(Concluded)

TABLE 4

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Raycong H.K.	Subsidiary	Sales	\$ (834,028)	(3)	30 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	\$ 196,628	3	
	Shanghai Yi Kang	Subsidiary	Sales	(1,091,538)	(3)	30 to 120 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	220,188	3	
	Dongguan Huagang	Subsidiary	Sales	(757,187)	(2)	30 to 120 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	190,401	3	
	WL Vietnam	Subsidiary	Sales	(104,275)	-	90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	30,827	-	
	Nagase Wahlee Plastics.	Associates accounted for using the equity method	Purchase	122,831	1	60 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	(5,288)	-	
	Asahi Kasei Wah Lee Hi-tech Corp.	Substantial related party	Purchase	1,205,245	4	105 days after monthly closing	No comparable transactions with third party	The terms with related parties are not significantly different from those with third parties	(226,047)	(6)	
	Chang Wah Electromaterials Inc.	Associates accounted for using the equity method	Sales	(255,686)	(1)	90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	67,565	1	
Raycong H.K.	Dongguan Hua Gang	Subsidiary	Sales	(671,140)	(19)	30 to 180 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	77,962	9	
Shanghai Yikang	Shanghai Hua Chang	Associate’s subsidiary accounted for using the equity method	Purchase	193,496	2	30 days after monthly closing	No comparable transactions with third party	The terms with related parties are not significantly different from those with third parties	(35,982)	(2)	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Shanghai Yikang	The Company	Parent company	Sales	\$ (119,910)	(1)	120 days after monthly closing	No comparable transactions with third party	The terms with related parties are not significantly different from those with third parties	\$ 25,955	-	
WL Indonesia	WT Indonesia	Associates	Sales	(109,217)	(100)	60 days after monthly closing	No comparable transactions with third party	The terms with related parties are not significantly different from those with third parties	31,290	100	

(Concluded)

TABLE 5

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Shanghai Yikang	Subsidiary	\$ 327,660	2.01	\$ -	-	\$ 161,033	\$ -
	Raycong H.K.	Subsidiary	250,646	3.62	-	-	98,242	-
	Dongguan Hua Gang	Subsidiary	192,763	5.20	-	-	175,344	-
	Chang Wah Electromaterials Inc.	Associate accounted for using the equity method	119,020	1.86	-	-	67,565	-

Note: Including trade receivables and other receivables. Other receivables are mainly service revenue and dividends collected from related parties.

TABLE 6**WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2020	December 31, 2019						
The Company	Wah Lee Holding Ltd.	BVI	International investment business	\$ 430,666	\$ 430,666	13,070,000	100.00	\$ 4,184,973	\$ 430,779	\$ 430,436	Subsidiary
The Company	Raycong H.K.	Hong Kong	Trading business of engineering plastic, composite materials and equipment	304,113	304,113	56,000,000	53.69	3,453,779	741,376	397,670	Subsidiary
The Company	Chang Wah Electromaterials Inc.	Taiwan	Agency of IC packaging material and equipment	449,349	449,349	197,902,180	30.98	2,080,267	997,299	308,967	Associate
The Company	Nagase Wahlee Plastics Corp.	Taiwan	Trading business of synthetic resin product and related material, agency of domestic and international products distribution quotation and bidding business	20,810	20,810	4,000,000	40.00	728,537	279,524	111,793	Associate
The Company	Wah Hong Industrial Corp.	Taiwan	Manufacturing of LCD material, BMC (bulk molding compound) material and molded product	942,926	939,921	26,118,978	26.67	1,023,436	215,794	57,502	Associate
The Company	ORC Technology Corp.	Taiwan	Trading business and service of exposure machine and parts	6,000	6,000	600,000	35.00	170,408	73,647	25,777	Associate
The Company	WL Japan	Japan	Trading business of synthetic resin, industrial plastic, glass fiber, non-ferrous metal, molding machine, electromechanical parts, office automation equipment, optical mechanical equipment, battery and industrial electrical equipment and parts	21,490	21,490	1,500	83.33	4,966	(69)	(58)	Subsidiary
The Company	WL Korea	South Korea	Trading business of synthetic resin, industrial plastic, glass fiber, non-ferrous metal, molding machine, electromechanical parts, office automation equipment, optical mechanical equipment, battery and industrial electrical equipment and parts	18,856	18,856	147,000	100.00	698	1,848	1,848	Subsidiary
The Company	Sakuragawa Solar Ltd.	Japan	Solar power generation business	46,008	46,008	-	99.99	86,576	7,662	7,662	Subsidiary
The Company	Miyazaki Solar Ltd.	Japan	Solar power generation business	82,103	82,103	-	99.99	37,440	4,279	4,279	Subsidiary
The Company	WL Indonesia	Indonesia	Trading business of industrial materials	48,262	14,840	1,610,000	70.00	37,145	(7,868)	(5,200)	Subsidiary
The Company	Meidi H.K.	Hong Kong	International investment business	-	17,753	-	-	-	-	-	Subsidiary
The Company	WL Vietnam	Vietnam	Trading business of industrial materials	16,293	16,293	-	100.00	36,133	9,402	9,402	Subsidiary
The Company	QuanShun Logistics Co., Ltd.	Taiwan	Freight forwarders and leasing business	95,000	95,000	9,500,000	63.33	122,470	25,214	15,969	Subsidiary
The Company	WL Green Corp.	Taiwan	Battery manufacturing and renewable energy self-use power generation equipment business	2,000	5,000	200,000	25.00	1,164	(185)	(46)	Subsidiary
The Company	WT Industrial	Thailand	Trading business of industrial materials	200,000	200,000	7,650	51.00	197,605	52,415	19,027	Subsidiary
The Company	Eco Energy Corporation	Taiwan	Battery manufacturing and renewable energy self-use power generation equipment business	80,000	80,000	8,000,000	20.00	97,878	14,115	2,855	Associate

(Continued)

Company Name	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2020	December 31, 2019						
The Company	KS Corp.	Taiwan	Battery manufacturing and renewable energy self-use power generation equipment business	\$ 468,384	\$ 468,384	17,962,577	51.00	\$ 500,767	\$ 26,464	\$ 16,133	Subsidiary
The Company	WL Philippines Corp.	Philippines	Trading business of industrial materials	7,755	7,755	127,495	99.99	7,464	(8)	(8)	Subsidiary
The Company	WL Philippines Inc.	Philippines	Trading business of industrial materials	7,747	7,747	126,997	99.99	6,473	(973)	(973)	Subsidiary
The Company	WH Energy	Taiwan	Solar power generation business	30,000	-	3,000,000	100.00	29,901	(99)	(99)	Subsidiary
The Company	ORC Co.	Taiwan	Trading business of industrial materials	4,000	-	400,000	40.00	4,000	-	-	Joint Venture
QuanShun Logistics Co., Ltd.	Chuancheng Logistics Co., Ltd.	Taiwan	Freight forwarders and leasing business	12,947	-	25,000	100.00	12,248	(570)	(700)	Subsidiary
KS Corp.	KSA Corp.	Taiwan	Solar power generation business	55,000	25,000	6,130,000	100.00	68,679	6,668	6,668	Subsidiary
KS Corp.	KSB Corp.	Taiwan	Solar power generation business	10,000	10,000	1,113,000	100.00	12,647	1,391	1,391	Subsidiary
KS Corp.	WL Green Corp.	Taiwan	Solar power generation business	4,320	10,200	432,000	51.00	2,374	(185)	(94)	Subsidiary
KS Corp.	Eco Energy Corporation	Taiwan	Battery manufacturing and renewable energy self-use power generation equipment business	80,000	80,000	8,000,000	20.00	97,878	14,115	2,855	Associate
KS Corp.	KSC Corp.	Taiwan	Solar power generation business	1,000	-	100,000	100.00	917	(83)	(83)	Subsidiary
KS Corp.	KSD Corp.	Taiwan	Solar power generation business	67,000	-	6,700,000	100.00	66,807	(193)	(193)	Subsidiary
Wah Lee Holding Ltd.	SHC Holding Ltd.	Mauritius	International investment business	43,892	43,892	1,290,000	100.00	763,090	53,095	53,095	Subsidiary
Wah Lee Holding Ltd.	WL Singapore	Singapore	Agency of semiconductor materials and equipment	51,639	51,639	1,600,000	100.00	347,788	34,963	34,963	Subsidiary
Wah Lee Holding Ltd.	Raycong H.K.	Hong Kong	Trading business of engineering plastic, composite materials and equipment	943,164	943,164	48,296,655	46.31	2,978,553	741,376	343,309	Subsidiary
Wah Lee Holding Ltd.	Regent King H.K.	Hong Kong	Trading business of engineering plastic, composite materials and equipment	39	39	-	100.00	2,307	1,065	1,065	Subsidiary
WT Industrial	WT Indonesia	Indonesia	Trading business of industrial materials	3,953	3,953	18,150	66.00	1,883	(3,225)	(2,128)	Subsidiary
WL Singapore	Gishine Tech	Singapore	Research and development of environmental protection and cleaning technology	-	-	-	49.00	-	-	-	Associate

(Concluded)

Note 1: The share of profit (loss) recognized for the year ended December 31, 2020 included eliminated unrealized gains or losses and amortization of investment premium.

Note 2: Please refer to Table 7 for information on investments in mainland China.

TABLE 7

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2020 (In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Dongguan Hua Gang	Sales of industrial materials	\$ 1,137,186	Invested through the third region, Raycong H.K.	\$ -	\$ -	\$ -	\$ -	\$ 317,691	100.00	\$ 317,691	\$ 2,325,413	\$ -	
Shanghai Yikang	Processing and selling of chemical material for release of wax; international trading; trading agent and warehousing business within enterprises in the bonded area	990,731	Invested through the third region, Raycong H.K.	340,629	-	-	340,629	503,201	70.00	352,241	3,118,401	-	
Shenzhen Huaying	Sales of industrial materials	24,084	Invested through the third region, Raycong H.K.	-	-	-	-	8,597	100.00	8,597	207,867	-	
Shanghai Wah Chang Trading Co., Ltd.	International trading and trading consulting; trading agent and commercial simple processing within enterprises in the bonded area	68,352	Invested through the third region, SHC Holding Ltd.	43,714	-	-	43,714	212,717	30.00	63,816	611,292	-	
Shanghai Chang Wah Electromaterials Inc.	Agency of IC packaging material and equipment	113,920	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	24,255	-	7,428	-	-	
Shanghai Yadi	Import and export of goods and technology	13,085	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	(6,355)	49.00	(3,114)	18,362	-	
Shanghai Lihuang	Medical devices and equipment	14,525	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	919	48.98	(1,492)	6,759	-	
Meizhou Bailun	Hemodialysis and examination	-	Invested through Chinese corporation, Dongguan Hua Gang	-	-	-	-	(562)	-	(287)	-	-	
Guangjou Shing Shian	Wholesale of medical supplies	21,809	Invested through Chinese corporation, Dongguan Hua Gang	-	-	-	-	12,216	100.00	12,216	44,333	-	
Xiamen Hua Chen Da	Warehouse logistics	13,085	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(239)	70.00	(167)	7,491	-	
Xiamen Jian Yuan Rong Logistics Ltd.	Warehouse logistics	34,894	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(3,047)	30.00	(910)	9,396	-	
Xiamen Jia Cheng Yuan Trading and Development Co. Ltd.	Warehouse logistics	8,723	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(53)	30.00	(20)	2,990	-	

(Continued)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 (Note 3)	Investment Amount Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
The Company	\$ 384,343	\$ 2,480,528	\$ -

Note 1: The disclosures of investment gains and losses this period are based on the following:

1. Dongguan Hua Gang and Shanghai Yikang: audited by the Company's CPA.
2. Others are based on unaudited financial statements.

Note 2: The difference of \$2,096,185 thousand between accumulated outward remittance for investment in mainland China and investment amount authorized by investment commission, MOEA is due to investment of \$1,338,686 thousand (USD8,488 thousand and HKD267,000 thousand) through Raycong H.K., investment of \$111,175 thousand (USD3,572 thousand) through Wah Yuen Technology Holding Limited, transferred capital from retained earnings of \$434,385 thousand (USD13,790 thousand) of Shanghai Yikang, investment of \$14,500 thousand (USD500 thousand) through SHC Holding Ltd., investment without significant influence of \$162,978 thousand and the invested amount of \$34,461 thousand which had already been liquidated but not yet revoked.

Note 3: Under the "Principles Governing the Review of Investments or Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, the Company had obtained the certificate issued by the Industrial Bureau of the Ministry of Economic Affairs in accordance with the business scope of the operating headquarters; thus, the amount that can be invested in companies located in mainland China is unlimited.

(Concluded)

TABLE 8

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD AREA, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Trade Receivable (Payable)		Unrealized (Gain) Loss	Note
			Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
The Company	Shanghai Yikang	Sales	\$ 1,091,538	3	Normal trade terms	30 to 120 days after monthly closing	The terms with related parties are not significantly different from those with third parties	\$ 220,188	3	\$ 554	
	Shanghai Yikang	Purchase	(119,910)	-	Normal trade terms	120 days after monthly closing	The terms with related parties are not significantly different from those with third parties	(25,955)	(1)	-	
	Dongguan Hua Gang	Sales	757,187	2	Normal trade terms	30 to 120 days after monthly closing	The terms with related parties are not significantly different from those with third parties	190,401	3	436	
	Shanghai Yadi	Sales	27,571	-	Normal trade terms	90 days after monthly closing	The terms with related parties are not significantly different from those with third parties	6,392	-	-	
	Shanghai Lihuang	Sales	10,675	-	Normal trade terms	90 days after monthly closing	The terms with related parties are not significantly different from those with third parties	3,190	-	-	
Raycong H.K.	Dongguan Hua Gang	Sales	671,140	19	Normal trade terms	30 to 180 days after monthly closing	The terms with related parties are not significantly different from those with third parties	77,962	9	5,069	

TABLE 9

WAH LEE INDUSTRIAL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2020[illegible]

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter.

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STATEMENT 1**WAH LEE INDUSTRIAL CORPORATION****STATEMENT OF CASH****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Amount
Cash on hand	
	\$ 538
Cash in banks	
Checking accounts	1,746
Demand deposits	561,497
Foreign currency deposits	
Demand deposits	
USD20,839 thousand	593,502
JPY92,443 thousand	25,542
RMB565 thousand	2,464
EUR269 thousand	9,413
HKD0.4 thousand	<u>2</u>
	<u>\$ 1,194,704</u>

Note: Exchange rate:

USD1=NTD28.48
JPY1=NTD0.2763
RMB1=NTD4.3617
EUR1=NTD35.02
HKD1=NTD3.673

STATEMENT 2

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Thermostic Industrial Co., Ltd.	\$ 9,017
Others (Note)	<u>122,597</u>
	<u>\$ 131,614</u>

Note: The amount of individual client included in others did not exceed 5% of the account balance.

STATEMENT 3**WAH LEE INDUSTRIAL CORPORATION****STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Related parties (Note)	\$ 801,700
Less: Allowance for impairment loss	<u>1,006</u>
	<u>800,694</u>
Unrelated parties	
Innolux Corp.	507,745
Others (Note)	<u>6,069,712</u>
	6,577,457
Less: Allowance for impairment loss	<u>42,774</u>
	<u>6,534,683</u>
	<u>\$ 7,335,377</u>

Note: The amount of individual client included in others did not exceed 5% of the account balance.

STATEMENT 4**WAH LEE INDUSTRIAL CORPORATION****STATEMENT OF OTHER RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Related parties	
Consulting service income	\$ 185,122
Dividends receivable	52,255
Others (Note)	<u>15,889</u>
	<u>253,266</u>
Non-related parties (Note)	
Tax refund receivable	15,534
Others (Note)	<u>26,888</u>
	<u>42,422</u>
	<u>\$ 295,688</u>

Note: The amount of individual item included in others did not exceed 5% of the account balance.

STATEMENT 5

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF INVENTORIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Carrying Amount	Net Realizable Value
Merchandise	<u>\$ 1,824,901</u>	<u>\$ 2,062,067</u>

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollar)

Investees	Balance, January 1, 2020		Additions in Investment		Decrease in Investment		Balance, December 31, 2020		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Stock									
Daily Polymer Corp.	2,154,410	\$ 30,808	-	\$ 3,663	-	\$ -	2,154,410	\$ 34,471	None
Wah Yuen Technology Holding Limited	1,968,180	91,702	-	-	-	14,189	1,968,180	77,513	None
Jing Yi Technology Co.,	2,066,432	43,409	-	11,605	-	-	2,066,432	55,014	None
High Power Optoelectronics Inc.	67,991	-	-	-	-	-	67,991	-	None
Asahi Kasei Wah Lee Hi-tech Corp.	9,497	81,100	-	4,791	-	-	9,497	85,891	None
Forcera Materials Co., Ltd.	2,102,476	45,008	-	11,573	-	-	2,102,476	56,581	None
Univision Technology Holdings	38,794,190	-	-	-	-	-	38,794,190	-	None
Telelynx Inc.	266,811	898	-	-	266,811	898	-	-	None
Taigene Biotechnology Co., Ltd.	2,300,000	10,597	-	440	-	-	2,300,000	11,037	None
Shilian Fine Chemicals Co., Ltd.	11,871,585	107,110	-	-	-	25,220	11,871,585	81,890	None
CDIB Capital Group.	5,000,000	46,934	-	7,160	-	-	5,000,000	54,094	None
Darco Water Technologies Ltd.	7,649,782	30,679	-	-	-	10,723	7,649,782	19,956	None
Eleocom Co., Ltd.	1,500,000	-	-	-	-	-	1,500,000	-	None
Minima Technology Co., Ltd.	3,600,000	84,736	-	-	-	2,576	3,600,000	82,160	None
Tien Li Offshore Wind Technology Co., Ltd.	-	-	1,428,572	96,491	600,000	21,000	828,572	75,491	None
		<u>\$ 572,981</u>		<u>\$ 135,723</u>		<u>\$ 74,606</u>		<u>\$ 634,098</u>	

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollar, Except Unit Price)

Name	Balance, January 1, 2020		Additions in Investment (Note 1)		Decrease in Investment (Note 1)		Balance, December 31, 2020			Market Value or Net Assets Value (Note 2)		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price	Total Amount	
Wah Lee Holding Ltd.	13,070,000	\$ 3,733,888	-	\$ 451,085	-	\$ -	13,070,000	100.00	\$ 4,184,973	\$ 320.20	\$ 4,186,005	None
Raycong H.K.	56,000,000	3,023,029	-	430,750	-	-	56,000,000	53.69	3,453,779	61.67	3,453,634	None
Chang Wah Electromaterials Inc.	19,790,218	1,799,523	178,111,962	559,488	-	278,744	197,902,180	30.98	2,080,267	30.65	6,065,702	None
Nagase Wahlee Plastics Corp.	4,000,000	675,514	-	117,023	-	64,000	4,000,000	40.00	728,537	182.13	728,537	None
Wah Hong Industrial Corp.	25,962,978	987,991	156,000	69,967	-	34,522	26,118,978	26.67	1,023,436	35.40	924,612	None
ORC Technology Corp.	600,000	249,632	-	25,776	-	105,000	600,000	35.00	170,408	284.01	170,408	None
WL Japan	1,500	5,018	-	6	-	58	1,500	83.33	4,966	3,310.54	4,966	None
WL Korea	147,000	(1,248)	-	1,946	-	-	147,000	100.00	698	4.75	698	None
Sakuragawa Solar Ltd.	-	78,867	-	7,709	-	-	-	99.99	86,576	-	86,576	None
Miyazaki Solar Ltd.	-	33,164	-	4,279	-	3	-	99.99	37,440	-	37,440	None
WL Indonesia	486,000	11,758	1,124,000	33,422	-	8,035	1,610,000	70.00	37,145	23.07	37,145	None
WL Vietnam	-	28,312	-	9,402	-	1,581	-	100.00	36,133	-	36,133	None
Meidi H.K.	143	-	-	-	143	-	-	-	-	-	-	None
QuanShun Logistics Co., Ltd.	9,500,000	106,501	-	15,969	-	-	9,500,000	63.33	122,470	12.89	122,470	None
WL Green Corp.	500,000	4,210	-	-	300,000	3,046	200,000	25.00	1,164	2.33	1,164	None
WT Industrial	7,650	197,866	-	19,026	-	19,287	7,650	51.00	197,605	25,830.70	197,605	None
Eco Energy Corporation	8,000,000	95,263	-	2,855	-	240	8,000,000	20.00	97,878	12.23	97,878	None
KS Corp.	16,632,000	487,960	1,330,577	16,133	-	3,326	17,962,577	51.00	500,767	27.88	500,767	Note 3
WL Philippines Corp.	127,495	7,755	-	-	-	291	127,495	99.99	7,464	58.54	7,464	None
WL Philippines Inc.	126,997	7,747	-	-	-	1,274	126,997	99.99	6,473	50.97	6,473	None
Wah Heng Energy Technology	-	-	3,000,000	30,000	-	99	3,000,000	100.00	29,901	9.97	29,901	None
ORC Electrical Machinery Co., Ltd.	-	-	400,000	4,000	-	-	400,000	40.00	4,000	10.00	4,000	None
		<u>\$ 11,532,750</u>		<u>\$ 1,798,836</u>		<u>\$ 519,506</u>			<u>\$ 12,812,080</u>		<u>\$ 16,699,578</u>	

Note 1: Changes in this year include new investments, cash and stock dividends received, capital reduction, adjustments to changes in the shareholding ratio of the investee company, the share of profits and losses and other comprehensive gains and losses of subsidiaries and affiliates recognized by the equity method, and the unrealized profit and loss adjustment of downstream transactions.

Note 2: The market price is the closing price of the stock on the balance sheet date; the net equity value is calculated based on the financial statements of each invested company and the Company's shareholding ratio.

Note 3: The Company pledged 17,962,577 shares of KS Corp. to the bank as a guarantee for the syndicated loan of KS Corp.

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Type/Bank Name	Contract Period	Interest Rate (%)	Balance, December 31, 2020	Loan Commitments	Collateral
Unsecured Borrowings					
HSBC Bank	2020.09-2021.04	0.90	\$ 415,496	\$ 786,000	None
Land Bank of Taiwan	2020.10-2021.03	0.55-0.77	521,524	800,000	None
Mizuho Bank	2020.10-2021.03	0.90	580,875	1,067,800	None
Mega Bank	2020.10-2021.03	0.70-0.90	308,945	500,000	None
Sumitomo Mitsui Banking Corporation	2020.07-2021.06	0.92-0.94	174,536	562,000	None
CTBC Bank	2020.09-2021.05	0.81-0.97	245,887	500,000	None
The Shanghai Commercial & Savings Bank, Ltd.	2020.10-2021.03	0.77	225,727	562,000	None
Hua Nan Bank	2020.10-2021.03	0.88-0.90	139,235	900,000	None
MUFG	2020.11-2021.03	0.88	160,944	500,000	None
First Commercial Bank	2020.10-2021.03	0.80-0.92	296,332	500,000	None
Bank of Taiwan	2020.02-2021.02	2.67	354,650	500,000	None
Bank of Panshin	2020.10-2021.01	0.93	9,126	100,000	None
Taiwan Business Bank	2020.12-2021.03	0.76	97,336	129,260	None
United Overseas Bank	2020.02-2021.01	0.83	193,040	281,000	None
Cathay United Bank	2020.11-2021.01	0.88	60,754	200,000	None
Fubon Bank	2020.10-2021.03	0.50-0.97	67,297	100,000	None
Taishin Bank	2020.10-2021.03	0.85-0.89	37,166	100,000	None
E. SUN Commercial Bank	2020.11-2021.03	0.82	<u>124,624</u>	300,000	None
			<u>\$ 4,013,494</u>		

STATEMENT 9**WAH LEE INDUSTRIAL CORPORATION****STATEMENT OF CONTRACT LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Related parties	
KS Corp.	\$ 77,113
Eco Energy Corporation	27,872
Others (Note)	<u>9,473</u>
	<u>114,458</u>
Unrelated parties	
Sahara Presentation Systems Ltd.	50,652
Clevertouch B.V.	44,657
United Microelectronics Corporation	27,720
Taiwan Semiconductor Manufacturing Company	27,561
Others (Note)	<u>40,056</u>
	<u>190,646</u>
	<u>\$ 305,104</u>

Note: The amount of individual vendor included in others did not exceed 5% of the account balance.

STATEMENT 10

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Others (Note)	<u>\$ 938</u>
Non - related parties	
Shinkong Synthetic Fibers Corp.	16,014
E-MAX Precision Technology Co., Ltd.	6,180
Gheng Yang Transportation Co., Ltd.	1,890
Nan Ya Plastics Corporation	1,797
Others (Note)	<u>3,338</u>
	<u>29,219</u>
	<u>\$ 30,157</u>

Note: The amount of individual vendor included in others did not exceed 5% of the account balance.

STATEMENT 11**WAH LEE INDUSTRIAL CORPORATION****STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Related parties	
Asahi Kasei Wah Lee Hi-tech Corp.	\$ 226,047
Others (Note)	<u>45,616</u>
	<u>271,663</u>
Non-related parties	
JSR Corp.	637,963
Mitsubishi Chemical Taiwan Co., Ltd.	531,755
Chi Mei Corporation	274,863
Clean Technology Co., Ltd.	274,179
Fitipower Integrated Technology Inc.	202,003
Others (Note)	<u>1,681,653</u>
	<u>3,602,416</u>
	<u>\$ 3,874,079</u>

Note: The amount of individual vendor included in others did not exceed 5% of the account balance.

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF LONG-TERM BORROWINGS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Bank Name	Contract Period and Repayment Terms	Interest Rate (%)	Balance, December 31, 2020			Collateral
			Current	Noncurrent	Total	
Syndicated Bank Loans						
China Bills Finance Corporation	Circulate until January 2024	0.66	\$ -	\$ 1,799,823	\$ 1,799,823	None
Less: Syndicated loan free			-	4,320	4,320	
			-	1,795,503	1,795,503	
Unsecured Borrowing						
HSBC Bank	Repayable in June 2021	0.87	200,000	-	200,000	None
Fubon Bank	Repayable in March 2021	0.98	200,000	-	200,000	None
MUFG Bank	Repayable in August 2022	0.98	-	200,000	200,000	None
Mizuho Bank	Repayable in August 2022	0.98	-	300,000	300,000	None
			400,000	500,000	900,000	
Collate raised Borrowing						
Land Bank of Taiwan	Repayable monthly to June 2037	1.43	33,577	489,744	523,321	Land and Buildings
			\$ 433,577	\$ 2,785,247	\$ 3,218,824	

WAH LEE INDUSTRIAL CORPORATION**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item (Note 1)	Quantities	Amount
FPD (Flat Panel Display) Industry	Note 2	\$ 12,319,174
Semiconductor Industry	Note 2	10,014,620
Information and Communication Technology Industry	Note 2	6,251,442
PCB (Printed Circuit Board)/Mainboard Industry	Note 2	3,415,563
Green Energy Industry	Note 2	375,229
Other (Note 3)		<u>860,463</u>
		<u>\$ 33,236,491</u>

Note 1: The operating revenue items were classified by the industry to which the terminal application of the sales item belongs.

Note 2: As there are many sales items and different units, the quantity was not listed.

Note 3: The amount of individual item included in others did not exceed 10% of the account balance.

STATEMENT 14**WAH LEE INDUSTRIAL CORPORATION****STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Cost of goods sold	
Inventories, beginning of year	\$ 1,831,530
Add: Purchases	30,974,309
Less: Transfer to operating expenses	(17,824)
Transfer to other loss	(187)
Write-down of inventories	(3,785)
Inventories, end of year	<u>(1,824,901)</u>
	30,959,142
Write-down of inventories	3,785
Others	<u>581</u>
Cost of goods sold	<u>30,963,508</u>
Other operating costs	<u>3,911</u>
	<u>\$ 30,967,419</u>

WAH LEE INDUSTRIAL CORPORATION
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Marketing Expense	General and Administrative Expense	Total
Employee benefits	\$ 675,966	\$ 227,518	\$ 903,484
Commission expense	172,771	-	172,771
Import/export expense	103,839	-	103,839
Freight Fee	89,858	136	89,994
Depreciation	38,181	23,102	61,283
Rent expense	55,465	1,419	56,884
Miscellaneous purchase	3,231	47,759	50,990
Service fees	16,861	11,546	28,407
Others	<u>109,526</u>	<u>32,983</u>	<u>142,509</u>
	<u>\$ 1,265,698</u>	<u>\$ 344,463</u>	1,610,161
Expected credit loss			<u>38,697</u>
			<u>\$ 1,648,858</u>

WAH LEE INDUSTRIAL CORPORATION

**STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31							
	2020				2019			
	Operating Cost	Operating Expense	Non- operating Expenses	Total	Operating Cost	Operating Expense	Non- operating Expenses	Total
Employee benefit								
Salaries	\$ -	\$ 777,655	\$ -	\$ 777,655	\$ -	\$ 721,953	\$ -	\$ 721,953
Labor and health insurance	-	39,764	-	39,764	-	40,866	-	40,866
Pension	-	22,280	-	22,280	-	22,555	-	22,555
Remuneration of directors	-	26,935	-	26,935	-	21,013	-	21,013
Others	-	36,850	-	36,850	-	33,175	-	33,175
	<u>\$ -</u>	<u>\$ 903,484</u>	<u>\$ -</u>	<u>\$ 903,484</u>	<u>\$ -</u>	<u>\$ 839,562</u>	<u>\$ -</u>	<u>\$ 839,562</u>
Depreciation	\$ 632	\$ 54,513	\$ 3,513	\$ 58,658	\$ 390	\$ 53,227	\$ 3,398	\$ 57,015
Amortization	-	6,770	-	6,770	-	4,868	-	4,868

Note 1: The average number of the Company's employees was 419 and 426, including 5 non-employee directors in 2020 and 2019, respectively.

Note 2: The average employee benefits and salaries of the Company were as follows:

- a. The average employee benefits for the years ended December 31, 2020 and 2019 were \$2,117 thousand and \$1,944 thousand, respectively.
- b. The average salaries for the years ended December 31, 2020 and 2019 were \$1,878 thousand and \$1,715 thousand, respectively.
- c. The average salaries increased by 10% year-on-year.
- d. The Company has set up an audit committee without supervisors.
- e. The Company's salary and remuneration policies (including directors, executive officers and employees) are as follows:

1) Directors

The salaries and remuneration of directors are determined and proposed by the remuneration committee in accordance with the following policies, and submitted to the board of directors for resolution.

a) Remuneration of directors

According to the Company's Articles, where the Company made a profit in a fiscal year, the compensation of employees and remuneration of directors shall be accrued at the rates between 9% and 13% and no higher than 2%, respectively.

(Continued)

b) Traffic allowance

According to the Company's remuneration and compensation policy, 1) the traffic allowance for attending the board of directors' meeting is paid \$10 thousand once per person; 2) directors who do not attend the board of directors' meeting in person are not allowed to be paid the traffic allowance; 3) the adjustment for traffic allowance shall be proposed by the remuneration committee and submitted to the board of directors for approval.

c) Other compensation

According to the Company's Articles, the compensation of directors for participating in the Company's daily operations is determined and proposed by the remuneration committee based on their participation and contribution to the Company, and submitted to the board of directors for approval.

2) Executive officers

The salaries and remuneration of executive officers are determined and proposed by the remuneration committee in accordance with the following policies, and submitted to the board of directors for resolution.

- a) The salary and remuneration policy for executive officers should be competitive in the market. The overall compensation includes fixed salary, incentive bonus, welfare, and other indirect compensation.
- b) The salary and remuneration policy for executive officers should meet the Company's business strategies, and the remuneration of executive officers should be highly correlated with the Company's performance indicators.

3) Employees

- a) The salary and remuneration of employees include fixed salary, bonuses, compensation, stock options, share dividend, retirement benefit, various allowances, and other incentives and rewards, etc.
- b) The salary and remuneration are determined based on each employee's job responsibilities and the Company's policies.

According to the Company's Articles, where the Company made a profit in a fiscal year, the compensation of employees shall be accrued at the rates between 9% and 13%. The compensation paid to each employee is determined based on each employee's job responsibilities, individual performance and the overall level of the contribution to the Company.

(Concluded)

WAH LEE INDUSTRIAL CORP.

Chairman: Ray-Ching Chang