



WAH LEE INDUSTRIAL
CORP.

Annual Report 2021

Printed on March 31, 2022

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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IV. 2020 Independent Auditor:

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Accounting Firm: Deloitte & Touche Taiwan

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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,

2021 was a year full of on and off lockdowns. The Covid-19 confirmed cases often forced factories to halt production, which disrupted the supply chain into a chaotic situation. The disruptions made the service industry employees take unpaid leaves and even close the businesses. Ports congestion, ships, and container shortages in the shipping industry had increased a lot of difficulties in business operations. However, in such a difficult situation and full of challenges, Wah Lee Industrial Corp.'s management team and its employees demonstrated creative management strategies and business resilience with full flexibility to create another operational peak in 2021. Our revenues and profits hit a new high since the company was established. Though the epidemic was unforeseeable, it drove us to speed up upgrading our business promotion model. The slogan, "Seek for changes, adapt to changes", has become a necessity for our business growth. This year, how to break a new record again for Wah Lee's operations in the environment of worldwide inflations and interest rate hikes by global central banks will be the goal of every person in the company. Let's make our best efforts and work together.

The following is a brief report on the financial performance in 2021: the consolidated revenue for 2021 exceeded the NT\$70 billion mark; we reached NT\$70.52 billion level with an annual growth of almost 20%. The consolidated operating gross profit amounted to NT\$6 billion, an annual growth rate of 25%. Consolidated operating profit reached NT\$3.1 billion, with an annual growth rate of 46%. The increased amount of gross profit came from the increase in gross profit margin made by our continuous optimization of product portfolios. Better growth in operating profit was driven by improved operating efficiency and economies of scale from our continued expansion in revenue. In addition, the equity method investment companies made good profits last year and contributed a lot to the non-operating incomes, making the consolidated pre-tax net profit reach NT\$4 billion. The consolidated net profit after tax was NT\$3.1 billion, and the earnings per share were NT\$12.05, an increase of 52% over the previous year and setting record highs since the company was listed. Regarding the financial indicators, the consolidated current and quick ratios of Wah Lee Industrial Corp in 2021 were 161% and 124%, respectively. The number of cash turnover days decreased by 9 days compared with the previous year to 77 days. At the same time, the return on equity for the year was 19% which also hit a new high in the last ten years. Consolidated cash inflow from operating activities was approximately NT\$2.3 billion. The strong performance showed in all financial indicators.

The rapid development of advanced manufacturing processes for the major customers in semiconductors had resulted in a shortage of production capacity. Wah Lee is known as one of the concept stocks of the world-leading foundry group because Wah Lee is the largest supplier of

consumable raw materials. The consumables included photoresist, electronic grade chemicals, specialty gases, stripper, CMP slurry, and spare parts for equipment, which were in rapid growth driven by global wafer shortages and technology upgrades.

The demand for 5G applications, including high-end servers, routers, switches, Antenna in Modules, and communication equipment has double increased and led to a significant expansion of PCB and IC substrate factories. It also resulted in the rapid growth of Wah Lee's 5G printed circuit board-related materials, including low-dk, low-df 5G high-frequency Copper Clad Laminate, DI grade high-resolution dry film for the production process, PCB equipment, high-frequency connectors, electronic components, and ICs.

The automotive market has become the most promising industry for engineering plastics in recent years. Plastics have occupied the market share of automobile interior materials, and the application of exterior parts was increasing day by day. Due to the increasingly stringent emission regulations in many countries, automakers are focusing on light-weighting when they develop new vehicles, and replacing metal with plastic is the key. Wah Lee's high-end engineering plastics have been actively cultivating traditional automotive parts for many years, and have also entered the market of motor electronics devices for electric vehicles, including connectors for ECU (vehicle's computer motherboard), car navigation and speedometer, and even connectors for transmission such as car cameras, as well as charging stations. In recent years, the awareness of environmental protection has increased, and world-class plastic manufacturers have started to supply PCR (Post Consumer Recycle). Wah Lee has also obtained the distribution right to supply a number of PCR products, and the trend of increasing demand will accelerate the expansion. We will make more efforts to sustain the environment of the earth.

The epidemic enabled "zero-touch" business opportunities, such as work from home and online learning. The market demands for PCs, NBs, servers, and 5G mobile phones have increased dramatically and driven strong demand for Wah Lee's high-temperature resistant nylon materials. The flat-panel displays, video-related electronic products, driver ICs, electronic components, and automation equipment supplied by Wah Lee's Opto-Electronic Division, the upstream and downstream products, and overseas electronic product sales have also increased rapidly.

The need for electricity stability in Taiwan is becoming more and more urgent, and the demand for carbon neutrality in the world has also doubled significantly. Wah Lee's customers in various technology industries need to obtain Renewable Energy Certificates (RECs) and green energy power generation before 2025. Wah Lee Green Energy Power Generation has rich experience due to its early development. Last year, the company was awarded the Topsolar Award for high-quality solar power generation by the President. At present, the solar power generation capacity that has been put online for power supply has reached 55MW, which can be increased by 50~100MW every

year, and a platform for cooperation and investment with large international funds has been established. Wah Lee can provide customers with a full range of solutions, including RECs, carbon rights trading, and production materials and services so that customers can meet the international carbon neutrality requirements, and the supply-demand relationship with Wah Lee will be further deepened. It also strengthens Wah Lee's performance in ESG investment and demonstrates Wah Lee's contributions to corporate social responsibilities.

Taiwan's technology industry logistics will be significantly in short supply in the next five years. Based on the business philosophy of Wah Lee's total solution provision, it will build Taiwan's largest high-tech professional logistics center to solve some of Taiwan's serious logistics service shortages. Therefore, Wah Lee continues to strengthen its core competitive advantages. At the beginning of this year, the board of directors approved the investment to establish the Southern Logistics Center. The needs of customers in the semiconductor and high-tech industries in the south will quickly catch up with the needs of logistics in the central and northern parts. This move will further consolidate Wah Lee's leading position in the logistics operation center and enhance the value-add to Wah Lee's customer service.

Finally, we will speed up the deployment in emerging industries such as 5G, AIOT, Metaverse, Internet of Things, biomedical, electric vehicles, and expand our internationalized operations, as we move towards our goal of becoming the world leader in technology application integration solutions. Once again, we would like to thank our shareholders for their long-term support and all of our employees for their best efforts.

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 chemical products.
- 1970 : Established Composite Material Division, to promote fiber glass of Asahi Fiber Glass and polyester resin of Nippon Shokubai Co., Ltd. in Taiwan market. Established
- 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.
- 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 in Kaohsiung, 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

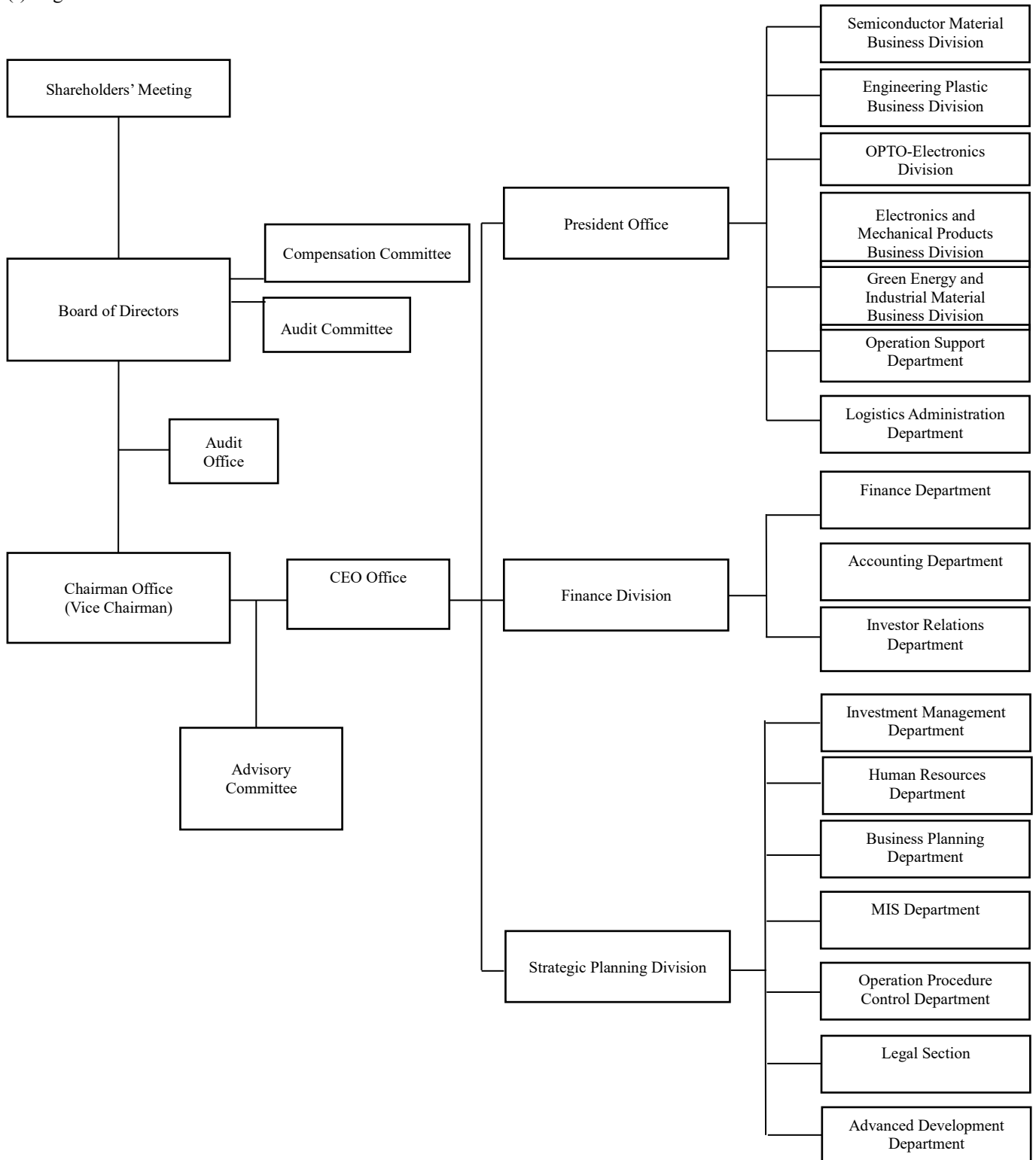
- July 22.
Acquired 12F of BaoFu Commercial Building in Taipei.
- 2003 : Affiliated company Chang Wah Electromaterials, Inc. received approval from the securities authority to list for trading on TPEX on October 30.
Hsinchu office and warehouse were accredited ISO9001 and ISO14001 certifications.
Founded 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 Transceed 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.
- 2021 : Exclusively sponsored the China Materials Science Society to hold the National University Cup "Wah Lee Innovative Materials Competition".
- Our subsidiary Kingstone Energy Technology Corporation received the National Solar PV (Solar Photovoltaic System) Top Solar Award.

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 Department	<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 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. Assist the implementation of various systems of the Company in the investees. 3. 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 planning 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, undertake and execute all contracts, litigations and other legal affairs.

II. Directors, Supervisors and Management Team:

(I) Directors

Directors (1)																	March 31, 2022			
Job title)	Nationality or place of incorporation	Name	Gender Age	Date elected	Tenure	Date of initial appointment	Shareholding when appointed		Current shareholding		Current shareholdings of spouse and minors		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 Corp.	N.A.	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 Corp. Representative: Chang, Ray-Ching	Male 81~90 y/o	May 28, 2020	3 years	May 26, 1971	14,910,397	6.44%	6,450,364	2.73%	1,041,569	0.44%	7,747,320	3.28%	Honorary Doctorate, National Sun Yat-Sen University Honorary Doctorate, National Cheng Kung University Wah Lee Industrial Corp. CEO	Chairman of Wah Hong Industrial Corp. Chairman of Nagase Wahlee Plastics Corp. Chairman of Wah Hong Holding Ltd. Chairman 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. Chairman of Ding Bao Co. Ltd.	Vice Chairman Directors CEO	Chen, Chun-Yin Lin, Shu-Chen Chang, Tsuen-Hsien	Affinity Spouse Father and son	Note 1
Vice Chairman	R.O.C.	Chun-Yin Chen	Male 81~90 y/o	May 28, 2020	3 years	September 7, 1990	3,796,014	1.64%	3,683,934	1.56%	55,170	0.02%	0	0.00%	Department of Metal & Mining, Waseda University, Japan Wah Lee Industrial Corp. Vice CEO	Director of Nagase Wahlee Plastics Corp. Director of ORC Technology Corp. Director of ORC Electrical Machinery Co., Ltd Director of Asahi Kasei Wah Lee Hi-Tech Corp. Director of Hsin Hao Company	Chairman Directors Vice president	Chang, Ray-Ching Lin, Shu-Chen Chen, Chih-Yuan	Affinity Father and son	None
Director	R.O.C.	Kung Tai Investment Corp.	NA	May 28, 2020	3 years	June 7, 2005	14,439,155	6.24%	19,561,338	8.29%	0	0.00%	0	0.00%	None	None	None	None	None	
	R.O.C.	Kung Tai Investment Corp. Representative: Chang, Tsuen-Hsien	Male 51~60 y/o	May 28, 2020	3 years	May 26, 2017	0	0.00%	698,200	0.30%	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 Corp. Chairman of Raycong Industrial (Hong Kong) Limited Chairman of Dongguan Huagang International Trading Co., Ltd. Chairman of Shanghai Yi Kang Chemicals & Industries Co., Ltd. Chairman of Wah Lee Tech (Singapore) Pte. Ltd.	Chairman Director	Chang, Ray-Ching Lin, Shu-Chen	Father and son Mother and son	Note 1

															Chairman of Wah Tech Industrial Co., Ltd., Director of Chang Wah Electromaterials Inc. Director of Wah Hong Industrial Corp. Director of Shanghai Hua Chang Trading Co., Ltd. Director of ORC Technology Corp. Director of Hua Ying Supply Chain Management (Shenzhen) Co., Ltd. Director of ORC Electrical Machinery Co., Ltd. Director of Nagase Wahlee Plastics Corp.					
Director	R.O.C.	Lin, Chi-Hai	Male 81~90 y/o	May 28, 2020	3 years	September 17, 1969	2,609,959	1.13%	2,662,158	1.13%	0	0.00%	0	0.00%	Department of Chemical Engineering, National Cheng Kung University Chairman of Toa Resin Corp.	Chairman of Toa Resin Corp. Director of Mingtai Chemical Co., Ltd. Director of Yu Feng Rubber Industrial Co., Ltd. Supervisor of Zhi Hui Technology Co.	None	None	None	None
Director	R.O.C.	Bau Guang Investment Corp.	NA	May 28, 2020	3 years	June 18, 2008	1,971,873	0.85%	2,206,310	0.93%	0	0.00%	0	0.00%	None	Director of Wah Hong Industrial Corp.	None	None	None	None
	R.O.C.	Bau Guang Investment Corp. Representative: Lin, Shu-Chen (Note 2)	Female 81~90 y/o	May 28, 2020	3 years	December 1, 2012	1,689,656	0.73%	1,041,569	0.44%	6,450,364	2.73%	7,747,320	3.28%	Department of Accounting, Kaohsiung Vocational Commercial School Bank manager of Taiwan Business Bank Co., Ltd.	Senior advisor of Wah Lee Industrial Corp. Chairman of Bau Guang Investment Corp.	Chairman Vice Chairman CEO	Chang, Ray-Ching Chun-Yin Chen Chang, Tsuen-Hsien	Spouse Affinity Mother and son	None
Director	R.O.C.	Yeh, Ching-Pin	Male 71~80 y/o	May 28, 2020	3 years	September 7, 1990	3,356,263	1.45%	3,423,388	1.45%	1,324,964	0.56%	0	0.00%	EMBA, National Sun Yat-Sen University Wah Lee Industrial Corp. Senior vice president	Director and president of Wah Hong Industrial Corp. Director of Jin Tai Sheng Co., Ltd. Director of Wah Ma Technology Sdn. Bhd. Director of Jun Hong Optometric Corp.	None	None	None	None
Independent Director (Note 1)	R.O.C.	Chu, Hau-Min	Male 61~70 y/o	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	Chairman of Central Deposit Insurance Corp.	None	None	None	None

															Chi University President of Hsing Kuo Management College					
Independent Director	R.O.C.	Wang, Yea- Kang	Male 71~80 y/o	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 Wisher 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 61~70 y/o	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 : Resigned on September 16, 2021

Note 2 : 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, two 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.
5. One independent director will be elected at the regular meeting of shareholders this year.

Major Corporate Shareholders

March, 31, 2022

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

Major Shareholders of Major Corporate Shareholders

March, 31, 2022

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

Directors (2)

1. Director professional qualifications and independent director independence information disclosure:

Criteria Name	Professional qualifications and experience	Independent Situation	Number of other public companies in which the individual is concurrently serving as an independent director
Chairman Chang, Ray-Ching	Graduated from the Department of Chemical Engineering of National Cheng Kung University, and received Honorary Doctorate from National Sun Yat-Sen University and National Cheng Kung University in 2015 and 2016 respectively. Mr. Chang is the Founder of Wah Lee Industrial Corp., Currently, he is the director representative of many companies and act as chairman of our company and Wah Hong Industrial Corp. He has more than five years of working experience required for business, finance, and corporate business; has been committed to the fields related to high-tech materials and equipment industry for fifty years; has the ability of professional leadership, operation management and strategic planning. He operates and manages the Company's image and corporate relations, and leads the Company to become an industrial leader pioneer and move towards sustainable operation.	Does not meet any of the criteria described in Article 30 of the Company Act.	None
Vice Chairman Chen, Chun-Yin	Graduated from Department of Metal & Mining, Waseda University in Japan Vice Chairman of Wah Lee Industrial Corp. and act as director representative of many companies such as Nagase Wahlee Plastics Corp. , He has more than five years of working experience in business, finance and corporate business, leads all units to implement business strategies, has an international outlook, global professional market competition judgment and leadership ability.	Does not meet any of the criteria described in Article 30 of the Company Act.	None
Director Chang, Tsuen-Hsien	Graduated from Department of Electrical Engineering & Department of Biomedical Engineering, University of Southern California in USA Current CEO and president of Wah Lee Industrial Corp., and the director representative of many listed companies such as Director of Chang Wah Electromaterials Inc. He has more than five years of working experience in business, finance and corporate business, manage and supervise the performance of business units and operation support units, achieve the annual budget and financial measurement of the company, manage the relationship between suppliers and customers, assist in the development of new product agents, and has the ability of global professional market competition judgment, business decision-making and innovation leadership.	Does not meet any of the criteria described in Article 30 of the Company Act.	None
Director Lin, Chi-Hai	Graduated from the Department of Chemical Engineering, National Cheng Kung University. Currently, he is the Chairman of TOA resin Corp., director representative of Mingtai Chemical Co., Ltd. and other companies. He has more than five years of working experience in business, finance, and corporate business. He is committed to the fields related to the chemical industry for more than fifty years and has abundant experience and business networks.	Does not meet any of the criteria described in Article 30 of the Company Act.	None

Criteria Name	Professional qualifications and experience	Independent Situation	Number of other public companies in which the individual is concurrently serving as an independent director
Director Lin, Shu-Chen	Graduated from the Department of Accounting, Kaohsiung Vocational Commercial School. Acted as Bank manager of Taiwan Business Bank Co., Ltd. and vice president of Financial Division at Wah Lee Industrial Corp.. Currently, she is taking the role of senior advisor of the Company, and has more than five years of working experience in business, finance and corporate business, specializing in corporate finance and accounting affairs, and abundant experience in financial planning.	Does not meet any of the criteria described in Article 30 of the Company Act.	None
Director Yeh, Ching-Pin	Graduated from EMBA, National Sun Yat-Sen University. Currently, he is the Director and President of Wah Hong Industrial Corp.. He has more than five years of working experience required in business, finance and corporate business, has been committed to the relevant fields of optoelectronic industry for more than thirty years, and has abundant experience and business networks.	Does not meet any of the criteria described in Article 30 of the Company Act.	None
Independent director Wang, Yea-Kang	Master of Urban and Regional Planning, National Chung Hsing University He is the convener of the Compensation Committee of the Company and a member of the Audit Committee Currently, he is acting as Consultant, 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., independent director of Wisner Industrial Co., Ltd., Independent director of Eclat Textile Co., Ltd., and Independent director of Feng Hsin Steel Co., Ltd. He has more than five years of working experience in business, legal and corporate business, specializing in the fields of law and business management.	Directors who meet the following independent evaluation conditions two years prior to appointment or during the term of appointment: (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.	3
Independent director Shyu, So-De	Ph.D., Finance, University of Alabama in USA Convener of the Audit Committee and the member of the Compensation Committee of the Company Professor of Department of Finance Management, National Sun Yat-Sen University Principal and professor of Takming University of Science and Technology. He has more than five years of working experience in business, finance and corporate business, specializing in financial management and accounting	(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	None

<p>Independent director Chu, Hau-Min (Note 1)</p>	<p>Ph.D., Economics, Brown University in USA Member of the Audit Committee and Compensation Committee of the Company Acted as Professor, Department of Finance, Chengchi University and Principal of Hsing Kuo University of management. Current Chairman of Central Deposit Insurance Corp.. He has more than five years of working experience in business, finance and corporate business, specializing in the fields of Finance and economics.</p>	<p>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.)</p> <p>(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.)</p> <p>(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)</p> <p>(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)</p> <p>(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 NT\$500,000 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.</p> <p>(10) Not a spouse or a relative within two degrees of consanguinity to any director.</p> <p>(11) Does not meet any of the criteria described in Article 30 of the Company Act.</p> <p>(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.</p>	<p>None</p>
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Note 1 : Chu, Hau-Min, an independent director, resigned on September 16, 2021.

2. Diversity and independence of the board of directors

According to Article 5.1 of the Company's "corporate governance best practice principles" Sections 5.1.3 Structure of the board of directors and 5.1.4, the diversity of Board of Directors' membership and the overall capabilities of Board of Directors are as follows:

5.1. Structure of the board of directors

5.1.3. The board of directors should consider diversification in its membership. In addition to the fact that directors who are also managers of the Company should not exceed one-third of the seats of directors, appropriate diversification policies should be formulated according to their own operation, operation type and development needs, which should include but not limited to the following two standards:

5.1.3.1. Basic conditions and values: gender, age, nationality, and culture, etc.

5.1.3.2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial 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 Board of Directors of the Company consists of nine directors, including three independent directors and one female director. The proportion of directors with employee status is 44% and the proportion of independent directors is 33%. The Company also pays attention to the equality of genders among the members of Board of Directors. The proportion of female directors is 11%. The members have abundant experience and expertise in finance, electronic technology, industry and management.

The implementation situations are as follows.

Diversified Core Items Name of Director	Basic Information									Part time staff	Diversified Core Capabilities (the major five)									
	Title	Gender	Age				independent director terms and seniority				Finance and banking	Electric Technolog y	Industry	Business Manageme nt	Commerce	Accountin g	Law	Marketing Manageme nt	Informatio n Technolog y	Risk Manageme nt
			51~60 y/o	61~70 y/o	71~80 y/o	81 y/o above	below 3 years	3~9 years	9 years above											
Chang, Ray- Ching	Chairman	Male				✓				✓		✓	✓	✓	✓					✓
Chen, Chun- Yin	Vice Chairman	Male				✓				✓		✓	✓	✓	✓			✓		✓
Lin, Chi-Hai	Director	Male				✓							✓	✓	✓			✓		✓
Lin, Shu- Chen	Director	Female				✓				✓	✓			✓	✓	✓				✓
Chang, Tsuen-Hsien	Director	Male	✓							✓		✓	✓	✓					✓	✓
Yeh, Ching- Pin	Director	Male			✓							✓	✓	✓				✓		✓
Chu, Hau- Min (Note 1)	Independe nt director	Male		✓					✓		✓			✓	✓			✓		✓
Wang, Yea- Kang	Independe nt director	Male			✓				✓				✓	✓	✓		✓			✓
Shyu, So-De	Independe nt director	Male		✓				✓			✓			✓		✓		✓		✓

Note1 : Chu, Hau-Min, an independent director, resigned on September 16, 2021

3. Board of directors' diversification policy and specific management objectives and achievement:

Management Objectives	Achieving Status
The number of directors, who serve as part-time manager of the Company, shall not exceed one-half of the number of directors' seats.	Achieved
The board of directors member contains at least one female member.	Achieved
More than one-half of independent directors shall serve no more than three consecutive terms.	Chu, Hau-Min, an independent director, resigned on September 16, 2021. A new independent director will be by-elected in the shareholders' meeting in this year.

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

March 31, 2022

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Shareholdings of spouse and minors		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	CEO and president of Wah Lee Industrial Corp. Chairman of Raycong Industrial (Hong Kong) Limited Chairman of Dongguan Huagang International Trading Co., Ltd. Chairman of Shanghai Yi Kang Chemicals & Industries Co., Ltd. Chairman of Wah Lee Tech (Singapore) Pte. Ltd. Chairman of Wah Tech Industrial Co., Ltd., Director of Chang Wah Electromaterials Inc. Director of Wah Hong Industrial Corp. Director of Shanghai Hua Chang Trading Co., Ltd. Director of ORC Technology Corp. Director of Hua Ying Supply Chain Management (Shenzhen) Co., Ltd. Director of ORC Electrical Machinery Co., Ltd. Director of Nagase Wahlee Plastics Corp.	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%	MBA, Department of Business Administration, National Chengchi University (Executive) VP of Neo Solar Power Energy Corp. (Energy Trend) President of GENERAL ELECTRIC INTERNATIONAL, INC. TAIWAN BRANCH (U.S.A.), Greater China Region	Vice Chairman of Raycong Industrial (Hong Kong) Limited, Director and President of Dongguan Huagang International Trade Co., Ltd. Chairman and President of Huaying supply chain management (Shenzhen) 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 Corp.	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
Semiconductor Material Division Vice president	R.O.C.	Chen, Chih-Yuan	Male	July 1, 2016	105,297	0.04%	23,907	0.01%	0	0.00%	Master, Department of Psychology, Columbia University Chief of Planning of Human Resources Department, Acer Inc.	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 Corp. 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	1,002,820	0.43%	178,036	0.08%	0	0.00%	Department of Business Administration, Tunghai University Staff of Taiwan Cooperative Bank, Nantou Branch,	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	32,684	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 Division Senior Director	R.O.C.	Chen, Yi-Jen	Male	July 1, 2021	133	0.00%	0	0.00%	0	0.00%	Department of Business Decision Making, Sanno University	None	None	None	None	None
Semiconductor	R.O.C.	Wu, Hsiu-I	Male	January 1,	0	0.00%	0	0.00%	0	0.00%	Department of Chemistry, Chung Yuan Christian	None	None	None	None	None

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Shareholdings of spouse and minors		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	
Material Division Project Director				2019							University Researcher of Industrial Technology Research Institute					
Semiconductor Material Division Senior Director	R.O.C.	Yang, Cheng-Ju	Male	July 3, 2021	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 Corp.	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	38,563	0.02%	0	0.00%	0	0.00%	Master, Department of Chemical Engineering, National Taiwan University of Science and Technology WINTEK Corp., Engineer	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 Corp.	Director of Forcera Materials Co., Ltd.	None	None	None	None
Electronic construction division Senior Director	R.O.C.	Shan, Tzu-Hao	Male	Feb. 14, 2022	0	0.00%	0	0.00%	0	0.00%	George Washington University, Graduate Institute of Mechatronic System Engineering Efficient Power Conversion Corp., Sales Deputy Manager	None	None	None	None	None
Electronics and Mechanical Products Division Director	R.O.C.	Tsai, Yu-Tang	Male	July 1, 2014	0	0.00%	1,096	0.00%	0	0.00%	Department of Chemical Engineering, Chinese Culture University Material development engineer of Kao (Taiwan) Corp.	Supervisor of ORC Electrical Machinery Co., Ltd	None	None	None	None
Electronic construction division Director	R.O.C.	Lee, Chi-Shan	Male	July 1, 2021	6,573	0.00%	0	0.00%	0	0.00%	Kao Yuan University, Applied Foreign Language Department	None	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 TONG TAI JUNG INDUSTRIAL CO., LTD., Vice President	Director and President 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	54,268	0.02%	0	0.00%	0	0.00%	Master, Department of Chemical Engineering, Yuan Ze University Manager of Hsin Song Electronics Co., Ltd.	ORC Electrical Machinery Co., Ltd, General Manager	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 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 Director of Hon Hai Precision Industry Co., Ltd.	Kingstone Energy Technology Co., Ltd. Chairman KSA Energy Corp. Chairman KSB Energy Corp. Chairman KSC Energy Corp. Chairman KSD Energy Corp. Chairman Hua Heng Energy Co., Ltd., Chairman	None	None	None	None
Audit Office Director	R.O.C.	Yang, Yu-Kwang	Male	July 1, 2021	0	0.00%	0	0.00%	0	0.00%	Centenary College, MBA Program Foxconn Technology Co., Ltd., Director of operation and management department	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	102,285	0.04%	0	0.00%	0	0.00%	Department of Accounting, National Cheng Kung University (Open Junior College)	Chairman, Kang Tai Investment Corp.	None	None	None	None

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Shareholdings of spouse and minors		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	26,382	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
Logistic Management Division, Director	R.O.C.	Shih, Chia-Sheng	Male	July 1, 2021.	0	0.00%	1,020	0.00%	0	0.00%	Tamkang University, Department of Information Management AHEAD Optoelectronics, INC., Manufacturing Division, Deputy Manager	Tranceed Logistic Co., Ltd. Chairman Xiamen Hua Cheng Da Logistics Co., Ltd., Chairman	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, the two 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:

(I) Remuneration of directors and independent directors																						Unit: NT\$; % December 31, 2021	
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 Corp. Representative: Chang, Ray-Ching	0	0	0	0	37,361	37,361	420	420	1.33%	1.33%	25,002	25,002	328	328	23,599	0	23,599	0	3.05%	3.05%	37,361	
	Chun-Yin Chen																						
	Kang Tai Investment Corp. Representative: Chang, Tsuen-Hsien																						
	Lin, Chi-Hai																						
	Bau Guang Investment Corp. Representative: Lin, Shu-Chen																						
	Yeh, Ching-Pin																						
Independent Director	Chu, Hau-Min	0	0	0	0	4,800	4,800	400	400	0.18%	0.18%	0	0	0	0	0	0	0	0	0.18%	0.18%	4,800	
	Wang, Yea-Kang																						
	Shyu, So-De																						
<p>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. If the Company has a surplus, the remuneration shall be distributed in accordance with the provisions of Article 20.</p> <p>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 (such as serving as a consultant for non-employees of all companies / reinvestment enterprises in the parent company / financial report): None.</p>																							

Compensation bracket table

Range of Compensation for Directors	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)	Independent director : Chu, Hau-Min	Independent director : Chu, Hau-Min	Independent director : Chu, Hau-Min	independent director : Chu, Hau-Min
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	General Director : Chen, Chun-Yin、Kang Tai Investment Corp., Representative: Chang, Tsuen-Hsien、Lin, Chi-Hai、Bau Guang Investment Corp., Representative: Lin, Shu-Chen、Yeh, Ching-Pin independent director : Wang, Yea-Kang, Shyu, So-De	General Director : Chen, Chun-Yin, Kang Tai Investment Corp., Representative: Chang, Tsuen-Hsien, Lin, Chi-Hai, Bau Guang Investment Corp., Representative: Lin, Shu-Chen, Yeh, Ching-Pin, independent director: Wang, Yea-Kang, Shyu, So-De	General Director : Lin, Chi-Hai, Yeh, Ching-Pin Independent director : Wang, Yea-Kang, Shyu, So-De	General Director : Lin, Chi-Hai independent director : Wang, Yea-Kang, Shyu, So-De
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-	General Director : Bao Kwang Investment Co. Ltd. Representative: Lin, Shu-Chen	General Director : Bao Kwang Investment Co. Ltd. Representative: Lin, Shu-Chen
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-	General Director : Kang Tai Investment Corp., Representative: Chang, Tsuen-Hsien	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	Directors: Representative of Kang Tai Investment Corp.: Chang, Ray-Ching	Directors: Representative of Kang Tai Investment Corp.: Chang, Ray-Ching	General Director : Chen, Chun-Yin	General Director : Chen, Chun-Yin, Kang Tai Investment Corp., Representative: Chang, Tsuen-Hsien, Yeh, Ching-Pin
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	General Director : Kang Tai Investment Corp., Representative: Chang, Ray-Ching	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-	General Director : Kang Tai Investment Corp., Representative: Chang, Ray-Ching
More than NT\$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 2021 that has been resolved by the board of directors.

Note 3: Referring to professional fees for services rendered made to directors for 2021 (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 2021.

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 2021.

Note 7: Referring to pension appropriation for 2021.

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, 2021														
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	13,719	19,270	378	378	17,283	21,416	34,381	0	34,381	0	2.31%	2.65%	1,845
Vice president	Lu, Jui-Ming													
Vice president (Note 7)	Chen, Chi-Hsing													
Vice President	Chen, Chih-Yuan													
Vice President	Liu, Feng- ROUNG													
Vice President	Yeh, Ching-Wen													
Vice President (Note 7)	Chang, Ray-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 NT\$1,000,000	Chang, Ray-Sen	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-	Chang, Ray-Sen
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Yeh, Ching-wen, Lu, Rui-Ming, Su, Yu-Liang	Yeh, Ching-Wen, Su, Yu-Liang
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Chang, Tsuen-Hsien, Chen, Chih-Yuan, Liu, Feng- ROUNG, Yeh, Ching-Wen, Su, Yu-Liang	Chang, Tsuen-Hsien, Lu, Rui-Ming, Chen, Chih-Yuan, Liu, Feng- ROUNG
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
Total	7	7

Note 1: Referring to president and vice president salaries, allowances, severance package and etc. for 2021.

Note 2: Referring to president and vice presidents’ various rewards and bonuses for 2021.

Note 3: The employee compensation for 2021 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 2021.

Note 5: Referring to pension appropriation for 2021.

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 April 2021.

(IV) Analysis of the proportion of the total remuneration paid by the Company and all companies in the consolidated statements to the Company's director, general manager and vice president in the net profit after tax of individual financial reports in the last two years, and the policies, standards and combinations of remuneration, and the procedures for formulating remuneration and its correlation with business performance and future risks.

1. The percentage of the total remuneration of directors, general managers and vice president of the Company in the after tax net profit of individual financial reports:

Job Title	Percentage of total remuneration to net profit after tax				Increase (decrease) Percentage	
	2020		2021			
	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report
Director	3.35%	3.35%	3.23%	3.23%	(3.58%)	(3.58%)
President and Vice President	2.66%	3.43%	2.31%	2.65%	(13.16%)	(22.74%)

Note: The information in 2021 includes the items of earning distribution. The earning distribution proposal is proposed by the board of directors and has not been decided by the shareholders' meeting. It is estimated based on the information of the previous year.

2. Policy, standard and combination of remuneration:

(1) Compensation of Directors

A. Directors' compensation: Article 20 of the Articles of Association stipulates that if the Company makes profits in the year, not more than 2% shall be the director's remuneration.

B. Director's travel expenses: they shall be issued according to the number of times they attend the board of directors, Compensation Committee, audit committee and other functional committees.

C. The managers served at other company concurrently also includes salary, bonus and employee compensation.

(2) Compensation of president and vice president

A. The Company's manager's salary shall comply with the Company's business strategy, and the manager's salary shall be significantly correlated with the Company's growth index, productivity index and shareholder profit index. In order to achieve the goal of external market competitiveness, the overall reward is divided into fixed compensation, incentive compensation, and welfare/indirect compensation. The fixed salary is the monthly salary and year-end bonus, the incentive reward is the performance bonus and employee compensation, and the welfare/indirect compensation includes employee stock ownership trust, group insurance, health checkup, etc.

B. Article 20 of the Articles of Association stipulates that if the Company makes profits in the year, 9% ~ 13% shall be allocated for the remuneration of employees.

3. Procedure for determining remuneration:

(1) The fixed salary of the Company's managers shall be determined by reference to their academic experience, professional ability, management scope and peer level.

(2) The Chief Executive Officer shall consider the performance evaluation items of the managers of the Company, including financial indicators (such as revenue and profit achievement rate) and non-financial indicators (such as innovation and integration, risk management, etc.), and the Compensation Committee shall consider their positions, scope of rights and responsibilities and contribution to the Company's operating objectives, and

consider them with reference to the Company's annual operating performance proposal, And send it to the board of directors for resolution

4. Relevance to business performance and future risks:

- (1) Conduct director performance evaluation regularly every year and submit the evaluation results to the next year's board of directors' report in accordance with the provisions of the Company's board of directors' performance evaluation measures as a reference for review and improvement and the basis for selecting or nominating directors or salary.
- (2) The remuneration of director, President and Vice President has fully considered their professional ability and the Company's operation and financial status, continued learning and measured other special contributions, and linked the Company's performance and personal performance as the calculation standard of remuneration.
- (3) The Company also examines future operational risks, environmental protection, and corporate social responsibility from time to time, and reviews the remuneration system from time to time, so as to strike a balance between the Company's sustainable operation and risk control.

(4) Analysis of changes in the last two years:

1. The remuneration ratio of directors and employees in 2021 is lower than that in 2020, mainly because the net profit before tax in 2021 is higher than that in 2020, and there is no unreasonable situation.
2. The remuneration ratio of the general manager and vice president in 2021 decreased compared with that in 2020, mainly due to the less of a senior executive in 2021, which is not unreasonable.

(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	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 (Note 2)	Chang, Jui-Sen				
	Director	Chang, Jui-Yu				
	Director	Lin, Li-Chang				
	Director	Liu, Tsung-Ming				
	Director (Note 2)	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 (Note 2)	Pan, Ching-Feng				
	Director	Yang, Cheng-Ju				
	Director	Shao, Kuang-Wei				
	Director	Chang, Chi-An				
	Director (Note 4)	Wang, Shi-Min				
	Director	Tsai, Shu-Fen				
	Director	Chen, Mao-Hua				
	Director	Chang, Tzu-Cheng				
	Director (Note 5)	Chiang, Guo-Rui				
	Director (Note 3)	Li, Chi-Shang				
	Director (Note 3)	Shi, Jia-Sheng				
	Director (Note 3)	Yang, Yu-Guang				
	Director (Note 2)	Wu, Rui-Chang				
	Director	Lin, Ren-Chih				
	Director	Lee, 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.

Note2: Retired in 2021

Note3: Promoted in 2021

Note4: Resigned in 2021

Note5: Appointed in 2021

IV. Implementation of corporate governance:

(I) Participation of board of directors:

1. There were 7 board meetings (A) in 2021. 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 Corp. Representative: Chang, Ray-Ching	7	0	100%	
Vice Chairman	Chun-Yin Chen	7	0	100%	
Directors	Kang Tai Investment Corp. Representative: Chang, Tsuen-Hsien	7	1	83%	
Directors	Lin, Chi-Hai	7	0	100%	
Directors	Bau Guang Investment Corp. Representative: Lin, Shu-	7	0	100%	

	Chen				
Directors	Yeh, Ching-Pin	7	0	100%	
Independent Director	Chu, Hau-Min	6	0	100%	Note 2
Independent Director	Wang, Yea-Kang	7	0	100%	
Independent Director	Shyu, So-De	7	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.

Note 2: Mr. Chu, Hau-Min, director, resigned on September 16, 2021 due to personal career planning, so he did not participate in the fifth board meeting on November 8, 2021.

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 2021 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. For more information on the evaluation cycle and duration, scope, method and content of the Board of Directors' self-assessment (or its peers), please refer to the table below "Implementation of the Board of Directors Evaluation".
- 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 July 2, 2021, the board of directors passed a resolution regarding the purchase of liability insurance for all board members and managers. The insured period is from June 19, 2021 to June 18, 2022.
 - (4) The Company conducts the performance assessment of Board of Directors and functional committees in accordance with the prescribed "Board of Directors Performance Evaluation Method", which is regularly assessed once a year, and the results of the 2021 annual assessment have been submitted to the Board of Directors report on February 17, 2022.

2. Attendance of Independent Directors in 2021:

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

2021	First Interim	First meeting	Second meeting	Third meeting	Second Interim	Fourth meeting	Fifth meeting
Chu, Hau-Min	◎	◎	◎	◎	◎	◎	N/A
Wang, Yea-Kang	◎	◎	◎	◎	◎	◎	◎
Shyu, So-De	◎	◎	◎	◎	◎	◎	◎

3. The Company's board of directors' operation in 2021

Date of Audit Committee meeting	Session	Resolution	Audit Committee's opinion	Actions to be taken
2021.01.07	First interim	Approved to participate in Locus Cell Co., Ltd.'s cash capital increase.	Resolution passed unanimously.	Not applicable
2021.01.26	First	Approved the authorization of the Company's banking facilities in 2021.	Resolution passed unanimously.	Not applicable
		Approved to continue the NTD 25,194,000 bank guarantee for Asahi Kasei Wah Lee Hi-tech Corp. NTD 25,194,000.	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for Nagase Wahlee Plastics Corp. in the amount of NT\$480,000,000 and NT\$120,000,000 for the purchase of materials.	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for Shanghai Nagase Wahlee Trading Limited for US\$19.2 million and US\$9 million for material purchases.	Resolution passed unanimously.	Not applicable
		Approved to convene the date and place of the 2021 Annual General Meeting of Shareholders.	Resolution passed unanimously.	Not applicable
		Approved the Company's proposed investment in Huahsuan Green Energy Co. Ltd.	Resolution passed unanimously.	Not applicable
2021.03.26	Second	Approved the 2021 Business Plan.	Resolution passed unanimously.	Not applicable
		Approved the 2020 Business Report, Individual Financial Report and Consolidated Financial Report.	Resolution passed unanimously.	Not applicable
		Approved the proposal to distribute earnings for 2020. (Cash dividend of NT\$4 per share)	Resolution passed unanimously.	Not applicable
		Approved the issuance of new shares from the Company's capital surplus.	Resolution passed unanimously.	Not applicable
		Approved the appropriation of the Company's Director's and employees' remuneration for 2020.	Resolution passed unanimously.	Not applicable
		Approved the proposal of Director's remuneration and employee's remuneration ratio for 2021.	Resolution passed unanimously.	Not applicable
		Approved to continue the NT\$120,000,000 bank guarantee for subsidiaries RAYCONG INDUSTRIAL (HONG KONG) LIMITED, DongGuan HuaGang International Trading Co. Ltd. And Shanghai Yikang chemicals and Industries Co. Ltd. to SHINKONG SYNTHETIC FIBERS CORP. & Shinkong Applied Materials (Jiangsu) Co. Ltd for material purchases..	Resolution passed unanimously.	Not applicable
		Approved the guarantee for the subsidiary Shanghai Yikang chemicals and Industries Co. Ltd. to JSR company. (US \$5.4 million, the original 6.7 million will be released at the same time)	Resolution passed unanimously.	Not applicable
		Approved the USD 10.5 million bank guarantee for the subsidiary Wah Lee Tech (Singapore) PTE., Ltd. and provide JSR purchase material guarantee for USD8.4 million. (original JSR USD 7.7 million will be released at the same time)	Resolution passed unanimously.	Not applicable
		Approved provided the loan to its subsidiary Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.	Not applicable
		Approved to apply the medium-term working capital bank loan.	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of "the articles of association" .	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of "procedures for the acquisition or disposal of assets".	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of "the rules of procedure of the shareholders' meeting".	Resolution passed unanimously.	Not applicable
		Approved to issue the company's 2020 statement of internal control system.	Resolution passed unanimously.	Not applicable
		Approved to revise the discussion proposal of the 2021 general meeting of shareholders.	Resolution passed unanimously.	Not applicable
2021.05.11	Third	Approved the Company's first quarter overdue receivables are not listed as loan to others .	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for the subsidiary, Wah Lee (Vietnam) Co., Ltd. (USD 9.6 million).	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of "the Rules of Organization of the Audit Committee"	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of "Rules of Procedure	Resolution passed	Not

		for the Board of Directors” .	unanimously.	applicable
		Approved the amendment to some provisions of the Rules Governing the Scope of Duties of Independent Directors.	Resolution passed unanimously.	Not applicable
2021.07.02	Second interim	Approved purchased liability insurance discussions for the company's Director and managers. (Insurance limit of US\$5 million) (due on June 18, 2021).	Resolution passed unanimously.	Not applicable
		Approved the Company to issue the third Domestic unsecured convertible bonds.	Resolution passed unanimously.	Not applicable
		Approved to change the date of the 2021 General Shareholders Meeting .	Resolution passed unanimously.	Not applicable
2021.08.06	Fourth	Approved 2020 Cash Dividend Payment Related Matters.	Resolution passed unanimously.	Not applicable
		Approved Capital Reserve Conversion to Capital Increase and Issuance of New Shares.	Resolution passed unanimously.	Not applicable
		Approved the Remuneration proposal for Managers Considered by the Compensation Committee of the Company.	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of the Measures for the Administration of Job Authorization.	Resolution passed unanimously.	Not applicable
		Approved the Company's second quarter overdue receivables are not listed as loan to others.	Resolution passed unanimously.	Not applicable
		Approved the guarantee for the subsidiary Shanghai Yikang chemicals and Industries Co. Ltd. to JSR company. (USD 5 million)for the purchase of materials	Resolution passed unanimously.	Not applicable
		Approved the guarantee for the subsidiary Wah Lee Tech(Singapore) to JSR Corp. (USD 8.9 million) for the purchase of materials	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for the subsidiary, Wah Tech Industrial Co., Ltd.. (THB 468,000,000)	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for the subsidiary, Wah Lee Philippines Inc.. (US\$2 million).	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for the subsidiary, PT. WAH LEE INDONESIA. (USD 3.1 million).	Resolution passed unanimously.	Not applicable
2021.11.08	Fifth	Approved the Fourth Compensation Committee.	Resolution passed unanimously.	Not applicable
		Approved the Company's third quarter overdue receivables are not listed as loan to others.	Resolution passed unanimously.	Not applicable
		Approved to provide additional shares as collateral to the banks of syndicated loan borrowed by the subsidiary, Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.	Not applicable
		Approved the bank guarantee for subsidiaries Sakuragawa and Miyazaki Solar Company.	Resolution passed unanimously.	Not applicable
		Approved the additional bank guarantee for invested company Shanghai Nagase Wahlee Trading Limited.	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of the Articles of Association of the Compensation Committee.	Resolution passed unanimously.	Not applicable
		Approved the proposal to authorize the Chairman to decide on the endorsement and guarantee for a single company within 10% of the paid-in capital, and to submit it to the Board of Directors for ratification after the events.	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of the Internal Control of Sales and Collections Cycle.	Resolution passed unanimously.	Not applicable
		Approved the Company's 2022 Audit Plan.	Resolution passed unanimously.	Not applicable

4. 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, 2021 End date: December 31, 2021	<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: There are 8 directors. 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 84%.
<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, 2021 End date: December 31, 2021	<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 80%.
<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, 2021 End date: December 31, 2021	<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: The results of the self-evaluation questionnaire of the performance appraisal of the three members of the Compensation Committee were 100% outstanding. •Attachment 4: The audit committee's 2 performance assessment self-assessment questionnaire results were 100% outstanding.

(2) Operation of the Audit Committee:

This company has established an audit committee in accordance with Article 14-4 of the Securities and Exchange Act, which is composed of all independent directors.

1. Professional qualifications and experience of members of the Audit Committee:

Members	Professional qualifications and experience
Independent director Wang, Yea-Kang	Master of Urban and Regional Planning, National Chung Hsing University He is the convener of the Compensation Committee of the Company and a member of the Audit Committee Currently, he is acting as Consultant, 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., independent director of Wisner Industrial Co., Ltd., Independent director of Eclat Textile Co., Ltd., and Independent director of Feng Hsin Steel Co., Ltd. He has more than five years of working experience in business, legal and corporate business, specializing in the fields of law and business management.
Independent director Shyu, So-De	He graduated from the University of Alabama with a PhD in finance and banking. He is the convener of the Audit committee and a member of the Compensation Committee of the Company. He served as a professor in the Department of financial management of National Sun Yat Sen University and the President and professor of Dakming University of Science and Technology. He has more than five years of working experience in business, finance and corporate business, specializing in financial management and accounting.
Independent director Chu, Hau-Min (Note1)	He graduated from Brown University with a doctorate in economics. He is a member of the audit committee and Compensation Committee of the Company. He once served as a professor of Finance Department of Chengchi University and President of Hsin Kuo University of Management. He is the Chairman of the Central Deposit Insurance Corp.. He has more than five years of working experience in business, finance and corporate business, specializing in the fields of Finance and economics.

Note1: Chu, Hau-Min, an independent director, resigned on September 16, 2021.

2. Focus of work

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 Significant 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.

There were 7 Audit Committee meetings (A) in 2021. 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	7	0	100%	
Independent Director	Chu, Hau-Min	6	0	100%	Note 2
Independent	Wang, Yea-Kang	7	0	100%	

Director																										
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.																										
Note 2: Chu, Hau-min, resigned due to personal career planning on September 16, 2021, so he did not participate in the fifth Audit Committee on November 8, 2021.																										
Other items should be recorded:																										
1. Operation of the Audit Committee:																										
(1) Matters described in the Securities and Exchange Act, Article 14-5:																										
Please see the participation of Audit Committee for 2021 below.																										
(2) Apart from the aforementioned matters, resolutions that have not been approved by the Audit Committee but approved by two-thirds or more of all directors: None.																										
2. 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.																										
3. Communication between independent directors, head of internal auditor, and external auditors in 2021:																										
(1) Communication between independent directors and external auditors																										
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	(3) Subsidiaries are poorly managed, substantive improvement should be strengthened	
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3. Operation of the company's audit committee in 2021:

Date of Audit Committee meeting	Session	Resolution	Audit Committee's opinion	Actions to be taken
2021.01.07	First interim	Approved to participate in Locus Cell Co., Ltd.'s cash capital increase.	Resolution passed unanimously.	Not applicable
2021.01.26	First	Approved the authorization of the Company's banking facilities in 2021.	Resolution passed unanimously.	Not applicable
		Approved to continue the NTD 25,194,000 bank guarantee for Asahi Kasei Wah Lee Hi-tech Corp.	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for Nagase Wahlee Plastics Corp. in the amount of NT\$480,000,000 and NT\$120,000,000 for the purchase of materials.	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for Shanghai Nagase Wahlee Trading Limited for US\$19.2 million and US\$9 million for material purchases.	Resolution passed unanimously.	Not applicable
		Approved to convene the date and place of the 2021 Annual General Meeting of Shareholders.	Resolution passed unanimously.	Not applicable
		Approved the Company's proposed investment in HUAHSUAN GREEN ENERGY CO. LTD.	Resolution passed unanimously.	Not applicable
2021.03.26	Second	Approved the 2021 Business Plan.	Resolution passed unanimously.	Not applicable
		Approved the 2020 Business Report, Individual Financial Report and Consolidated Financial Report.	Resolution passed unanimously.	Not applicable
		Approved the proposal to distribute earnings for 2020. (Cash dividend of NT\$4 per share)	Resolution passed unanimously.	Not applicable
		Approved the issuance of new shares from the Company's capital surplus.	Resolution passed unanimously.	Not applicable
		Approved to continue the NT\$120,000,000 bank guarantee the for its subsidiaries RAYCONG INDUSTRIAL (HONG KONG) LIMITED, DongGuan HuaGang International Trading Co. Ltd. and Shanghai Yikang chemicals and Industries Co. Ltd. to Shinkong Synthetic Fibers Corp. & Shinkong Applied Materials (Jiangsu) Co. Ltd for material purchases. (NT\$120,000,000).	Resolution passed unanimously.	Not applicable
		Approved the guarantee for the subsidiary Shanghai Yikang chemicals and Industries Co. Ltd. to JSR company. (US \$5.4 million, the original 6.7 million will be released at the same time)	Resolution passed unanimously.	Not applicable
		Approved the USD 10.5 million bank guarantee for the subsidiary Wah Lee Tech (Singapore) Pte., Ltd. and provide JSR purchase material guarantee for USD 8.4 million. (original JSR USD 7.7 million will be released at the same time)	Resolution passed unanimously.	Not applicable
		Approved to provide loans to its subsidiary Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.	Not applicable
		Approved to apply the medium-term working capital bank loan.	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of the articles of association.	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of "procedures for the acquisition or disposal of assets".	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of the rules of procedure of the shareholders' meeting.	Resolution passed unanimously.	Not applicable
		Approved to issue the company's 2020 statement of internal control system.	Resolution passed unanimously.	Not applicable
		Approved to revise the discussion proposal of the 2021 general meeting of shareholders.	Resolution passed unanimously.	Not applicable
2021.05.11	Third	Approved the Company's first quarter overdue receivables are not listed as loan to others.	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for its subsidiary, Wah Lee (Vietnam) Co., Ltd. (USD 9.6 million).	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of the Rules of Organization of the Audit Committee	Resolution passed unanimously.	Not applicable

		Approved the amendment to some provisions s of the Board of Directors Code of Deliberations.	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of the Rules Governing the Scope of Duties of Independent Directors.	Resolution passed unanimously.	Not applicable
2021.07.02	Second interim	Approved purchased liability insurance discussions for the company's Director and managers. (Insurance limit of US\$5 million) (due on June 18, 2021).	Resolution passed unanimously.	Not applicable
		Approved to issue the third domestic unsecured convertible corporate bonds .	Resolution passed unanimously.	Not applicable
		Approved to change the date of the 2021 General Meeting of Shareholders.	Resolution passed unanimously.	Not applicable
2021.08.06	Fourth	Approved 2020 Cash Dividend Payment Related Matters.	Resolution passed unanimously.	Not applicable
		Approved Capital Reserve Conversion to Capital Increase and Issuance of New Shares.	Resolution passed unanimously.	Not applicable
		Approved the amendment to some provisions of the Measures for the Administration of Job Authorization.	Resolution passed unanimously.	Not applicable
		Approved the Company's second quarter overdue receivables are not listed as loan to others.	Resolution passed unanimously.	Not applicable
		Approved the guarantee for the subsidiary Shanghai Yikang chemicals and Industries Co. Ltd. to JSR Corp. (USD 5 million)for the purchase of materials	Resolution passed unanimously.	Not applicable
		Approved the guarantee for the subsidiary Wah Lee Tech(Singapore) to JSR Corp. (USD 8.9 million) for the purchase of materials	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for the subsidiary, Wah Tech Industrial Co., Ltd. (THB 468,000,000)	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for the subsidiary, Wah Lee Philippines Inc..(USD 2 million).	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for the subsidiary, PT. WAH LEE INDONESIA. (USD 3.1 million).	Resolution passed unanimously.	Not applicable
2021.11.08	Fifth	Approved the Company's third quarter overdue receivables are not listed as loan to others.	Resolution passed unanimously.	Not applicable
		Approved to provide additional shares as collateral to the banks of syndicated loan borrowed by the subsidiary, Kingstone Energy Technology Co., Ltd..	Resolution passed unanimously.	Not applicable
		Approved to continue the bank guarantee for subsidiaries Sakuragawa and Miyazaki Solar Company.	Resolution passed unanimously.	Not applicable
		Approved the additional bank guarantee for invested company Shanghai Nagase Wahlee Trading Limited.	Resolution passed unanimously.	Not applicable
		Approved the proposal to authorize the Chairman to decide on the endorsement and guarantee for a single company within 10% of the paid-in capital, and to submit it to the Board of Directors for ratification after the events.	Resolution passed unanimously.	Not applicable
		Approved the amendments to the provisions of the Internal Control of Sales and Collections Cycle.	Resolution passed unanimously.	Not applicable
		Approved Discussion of the Company's 2022 Audit Plan.	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”?	✓		The company has established 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 has established 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	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?	✓		<p>required by the internal control system. For abnormal items, improvement measures shall be provided and follow-up shall be performed.</p> <p>(IV) The company has regulations such as the "Code of Ethical Conduct for Directors and Managers" and "Operating Procedures for the Prevention of Insider Trading" to regulate all employees, managers and directors of the company, as well as anyone who knows the company's news based on professional or control relationships, prohibit any behavior that may involve insider trading, and irregularly conduct internal education and promote the specific circumstances of the implementation of internal rules. :</p> <p>1. director When a director takes office, the company provides a director's regulations publicity manual, and sends legal information to the directors from time to time for their knowledge.</p> <p>2. Manager/employee When a manager assumes the position of an insider, the company provides relevant laws and regulations such as insider equity changes, insider trading, and short-term trading. It will also send legal information to the manager from time to time, and new employees will also be provided education and publicity in a timely manner.</p> <p>After the Company issues an important notice, it will notify the manager to avoid any situations that may involve insider trading.</p>	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) The company has formulated the board of directors' diversification policy in the code of corporate governance practice, and set specific management objectives and	No evident deviation from the Corporate Governance Best Practice Principles for

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	
(II) Apart from the Compensation Committee and Audit Committee, has the company assembled other functional committees at its own discretion?		✓	<p>implement them according to the policy. For the implementation, please refer to "director diversification and independence" on pages 14 to 18 of this annual report.</p> <p>(II) As per the law and regulation, the Company has established the Remuneration Committee and Audit Committee. Other functional committees have yet to be established. It is expected to set up a Sustainable Development Committee in 2022.</p>	<p>TWSE/TPEx Listed Companies.</p> <p>Same as summary description.</p>
(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-election?	✓		<p>(III) The Company carried out board of Directors Performance Evaluation in 2021. For the overall board of directors, individual directors, the Compensation Committee and the Audit committee, the performance evaluation was conducted regularly every year as a reference for review and improvement, as well as a reference basis for selecting or nominating directors. The self-evaluation was conducted by questionnaire.</p> <p>The measurement items of the Company's board of directors' performance evaluation include the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Improve the decision-making quality of board of directors. 3. Composition and structure of board of directors. 4. Director selection and continuous learning. 5. Internal control. <p>The performance evaluation items of individual board of directors' members include the following six aspects:</p> <ol style="list-style-type: none"> 1. Master the Company's objectives and tasks. 2. Director's responsibility cognition. 3. Participation in the operation of the Company. 4. Internal relationship management and communication. 5. Professional and continuing education of director. 6. Internal control. <p>The performance evaluation items of the salary and</p>	<p>Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</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	
(IV) Does the company assess the independence of external auditors on a regular basis?	✓		<p>Compensation Committee and the Audit Committee include the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Awareness of the responsibilities of the functional Committee. 3. Improve the decision-making quality of functional committees. 4. Composition and selection of members of the functional Committee. 5. Internal control. <p>The Company has completed the performance self-evaluation of board of directors in 2021 and submitted the evaluation results to the board of directors' report on February 17, 2022 as the basis for review and improvement.</p> <p>The overall result of board of directors' performance self-assessment is excellent 84%, and the overall result of individual director members' performance self-assessment is excellent 80%, indicating that the overall board of directors operates well; The overall result of the performance self-evaluation of d Committee and the audit committee is excellent 100%, which shows that the overall operation of the Compensation Committee and the Audit committee is perfect, in line with corporate governance and effectively enhance the functions of the board of directors. °</p> <p>(IV) The Audit committee of the Company regularly evaluates the independence and competence of the certified public accountants every year. In view of the size and reputation of the accounting firm and the comparison of the nature and amount of audit and non-audit services in the last two years, the Company requires the certified public accountants to issue an "independence statement" every year, and the board of directors regularly evaluates the suitability and independence of the certified public accountants every year. The evaluation results of the last two years were completed on January 26, 2021 and March 22, 2022 respectively.</p>	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
IV. Does the TWSE/TPEX listed company dedicate	✓		1. The Company has established an integrity management	Consistent with the Corporate

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	
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>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 and assisting the directors in compliance.</p> <p>For the status of execution in 2021, please see pages 44-45 of the annual reports.</p>	Governance Best Practice Principles for TWSE/TPEx Listed Companies.
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?	✓		1. The "CSR Zone" and "Stakeholder Zone" are set up on the Company's website as communication channels to appropriately respond to stakeholders' concerns including CSR issues.	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 appointed Taishin Securities to handle shareholder affairs and shareholders' meetings.	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	
VII. Information disclosure				
(I) Has the company established a website that discloses financial, business and corporate governance-related information?	✓		(I) The Company has set up the 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) At present, the Company has not announced and reported the annual financial report two months after the end of the fiscal year. The financial reports for the first, second and third quarters were approved by the board of directors, and the operating conditions of each month were announced and reported before the specified time limit. Relevant information was also disclosed on the "public information Observatory" and the Company's website.	Same as summary description.
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	✓		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	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	
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 policies, liability insurance for the company's directors and supervisors)?			<p>accumulated a total of 43 training hours in 2021. Please see pages 45-46 of the annual reports for further details.</p> <p>3. The attendance of directors in the board meeting: In 2021, the attendance rate of directors in the board meeting amounted to 100%, 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. In 2021, participation of managers in the training and education related to corporate governance: Please see page 109-110 of the annual reports on "Participation of managers in the training and education related to corporate governance 2021" 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 pages 127-128 of the annual reports on "Analysis and evaluation of risk management" for further details.</p> <p>9. Please see page 46 of the annual reports on the succession planning for board members and key management for further details.</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.				

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	
Items	Evaluation Indicators	Improvements			
Improved Items	1.10	The Company has uploaded the English version of the Handbook 30 days before the ordinary shareholders' meeting (April 27, 2021).			
	1.11	The English version of the Company's annual report was simultaneously uploaded 7 days before the regular shareholders' meeting (May 20, 2021).			
	2.9	The Company's annual report has disclosed the succession planning and operations of the members of the Board of Directors and key management personnel.			
	2.13	The Company's annual report has disclosed the policies, systems, standards and structures for the periodic review of the performance evaluation and compensation of directors and managers.			
	2.15	The Company has disclosed the separate communication between the independent director and the internal auditors and accountants on the Company's website.			
	4.10	The Company's website and annual report has disclosed the protection measures for employee safety and working environment and their implementation.			
	4.11	The annual report of the Company has disclosed the annual greenhouse gas emissions, water consumption and total weight of waste for the past two years.			
Priorities for Enhancement items	2.14	Functional committees have been added and a Sustainability Committee is expected to be established in 2022.			
	2.22	The Risk Management Policy and Procedures, which are expected to be approved by the Board of Directors in 2022, reveal the scope of risk management, organizational structure and its operation.			
	2.27	On March 22, 2022, the Board of Directors approved the establishment of an "Intellectual Property Management Plan" and is expected to report on its implementation in the fourth quarter.			
	3.20	In 2022, the Company expects to hold at least one investor conferences per quarter or hold a corporate briefing session for the quarterly operation status.			
	4.4	In accordance with the GRI Guidelines published by the Global Sustainability Reporting Institute (GRI), the Company will prepare and disseminate the sustainability report on the Public Information Observation Post System and the Company's website by the end of September.			

Business undertaking of the officer of corporate governance in 2021:

Through the resolution of board of directors on August 12, 2020, the company appointed director Mr. Lin Ren-Zhi as the director of corporate governance to assure shareholders' rights and interests and strengthen the functions of board of directors.

Director, Mr. Lin, Ren-Zhi has more than three years of experience in charge of Finance and stock affairs in public companies.

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 the officer of corporate governance in 2021:

Date of training		Organizer	Course name	Training hours	Total training hours
Start	End				
2021.10.01	2021.10.01	Securities and Futures Institute of R.O.C.	Global Risk Awareness - Opportunities and Challenges in the Next Decade	3 Hours	12 hours
2021.10.05	2021.10.05	Securities and Futures Institute of R.O.C.	Key Technologies and Business Opportunities in Quantum Technologies	3 Hours	
2021.10.22	2021.10.22	Taiwan Academy of Banking and Finance	Corporate Governance Seminar - Directors' and Supervisors' Financial Reporting Responsibilities and Key Content Analysis	3 Hours	
2021.10.26	2021.10.26	Securities and Futures Institute of R.O.C.	Corporate tax governance and tax technology solutions from ESG trends and epidemic environment	3 Hours	

Continuing education of board directors in 2021:

Title	Name	Organizer	Course name	Training Hours
Director	Chen, Chun-Yin	Cathay Financial Holdings and its subsidiaries, Taiwan Stock Exchange Corp.	2021 Cathay Sustainable Finance & Climate Change Summit - Sustainable Finance	6 Hours
Director	Chang, Tsuen-Hsien	Securities and Futures Institute of R.O.C	The 13th Taipei Corporate Governance Forum-Morning Session	6 Hours
		Securities and Futures Institute of R.O.C	The 13th Taipei Corporate Governance Forum - Afternoon Session	
Director	Lin, Chi-Hai	Cathay Financial Holdings and its subsidiaries, Taiwan Stock Exchange Corp.	2021 Cathay Sustainable Finance and Climate Change Summit - Sustainable Finance	6 Hours
independent director	Wang, Yea-Kang	Taiwan Corporate Governance Association	Securities Malpractice Cases and Directors' Liability	7 Hours
		Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	
		Taiwan Corporate Governance Association	Global Political and Economic Situation: Business and M&A Strategies of Taiwan Businesses	
independent director	Chu, Hau-Min	Securities and Futures Institute of R.O.C	Legal Risk and Response for Directors and Supervisors from a Major Corporate Malpractice Case	6 Hours

		Securities and Futures Institute of R.O.C	Climate Change and Adaptation to Promote Sustainable Competitiveness	
independent director	Shyu, So-De	Taiwan Listed Companies Association	Corporate Governance Disputes and Practical Case Studies, Directors' Responsibilities and Practical Case Studies	12 Hours
		Securities and Futures Institute of R.O.C	Corporate Social Responsibility (CSR, ESG) Model Practice Analysis of Corporate Governance Evaluation	
		Securities and Futures Institute of R.O.C	The 13th Taipei Corporate Governance Forum - Morning Session	
		Securities and Futures Institute of R.O.C	Technology Development and Business Model of Blockchain	

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 and operation of the Compensation Committee:

The Compensation Committee is composed of all independent directors. Its operation mode is handled in accordance with the organizational procedures of the company's Compensation Committee. Its main responsibilities are as follows:

- (1) Formulate and regularly review the policies, systems, standards and structures of performance evaluation and salary of directors and managers.
- (2) Regularly evaluate and determine the salary and remuneration of directors and managers.

1. Information on members of the Compensation Committee

Identity	Name	Professional qualifications and experience	Independent Situation	Number of other public companies' Compensation Committees in which the member served as part-time member
independent director and convener	Wang, Yea-Kang	Refer to the relevant contents of Appendix 1 - Director information (I) on page 15-16.	<p>Directors who meet the following independent evaluation conditions two years prior to appointment or during the term of appointment:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(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.)</p> <p>(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.</p> <p>(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).</p> <p>(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</p>	3
independent director (Note1)	Chu, Hau-Min			0
independent director (Note2)	Shyu, So-De			0
Other	Chen, Yi-Ming	Graduated from the Department of business management of Chengchi University, he is a member of the Compensation Committee of the Company. He is a CPA. Chen, Yi-Ming, CPA, is with more than five years of working		1

		<p>experience required for business, accounting and corporate business, specializing in the field of accounting.</p>	<p>of Taiwan or with the laws of the. country of the parent company or subsidiary.)</p> <p>(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.)</p> <p>(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)</p> <p>(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)</p> <p>(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 NT\$500,000 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.</p> <p>(10) Not a spouse or a relative within two degrees of consanguinity to any director.</p> <p>(11) Does not meet any of the criteria described in Article 30 of the Company Act.</p> <p>(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</p>	
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Note1: Chu, Hau-Min, committee member resigned due to personal career planning on September 16, 2021.

Note2: The Board of Directors newly hired independent director Shyu, So- de as member of the Compensation Committee on November 8, 2021.

(2) Participation of Compensation Committee

I. The Compensation Committee consists of three members.

II. Tenure: May 28, 2020 to May 27, 2023. There were 2 Compensation Committee meetings (A) in 2021. The attendance of committee members is as follows:

Title	Name	Number of Actual Attendance (B)	Number of Attendance by proxy	Actual Attendance rate (%) (B / A) (Note 1)	Note
Convener	Wang, Yea-Kang	2	0	100%	
Member	Chu, Hau-Min	1	0	100%	Note2
Member	Shyu, So-De	1	0	100%	Note3
Member	Chen, Yi-Ming	2	0	100%	

Note1: The actual attendance rate (%) of the Compensation Committee members is calculated based on the number of meetings of the Compensation Committee and the actual number of attendance during their employment.

Note2: Chu, Hau-Min resigned on September 16, 2021 due to personal career planning.

Note3: The Board of Directors appointed independent director Shyu, So-De to the Compensation Committee on November 8, 2021.

Other items to be recorded:

1. The Board of Directors does not adopt or amend the recommendations of the Compensation Committee:
None.
2. The members of the Compensation Committee have objections or reservations to the resolutions of the Committee and have records or written statements: None.

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 in 2021

Date of Compensation Committee meeting	Session	Resolution	Voting result	Company's response to the Compensation Committee's opinion
March 25, 2021	First meeting	The proposal on the distribution of directors' remuneration and employees' remuneration of the Company in 2020 was approved	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.
		The Company's 2021 director's remuneration and employee's remuneration ratio were approved	All committee members passed the resolution unanimously.	Forwarding to the board of directors for unanimous approval by all attending directors.
August 6, 2021	Second meeting	Appropriation of management compensation for 2020 and management salary for 2021	All committee members passed the resolution unanimously.	Forwarding to the board of directors for unanimous approval by all attending directors.

(V) Implementation of promoting sustainable development and differences with the code of practice for sustainable development of listed and OTC companies and reasons

Promotional Items	Implementation (Note 1)			Deviation and causes between the code of practice for sustainable development for TWSE/GTSM Listed Companies
	Yes	No	Summary description (Note 2)	
1. Does the Company establish a governance structure to promote sustainable development, and set up a full-time (Part-time) unit to promote sustainable development, which is handled by the senior management authorized by board of directors, and under the supervision of board of directors?		✓	In 2022, in accordance with the code of practice for sustainable development of listed and OTC companies, we will promote the establishment of a governance structure for sustainable development, set up full-time (Part-time) units for sustainable development, formulate relevant operating procedures and incorporate them into the internal control system, so as to strengthen the preparation quality of the sustainability report. In the future, the management level should regularly propose sustainable strategies to the board of directors. The board of directors must study and judge the possibility of the success of the strategy, regularly check the progress of the strategy, and urge the management team to adjust.	In the future, the board of directors will authorize the senior management to handle it and report the handling situation to the board of directors according to the actual needs.
2. 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.	No deviation
3. Environmental issues (I) Does the company establish a suitable environmental	✓		To promote the sustainable management and social development, the Company treats environmental	No deviation

management system according to its industrial characteristics?		<p>protection as its responsibility, and aims at a green enterprise and continues to move forward. Thoroughly ensure environmental quality, the company actively implements and implements the ISO14001 management system and promotes environmental safety and health management to achieve a high degree of environmental greening, pollution prevention, resource utilization, and compliance with relevant environmental regulations. The Company promises to carry out the following tasks in the spirit of "environmental protection, pollution prevention, and continuous improvement" :</p> <ol style="list-style-type: none"> 1. Implement and reinforce the ISO 14001 environmental management system. 2. Continue to implement energy conservation and resource recovery. 3. Continuous improvement, prevent pollution, and minimize the environmental impact of company accidents. 4. Educate employees, enhance the environmental safety awareness and ability of all employees, and strive to become a green enterprise. 5. Formulate and review environmental goals and targets in response to environmental needs. 6. Comply with government environmental protection laws and regulations and establish a legal and effective environmental management system company. 	
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<p>(II) Is the Company committed to improving energy efficiency and using recycled materials with low impact on environmental loadings?</p>	✓		<p>The Company is committed to improve the utilization efficiency of various resources and using recycled materials with low impact on environmental load; Establish an appropriate environmental management system, and implement and maintain it to achieve energy conservation, carbon reduction and greenhouse gas reduction.</p> <p>Committed to energy conservation, carbon reduction, waste reduction and other environmental protection activities of operation behavior, such as lighting equipment improvement, resource recovery and reuse, and actively carry out the inventory of greenhouse gas emission of internally purchased power and list the reduction of greenhouse gas emission of purchased power as the annual environmental goal, and continue to promote and track.</p> <p>At the same time, stakeholders such as SGS and customers, as well as internal ISO management review meetings, disclose the operation performance, and coordinate suppliers to cooperate with the implementation of greenhouse gas inventory activities according to the requirements of customers, so as to reduce the impact on the environmental loadings.</p>	No deviation
<p>(III) Has the company made an assessment on the present and future potential risks and opportunities posed by climate changes to the company and undertaken countermeasures pertaining to climate changes? ?</p>	✓		<p>Based on environmental considerations and risk assessment, the company's product sales service examines the potential risks and opportunities of climate change on sales operation, and guides customers to identify through relevant marketing activities to promote the promotion and sales of green products.</p> <p>In addition to the ISO14001 environmental management system certificate verified by SGS in 2003, it plans to promote the international sustainable development and</p>	No deviation

			carbon verification iscc-plus system from 2022 to cope with the impact of climate change.	
(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?	✓		<p>In the spirit of "environmental protection, pollution prevention and continuous improvement", the Company promotes the continuous implementation of management policies such as energy conservation, resource recovery, continuous improvement, pollution prevention, minimizing environmental impact, educating employees and improving employees' environmental safety awareness and ability.</p> <p>In 2021, the greenhouse gas emission of purchased power was 402.21 metric tons of CO₂e, a decrease of about 52.76 metric tons of CO₂ e (about 11.6%) compared with 454.97 metric tons of CO₂e in 2020.</p> <p>(power carbon emission coefficient = 0.509 kgCO₂e / degree)</p> <p>In 2021, the gas emission of water temperature chamber is 0.5348 metric tons of CO₂e, which is about 0.3765 metric tons of CO₂ e emission (about 41.3%) lower than that of 0.9113 metric tons of CO₂e in 2020.</p> <p>(carbon removal coefficient of water = 0.150 kgCO₂e/degree)</p>	No deviation
<p>IV. Social issues</p> <p>(I) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p>	✓		<p>(I) 1. In accordance with the Labor Standard Act, Act of 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</p>	No deviation

			<p>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 workplace 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 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</p>	
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			promoting their sense of belongs toward the Company.	
(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>1. Article 20 of the company's Articles of Association stipulates that if the company makes a profit in the year, 9% to 13% shall be allocated as employee remuneration, and business performance and results can be appropriately reflected in employee remuneration.</p> <p>2. Considering the rationality of the relationship with individual performance, departmental work goals, company operating performance and future risks, long-term participation and reference to salary research in the same industry, and provide a reasonable and competitive salary system to maintain the overall salary competitiveness, and has been listed as a constituent stock of the "Taiwan High Salary 100 Index" of the Taiwan Stock Exchange for consecutive years.</p> <p>3. In the employee benefits section, in addition to provide leaves in accordance with the law, annual sick and personal leaves with pay are provided, and offer various diversified and flexible welfare measures.</p> <p>4. Implement the employee shareholding welfare savings trust to encourage employees to become shareholders of the company and share business results. The employee shareholding trust has accounted for 2.07% of the company's outstanding shares.</p>	No deviation

(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		<p>1. The Company provides a good working environment, holds health lectures every year, and publishes health e-newspapers monthly, so that employees can easily get the updated health information. Regularly implement employee health check every year. We consider the physical condition of employees and plan the most appropriate health check items according to gender and age, and invite professional doctors to provide consultation report and safety and health education and training. In addition, we employ " Occupational Medicine Specialist " and " Occupational Medicine Nurses" according to law, and regularly go to the Company to provide four health management services such as "overwork and stress management", "maternal health protection of female workers", "prevention of human sexual hazards" and "prevention of illegal infringement" in accordance with the labor health protection law.</p> <p>2. Provide female colleagues with milk collection needs for feeding young children and set up "milk feeding (Collection) rooms" in Kaohsiung, Hsinchu and Taipei offices.</p> <p>3. Strive to promote tobacco prevention and health promotion in the workplace and obtain the "healthy workplace certification - healthy start seal" to create a high-quality and healthy workplace environment for happy enterprises.</p>	No deviation
(IV) Has the company implemented an effective training program that helps employees develop skills over the course of their career?	✓		The Company regularly holds employee briefing meetings every year to establish a mechanism for communication and policy publicity between the Company and employees.	No deviation

<p>(五) Pertaining to the health and safety of customer when using the company's focus on products and services, consumer privacy, marketing and labeling issues, does the company comply with the relevant regulations and international standards, and establish relevant policies on consumer protection or customer's rights complaint procedure?</p>	✓		<p>The Company is deeply engaged with key customers, increases product portfolio, provides added value, follows the development steps of customers, sets up service bases and implements local services.</p> <p>The Company attaches importance to customer after-sales service and has multiple channels for expressing customer opinions and standard operating procedures for handling customer opinions.</p> <p>In order to ensure long-term and stable supply, contract with suppliers and maintain a close agency relationship to meet customers' needs for product quality and delivery time and require suppliers to provide product quality data and safety data sheets to ensure environmental friendly protection measures and serve customers' health and safety.</p>	No deviation
<p>(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? ?</p>	✓		<p>Select and evaluate suppliers to be listed as qualified suppliers, and reevaluate and manage qualified suppliers every year.</p> <p>Visit and participate in supplier, customer meetings and forums.</p> <p>Actively identify, participate in, coordinate, and apply for the legal requirements and regulations of government agencies by using the legal identification procedure, so as to ensure that the operation of the Company complies with the laws and regulations.</p> <p>Considering the demands of international green environment, to enter the supply chain of foreign markets, environmental protection is regarded as one of the business strategies. In addition to actively publicizing the awareness and concept of environmental protection to employees, and actively reducing any pollution and waste to the</p>	No deviation

			environment with the concepts of "circular economy" and "life cycle".	
V. Does the company refer to universal standard or guideline for sustainability 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?		✓	<p>The Company has started the writing of the sustainability report in 2021 this year and prepared the report in accordance with the internationally accepted GRI (Global Initiative report) standard to expose the Company's non-financial information. After the publication of the book, the interested party shall upload the information to the official website and provide the report with more complete information.</p> <p>However, the 2021 sustainability report has not obtained the confirmation or assurance opinion of the third-party verification unit.</p>	Same as summary description.
<p>VI. If the company has established corporate social responsibility in accordance with “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the current practices and any deviations from the Sustainable Development Principles: The Company has yet to establish “Sustainable Development Best Practice Principles”. 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 “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”.</p>				
<p>VII. Other information relevant to understanding the implementation of promoting sustainable development:</p> <p>(1) In the deep engagement of solar power plants for many years, in addition to the actual performance of the enterprise plant and the roof of the school, the development of large-scale ground power plants has also continued to come out. At the end of 2021, about 54MW of solar power plants have been built, contributing 8,700 tons of carbon emissions reduction, and Wah lee Group has reached negative carbon emissions. It is expected that by the end of 2023, it will reach 160MW of power generation, which is equivalent to the carbon reduction of 280 Da-an Forest Park and provides about 60,000 households with electricity.</p> <p>(2) Participate in the donation of the medical building of National Sun Yat-Sen University, offer the medical welfare benefit to the people in eastern parts, such as Kaohsiung, Ping-Tung , and Penghu, and balance the medical resources between the north and the south: South Taiwan has not applied for a public medical college for nearly 40 years, and invested NT\$3.4million in 2021 to help National Sun Yat-Sen University train publicly funded doctors and scientists needed in rural areas, outlying islands and aboriginal areas, so as to narrow the gap between the medical resources between the north and the South; In the future, it will develop in the direction of AI's telemedicine,</p>				

economic medicine, ecosystem medicine, precision and preventive medicine, drive the competitiveness of Kaohsiung/Pingtung local development, and create "smart medical" talents.

- (3) For many years, our chairman has donated scholarships and grants to universities and colleges to support outstanding students from remote areas to study at ease: in 2021, he donated NT\$2.37 million to the chemical culture and education foundation of Chengdu University, National Sun Yat-Sen University and the alumni culture and education foundation of Taichung the Second Senior High School to care for the disadvantaged students in education; The founder was selected as one of the interviewees of the 90th Anniversary Series "Becoming the power the world believes in". He ordered new books and sent them to various educational groups to share his entrepreneurial experience and life experience with students.
- (4) We will continue to sponsor external cultural, educational and charitable foundations and work together to do our best for the cultural, educational and social welfare of the region: in 2021, we donated NT\$290,000 to Christian Futse Charity Foundation, Xue Xue Foundation, Taiwan Reading & Culture Foundation, Yong'an Children's Home and TPCA Environment Foundation to help handle cultural charity activities and promote the good atmosphere of society.
- (5) Continuously sponsor musical bands, support musicians' performances, and comprehensively improve the local artistic and cultural level: sponsored NT\$100,000 to Baroque soloists in 2021 to support artists and shape a real, good and beautiful life field.
- (6) Actively join various associations and alliances, invest in the technological upgrading and market development of the industry, and jointly build a competitive national team: in 2021, sponsored NT\$300,000 to the composite industry association, Taiwan circuit board Association, Taiwan Institute of Chemical Engineers and Association of Atmosphere Protection in Taiwan to promote industrial upgrading.
- (7) Human rights protection:
 - 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.

(VI) Performance of good faith operation and differences with the code of good faith operation of listed and OTC companies and reasons:

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. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(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 documents?	✓		(I) The Company has established the “Ethical Corporate Management Best Practice Principles”, in which directors, supervisors, managers, employees and person(s) with substantial 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.	(I) Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(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.

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	
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 year) to the board on the status of implementation?	✓		(II) The Company has established the Professionalism Promotion Committee to oversee and supervise the implementation, and shall report to the board of directors, depending on circumstances.	(II) Consistent with the Ethical Corporate Management Best Practice Principles for 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.

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	
(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				
(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 and announced an independent reporting mailbox in accordance with the "Measures for the Report on Illegal, Unethical and Dishonest Conducts" for internal and external personnel to use. Report mailbox: suggestion@wahlee.com.	(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	(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	
(III) Does the company assure malpractice reporters that they will not be mistreated for making such reports?	✓		confidentiality and conduct the investigation in accordance with these principles. (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.	TWSE/GTSM Listed Companies. (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.
<p>V. If the company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe its current practices and any deviations from the Best Practice Principles:</p> <p>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.</p>				
<p>VI. Other information relevant to understanding the company’s business integrity (e.g. review the company’s corporate conduct and ethics policy):</p> <p>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>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.</p>				

(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 pages 36 to 46 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 22, 2022

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 2021:

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, 2021, 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 Act.
7. This Statement was passed by the Board of Directors in their meeting held on March 22, 2022, 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 Chang, Ray-Ching

General Manager Chang, Tsuen-Hsein

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
2021 General shareholders' meeting (2021.07.28)	<p>1. The annual business report and financial statements in 2020 was approved.</p> <p>2. Approved the earnings distribution in 2020 and cash dividends of NT\$4.4 per share were allocated to shareholders.</p> <p>3. Approved the case of issuing new shares by converting capital reserve into capital increase.</p> <p>4. Approved the amendment of some provisions of the Articles of Association.</p> <p>5. Approved the amendment of some provisions of the "procedures for the acquisition or disposal of assets".</p> <p>6. Approved the amendments to some provisions of the rules of procedure of the shareholders' meeting.</p>

2. Major resolutions of the board of directors

Date of board meeting	Session	Resolution	Voting result
2021.01.07	First Interim	Approved to participate in Locus Cell Co., Ltd.'s cash capital increase.	Resolution passed unanimously.
2021.01.26	First	Approved the authorization of the Company's banking facilities for fiscal year 2021.	Resolution passed unanimously.
		Approved to continue the NTD 25,194,000 bank guarantee for Asahi Kasei Wah Lee Hi-tech Corp. NTD 25,194,000.	Resolution passed unanimously.

		Approved to continue the bank guarantee for Nagase Wahlee Plastics Corp. in the amount of NT\$480,000,000 and NT\$120,000,000 for the purchase of materials.	Resolution passed unanimously.
		Approved to continue the bank guarantee for Shanghai Nagase Wahlee Trading Limited for US\$19.2 million and US\$9 million for material purchases.	Resolution passed unanimously.
		The proposal to convene the date and location of the 2021 annual general shareholders' meeting was approved.	Resolution passed unanimously.
		Approved the Company's proposed investment in Huansuan Green Energy Co. Ltd.	Resolution passed unanimously.
2021.03.26	Second	Approved the 2020 Business Report, Individual Financial Report and Consolidated Financial Report.	Resolution passed unanimously.
		Discussed the distribution of earnings for fiscal year 2020. (Cash dividend of NT\$4 per share) Approved	Resolution passed unanimously.
		Approved the capitalization of capital surplus and issuance of new shares.	Resolution passed unanimously.
		Approved to participate in Locus Cell Co., Ltd.'s cash capital increase.	Resolution passed unanimously.
		Approved the Company's 2020 Director's Compensation and Employee's Compensation Plan.	Resolution passed unanimously.
		Approved the Company's proposal for the distribution of Director's remuneration and employees' remuneration for fiscal year 2021.	Resolution passed unanimously.
		Approved to continue the NT\$120,000,000 bank guarantee for subsidiaries Raycong Industrial (Hong Kong) Limited, DongGuan HuaGang International Trading Co. Ltd. And Shanghai Yikang chemicals and Industries Co. Ltd. to Shinkong Synthetic Fibers Corp. & Shinkong Applied Materials (Jiangsu) Co. Ltd for material purchases.	Resolution passed unanimously.
		Approved the guarantee for the subsidiary Shanghai Yikang chemicals and Industries Co. Ltd. to JSR company. (US \$5.4 million, the original 6.7 million will be released at the same time)	Resolution passed unanimously.
		Approved the USD 10.5 million bank guarantee for the subsidiary Wah Lee Tech (Singapore) PTE., Ltd. and provide JSR purchase material guarantee for USD8.4 million. (original JSR USD 7.7 million will be released at the same time)	Resolution passed unanimously.

		Approved to provide the loan to its subsidiary Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.
		Approved to apply the medium-term working capital bank loan.	Resolution passed unanimously.
		Approved the amendment of some articles of the "Articles of Incorporation".	Resolution passed unanimously.
		Approved the amendment of some provisions of the "Procedures for the Acquisition or Disposal of Assets".	Resolution passed unanimously.
		Approved the amendment of some provisions of the "Rules of Procedure of the Shareholders' Meeting".	Resolution passed unanimously.
		Approved the issuance of the Company's Statement of Internal Control System for 2020.	Resolution passed unanimously.
		Approved to revise the discussion items of the 2021 Annual General Shareholders' Meeting.	Resolution passed unanimously.
2021.05.11	Third	Approved the Company's first quarter overdue receivables are not listed as loan to others.	Resolution passed unanimously.
		Approved to continue the bank guarantee for the subsidiary, Wah Lee (Vietnam) Co., Ltd. (USD 9.6 million).	Resolution passed unanimously.
		Approved the amendment of some provisions of the "Audit Committee Organizational Rules".	Resolution passed unanimously.
		Approved the amendment of some provisions of "Board of Directors' Rules of Procedure".	Resolution passed unanimously.
		Approved the amendment of some provisions of the "Rules of the independent directors' responsibilities".	Resolution passed unanimously.
2021.07.02	Second Interim	Approved the purchase of liability insurance for the Company's Directors and Managers. (Insurance coverage of USD 5 million) (Expires on June 18, 2021)	Resolution passed unanimously.
		Approved to issue the third Domestic unsecured convertible corporate bonds.	Resolution passed unanimously.
2021.08.06	Fourth	Approved 2020 Cash Dividend Payment Related Matters.	Resolution passed unanimously.
		Approved Capital Reserve Conversion to Capital Increase and Issuance of New Shares.	Resolution passed unanimously.
		Approved the Remuneration proposal for Managers Considered by the Compensation Committee of the Company.	Resolution passed unanimously.
		Approved the amendment to some provisions of the Measures	Resolution passed

		for the Administration of Job Authorization.	unanimously.
		Approved the Company's second quarter overdue receivables are not listed as loan to others.	Resolution passed unanimously.
		Approved the guarantee for the subsidiary Shanghai Yikang Chemicals and Industries Co. Ltd. to JSR company. (USD 5 million)for the purchase of materials.	Resolution passed unanimously.
		Approved the guarantee for the subsidiary Wah Lee Tech(Singapore) to JSR Corp. (USD 8.9 million) for the purchase of materials.	Resolution passed unanimously.
		Approved to continue the bank guarantee for the subsidiary, Wah Tech Industrial Co., Ltd.. (THB 468,000,000)	Resolution passed unanimously.
		Approved to continue the bank guarantee for the subsidiary, Wah Lee Philippines Inc. (US\$2 million).	Resolution passed unanimously.
		Approved to continue the bank guarantee for the subsidiary PT. WAH LEE INDONESIA. (USD 3.1 million).	Resolution passed unanimously.
2021.11.08	Fifth	Approved the appointment of the fourth Salary and Compensation Committee.	Resolution passed unanimously.
		Approved the Company's third quarter overdue receivables are not listed as loan to others.	Resolution passed unanimously.
		Approved to provide additional shares as collateral to the banks of syndicated loan borrowed by the subsidiary, Kingstone Energy Technology Co., Ltd.	Resolution passed unanimously.
		Approved the bank guarantee for subsidiaries Sakuragawa and Miyazaki Solar Company.	Resolution passed unanimously.
		Approved the additional bank guarantee for invested company Shanghai Nagase Wahlee Trading Limited.	Resolution passed unanimously.
		Approved the amendment of some provisions of the "Organizational Rules of the Compensation Committee".	Resolution passed unanimously.
		Approved the proposal to authorize the Chairman to decide on the endorsement and guarantee for a single company within 10% of the paid-in capital, and to submit it to the Board of Directors for ratification after the events.	Resolution passed unanimously.
		Approved the amendment to some provisions of the Internal Control of Sales and Collections Cycle.	Resolution passed unanimously.
		Approved the Company's 2022 Audit Plan.	Resolution passed unanimously.

2022.01.25	First Interim	Approved the proposal to purchase the land for the Southern Logistics Center within NT\$1.2 billion.	Resolution passed unanimously.
		Approved to apply for a long-term mortgage loan for the land of the Southern Logistics Center from The Land Bank.	Resolution passed unanimously.
		Approved to acquire solar power generation equipment through our subsidiary, KSD Energy Technology Corp..	Resolution passed unanimously.
2022.02.17	First	Approved the discussion of the Company's business plan for 2022.	Resolution passed unanimously.
		Approved the Company's fourth quarter of 2021 overdue accounts receivable are not listed as loan to others. .	Resolution passed unanimously.
		Approved the authorization of the Company's banking facilities in 2022.	Resolution passed unanimously.
		Approved to apply for the medium-term working capital loan from banks.	Resolution passed unanimously.
		Approved to continue the NTD 25,194,000 bank guarantee for Asahi Kasei Wah Lee Hi-tech Corp.	Resolution passed unanimously.
		Approved to continue the bank guarantee for Nagase Wahlee Plastics Corp.	Resolution passed unanimously.
		Approved to continue the bank guarantee for Shanghai Nagase Wahlee Trading Limited.	Resolution passed unanimously.
		Approved to continue the bank guarantee for the subsidiary, Wah Lee (Vietnam) Co., Ltd.	Resolution passed unanimously.
		Approved the amendment of some provisions of "Standard Operating Procedures for Handling Directors' Requests".	Resolution passed unanimously.
		Proposal for by-election of independent directors	Resolution passed unanimously.
2022.03.22	Second	Approved 2021 Annual Business Report, Individual Financial Reports and Consolidated Financial Statements.	Resolution passed unanimously.
		Approved the proposal to distribute earnings for fiscal year 2021. (Cash dividend of NT\$6.8 per share)	Resolution passed unanimously.
		Approved the proposal to allocate the Company's Director's remuneration and employee's remuneration for fiscal year 2021.	Resolution passed unanimously.
		Approved the proposal of the Company's Director's remuneration and employee's remuneration ratio for 2022.	Resolution passed unanimously.
		Approved to continue the NT\$120,000,000 bank guarantee for subsidiaries Raycong Industrial (Hong Kong) Limited,	Resolution passed unanimously.

		DongGuan HuaGang International Trading Co. Ltd. And Shanghai Yikang chemicals and Industries Co. Ltd. to Shinkong Synthetic Fibers Corp. & Shinkong Applied Materials (Jiangsu) Co. Ltd for material purchases.	
		Approved to continue the bank guarantee for the subsidiary Wah Lee Tech (Singapore) Pte. Ltd.	Resolution passed unanimously.
		Approved to provide the loan to our subsidiary Kingstone Energy Technology Co. Ltd.	Resolution passed unanimously.
		Approved the amendment of some provisions of the Articles of Association.	Resolution passed unanimously.
		Approved the amendment of some provisions of the "Management of Financial Statement Preparation Process".	Resolution passed unanimously.
		Approved the issuance of the Company's Statement of Internal Control System for the year 2021.	Resolution passed unanimously.
		Approved the appointment and remuneration of the Company's certified public accountant.	Resolution passed unanimously.
		Approved the Company's nomination and review of independent director candidates. (Nominated by the Board of Directors)	Resolution passed unanimously.
		Approved the proposal to amend the 2022 Annual General Meeting of Shareholders.	Resolution passed unanimously.
		Approved the Company's intellectual property management plan.	Resolution passed unanimously.

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

Resolutions of the 2021 regular shareholders' meeting (July 28, 2021)	Performance Results
Earnings distribution of 2020 was approved.	The board resulted on August 6, 2021 that the ex-dividend base date was set on September 2, 2021, and the cash dividend of NT\$1,018,116,608 was paid to shareholders on September 24, 2021.
Capitalization of capital reserve to issue new shares was approved.	The Ministry of Economic Affairs approved on October 7, 2021 by the letter of authorization Gin ShouShang Zi No. 202101180610, and issued 4,627,803 new shares for capital increase on October 25, 2021.
Some provisions of the Articles of Association were amended and approved.	On August 2, 2021, the Ministry of Economic Affairs approved the registration with the letter of Gin Shou Shang Zi No. 202101133730.
Some provisions of the "procedures for the acquisition or disposal of assets" and the "rules of procedure of the shareholders' meeting" were amended and approved.	It has been handled in accordance with the revised procedures.

(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. CPA audit fees:

(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

Name of CPA firm	Name of CPA	CPA audit period	Audit fees	Non- Audit fees	Total	Note
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Deloitte & Touche Taiwan	Wu, Chiu-yen	January 1, 2021-December 31, 2021	5,840	480	6,320	NT\$30,000 for tax compliance audit, NT\$200,000 for securities raised and NT\$250,000 for others
	Chen, Chen-li					
	Lai, Yong-fa	January 1, 2021-December 31, 2021		720	720	NT\$310,000 for tax compliance audit and NT\$410,000 for others
	Chang Wei-ju			30	30	Commercial registration

VI. Replacement of independent auditors:

(I) Previous independent auditors

Date of replacement	Board of Directors resolution made on March 22, 2022			
Causes for the replacement	The original Certified Public Accountants of the Company were Wu, Chiu-yen and Chen, Chen-Li of Deloitte Taiwan. Due to the internal organization adjustments and changes, the financial statements were certified by Wu, Chiu-Yen and Su, Rui-Shuan of Deloitte Taiwan since the first quarter of 2022.			
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 Hsu, Jui-Hsuan
Date of engagement	Resulted by the Board of Directors on March 22, 2022
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 Corp.	3,125,183	0	62,000	0
Representative of Chairman	Chang, Ray-Ching	(158,033)	0	0	0
Vice Chairman	Chen, Chun-Yin	75,920	0	(158,000)	0
Director	Lin, Chi-Hai	52,199	0	0	0
Representative of director	Chang, Tsuen-Hsien	288,200	0	0	0
Director	Bau Guang Investment Corp.	191,437	0	43,000	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
Representative of director	Lin, Shu-Chen	(254,087)	0	0	0
Director	Yeh, Ching-Pin	67,125	0	0	0
Independent Director	Wang, Yea-Kang	0	0	0	0
Independent director (Note2)	Chu, Hau-Min	0	0	Not Applicable	Not Applicable
Independent Director	Shyu, So-De	0	0	0	0
CEO & President	Chang, Tsuen-Hsien	288,200	0	0	0
Vice president	Chen, Chih-Yuan	2,064	0	0	0
Vice president	Liu, Feng-Jung	89	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	(94,504)	0	(94,504)	0
Vice president (Note 2)	Chang, Jui-Sen	0	0	Not Applicable	Not Applicable
Director	Chang, Jui-Yu	20,055	0	0	0
Director	Lin, Li-Chang	1,639	0	0	0
Director	Liu, Tsung-Ming	0	0	0	0
Director	Wu, Hsiu-I	0	0	0	0
Director	Yang, Chen-Ming	20,055	0	0	0
Director	Chang, Yu-Wen	1,639	0	0	0
Director (Note 2)	Lin, Fang-Su	0	0	Not Applicable	Not Applicable
Director	Yu, Ching-Tien	0	0	0	0
Director (Note 2)	Pan, Ching-Feng	19	0	Not Applicable	Not Applicable
Director	Tsai, Yu-Tang	2	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	Shao, Kuang-Wei	0	0	0	0
Director	Chang, Chi-An	0	0	0	0
Director (Note 2)	Wang, Shi-Min	0	0	Not Applicable	Not Applicable
Director	Tsai, Shu-Fen	2,005	0	0	0
Director	Chen, Mao-Hua	0	0	38,108	0
Director	Chang, Tzu-Cheng	0	0	0	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
Director (Note 1)	Chiang, Kuo-Jui	0	0	0	0
Director (Note1)	Li, Chi-Shang	128	0	0	0
Director (Note1)	Shi, Jia-Sheng	0	0	0	0
Director (Note1)	Yang, Yu-Guang	0	0	0	0
Director (Note2)	Wu, Rui-Zhang	0	0	Not Applicable	Not Applicable
Director (Note3)	Shang ,Zhi-Hao	Not Applicable	Not Applicable	0	0
Director	Lin, Ren-Chih	0	0	0	0
Director	Li, Kuo-Ping	517	0	0	0

Note 1: Assumed office in 2021.

Note 2: Discharged in 2021.

Note 3: Assumed office in 2022.

(II) Transfer of equity interest:

Unit: Share; NT\$

Name	Reason of share transfer	Transaction Date	Transaction counterpart	The relationship between the counterparty and the Company, directors, supervisors, managers and shareholders with a shareholding ratio of more than 10%	Shares	Transaction Price
Chang, Ray- Ching	Donation	2021.12.29	Chang, Tsuen-Hsien	Farther-son	280,000	86.7
Lin, Shu-Chen	Donation	2021.12.29	Chang, Tsuen-Yi	Mother-son	280,000	86.7

(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, 2022

Name	Shareholding		Shareholdings of spouse and minors		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 Corp.	19,561,338	8.29%	0	0.00%	0	0.00%	Fortune Investment Co., Ltd.	Parent company of the Company	
Kang Tai Investment Corp. Representative: Tsai, Shu-Fen	102,285	0.04%	0	0.00%	0	0.00%	None	None	

Name	Shareholding		Shareholdings of spouse and minors		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	
Fortune Investment Co., Ltd.	15,409,494	6.52%	0	0.00%	0	0.00%	Kang Tai Investment Corp.	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.	11,873,950	5.03%	0	0.00%	0	0.00%	None	None	
Dragon Investment Co., Ltd. Representative: Hsieh, Hsin-Mo	62	0.00%	0	0.00%	0	0.00%	None	None	
Ting Pao Co., Ltd.	7,747,320	3.28%	0	0.00%	0	0.00%	Chang, Ray-Ching	Chairman of Ting Pao Co., Ltd.	
Ting Pao Co., Ltd. Representative: Chang, Ray-Ching	6,450,364	2.73%	1,295,656	0.56%	7,300,000	3.15%	Ting Pao Co., Ltd.	is held by Chang, Ray-Ching under other person(s)	
Chang, Ray-Ching	6,450,364	2.73%	1,041,569	0.44%	7,747,320	3.28%	Chen, Chun-Yin and Ting Pao Co., Ltd.	Second degree relatives and Ting Pao Co., Ltd. are held by Chang, Ray-Ching in the name of others.	
Crystal Investment Co., Ltd.	6,250,579	2.65%	0	0.00%	0	0.00%	None	None	
Crystal Investment Co., Ltd. Representative: Lin, Li-Shou	34,560	0.01%	0	0.00%	0	0.00%	None	None	
Special account of Wah Lee Industrial's employee stocks entrusted to CTBC Bank	4,885,024	2.07%	0	0.00%	0	0.00%	None	None	
Hsieh, Jin-yen	4,105,000	1.74%	0	0.00%	0	0.00%	None	None	
Chen, Chun-Yin	3,683,934	1.56%	55,170	0.02%	0	0.00%	Chang, Ray-Ching	under relative within the second degree of kinship	
Yeh, Ching-Pin	3,423,388	1.45%	1,324,964	0.56%	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%

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
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	28.71%	8,162,810	1.18%	206,064,990	29.89%
Nagase Wahlee Plastics Corp.	4,000,000	40.00%	0	0.00%	4,000,000	40.00%
Wah Hong Industrial Corp.	26,122,978	26.52%	6,420,780	6.52%	32,543,758	33.03%
ORC Technology Corp.	600,000	35.00%	0	0.00%	600,000	35.00%
ORC Electrical Machinery Co., Ltd	400,000	40.00%	0	0.00%	400,000	40.00%
Tranceed Logistic Co., Ltd.	9,500,000	63.33%	0	0.00%	9,500,000	63.33%
Chyan Cheng Logistics Co., Ltd.	0	0.00%	5,500,000	100.00%	5,500,000	100.00%
Hua Heng Energy Co., Ltd.	9,000,000	100.00%	0	0.00%	9,000,000	100.00%
Evergreen New Energy Corp.	50,000	100.00%	0	0.00%	50,000	100.00%
Kingstone Energy Technology Co., Ltd.	27,708,077	78.67%	0	0.00%	27,708,077	78.67%
KSD Energy Corp.	0	0.00%	6,700,000	100.00%	6,700,000	100.00%
KSA Energy Corp.	0	0.00%	6,130,000	100.00%	6,130,000	100.00%
KSB Energy Corp.	0	0.00%	1,113,000	100.00%	1,113,000	100.00%
KSC Energy Corp.	0	0.00%	100,000	100.00%	100,000	100.00%
Huahsuan Green Energy Co., Ltd.	0	0.00%	4,482,000	64.99%	4,482,000	64.99%
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 2)	99.99%	- (Note 2)	0.00%	- (Note 2)	99.99%
Miyazaki Solar GK.	- (Note 2)	99.99%	- (Note 2)	0.00%	- (Note 2)	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 3)	- (Note 2)	48.98% (Note 3)
Guangzhou Xing Xian Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	100.00%	- (Note 2)	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
FengHuang Xian Hua Shou Cheng Co. Ltd.	- (Note2)	0.00%	- (Note 2)	52.50%	- (Note 2)	52.50% (Note3)
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%
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. respectively holds a 70% stake in Adi International Trading (Shanghai) Co., Ltd. Therefore, the company's comprehensive shareholding in Adi International Trading (Shanghai) Co., Ltd., Shanghai Li Huang Co., Ltd. and FengHuang Xing Hhua Shou Cheng company is 49%, 48.98% and 52.5% respectively.

Four: Capital Raising

I. Capital and shares

(I) 1. Source of capital

March 31, 2022; unit: share/NT\$

Month/Y ear	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
October 2021	NT\$ 10	500,000,000	5,000,000,000	236,017,941	2,360,179,410	Capital surplus of NT\$46,278,030 transferred to common stock	None	October 7, 2021 DOC, MOEA Doc. No. 11001180610 Change of Registration

March 31, 2022; unit: share

Type of shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Common share	236,017,941	263,982,059	500,000,000	Taiwan Stock Exchange listed

1.2 Information on shelf registration: None.

(II) Shareholder structure

March 29, 2022

Shareholder structure Amount	Government agencies	Financial institution	Other corporate entities	Individual	Overseas entities and individuals	Total
Number of holders	2	21	202	24,227	165	24,617
Number of shares held	719,147	10,482,392	79,775,214	113,106,204	31,934,984	236,017,941
Shareholding percentage	0.31%	4.44%	33.80%	47.92%	13.53%	100.00%

(III) Shareholding distribution

Shareholding brackets	Number of shareholders	Par value of NT\$10 per share March 29,2022	
		Number of shares held	Shareholding percentage
1-999	12,999	693,704	0.29%
1,000-5,000	8,553	15,879,732	6.73%
5,001-10,000	1,376	9,383,323	3.98%
10,001-15,000	584	6,835,195	2.90%
15,001-20,000	224	3,872,371	1.64%
20,001-30,000	283	6,764,810	2.87%
30,001-40,000	136	4,640,190	1.97%
40,001-50,000	99	4,426,316	1.88%
50,001-100,000	155	10,892,517	4.62%
100,001-200,000	98	13,367,128	5.66%
200,001-400,000	50	14,055,080	5.96%
400,001-600,000	7	3,235,371	1.37%
600,001-800,000	15	10,305,049	4.37%
800,001-1,000,000	8	7,243,513	3.07%
Over 1,000,001	30	124,423,642	52.72%
Total	24,617	236,017,941	100.00%

Preference share: None.

(IV) Major shareholders

Shareholder	Share	March 29,2022	
		No. of shares held	Shares Ratio
Kung Tai Investment Co., Ltd.		19,561,338	8.29%
Fortune Investment Co., Ltd.		15,409,494	6.53%
Dragon Investment Co., Ltd.		11,873,950	5.03%
Ting Bao Co., Ltd.		7,747,320	3.28%
Chang, Ray-Ching		6,450,364	2.73%
Crystal Investment Co. Ltd.		6,250,579	2.65%
China Trust Commercial Bank is entrusted by Wah Lee Co. Ltd. employee shareholding meeting trust estate account		4,885,024	2.07%
Hsieh, Jin-Yen		4,105,000	1.74%
Chen, Chun-Ying		3,713,934	1.57%
Yeh, Ching-Pin		3,423,388	1.45%

(V) Share information in the past two years

Unit: NT\$/share

Year			2020		2021		Current year up until March 31, 2022	
Item								
Market price per share (Note 1)	Highest		79.80		111.50		115.50	
	Lowest		41.60		71.20		99.40	
	Average		58.32		83.30		107.73	
Net value per share (Note 2)	Before distribution		55.65		66.51		Not applicable	
	After distribution		51.25		(Note 7)		Not applicable	
Earnings per share	Weighted average shares		231,390,138		236,017,941		Not applicable	
	Earnings per share (Note 3)	Before adjustment	8.03		12.05		Not applicable	
		After adjustment	7.88		(Note7)		Not applicable	
Dividends Per Share	Cash dividends		4.4		6.8 (Note 7)		Not applicable	
	Stock divide nds	From retained earnings	None		None		Not applicable	
		From capital surplus	0.2		None		Not applicable	
	Accumulated unpaid dividends		None		None		Not applicable	
Return on investment	Price to earnings ratio (Note 4)		7.40		6.91 (Note 7)		Not applicable	
	Price to dividend ratio (Note 5)		13.25		12.25 (Note 7)		Not applicable	
	Cash dividend yield (Note 6)		7.54%		8.16% (Note 7)		Not applicable	

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

Note 2: Calculated based on the number of shares issued at year end and distribution as per resolution of the board of directors or 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 2021 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 proposed to distribute cash dividends of NT\$6.8 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: None

(VIII) Remuneration of employees and directors:

1. Information on the remuneration of employees and directors contained in the Articles of Association:

The Company shall set aside 9%~13% and no more than 2%, respectively, from profit as employee compensation, and director 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 2021 are NT\$329,953,000 and NT\$42,161,000 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 2021.

3. Remuneration proposal passed by the Board of directors:

(1) Employees, director and supervisor remuneration in cash compensation or stock dividend:

The remuneration of employees and directors for 2021 are NT\$329,953,000 and NT\$42,161,000 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 26, 2021, the Board resolved that NT\$210,798,000 was distributed as employee compensation and NT\$26,935,000 was distributed as director remuneration, both of which are in cash from 2020 earnings.

(IX) Share repurchase by the Company: None.

II. Corporate bonds:

(1) Corporate bonds handling situation

Type of Corporate Bonds	The Third Domestic Unsecured Convertible Corporate Bonds
Issuing Date	24 August, 2021
Book Value	Book value NT\$100,000 per unit
Issue and exchange place	Taipei Exchange
Issuing Price	NT\$100.25 (Premium issue)
Total Amount	NT\$2,000,000,000
Interest rate	0%
Period	Three years. Expiry date: 24 August, 2024
Guaranteed institutions	None
Trustee	Hua Nan Commercial Bank Co. Ltd. Trust Division
Underwriting Agencies	Yunda Securities Co. Ltd.
Lawyers	TaipeiLaw Attorneys-at-Law Huang, Pei-Sheng, Chen, Chun-Chih Lawyers
CPAs	Deloitte Taiwan Wu, Chiu-yen, Chen, Jen-Li CPAs
Repayment method	Repayment is made in cash in one lump sum on maturity date, except upon early conversion or early recovery by the Company.
Unrepaid principal	NT\$2,000,000,000
Redemption or early liquidation	Details as per the issuance and conversion of the

		Company's bonds
Restricted Terms		Details as per the issuance and conversion of the Company's bonds
Name of credit rating agency, rating date, corporate bond rating result		None
Other rights	Amount of common shares, overseas depositary receipts or other marketable securities converted (exchanged or warrants) as at the date of printing of the annual report	None
	Method of issue and conversion (exchange or share option)	Please refer to the Bond Issue Information in the Investment section of the TWSE MOPS
The method of issue and conversion, exchange or share option, possible dilution of shareholdings by the terms of issue and effect on existing shareholders' equity		Assuming that the conversion is requested in full by the creditors of the company at the current conversion price of NT\$98.1, the maximum dilution ratio is approximately 8.63% and the dilution effect should be limited.
Name of the custodian for the exchange of the subject		None

(2) Converted Corporate Bonds Information

Types of Corporate Bonds		The Third Domestic Unsecured Convertible Corporate Bonds	
Item	Year	2021	As of March 31, 2022
Market prices of converted corporate bonds	Highest	123.00	127.00
	Lowest	105.35	116.50
	Average	108.09	121.02
Conversion Price		98.1	98.1
Date of issuance (processing) and conversion price at the time of issuance		Issuing date : August 24, 2021 Conversion price when issued : NT\$105.30	
Fulfillment of the conversion obligation		New shares issuance	

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 Electronic Materials.
- (3) Wholesale of Batteries.
- (4) Wholesale of Telecom Instruments.
- (5) Retail Sale of Electrical Appliances.
- (6) Wholesale of Medical Devices.
- (7) Wholesale of Industrial Catalyst.
- (8) Wholesale of Pollution Controlling Equipments.
- (9) Wholesale of Refractory Materials.
- (10) Wholesale of Other Chemicals
- (11) Wholesale of Precision Instruments.
- (12) Wholesale of Animal Feeds.
- (13) Retail Sale of Feeds.
- (14) Self-usage Power Generation Equipment Utilizing Renewable Energy Industry.
- (15) Electric Appliance Construction.
- (16) Energy Technical Services.
- (17) Information Software Services.
- (18) Data Processing Services.
- (19) Waste Treatment.
- (20) Wastewater (Sewage) Treatment.
- (21) Waste Recycling.
- (22) Wholesale of Plumbing Materials.
- (23) Wholesale of Furniture, Bedding, Kitchen Utensils and Fixtures.
- (24) Wholesale of Ceramic and Glassware
- (25) Wholesale of Petrochemical
- (26) 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	2021 consolidated revenues	Sales percentage (%)
Information and communication	23,310,323	33%
Flat-panel displays	21,413,132	30%
Semiconductors	14,024,958	20%
PCB/motherboard	6,833,319	10%

Product	2021 consolidated revenues	Sales percentage (%)
Green energy	1,895,553	3%
Others	3,038,018	4%
Total	70,515,303	100%

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 Greater China Region, Southeast Asia and global markets 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, Silicon Wafer, 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, polarizer, 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, biogas power generation equipment/construction, geothermal power generation, energy storage device, wind turbine blade materials, rechargeable battery materials, and Lithium battery.....
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...

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. We pay close and constant attention to trends and needs of relevant industries/markets, and look 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, 5G specialty polymers; <u>IoT and mobile devices related products and integrated solutions</u> .
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, silicon wafer, 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, Mini LED.
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, geothermal power generation.
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/generator sets, related equipment and coating materials, various environmentally friendly finished products, air pollution and wastewater treatment related technologies and materials, graphene and related products and applications.

(II) Industry overview

1. Current and future industry prospects

(1) Overall industry development

From China–United States trade war to the pandemic outbreak, 2022 can be regarded as a year when the production capacity issue of the manufacturing industry has been slightly eased up. Although the Ukraine-Russia war still brought a lot of impact on raw materials, the manufacturer has begun to have appropriate corresponding methods for material shortage, material preparation and other related matters. Looking forward to 2022, the first priority of the year is to revert to the original manufacturing level. The business opportunities in the post pandemic era will continue. The demand for remote services will also lead the demand. However, the development of innovative technical services and products may slow down. How to stabilize the self-sufficient supply chain in each region may be more important. As far as industrial projects are concerned, the only less affected one is still dominated by green energy, while the rest grow steadily.

(2) Semiconductors industry

The demand shortage for IC chips has begun to ease by the end of 2021, but the speed is estimated not to be too fast. However, the supply side is still wary of a sudden drop in demand. In addition, corresponding to the most wanted 8-inch production capacity, the expansion of the plant is slow compared with the shortage of equipment supply. Therefore, in summary, it is not expected that the demand shortage will be filled quickly. This may be ended by the third quarter of 2023. According to the Taiwan Semiconductor Industry Association (TSIA), it referred the information from the Science and Technology International Strategy Center (ISTI) of ITRI that the market value of semiconductors in Taiwan increased by 26.7% in 2021.

(3) FPD industry

Overall, in the post-epidemic era, the demand for large size (50" and above) home entertainment has been filled in the first wave. Demand through 2021 will continue to be dominated by Notebooks. Currently, 2021 as a whole, the market value of flat panels has increased by nearly 11%. Among them, the notebooks related applications accounted for 26%. However, at this stage, some flat panel factories believe that 2021 may be the post-pandemic peak. In the future, there will be oversupplied. In the past, the Korean factory re-invested into the flat panel production. Now, the extra capacity may fall into the competition of low prices as before.

(4) PCB industry

According to the Taiwan circuit board Association (TPCA), Taiwan's PCB industry continued to reach record highs in 2021, growing at 17.5% annually, after growth in 2020. Market value reached NT\$817.8 billion (approx. US\$29.3 billion). The key applications are still in communication related applications such as mobile phones and servers. Among them, the IC Substrates is still the main item. The demand for ABF Substrates and BT Substrates is strong, with an annual growth rate of 33.1%. In addition, the multi-layer Substrates benefited from the strong demand for the remote business opportunities, housing economy and servers. The annual growth rate reached 21.6%, only second to the IC Substrates.

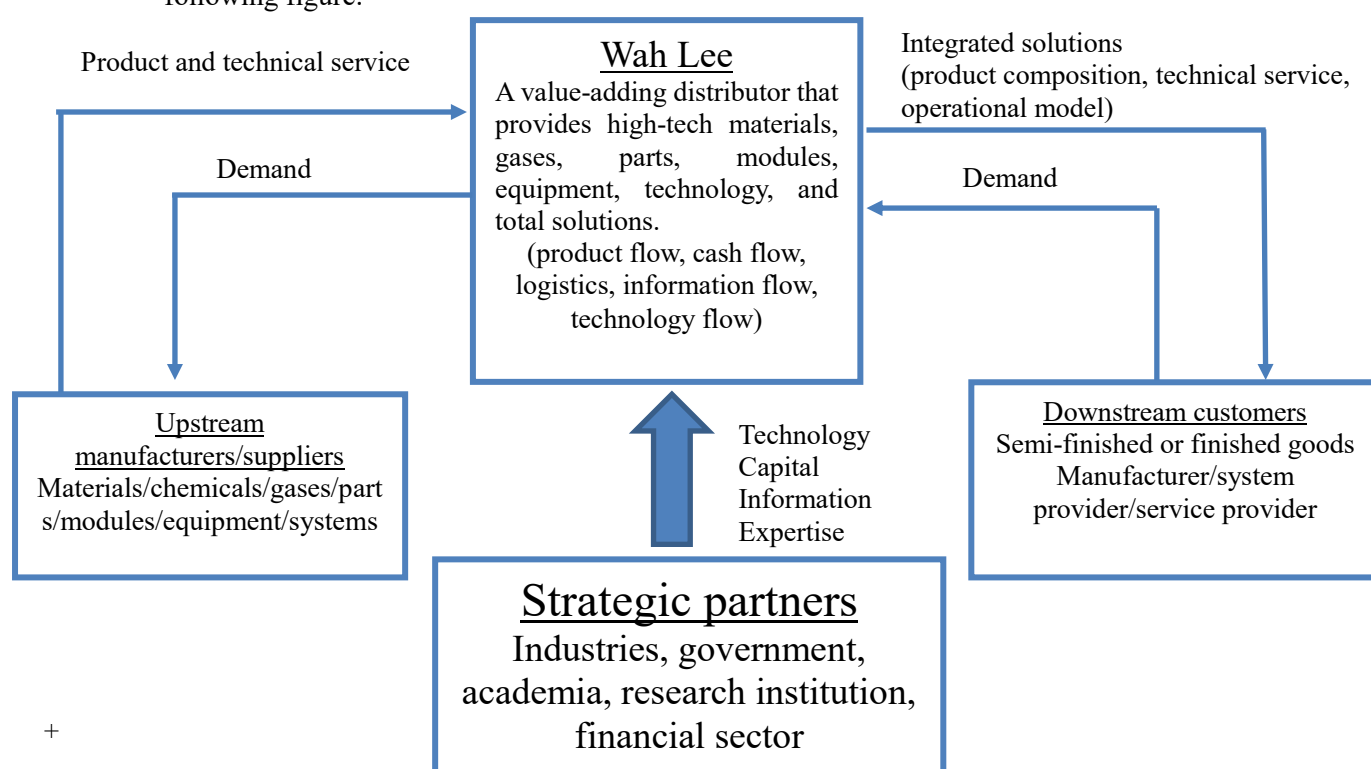
(5) Green energy industry

Compared with other industries, the green energy industry has little impact. However, two main issues have begun to be brought up; power shortage and net zero emissions. In the crisis of power shortage, under the influence of the Ukraine-Russia war, the supply of natural gas has been seriously affected, but the green energy developed by various countries cannot immediately fill this energy gap. South Korea, the European Union and other countries have begun to develop the

necessity of nuclear energy. Under the issue of net zero emissions, at the current stage, it is under the requirements of the branded factories. Major manufacturing companies began to take stock, and related measures were taken to respond. However, since it is still at the early stage of the process, it is quite difficult to achieve net zero emissions from the process. Therefore, manufacturers are using this as a direct way to use green energy, for example, by purchasing green energy certificates. It has also led to the scarcity of green energy certificates in Taiwan, which has also driven the synchronous growth of green energy. To sum up, the green energy industry will continue to grow steadily in the next few years.

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, research institutions, and financial 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, green energy, environment safety, medical care, regenerative medicine, preparations, 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, nanocoating, 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 supplied raw materials and equipment and facilitates system integration in the upstream and downstream, but also acquired a solar power solution provider(EPC) to construct solar power stations in Taiwan, 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 and the rest of the world.

4. Product competition

The Group as a whole carried more than 690 different product categories; 90 of which generated more than

NT\$100 million in revenues whereas 270 of which generated more than NT\$10 million of revenues for the Group in 2021. The Company sold products to nearly 6 thousand customers, and more than 700 of which purchased more than NT\$10 million from the Company in 2021. 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 different 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, and marine 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, next-generation high frequency communication/5G, and power module. 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 2021.

Both governments in Taiwan and China are actively encouraging localization of material and equipment supply; this rise 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. The revenue of new business development (including new items and new applications) in 2021 was close to NT\$8 billion.

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 2021. 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 2022, the Company plans to expand its new business development fund further and hire more business personnel and commit more resources as needed.

2. 2021 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, IC substrate solder mask UV protection film, flame retardants for engineering plastics, various protective films for consumer electronics, various high-end packaging materials.
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, silicon wafer, reclaimed wafers, CVD SiC consumables.

Industry	Agency or distribution of new products
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, and photoresist chemicals..
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, beam formers, 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 distributorship 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., and develop new technologies and applications.
- 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., and lead the industry making progress.
- 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, research institutions and financial institutions on market survey and joint development and investment.
- 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 the cooperation terms with existing suppliers to maintain reasonable levels of procurement and sales cost, and maximize sales margin in a low-margin 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 distributorship, 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 among our core business performance, innovation and development, and growth development, and continue to expand the proportion of innovation and development sales over total revenue.

(3) Management strategies

- A. Continue optimizations to the organizational structure, and develop core knowledge, professional skills, and Development of key competencies ro 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		2019		2020		2021	
		Sales amount	%	Sales amount	%	Sales amount	%
Domestic sale		14,823,120	27.1	17,279,051	29.2	18,790,135	26.6
Export sale	Asia	35,868,372	65.6	37,379,654	63.3	43,209,939	61.3
	America	1,938,248	3.5	1,908,834	3.2	4,475,673	6.3
	Europe	1,909,887	3.5	2,344,155	4.0	3,715,886	5.3
	Others	142,202	0.3	169,226	0.3	323,670	0.5
	Total	39,858,709	72.9	41,801,869	70.8	51,725,168	73.4
Total		54,681,829	100.0	59,080,920	100.0	70,515,303	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 invested in the application markets; the establishment and operation of solar power stations in Japan and investments into solar power companies and water treatment EPC companies 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 midstream and downstream products and components. WT Microelectronics Co., Ltd., WPG, EDOM Technology, TOPCO Scientific Co. Ltd., Shenzhen Tongyi Industry Co.,Ltd., etc. are the only ones that offer partially similar products as the Company's Optoelectronics, Semiconductors &

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, comparing the revenue and gross profit growth rate of 2021 with 2020, the Company belonged to the leading group, only next to WT Microelectronics Co., Ltd. According to the statistics of Commonwealth Magazine, the Company ranked 9th in the information, communication and IC distribution business and 31st in the service industry in 2020.

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 our core 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 through the introduction of new products, strategic investment and strategic alliances, horizontal expansion of industries and the development of diversified business models and operating models, as well as vertical integration, we have stepped across multiple links in the industry chain and continued to accumulate technical content. This competitive advantage And the business model has been quite unique.

(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. However, in

the epidemic situation, countries were slowing down in construction development. Although China still had the most construction projects, it had about 20% less than expected.

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. By 2022, the relevant 5G mobile phones continue to be launched, but the number of actual development of telecommunications services are still very few. In addition to the insufficient installation of telecom base stations, the key point is that the application of related services is still not clear. People have low intention of "must use 5G".

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. According to the information from Tesla, a total of 936,000 vehicles will be sold worldwide in 2021, which was a growth of 87% compared to last year's sales performance of 499,000 vehicles. Among them, the Model S and Model X sold for a total of 24,964 units, and the total sales volume of Model 3 and Model Y was 911,208 units. Model 3 was the mainstream model.

Tesla continues to lower the prices of its vehicles, for example, the ongoing expansion in Shanghai. In addition, 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 2021 from its starting recovery towards stable growth in early 2020.

For example, the US based Semiconductor Industry Association (SIA) expressed that global semiconductor industry sales will reach a sales record of US\$555.9 billion (NT\$15.4 trillion) in 2021, about 26.2% growth compared to 2020. Meantime, the semiconductor shipments reached a sales record of 1.15 trillion units last year. SIA said that China's semiconductor sales totaled US\$192.5 billion in 2021, an annual growth of 27.1%, which was more than any other markets.

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) 8nm (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, look forward to 2022, after the global sales of semiconductor chips in 2021 first-ever reached US\$509.8 billion. The sales are expected to increase to US\$565.1 billion in 2022, with an annual growth rate of 11%, which is very likely to hit a record high.

C. Flat-panel displays

The COVID-19 epidemic has spread globally, and it has made South Korea follow the steps of China. Since China has become the largest manufacturer of TFT LCD panels in the world; however, the epidemic prevention measures, such as lockdown control, isolation and quarantine had led to the urgent supply of some components. The factory workforce recovered much quicker than expected in early 2020. It gave rise to new business opportunities and demands.

Driven by a global movement towards home office and remote teaching, desktop displays and NBs performed exceptionally well in 2020. The Notebook had significant growth of 22% and reached annual volume of 200 million units. However, the NB growth has decreased to 15% in 2021, and sales of the whole flat panel display will be up to 9% growth in global market

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

In general, it is expected that the global monitor market size of 2022 will be smaller than that in 2021. After the shortage of IC supply has been improved, the panel supply capacity will be significantly enhanced this year, and the supply bottleneck will be no longer exist. But now, the relevant panel prices will begin to return to a normal level. However, the display of mini led backlight and AMOLED still dominate the price to some degree due to the market supply issues.

D. PCB

According to TPCA, the market value of the PCB industry in both Taiwan and China will reach NT\$817.8 billion (approximately US\$29.308 billion) in 2021, which is a growth of 17.5% compared to NT\$696.3 billion in 2020. The market value in New Taiwan dollars continued to hit a record high, it is not only stand at the NT\$800 billion mark for the first time, but also the annual growth rate once again ushered in double-digit growth after 2010, with positive growth for five

consecutive years.

In terms of changes in the epidemic, it was expected that countries may open up business travel by the end of 2021. Although there are few open for travelling, the actual of our most related trading partner countries, such as the United States, Japan, Europe, etc., the relevant policies haven't been completely loosened, and they may be more likely to be implemented in mid-2022.

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.

Look forward to 2022, most PCB manufacturers point out that the trend of high-frequency and high-speed computing remains unchanged, and a variety of products, such as 5G, AI, HPC, servers, electric vehicles, etc. are expected to power up, and operations are expected to maintain steady growth in 2022. It is estimated that in 2022, there will have 7% growth in the global PCB market.

E. Green energy

As the impacts of the current epidemic slow down, countries are getting used to it. 2022 will see the development of the global green energy industry begin to revert to the style that was planned earlier. With the policy support, the green energy industry remains very much resilient.

According to the International Energy Agency (IEA), global installed renewable energy capacity is predicted to increase by nearly 290GW in 2021, a new record high. According to related reports, the total global installed capacity of renewable energy generation will rise to more than 4,800GW by 2026, an over 60% increase from 2020. Despite this, it will reach less than half of its original target in 2050. It is clear that the epidemic in recent years has slowed the deployment of relevant renewable energy sources.

While in practical applications, coal consumption volume increased dramatically in 2021. Coal-fired power generation will increase 9%, which accounts for more than half of the growth in power demand. The coal consumption volume also hit a record high. Power prices are expected to remain highly volatile in the next three years due to the intense shortage of coal and natural gas, and the surge in demand. In contrast, other energy demand will not increase as much as coal in 2021, with power supply from renewable energies increasing by 6%, gas by 2%, and nuclear power by 3.5%. By contrast, demand for other energy in 2021 will not increase as much as coal, with power supply from renewable energy, increasing by 6%, gas by 2%, and nuclear power by 3.5%.

As the world increasingly recognizes the importance of green energy, renewable energy is becoming increasingly attractive to investors. The IEA pointed out that in the global capital market, renewable energy equipment manufacturing and the relevant power development stocks have better performance than it in the stock market. On the other hand, the petrochemical-related industry was affected by the epidemic lockdown-related measures that have performed relatively weakly. Thus, the IEA estimates that by 2025, renewable energy has the potential to become the world's leading power source, which can cover about one-third of the power. Solar energy may still be the

mainstream in green energy.

Take an outlook for 2022, due to the impact of the epidemic and the war between Ukraine and Russia, In the future, the discussion on green energy will probably start with the issues of the unstable price of power and carbon credit. The deployment of green energy may be slightly affected. The new policy bill may not be pushed hard enough.

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. Build mutually trusting and benefiting triple win 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 has face to the risk of competing and selling directly to the target market through branch establishment from the suppliers.

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, meanwhile, develop 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) Strengthen the financial and warehousing and logistics position, and prepare sufficient 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.
 - (d) Expand the end-market demand and create the necessary material advantage.
- 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, trade war or 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.
- (c) By fully utilizing the function and value of mutual exchange of assistance of large international distributors globally, we can actively grasp and develop market demand and supply sources. This will not only to ensure the supply by existing customers, but also to capture business opportunities and unbalanced supply and demand to create new customers, new products, new business models and added value.

(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

Main product categories	Main products	Applications
Opto-electronics, optical communication, and flat-panel display materials, equipment, parts, modules, systems, and solutions	<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., digital whiteboard, GPS module). (5) Optical communication components and modules	Liquid crystal displays, touch panels, and OLED panel manufacturing. Flat-panel display-related applications and optical communication market
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)	<p> MITSUBISHI GAS CHEMICAL COMPANY INC. SUMIDUREZ SINGAPORE PTE., LTD. MEP TAIWAN LIMITED Sumika Electronic Materials (Shanghai) Corporation Chi Mei Corporation </p>	Good
Semiconductor manufacturing, assembly, and testing materials and process chemicals, gas, and equipment	<p> EKC Technology, Inc JSR CORPORATION JSR CORPORATION TAIWAN BRANCH Mitsubishi Chemical Taiwan Co., Ltd. SUMISEI TAIWAN TECHNOLOGY CO., LTD </p>	Good
Opto-electronics, optical communication, and flat-panel display materials, equipment, parts, modules, systems, and solutions	<p> DB HITEK CO., LTD Fitipower Integrated Technology Inc. CHIMEI CORPORATION SHIYUAN (HK) LIMITED Guangzhou Shikun Electronics Co.,Ltd </p>	Good
Electronics assembly/PCB materials, parts, and equipment	<p> ORC MANUFACTURING CO., LTD. PANASONIC INDUSTRIAL DEVICES MATERIALS TAIWAN CO., LTD. Asahi Kasei Electronics Materials (Suzhou) Co., Ltd. SUMITOMO BAKELITE (NANTONG) CO.LTD. ASAHI KASEI WAH LEE HI-TECH CORPORATION </p>	Good
Green energy, energy conservation, and energy storage materials, equipment, parts, modules, systems, and solutions	<p> SUMITOMO CHEMICAL CO., LTD. Kwang Myung Semiconductor (Tianjin) Co.,Ltd. TECORP ELECTRONICS CO., LTD Seoul Semiconductor Ltd. Din Shuo Technology Co., Ltd. </p>	Good
Environmental protection and other industrial materials, equipment, parts, modules, systems, and solutions	<p> YANMAR ENGINE (SHANGHAI) CO.,LTD. DAILY POLYMER CORP. TAIWAN GLASS INDUSTRY CORP. SUMITOMO BAKELITE (NANTONG) CO.LTD. Zhejiang Ruiteliang Microelectronics Material Co. </p>	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:

Unit: NT\$ in thousand

	2020				2021			
Item	Company Name	Amount	Net Purchase value of the year [%]	Relationship with the issuer	Company Name	AMOUNT	Net Purchase value of the year [%]	Relationship with the issuer
1	Company A	5,053,833	9.4	nil	Company A	7,960,022	12.3	nil
2	Other	48,839,136	90.6		Other	57,011,365	87.7	
3	Net Purchases	53,892,969	100.0		Net Purchases	64,971,387	100.0	

Sales of next-generation electronic products for the flat panel display industry grew. The purchase amount to Company A increased.

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	2020			2021		
	Amount of purchase	Amount of sales		Amount of purchase	Amount of sales	
		Domestic sales	Export sales		Domestic sales	Export sales
Information and communication	18,414,616	1,946,529	18,278,408	21,596,851	2,259,224	21,051,099
Semiconductors	11,108,066	8,158,828	3,970,919	12,530,147	8,767,311	5,257,647
Flat-panel displays	15,705,068	2,482,461	13,766,721	21,167,273	2,310,708	19,102,424
Green energy	1,427,298	520,192	1,119,844	1,884,777	822,509	1,073,044
PCB/motherboard	5,679,505	3,275,004	3,094,172	6,106,641	3,632,217	3,201,102
Others	1,558,415	896,037	1,571,805	1,685,699	998,167	2,039,851
Total	53,892,968	17,279,051	41,801,869	64,971,388	18,790,136	51,725,167

III. Employees:

Year		2020	2021	Current year up until March 31, 2022
Employee count	Sales personnel	701	730	740
	Administrative personnel	289	312	318
	Total	990	1042	1058
Average age		38.34	40.19	40.27
Average years of service		7.25	9.07	9.04
Academic background	Doctoral Degree	0.10%	0.10%	0.09%
	Master Degree	11.21%	10.56%	10.39%
	Bachelor Degree	76.26%	76.20%	75.83%
	Senior high school	9.50%	10.27%	10.29%
	Below senior high school	2.93%	2.88%	3.40%

IV. Contribution to environmental protection:

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

No.	Item	Amount (NT\$)
1	Losses (including compensations) and fines incurred due to environmental pollution	0
2	Maintenance of the environmental management system	8 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 light tubes)	
2-4	Waste sorting, recycling, and reuse	
2-5	Purchase and installation of environment-friendly and energy-saving electrical appliance	
2-6	Purchased electricity to reduce greenhouse gas emission	
2-7	Greenhouse gas emissions 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	

2-11	Declaration of sales of goods (toxic and focused on chemical substances, existing and new chemical substances), and join relevant industry organizations to comply with regulations.	
2-12	Participate in suppliers and customers' response to climate change proposals.	
2-13	Strengthen the internal standard document internet information toward to goal of an improved paperless environment.	
2-14	Introduce and promote E (environment) S (social responsibility) G (corporate governance) activities.	

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.

(16) To provide breastfeeding rooms and related equipment and facilities.

(17) Subsidies for employee child care institutions

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 - 2021:

Training classes	Total number of trainees	Training hours
100 classes	1120 people	2,989 hours

(5-2) Managers' participation in corporate training - 2021:

Training classes	Total number of trainees	Training hours
46 classes	211 people	538 hours

(5-3) Managers' participation in corporate governance-related trainings - 2021

Title	Name	Organizer	Course name	Training hours
CEO	Chang, Tsuen-Hsien	The 13th Taipei Company Governance Forum	Financial Supervisory Commission	6
Director	Lin, Jen Chih	Directors' and supervisors' financial reporting responsibilities and key content analysis	Taiwan Academy of Banking and Finance	3
		Corporate tax governance and tax technology solutions from ESG trends and epidemic environment	Securities and Futures Institute	3
		Global Risk Awareness - Opportunities and	Securities and Futures	3

Title	Name	Organizer	Course name	Training hours
		Challenges for the Next Decade	Institute	
		Talking about the key technology and business opportunities of quantum technology	Securities and Futures Institute	3
Director	Lee, Kuo Ping	The latest "Corporate Governance 3.0 - A Blueprint for Sustainable Development" Risk Management Issues and Responses	Accounting research and development foundation	3
Director	Tsai, Shu-Fen	Accounting research and development foundation	Taining course for accounting supervisors of issuers, securities firms and stock exchanges	12
Director	Yang, Yu-Kwang	War and Protection of Invisible Assets - Trade Secrets and Prohibition of Competition	The Institute of internal auditors - Chinese Taiwan	6
		Analysis of the latest domestic corporate governance trends and implementation of control environment	The Institute of internal auditors - Chinese Taiwan	6

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. In addition, the Company implemented an employee stock ownership trust to establish a third pillar of retirement for its employees. 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	1. The access control and surveillance system are in place at all hours. Visitors are required to

Items	Description
	<p>register themselves and shall be companied by employees.</p> <p>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.</p>
Maintenance and checks on fire equipment	<p>1. Monthly check on dry chemical/foam fire extinguisher;</p> <p>1.1 Check if there is damage on safety pins and nozzles.</p> <p>1.2 Check if pressure indicator is normal.</p> <p>1.3 Check the expiration date of the chemicals.</p> <p>1.4 Check if there are items blocking the fire extinguishers.</p> <p>2. Smoke detectors are installed in the Company facilities. Yearly checks are performed on the mainframes, sensors and alarms.</p> <p>3. Conduct building fire drills (at least once a year).</p> <p>4. Batteries of the emergency exit lights are charged once every three months to ensure that they are working well.</p> <p>5. Fire door and smoke exhaust space are installed at lobby.</p>
Health and hygiene	<p>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.</p> <p>2. Janitors clean restrooms and offices, and empty the trash on a daily basis.</p>

(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>2021.9.1-2024.8.31</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 (automatically renewable)</i>	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 (automatically renewable)</i>	Agency sale of engineering plastics	Location: Taiwan
Agency sales contract	<i>Sumidurez Singapore Pte. Ltd.</i>	<i>1999.8.20-2001.8.19 (automatically renewable)</i>	Agency sale of phenol formaldehyde resin	Location: Taiwan

Nature of contract	Parties involved	Contract start/end date	Main contents	Restrictive clauses
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-</i> (automatically renewable)	Polaroid/phase plate Diffuser/LCP, PES, electronic materials	The Mainland
Distribution contract	<i>Victrix Manufacturing Limited.</i>	<i>2020.6.1-2021.5.31</i> (automatically renewable)	<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 sales contract	Panasonic Corporation	2014.10.1-(automatically renewable)	Sales agent of copper foil substrate & plastic film	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	
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.	2022.1.1-2022.12.31	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

Nature of contract	Parties involved	Contract start/end date	Main contents	Restrictive clauses
Solar power module procurement contract	Southern Taiwan Business Group, Chunghwa Telecom Co., Ltd.	2022.1.20~2022.4.19	Supply of solar power module	Location: Taiwan
Distribution contract	EUKA Power Co., Ltd.	2020.3.13-2023.3.12	Energy storage system (including commercial/household)	Location: Taiwan
Distribution contract	eTreego Co., Ltd	2021.8.1~2022.7.31	Charging facility for electric cars and motorcycles of all models	Location: Taiwan
Purchaser Authorization Letter	Fuji bussan Co., Ltd.	2022.1.19~2025.1.18	Automotive optical films, plastic sheets and other products	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	2018.12 -2023.12	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	2019.9.6-2024.9.30	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 2017 to 2021 with auditors' opinions:

(I) Stand-alone Balance Sheet

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

Unit: NTD thousands

Item \ Year		5- Year Financials (Note 1)				
		2017	2018	2019	2020	2021
Current asset		9,746,180	10,597,321	10,496,154	11,918,175	16,185,823
Property, plant and equipment		1,165,000	1,171,401	1,165,900	1,147,658	1,318,180
Intangible asset		7,933	15,576	24,539	23,619	17,020
Other assets		10,850,,800	11,712,414	12,410,025	13,768,174	16,297,402
Total assets		21,769,913	23,496,712	24,096,618	26,857,626	33,818,425
Current liabilities	Before distribution	7,554,178	8,775,118	8,036,523	9,707,477	12,215,212
	After distribution	8,317,765	9,515,566	8,800,110	10,725,594	(Note 2)
Non-current liabilities		3,429,481	3,655,940	4,615,198	4,272,140	5,904,914
Total liabilities	Before distribution	10,983,659	12,431,058	12,651,721	13,979,617	18,120,126
	After distribution	11,747,246	13,171,506	13,415,308	14,997,734	(Note 2)
Equity attributable to shareholders of the company		10,786,254	11,065,654	11,444,897	12,878,009	15,698,299
Share Capital		2,313,901	2,313,901	2,313,901	2,313,901	2,360,179
Capital surplus		1,440,508	1,331,880	1,318,065	1,331,725	1,690,292
Retained earnings	Before distribution	7,110,005	8,099,220	8,793,018	9,869,001	11,832,451
	After distribution	6,346,418	7,358,772	8,029,431	8,850,884	(Note 2)
Other equities		(78,160)	(679,347)	(980,087)	(636,618)	(184,623)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total Equity	Before distribution	10,786,254	11,065,654	11,444,897	12,878,009	15,698,299
	After distribution	10,022,667	10,325,206	10,681,310	11,859,892	(Note 2)

Note 1: 2017~2021 Financial Statements were audited by Deloitte & Touche Taiwan

Note 2: Proposal for 2021 earnings distribution has not 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)				
		2017	2018	2019	2020	2021
Current asset		19,842,854	24,210,165	24,422,954	27,941,304	32,846,480
Property, plant and equipment		1,983,218	2,000,855	3,800,494	3,785,578	4,740,804
Intangible asset		65,474	117,518	343,275	317,216	319,502
Other assets		5,440,881	5,507,174	5,844,151	6,710,871	7,980,184
Total assets		27,332,427	31,835,712	34,410,874	38,754,969	45,886,970
Current liabilities	Before distribution	11,680,056	15,396,929	15,114,050	17,658,921	20,407,008
	After distribution	12,443,643	16,137,377	15,877,637	18,677,038	(Note 2)
Non-current liabilities		3,810,980	4,029,848	6,012,221	6,187,588	7,763,144
Total liabilities	Before distribution	15,491,036	19,426,777	21,126,271	23,846,509	28,170,152
	After distribution	16,254,623	20,167,225	21,889,858	24,864,626	(Note 2)
Equity attributable to shareholders of the company		10,786,254	11,065,654	11,444,987	12,878,009	15,698,299
Share Capital		2,313,901	2,313,901	2,313,901	2,313,901	2,360,179
Capital surplus		1,440,508	1,331,880	1,318,065	1,331,725	1,690,292
Retained earnings	Before distribution	7,110,005	8,099,220	8,793,018	9,869,001	11,832,451
	After distribution	6,346,418	7,358,772	8,029,431	8,850,884	(Note 2)
Other equities		(78,160)	(679,347)	(980,087)	(636,618)	(184,623)
Treasury shares		-	-	-	-	-
Non-controlling interests		1,055,137	1,343,281	1,839,706	2,030,451	2,018,519
Total Equity	Before distribution	11,841,391	12,408,935	13,284,603	14,908,460	17,716,818
	After distribution	11,077,804	11,668,487	12,521,016	13,890,343	(Note 2)

Note 1: 2017~2021 Financial Statements were audited by Deloitte & Touche Taiwan

Note 2: Proposal for 2021 earnings distribution has not 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)				
	2017	2018	2019	2020	2021
Operating income	26,391,454	29,844,070	29,225,800	33,236,491	42,882,108
Gross profit	1,924,545	2,046,929	1,976,531	2,269,072	2,981,371
Income from operations	439,242	573,758	479,573	640,341	1,134,683
Non-operating income and expense	1,218,566	1,088,558	1,125,665	1,464,128	2,159,352
Profit before tax	1,657,808	1,662,316	1,605,238	2,104,469	3,294,035
Income from continuing operation	1,409,506	1,345,959	1,415,822	1,859,120	2,843,277
Loss from discontinuing operation	-	-	-	-	-
Net income (loss)	1,409,506	1,345,959	1,415,822	1,859,120	2,843,277
Other comprehensive income of the current year (net amount after-tax)	30,367	(194,344)	(274,267)	374,301	720,578
Total comprehensive income in the current period	1,439,873	1,151,615	1,141,555	2,233,421	3,563,855
Net income attributable to shareholders of the parent	1,409,506	1,345,959	1,415,822	1,859,120	2,843,277
Net income attributable to noncontrolling Interests	-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent	1,439,873	1,151,615	1,141,555	2,233,421	3,563,855
Total comprehensive income attributable to noncontrolling Interests	-	-	-	-	-
Earnings per share	5.97	5.70	6.00	7.88	12.05

Note: 2017-2021 Financial Statements were audited and certified by Deloitte & Touche Taiwan

Note: The effect of the stock dividend allotment has been adjusted retrospectively in the calculation of earnings per share for 2017 to 2020.

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

Unit: NTD thousands

Item \ Year	5- Year Financials (Note)				
	2017	2018	2019	2020	2021
Operating income	42,915,920	52,935,016	54,681,829	59,080,920	70,515,303
Gross profit	3,916,941	4,210,352	4,184,691	4,800,690	5,982,686
Income from operations	1,459,896	1,747,290	1,574,435	2,107,915	3,072,710
Non-operating income and expense	510,311	282,848	391,729	527,720	943,273
Profit before tax	1,970,207	2,030,138	1,966,164	2,635,635	4,015,983
Income from continuing operation	1,538,006	1,489,361	1,559,081	2,046,116	3,109,172
Loss from discontinuing operation	-	-	-	-	-
Net income (loss)	1,538,006	1,489,361	1,559,081	2,046,116	3,109,172
Other comprehensive income of the current year (net amount after-tax)	18,840	(219,216)	(310,875)	372,397	690,684
Total comprehensive income in the current period	1,556,846	1,270,145	1,248,206	2,418,513	3,799,856
Net income attributable to shareholders of the parent	1,409,506	1,345,959	1,415,822	1,859,120	2,843,277
Net income attributable to noncontrolling Interests	128,500	143,402	143,259	186,996	265,895
Total comprehensive income attributable to shareholders of the parent	1,439,873	1,151,615	1,141,555	2,233,421	3,563,855
Total comprehensive income attributable to noncontrolling Interests	116,973	118,530	106,651	185,092	236,001
Earnings per share	5.97	5.70	6.00	7.88	12.05

Note: 2017-2021 Financial Statements were audited and certified by Deloitte & Touche Taiwan

Note: The effect of the stock dividend allotment has been adjusted retrospectively in the calculation of earnings per share for 2017 to 2020.

(III) Auditors' Opinions from 2017 to 2021

Year	CPA Firm	CPA	Audit Opinion
2017	Deloitte & Touche Taiwan	Chen, Chen-Li and Gong, Jun-Ji	Unmodified opinion
2018	Deloitte & Touche Taiwan	Chen, Chen-Li and Gong, Jun-Ji	Unmodified opinion with other explanatory paragraphs
2019	Deloitte & Touche Taiwan	Wu, Chiu-Yen and Chen, Chen-Li	Unmodified opinion with other explanatory paragraphs
2020	Deloitte & Touche Taiwan	Wu, Chiu-Yen and Chen, Chen-Li	Unmodified opinion with other explanatory paragraphs
2021	Deloitte & Touche Taiwan	Wu, Chiu-Yen and Chen, Chen-Li	Unmodified 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)				
		2017	2018	2019	2020	2021
Capital Structure (%)	Total liabilities to total assets	50.45	52.91	52.5	52.05	53.58
	Long-term fund to property, plant and equipment ratio	1,220.23	1,256.75	1,377.48	1,494.36	1,638.87
Solvency (%)	Current ratio	129.02	120.77	130.61	122.77	132.51
	Quick ratio	103.07	93.12	99.05	93.51	100.21
	Times interest earned	29.99	15.35	13.79	28.18	47.72
Operation Performance	Average collection turnover (times)	4.23	4.49	4.31	4.68	4.83
	Average collection days	86	81	85	78	76
	Average inventory turnover (times)	15.73	14.88	13.52	15.97	19.14
	Average payables turnover (times)	5.54	6.24	6.91	8.40	8.71
	Average inventory turnover days	23	25	27	23	19
	Property, plant and equipment turnover (times)	22.68	25.55	25.01	28.73	34.78
	Total assets turnover (times)	1.26	1.32	1.23	1.30	1.41
Profitability	Return on total assets (%)	6.94	6.36	6.41	7.57	9.57
	Return on equity (%)	13.64	12.32	12.58	15.29	19.90
	Pre-tax income to total paid-in capital (%) (Note)	71.65	71.84	69.37	90.95	139.57
	Net income ratio (%)	5.34	4.51	4.84	5.59	6.63
	Earnings per Share (NT\$)	5.97	5.70	6.00	7.88	12.05
Cash flows	Cash flow ratio (%)	2.48	(4.36)	0.82	6.86	(3.61)
	Cash flow adequacy ratio (%)	60.79	37.12	39.83	39.02	1.40
	Cash flow reinvestment ratio (%)	(2.82)	(7.53)	(4.06)	(0.55)	(6.57)
Leverage	Operation leverage	1.72	1.55	1.69	1.57	1.39
	Financial leverage	1.15	1.25	1.35	1.14	1.07

Deviation of 2021 vs. 2020 over 20%:

1. The growth in profitability resulting an increase in times interest earned, return on assets, return on equity, net income before tax to paid-in capital and earnings per share compared to the previous year.
2. The growth in revenue resulted an increase in the turnover rate of property, plant and equipment in the financial statements as compared to the previous year.
3. The growth in revenue resulted an increase in working capital requirements and a decrease in the cash flow ratio.
4. The growth in average revenue resulted an increase in working capital requirements, an increase in cash dividends and a decrease in the cash flow equivalency ratio and cash reinvestment ratio.

Note: The effect of the stock dividend allotment has been adjusted retrospectively in the calculation of earnings per share for 2017 to 2020.

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

Item \ Year		Five-year financial statements (Note)				
		2017	2018	2019	2020	2021
Capital Structure (%)	Total liabilities to total assets	56.68	61.02	61.39	61.53	61.39
	Long-term fund to property, plant and equipment ratio	789.24	821.59	507.75	557.27	537.46
Solvency (%)	Current ratio	169.89	157.24	161.59	158.23	160.96
	Quick ratio	130.81	117.36	126.85	124.85	123.50
	Times interest earned	21.13	9.63	8.31	14.37	24.70
Operation Performance	Average collection turnover (times)	3.64	3.81	3.54	3.52	3.83
	Average collection days	100	96	103	104	95
	Average inventory turnover (times)	10.73	10.64	10.81	12.58	12.91
	Average payables turnover (times)	6.16	7.50	7.83	7.88	7.80
	Average inventory turnover days	34	34	34	29	28
	Property, plant and equipment turnover (times)	19.94	26.57	18.85	15.58	16.54
	Total assets turnover (times)	1.64	1.79	1.65	1.61	1.67
Profitability	Return on total assets (%)	6.18	5.62	5.35	6.01	7.66
	Return on equity (%)	13.56	12.28	12.14	14.52	19.06
	Pre-tax income to total paid-in capital (%) (Note)	85.15	87.74	84.97	113.90	170.16
	Net income ratio (%)	3.58	2.81	2.85	3.46	4.41
	Earnings per Share (NT\$)	5.97	5.70	6.00	7.88	12.05
Cash flows	Cash flow ratio (%)	(7.68)	(12.41)	11.90	6.84	11.35
	Cash flow adequacy ratio (%)	41.11	6.85	37.32	38.33	26.10
	Cash flow reinvestment ratio (%)	(9.16)	(15.49)	5.21	2	4.84
Leverage	Operation leverage	1.29	1.28	1.38	1.30	1.21
	Financial leverage	1.07	1.16	1.21	1.10	1.06

Deviation of 2021 vs. 2020 over 20%:

1. The growth in profitability resulting an increase in times interest earned, return on assets, return on equity, net income before tax to paid-in capital and earnings per share compared to the previous year.
2. Consolidated cash flow ratio increased due to the increase in consolidated cash inflow from operating activities.
3. The cash flow equivalency ratio and cash reinvestment ratio decreased due to the construction of solar power station and the increase in cash dividends.

Note: The effect of the stock dividend allotment was retroactively adjusted in the calculation of earnings per share from 2017 to F2020.

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. 2021 Audit committee's report for financial statements:

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 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 2021 Financial Statement: please refer to P.148~234 in this annual report.

V. 2021 certified stand-alone Financial Statements: please refer for P.235~328 in this annual report.

VI. Any financial difficulties in the Company and subsidiaries in 2021 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. 2021 Training attended by accounting and auditing personnel

Finance Department	Position/Name	Training Course	Training Hours
	Finance Director / Lin, Jen-Chih	Continuing Education for the Manager of Corporate Governance for listed companies	12 Hours

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	Invisible assets war and protection – trade secrets and non-competition	6 hours
		Analysis of the latest domestic corporate governance trends and the environment controal implementation.	6 hours
	Audit/ personnel Tsai, Kuen-Chiau	Audit Manager 's Management Skills III (Audit Techniques and Tools)	12 hours
	Audit/ personnel Lin, Yo-Da	"Labor Law Compliance" for recruitment to resignation practice and key points for internal auditors	6 hours
		Fraud Risk Assessment, Management and Prevention Practices	6 hours
	Audit/ personnel Wei, Li-Chun	"Labor Law Compliance" for recruitment to resignation practice and key points for internal auditors	6 hours
		Fraud Risk Assessment, Management and Prevention Practices	6 hours
	Audit/ personnel Wang, Tzu-Jen	Internal Auditor Core Knowledge Skills Course Series (2): Internal Audit Practice	18 hours
		Fraud Risk Auditing Practice and Management	6 hours
	Audit/ personnel Cheng Sin-Ru	Pre-employment Training Course for Corporate Internal Auditors	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	2020	2021	Difference	
				Amount	%
Current assets		27,941,304	32,846,480	4,905,176	17.6
Property, plant and equipment		3,785,578	4,740,804	955,226	25.2
Other assets		6,710,871	7,980,184	1,269,313	18.9
Total assets		38,754,969	45,886,970	7,132,001	18.4
Current liabilities		17,658,921	20,407,008	2,748,087	15.6
Long-term debts		6,187,588	7,763,144	1,575,556	25.5
Total liabilities		23,846,509	28,170,152	4,323,643	18.1
Paid-in Capital		2,313,901	2,360,179	46,278	2.0
Additional paid-in capital		1,331,725	1,690,292	358,567	26.9
Retained earnings		9,869,001	11,832,451	1,963,450	19.9
Shareholders' equity		14,908,460	17,716,818	2,808,358	18.8
1. Deviation of 2021 vs. 2020 over 20%:					
(1). The increase of property, plant, and equipment has mainly resulted from the acquisition of operating equipment, and the installation of solar power generation equipment.					
(2). The increase of long-term liabilities has mainly resulted from the issuance of corporate bonds to meet operational requirements and to increase working capital.					
(3). The increase of capital surplus has mainly resulted from the recognition of capital surplus changes in affiliated companies under the equity method based on the shareholding ratio.					
2. Effects on material changes in 2020 and 2021, and the effect thereof and the measures to be taken in response.:					
To cooperate with the plan of operating development needs, we will continue to pay attention to the markets and customer needs, and timely adjust our procurement and sales strategies and watch closely to the working capital management.					

II. Financial Performance:

Comparison and analysis of operation results Unit: NT\$ thousands

Item	Year	2020	2021	Increase (decrease)	Difference (%)
Net Operating income		59,080,920	70,515,303	11,434,383	19.4
Operating cost		54,280,230	64,532,617	10,252,387	18.9
Gross profit		4,800,690	5,982,686	1,181,996	24.6
Operating expenses		2,692,775	2,909,976	217,201	8.1
Income from operations		2,107,915	3,072,710	964,795	45.8
Non-operating income		783,818	1,185,961	402,143	51.3
Non-operating expense		256,098	242,688	-13,410	-5.2
Income before tax from continuing operation		2,635,635	4,015,983	1,380,348	52.4
Income tax expense		589,519	906,811	317,292	53.8
Income after tax from continuing operation		2,046,116	3,109,172	1,063,056	52.0

● Deviation of 2021 vs. 2020 over 20%:

- (1) Revenue increased and the overall average gross profit margin increased slightly, resulting in an increase in gross profit compared to the previous year.
- (2) The increase in non-operating income and gains were mainly driven by the increase in income from investments recognized under the equity method.
- (3) Overall revenue and gross profit increased compared to the previous year, which, combined with the Company's ongoing expense control and the increase from the investment income, resulted in the increase in operating income and net income before income taxes for the continuing operations division.
- (4) The increase in net income before taxes resulted in an increase in overall income tax expense and after-tax net profit of the continuing operation divisions compared to the previous year.

2. Sales forecast and the basis therefor, and the effect upon the financial operations with measures to be taken in response:
Please refer to the letter to shareholders and operational overview in this report.

III. Cash Flow:

(I) Change in cash flow in 2021 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
1,194,704	(440,848)	902,357	1,656,213	-	-

1. Analysis of cash flow changes:

This year's sales revenue grew up, and the accounts receivable, and purchase demand have increased which have resulted in net cash out-flow for operating activities in the stand-alone financial statement. The Company continues to pay attention to market and customer demands, and timely adjust the procurement and sales strategies. Nothing should be alerted as of now.

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 2021 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
3,053,182	2,316,038	(2,093,883)	3,275,337	-	-

1. Analysis of cash flow changes:

The net cash flow from consolidated operating activities was inflow in the consolidated financial statements this year; the cash flow-out has mainly resulted from the cash dividends and the solar power equipment acquisition.

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:

The major capital expenditure in the recent year was for the solar power station construction by our subsidiary, which was financed mainly by its own funds and bank loans, which did not have any significant impact on our financial operations.

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	Although the Company continued to be affected by the COVID-19 epidemic, the company's overall profit increased significantly compared to the previous year due to the significant shortage of materials, which led to an increase in demand, and a better adjustment to the competitive market.	None	Evaluation pending on further market indication on overseas needs.
Nagase Wahlee Plastics Corporation ORC Technology Corp. ORC Electrical Machinery Co., Ltd	Strengthen collaboration with suppliers in Japan and seek for reward in dividend earnings	The company's overall profit increased significantly compared to the previous year due to the significant shortage of materials in the market as a result of the epidemic and the continued increase in market demand	None	Evaluation pending on further operation needs
Chang Wah Electromaterials Inc.	Long-term investment for dividend earnings	The Company's overall profit increased compared to the previous year due to the continued significant increase in demand in the semiconductor market and the impact of material shortages in the market due to the epidemic, as well as the recognition of a significant increase in non-operating investment income.	None	Evaluation pending on further operation needs

Investment \ Explanation	Policy	Reasons for gains or losses	Improvement plan	Investment plans in the coming year
Wah Hong Industrial Corporation	Long-term investment for dividend earnings	The increase in demand in the Homeeconomy, which continues to be affected by the COVID-19 epidemic, and the one-time investment benefit recognized in the disposal of the Qingdao plant, resulted in an increase in the Company's overall profit compared to the previous year.	None	Evaluation pending on further operation needs
Sakuragawa Solar GK., Miyazaki Solar GK.	Investing in power stations to expand the solar energy business	Both Sakuragawa and Miyazaki power stations have stabilized their power generation and continue to maintain stable profitability.	None	None
Adi International Trading (Shanghai) Co., Ltd Guangzhou Xingxian Co., Ltd	developing medical care industry for long-term operation momentum.	It has been in the medical industry for years and has shown good results.	Continue to develop businesses actively.	Evaluation pending on further operation needs
Tranceed Logistic Co., Ltd. Cyuan Cheng Logistic Co., Ltd.	Meet customer needs in logistics with shorter circulation hour and lower costs for value-added service	The continued business expansion has led to significant growth in logistics revenue, but also to an increase in personnel and administrative costs as a result of the expanded business scale, resulting in a slight increase and decrease in profit compared to the previous year.	None	Evaluation pending on further operation needs

Investment \ Explanation	Policy	Reasons for gains or losses	Improvement plan	Investment plans in the coming year
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	Due to the continuous impact of the COVID-19 epidemic, especially in south China, China's domestic logistics service demand has not stabilized, along with the impact by the shortage of containers worldwide, which has led to The inability to increase revenue and is the main reason for the loss.	It is expected that the Company's revenue will become stable after the COVID-19 epidemic slows down, and try to develop the logistics service in other industries to increase the company revenue and turn loss into profit this year.	None
Wah Tech Industrial Co., Ltd. (Thailand)	Expansion in Southeast Asia through the local sales forces in, Wah Tech	Earnings increased over the year, due to proper expense control by management during the COVID-19 epidemic.	None	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 business developments in Solar Energy industry.	As the contracted solar power stations are successively constructed and completed, the income will generate stably.	Develop new projects while continuing to build contracted solar power stations	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 midterm 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\$ 45,620 thousand and NT\$ 37,118 thousand, respectively in 2021 and 2020 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 profits in 2021 was NT\$ 14,288 thousand, or 0.36% 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), As the Company is engaged in transactions denominated in foreign currencies, the company is mainly affected by the fluctuation of the exchange rate of the US dollar, thus causing the company to have exposure to exchange rate fluctuations.. 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\$ 2,574 thousand and NT\$ 3,837 thousand, respectively in 2021 and 2020 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 currency exposure in

position or 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 official 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) and positions itself at the frontline to gather information on customers' needs and suppliers' R&D roadmaps through cooperation with customers and suppliers, so that new products and new 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. The revenue of New business development (including new products and new applications) for 2021 was nearly NT\$8 billion.

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 2021 exceeded 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 were far exceeded this sum.

For 2022, the R&D expenses will maintain the same budget as last year funding for new business development. The budget is adjustable when necessary. Development achievement in 2021 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, flame retardant for engineering plastics, all kinds of 3C protective film, and all kinds of high-end packaging materials.
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, silicon wafer, 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, and photoresist chemicals.
Green energy, energy conservation, and energy storage	Assessment, design, installation, and maintenance of solar power stations, 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, beam formers, 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

On January 1, 2021, the Central Health Insurance Administration announced that the health insurance rate would be increased from the current 4.69% to 5.17%, and the supplementary premium rate would be adjusted accordingly from 1.91% to 2.11%. It is an increase of 10%. Labor insurance ordinary accident insurance premium rate were increased from 10% to 10.5%. It was an increase of 5%. The fee increase accounted for about 0.6% of the overall salary.

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

In terms of the Company's operating results in each major industry and market in 2021, the approximate changes in the consolidated unadjusted revenue of each industry compared to 2020 are:

Information/communication engineering plastics industry is approximately +14.08%; Electronic packaging industry +7.00%; Semiconductor industry +14.78%; optoelectronics, optical communication, and flat panel display industry +30.86%; green energy, energy-saving +31.23%, and other industries +26.86%..

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 ago. The Company has been making solid progresses with substantial sales revenue in the sector from product lines covering polysilicon and silicon wafers, solar battery/module solar power stations, LED materials, lithium battery materials, wind power materials, etc. Although the development of the solar energy industry has been temporarily affected by the tightening of global government subsidies, the rise of local manufacturers of major products, and the delay in the construction of power plants and the government's green energy policy, the promotion of green energy, energy conservation and energy storage has become a global priority. A policy that the government cannot ignore and must implement.. , As a result, the revenue in 2021 has increased significantly compared to 2020, the Company will continue to grow in related sectors, especially in the energy storage system and wind power which we have made solid progress. After the relevant government policies are improved, it will bring considerable revenue to the company. In addition, we are making efforts to the new green energy sectors, such as wind power, energy conserving system, biogas power generation while involving in power station building sector.

In addition, the Company proactively adjusts product mix, eliminates products that are too small in scale or have low profits . In the future, the Company will cooperate with existing and new suppliers to develop products with more price competitiveness and larger scale.

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 unbreakable relationship with them.

To cut down impacts brought by Covid-19 starting from early 2020, apart from operating under a diversified business lines, we had also adjusted administrative and marketing expenses to maximize the marginal benefits of 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 lines, we were able to reduce the impact from the macro economy and industry cycles and continue the growing trend.

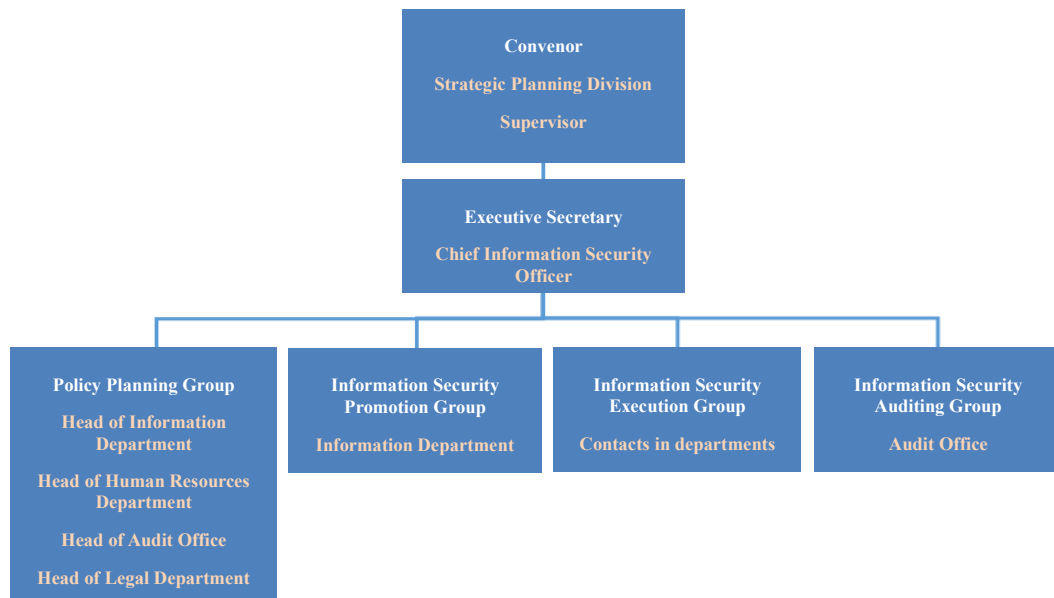
6. Effect on crisis management of changes in corporate image, and measures to be taken in response: None
7. Expected benefits and possible risks associated with any merger and acquisitions, and measures to be taken in response: None
8. Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response: None

9. Risks associated with concentration of sales or purchasing operations, and measures to be taken in response:
- (1) The Company's purchases and sales are distributed evenly in the five major industries. There are no customers whose sales accounted for more than 10% of the consolidated revenue in the past two years. Further, the Company continues to develop other customers, so there is no risk of excessive concentration of sales.
- In terms of purchases, the Company maintains steady cooperative relationships with major product suppliers, and the purchase is still stable. Only one company exceeded 10% of the consolidated revenue in 2021, and there should be no risk of excessive concentration of purchases.
- (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 lawsuit with the Taiwan District Court and claimed damages of NT\$50,363,000 for non-performance of the procurement obligation under the purchase contract since our subsidiary, Kingstone Energy Technology Corporation did not fulfill its obligation to the order under the purchase contract. In October 2020, after the first instance judgment of Company A won the lawsuit, Kingstone Energy Technology Corporation appealed against by law and estimated the related losses and reserved liabilities of NT\$50,363,000 in 2021. As of the date of the issuance of the consolidated financial report, the case is still proceeding, but there are significant uncertainties as to the outcome of the final lawsuit.
- (2) In November 2020, Company B sent a letter to our subsidiary, Kingstone Energy Technology Corporation, to terminate a solar power station lease contract between the two parties, demanding that Kingstone Energy Technology Corporation pay liquidated damage of NT\$41,704,000 and confiscate the contract performance bond. In consideration of the lawyer's opinion, Kingstone Energy Technology Corporation held that there were relevant non-attributable reasons to be exempted from the determination of the relevant liquidated damages, except that the above contract performance bond and related unfinished project costs had been converted to a loss in 2020, and a lawsuit had been filed, and the relevant liquidated damages losses had not been assessed in the financial statements.
13. Other important risks, and measures to be taken in response:
- (1) Describe the information communication risk management framework information communication security policy, specific management solutions, and resources devoted to information communication security management, etc.
- >Information security management Framework:
- To implement the establishment of information security and risk management policy, to ensure the Company's important intangible assets, and to protect the supplier and customer data, In 2015, Wah Lee Industrial Corp. had planned and established a cross-division Information Security Management Committee, which was in charge of coordination, development, and examination of various information security risk management systems and promotions. In which, the General Manager, the highest level manager in the Strategic Planning

Division, act as convener, and the head of the information department act as executive secretary.

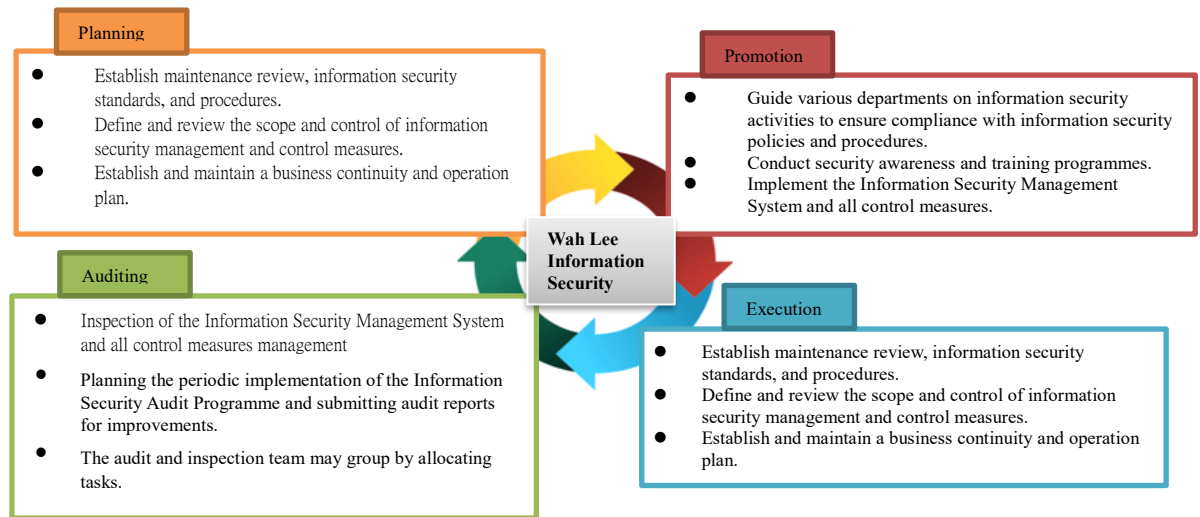
The Information Security Management Committee of Wah Lee Industrial Corp allocated jobs by task and it set four groups: Policy Planning Taskforce, Information Security Promotion Taskforce, Information Security Auditing Taskforce, and Information Security Implementation Taskforce, which are responsible for coordinating the planning of various operation principles, information security guidance, information security audit, and assisting in dealing with information security matters. The Company discussed and improved the company's and the group's information security policies and major information security risk issues biannually, and made corresponding strategies and promoted continuously.

Organizational Chart of Wah Lee Information Security Committee



>Information communication security policy

Wah Lee's Information Security Management Policy, the various teams under the Information Security Management Committee operated in accordance with the PDCA (Plan, Do, Check, Act) cycle, i.e. "Planning", "Promoting", "Reviewing" and "Executing". Planning' according to international information security standards and regulatory requirements and is used to establish a complete risk management system involving various assessments at the system, technical, procedural and customer levels. Through the construction of various security technologies, including hardware, network, and application systems and data security, "Capital Security Promotion" continuously maintains operations, monitoring and security prevention to ensure the complete protection of confidential data. The "Information Security Audit" is responsible for checking the management and all controls of the information security management system. It conducts regular annual information security audits, submits auditing reports and track improvements. "Information Security Enforcement" implements and follows information security policies, directs the information security activities of its units, assists in the execution of education and training of its units, and assists in the implementation of frontline information security incidents response. (Those who violate information security regulations are subject to personnel disciplinary action or necessary legal measures depending on the severity of the circumstances).



> Internet security risk management specific plan and implementation:

Internet security: Wah Lee Industrial Corp. includes other offices in Taiwan, mainland China, and Southeast Asia. Currently, advanced next-generation firewalls for internal use have been set up at each point to prevent viruses from attacking and invading through any office. Continuous attacks continue to be attempted against other regions. To prevent computers from being hacked, in-depth network detection and defense-level network security detection and prevention systems have been deployed in key overseas locations, enabling them to detect Known or latest attacks, and to warn and stop them. In addition to networking, Wah Lee has completed systems, including host monitoring and email filtering at home and abroad. It has the ability to effectively prevent malicious programs such as network Trojans, Worms, Viruses and phishing emails.

Installation security: For the installation of terminal anti-virus and personal firewalls on pc systems at home and abroad, the ability to strengthen and block malicious attack behavior recognition has also led to the use of device protection mechanisms to prevent more and more mobile phone devices from entering the company's systems.

Email security: Through the imported email protection system, preventive measures such as Sandbox simulation mechanism for the latest spam, phishing emails, and other attack emails, as well as virus monitoring and screening can be executed.

Application security: We have the security execution of the application development process, testing, and versioning. We also plan to purchase a dedicated firewall for web applications, which is expected to prevent hackers from attacking through the developed web coding or system vulnerabilities and implanting malware.

>Input resources for cyber security management

Even though, with the latest attacks and ransomware still hitting the world, there is nothing to ensure that the company's internal network and computers are fully protected. Therefore, Wah Lee continues to review and has included in its 2022 budget the implementation of pending information security systems, including "Peer-to-Peer Software and Connection Behavior Detection System (MDR)", "MFA Multi-Factor Authentication System", "Vulnerability Scanning System", "Privileged Account Management System" and "Web Application Firewall (WAF)", etc. The project is planned to invest about NT\$40 million for the above information security improvements. We are also planning to invest more funds to upgrade the network equipment that has been used for a long time in various locations around the world and cannot be effectively administrated.

In addition to the investment in hardware, Wah Lee has actively trained IT security certified professionals in order to improve the information security structure and policies and systems. Currently, our two staffs have completed the training and obtained ISO 27001 Information Security Auditor (Lead Auditor) certificates through external trainings. In the future, more personnel will be trained in information security courses, and we will consolidate qualified human and system resources to focus on establishing a more complete and international standard information security standard document and various information security practices for the Company, so as to enhance Wah Lee's information security management capability. 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.

(2) List the losses, possible impacts, and countermeasures caused by major information security cases in the most recent year and up to the publication day of the annual report. If it cannot be reasonably estimated, the facts that cannot be reasonably estimated should be explained: None

VIII. Other important matters: None

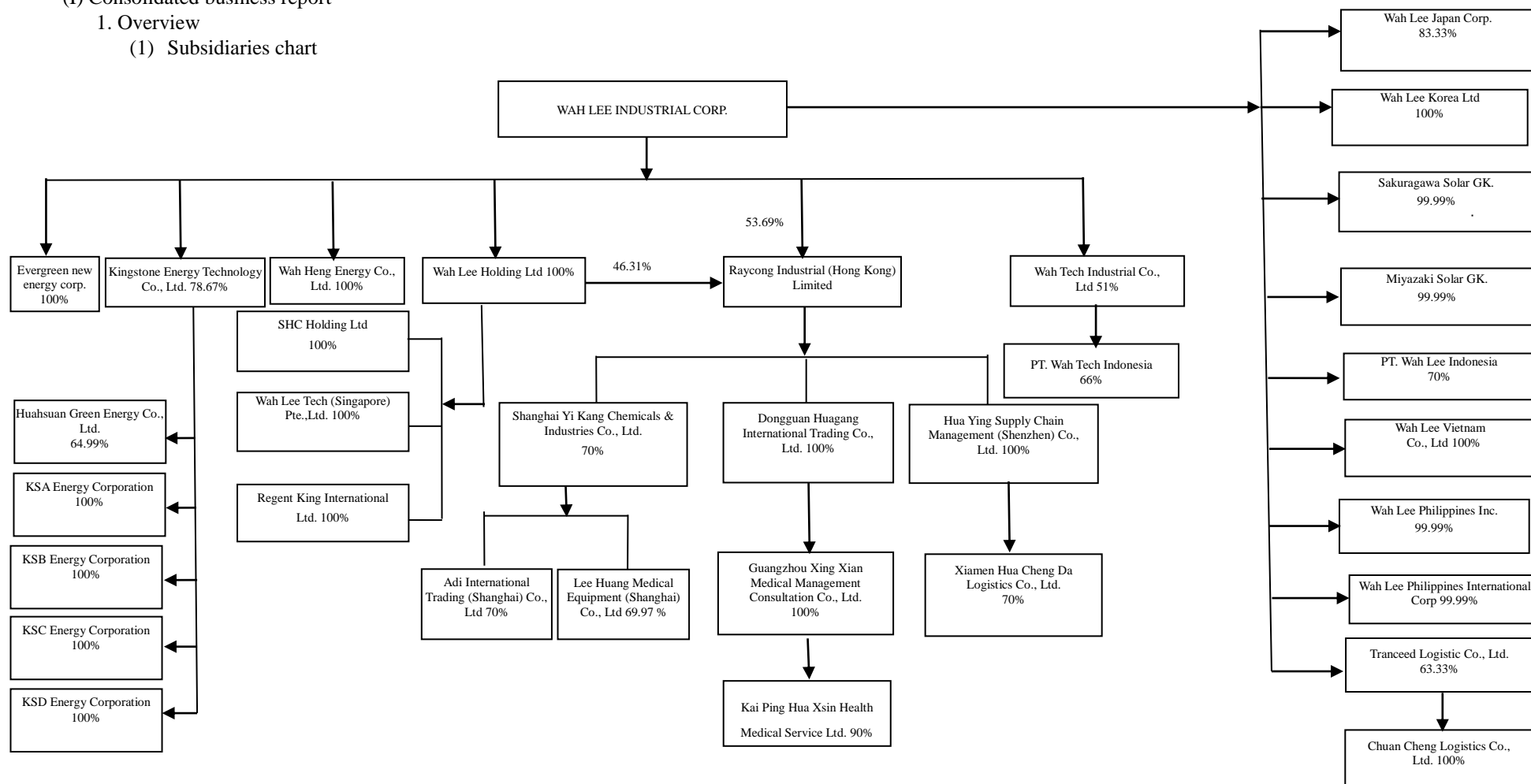
Eight: Special Notes

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, Kroea.	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	Trading industrial materials
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	Trading industrial materials
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
Tranceed 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	Solar power station operation
Hua Heng Energy Co., Ltd.	2020.7.13	F8-2., No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	90,000,000	Solar power station operation
Evergreen new energy corp.	2021.12.30	F8-2., No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	500,000	Solar power station operation
Wah Lee Philippines International Corp.	2019.9.28	122 East Science Drive, Laguna Technopark - SEZ, Binan(Poblacion), CITY OF BINAN, 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	55,000,000	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	Operate solar power generation business
KSB Energy Corporation	2015.11.17	F8-2., No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	11,130,000	Operate solar power generation business
KSC Energy Corporation	2020.06.30	F8-2., No. 55, Dongguang Rd., Hsinchu City	NTD	1,000,000	Operate solar power generation business
KSD Energy Corporation	2020.11.03	#11, Ln. 666, Sec. 2, Zhongshan Rd., Changhua City, Changhua County	NTD	67,000,000	Operate solar power generation business
Huhsuan Green Energy Co., Ltd.	2021.05.10	No. 11, Lane 666, Chong Cheng Road, Section, Changhua City, Chang Hua County	NTD	68,960,000	Operate solar power generation business
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 YiKang 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, Qianwanyi 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
Phoenix Xin Hua Shou Zheng Health Management Ltd.	2020.7.14	Group 2, Duotian Village, Tuojiang Town, Fenghuang County, Xiangxi Tujia Miao and Miao Autonomous Prefecture, Hunan Province	CNY	3,750,000	Medical device manufacturing technology development and consulting services
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.
Kai Ping Hua Xsin Health Medical Service Ltd.	2021.3.24	Level 2 and 3, No. 15, Xinchangtan Jiangxi Road, Sanbu Street Office, Kaiping City	CNY	100	Medical Service

(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, medical and biotechnology industry, logistics industry, 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) With customers moving out to Southeast Asia and mainland China, they extend their sales and production bases overseas and enter the mainland market through a third place, so they set up Raycong Industrial (Hong Kong) Limited, Wah Lee holding limited, SHC holding limited, Dongguan Huang International Trading Co., Ltd. and Regent King International Ltd. In addition, with the government's New South policy and the transfer of overseas investment to Southeast Asia, the company also established Wah Lee Tech (Singapore) PTE., Ltd, Wah tech Industrial Co., Ltd and Pt in Singapore, Thailand, Indonesia and Vietnam Wah Lee Indonesia, Wah Lee (Vietnam) Co., Ltd., Wah Lee Philippines and other companies.

(C) To expand new industries and invest in the medical industry, therefore, set up ADI International Trading (Shanghai) Co., Ltd., Lee Huang medical equipment (Shanghai), Guangzhou Xing Xian Medical Management Consulting Co., Ltd., and Phoenix Xin Hua Shou Zheng Health Management Ltd.

(D) In response to the company's business and market demand, it has invested in the logistics industry, so it has established Chuan Shuen Logistics Co., Ltd., Chuan Cheng Logistics Co., Ltd., Hua Ying supply chain management (Shenzhen) Co., Ltd., and Xiamen Hua Cheng Da Logistics Co., Ltd. °

(E) In order to pursue sustainable development and fulfill social responsibilities, the Company actively distributes and invests in Kingstone Energy Technology Corporation and other energy companies, and successively invests in solar power stations.

(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%
	Director	Lu, Jui-Ming	Wah Lee Holding: 48,296,655 shares	
	Director	Li, Kuo-Ping		
Wah Lee Korea Ltd.	Chairman	Wang, Yi-Wen	Wah Lee: 147,000 shares	100%
Sakuragawa Solar GK.	Director	Yuichiro Yasuda	-	99.99% owned by Wah Lee
Miyazaki Solar GK.	Director	Yuichiro Yasuda	-	99.99% owned by Wah Lee
PT. Wah Lee Indonesia	Director	Chong Jun Wei	Wah Lee: 1,610,000 shares	70%
Wah Lee Vietnam Co., Ltd.	Director	Yeh, Ching-Wen	-	100% owned by Wah Lee
	Supervisor	Chang, Yu-Dian		
Wah Tech Industrial Co., Ltd.	Director	Chang, Tsuen-Hsien	Wah Lee: 7,650 shares	51%

Company	Title	Name	Shareholding	
			Shares	Shares Ratio
	Director	Yeh, Ching-Wen		
Tranceed Logistic Co., Ltd.	Chairman Supervisor	Shih, Chia-Sheng (representing Wah Lee) Tsai, Chung-Min	Wah Lee: 9,500,000 shares	63.33%
Cyuan Cheng Logistic Co., Ltd.	Chairman	Chou, Tien-Sing (representing Tranceed Logistic)	Tranceed: 5,500,000 shares	100%
	Supervisor	Tsai, Chung-Min (representing Tranceed Logistic)		
Kingstone Energy Technology Corporation	Chairman	Jiang, Kuo-Jui (representing Wah Lee)	Wah Lee: 27,708,077 shares	78.67%
	Director	Shao, Kuang-Wei (representing Wah Lee)		
	Director	Gao, Xu- Ke (representing Wah Lee)		
	Supervisor	Hsiao, Han-Yueh		
KSD Energy Corporation	Chairman	Jiang, Kuo-Jui, (representing Wah Lee)	Wah Lee: 9,000,000 shares	100%
	Supervisor	Hsiao, Han-Yueh (representing Wah Lee)		
Wah Lee Philippines International Corp.	Chairman	Yeh, Ching-Wen	Wah Lee: 127,495 shares	99.99%
	Director	Wang, Yi-Wen		
	Director	Lin, Chen-Chuan		
	Director	Darren Lim Jee Heng		
Wah Lee Philippines Inc.	Chairman	Yeh, Ching-Wen	Wah Lee: 126,997 shares	99.99%
	Director	Wang, Yi-Wen		
	Director	Lin, Chen-Chuan		

Company	Title	Name	Shareholding	
			Shares	Shares Ratio
Wah Lee Japan Corp.	Chairman Director Director Supervisor	Yeh, Yi-Lin Lin, Chen-Chuan Kao, Hsu-Ke Wang, Yi-Wen	Wah Lee: 1,500 shares	83.33%
KSB Energy Corporation	Chairman Supervisor	Jiang, Kuo-Jui, (representing Kingstone Energy Technology) Hsiao, Han-Yueh (representing Kingstone Energy Technology)	Kingstone Energy Technology: 1,113,000 shares	100%
Evergreen New Energy Corporation	Chairman	Chien, Bai-Yi(representing Wah Lee)	Wah Lee: 50,000 shares	100%
KSC Energy Corporation	Chairman Supervisor	Jiang, Kuo-Jui, (representing Kingstone Energy Technology) Hsiao, Han-Yueh (representing Kingstone Energy Technology)	Kingstone Energy Technology: 100,000 shares	100%
KSD Energy Corporation	Chairman Supervisor	Jiang, Kuo-Jui, (representing Kingstone Energy Technology) Hsiao, Han-Yueh (representing Kingstone Energy Technology)	Kingstone Energy Technology 6,700,000 shares	100%
Huahsuan Green Energy Co., Ltd.	Director Supervisor	Shao, Kwang-Wei (representing Kingstone Energy Technology) Wu, How-Ming	Kingstone Energy Technology 4,482,000 shares	64.99%
Wah Lee Tech (Singapore) Pte., Ltd	Chairman Director	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.	Director	Chang, Ray-Ching	Wah Lee Holding: 10,000 shares	100%
PT. Wah Tech Indonesia	Director	Chong Jun Wei	Wah Tech: 18,150 shares	66%
Shanghai Yi Kang Chemicals & Industries Co., Ltd.	Chairman	Chang, Tsuen-Hsien	-	70% owned by Raycong (Hong Kong)
	Director and general manager	Yu, Ching-Tien		
	Director	Chen, Chi-Hsing		

Company	Title	Name	Shareholding	
			Shares	Shares Ratio
	Supervisor	Lulu Huang		
Dongguan Huagang International Trading Co., Ltd.	Chairman	Chang, Tsuen-Hsien	-	100% owned by Raycong (Hong Kong)
	Director	Lu, Jui-Ming		
	Director	Li, Kuo-Ping		
	Supervisor	Tsai, Xiang-Yu		
Hua Ying Supply Chain Management (Shenzhen) Co., Ltd.	Chairman	Lu, Jui-Ming	-	100% owned by Raycong (Hong Kong)
	Director	Chang, Tsuen-Hsien		
	Director	Shih, Chia-Sheng		
	Supervisor	Tsai, Xiang-Yu		
Adi International Trading (Shanghai) Co., Ltd	Chairman	Ren, You-Ming	-	70% owned by Shanghai Yikang 30% owned by Zhao, Guo-Bin
	Director and general manager	Zhao, Guo-Bin		
	Director	Wu, Zhi-Long		
	Supervisor	Huang, Liang-Rao		
Lee Huang Medical Equipment (Shanghai)	Chairman	Ren, You-Ming	-	69.97% owned by Shanghai Yikang 30.03% owned by Zhao, Guo-Bin
	Director	Zhao, Guo-Bin		
	Director	Wu, Zhi-Long		
	Supervisor	Huang, Liang-Rao		
Phoenix Xin Hua Shou Zheng Health Management Ltd.	Director and General Manager	Jen, You-Ming	-	75% owned by Shanghai Yikang
	Supervisor	Chen Ran		
Xiamen Hua Cheng Da Logistics Co., Ltd.	Executive		-	70% owned by Hua Ying Supply Chain 10% owned by Li Ping
	Director and general manager	Shih, Chia-Sheng		
	Supervisor	Li Ping		
Guangzhou Xing Xian Medical Management Consultation Co., Ltd.	Executive Director and general manager	Lu, Jui-Ming Lin, Long-Bun	-	100 % owned by Dongguan Huagang

Company	Title	Name	Shareholding	
			Shares	Shares Ratio
	Supervisor			
Kai Ping Hua Xsin Health Medical Service Ltd.	Director and Company Representative) Supervisor	Jen, You-Ming Hsueh Wei	-	90% owned by Guanzhao Xin Xien 10% owned by Ma, Dong-Mei

2. Subsidiary Operations

December 31, 2022 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	430,666	4,773,228	0	4,773,228	0	-79	623,642	47.72
Raycong Industrial (Hong Kong) Limited	370,149	8,303,768	911,785	7,391,983	4,376,177	81,324	1,010,362	9.69
Wah Lee Korea Ltd.	17,273	4,597	2,383	2,214	0	-524	1,605	10.92
Sakuragawa Solar GK.	41,472	150,683	67,770	82,913	22,247	9,423	8,049	-
Miyazaki Solar GK.	72,630	242,512	206,037	36,475	25,653	8,061	4,188	-
PT. Wah Lee Indonesia	60,136	54,966	3,513	51,452	102,303	-800	-270	-0.12
Wah Lee Vietnam Co., Ltd.	13,428	281,692	222,297	59,395	670,775	20,942	18,310	-
Wah Tech Industrial Co., Ltd.	12,521	629,253	263,610	365,643	1,399,433	105,183	86,113	5740.89
Tranceed Logistic Co., Ltd.	150,000	486,080	266,530	219,550	485,777	37,155	26,177	1.75
Cyuan Cheng Logistic Co., Ltd.	55,000	113,402	73,345	40,058	45,271	-1,556	-1,343	-0.24
Kingstone Energy Technology Corporation	352,188	2,277,597	1,648,728	628,869	193,039	35,001	-16,436	-0.47
Hua Heng Energy Co., Ltd.	90,000	143,113	49,907	93,206	11,103	4,631	3,305	1.10
Evergreen new energy corp.	500	500	0	500	0	0	0	-
Wah Lee Philippines International Corp	6,825	7,200	937	6,263	0	-604	-593	-4.65
Wah Lee Philippines Inc.	6,798	5,015	1,295	3,719	0	-2,277	-2,297	-18.09
Wah Lee Japan Corp.	21,645	5,142	0	5,142	0	-49	-48	-26.92
Green Energy Corporation (liquidate)	-	-	-	-	-	2	-1,853	-
KSA Energy Corporation	61,300	306,038	237,042	68,996	24,566	9,441	6,325	1.03
KSB Energy Corporation	11,130	30,887	18,603	12,283	3,122	1,128	882	0.79

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)	
KSC Energy Corporation	1,000	163,093	162,522	571	0	-433	-346	-3.46
KSD Energy Corporation	67,000	562,930	497,150	65,779	0	-1,284	-1,028	-0.10
Wah Lee Tech (Singapore) Pte., Ltd	28,002	723,327	368,472	354,854	1,328,071	35,064	28,515	17.82
SHC Holding Limited(Mauritius)	34,879	883,761	0	883,761	0	-250	123,781	95.95
Regent King International Ltd.	35	4,021	913	3,108	2,945	-7,996	808	80.82
PT. WAH TECH INDONESIA	5,445	29,536	23,694	5,842	104,897	2,580	3,112	113.15
Shanghai YiKang Chemicals & Industries Co., Ltd.	986,547	8,700,103	3,546,152	5,153,951	13,166,228	927,613	742,632	Note1
Dongguan Huagang International Trading Co., Ltd.	1,132,384	5,237,283	2,501,286	2,735,997	10,590,517	558,458	415,100	Note1
Hua Ying Supply Chain Management (Shenzhen) Co., Ltd.	23,982	244,579	32,259	212,321	61,095	1,943	5,368	Note1
Adi International Trading (Shanghai) Co., Ltd	13,030	156,864	116,422	40,442	108,850	6,914	3,132	Note1
Phoenix Xin Hua Shou Zheng Health Management Ltd.	21,717	27,793	7,763	20,031	0	-1,350	-1,679	Note1
Lee Huang Medical Equipment (Shanghai)	14,463	12,758	9,920	2,838	24,566	2,662	2,920	Note1
Xiamen Hua Cheng Da Logistics Co., Ltd.	13,030	25,598	16,675	8,923	46,246	-1,063	-1,725	Note1
Guangzhou Xing Xian Medical Management Consultation Co., Ltd.	21,717	149,396	98,484	50,912	111,438	11,532	6,743	Note1
Kai Ping Hua Xsin Health Medical Service Ltd	1	1	0	1	0	0	0	Note1

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

2. Exchange rates used in reports are as follows: 1USD = NT\$27.68; 1 JPY = NT\$ 0.2405; 1 HKD 1 = NT\$3.549; 1 SGD = NT\$20.46; 1 KRW = NT\$ 0.0235; 1 IDR = NT\$ 0.00198; 1 VND = NT\$ 0.0012.

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

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, 2021 under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard No.10, “Consolidated Financial Statements”. In addition, the 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 22, 2022

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 and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 audits 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. 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, 2021. 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, 2021 is described as follows:

Occurrence of revenue from specific customers

The operating revenue from specific customers of the Group for the year ended December 31, 2021 showed 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 obtained an understanding and tested the design and operating effectiveness of the internal controls relevant to shipment and revenue recognition.
2. We selected samples and verified the occurrence of recorded revenue from specific customers against supporting documents, including shipping and collection documents, and we checked and confirmed that 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, 2021 and 2020 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, 2021 and 2020 were NT\$811,217 thousand and NT\$728,537 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, 2021 and 2020 were NT\$188,987 thousand and NT\$111,793 thousand, were representing 5% and 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, 2021 and 2020 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, 2021 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 22, 2022

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, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,275,337	7	\$ 3,053,182	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	163,804	1	211,665	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	209,000	1	119,600	-
Notes receivable (Note 9)	1,787,044	4	2,399,770	6
Notes receivable - related parties (Notes 9 and 28)	-	-	6,925	-
Accounts receivable, net (Notes 5 and 9)	16,754,286	37	15,111,761	39
Accounts receivable - related parties (Notes 5, 9 and 28)	117,195	-	113,442	-
Other receivables	140,043	-	132,686	-
Other receivables - related parties (Note 28)	86,298	-	59,752	-
Current tax assets (Note 24)	7	-	114	-
Merchandise (Notes 4, 5 and 10)	5,194,090	11	4,286,609	11
Prepayments for purchases	2,289,881	5	1,398,090	4
Other financial assets - current (Notes 11 and 29)	2,668,676	6	838,212	2
Other current assets	160,819	-	209,496	1
Total current assets	32,846,480	72	27,941,304	72
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	735,329	2	634,098	2
Investments accounted for using the equity method (Notes 4 and 13)	5,956,734	13	4,826,082	12
Property, plant and equipment (Notes 4, 14, 28 and 29)	4,740,804	10	3,785,578	10
Right-of-use assets (Notes 4 and 15)	657,852	1	624,245	2
Goodwill (Note 4)	111,203	-	111,809	-
Other intangible assets	208,299	-	205,407	1
Deferred tax assets (Notes 4 and 24)	348,894	1	345,131	1
Prepayments for equipment	30,727	-	20,663	-
Prepayments for investments	-	-	10,000	-
Other financial assets - noncurrent (Notes 11 and 29)	217,564	1	196,403	-
Other noncurrent assets	33,084	-	54,249	-
Total noncurrent assets	13,040,490	28	10,813,665	28
TOTAL	<u>\$ 45,886,970</u>	<u>100</u>	<u>\$ 38,754,969</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 8,286,959	18	\$ 7,400,936	19
Short-term bills payable (Note 16)	59,822	-	59,917	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	127	-	280	-
Contract liabilities - current (Notes 22 and 28)	562,914	1	345,351	1
Notes payable (Note 18)	390,681	1	102,174	-
Notes payable - related parties (Notes 18 and 28)	-	-	1,261	-
Accounts payable (Note 18)	8,045,912	18	7,066,208	18
Accounts payable - related parties (Notes 18 and 28)	567,881	1	378,004	1
Dividends payable	-	-	1,400	-
Other payables (Notes 19 and 28)	1,363,912	3	1,223,813	3
Current tax liabilities (Note 24)	371,005	1	272,968	1
Provisions - current (Notes 4 and 30)	80,450	-	-	-
Lease liabilities - current (Notes 4 and 15)	95,358	-	64,747	-
Current portion of long-term borrowings (Note 16)	376,940	1	538,534	2
Refund liabilities - current	178,776	-	174,275	1
Other current liabilities	26,271	-	29,053	-
Total current liabilities	20,407,008	44	17,658,921	46
NONCURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	1,972,752	4	-	-
Long-term borrowings (Note 16)	3,562,794	8	4,107,003	11
Provision for employee benefits - noncurrent (Note 4)	52,007	-	41,875	-
Lease liabilities - noncurrent (Notes 4 and 15)	595,710	1	566,902	1
Net defined benefit liabilities - noncurrent (Notes 4 and 20)	295,578	1	314,840	1
Guarantee deposits received	2,634	-	1,616	-
Deferred tax liabilities (Notes 4 and 24)	1,281,669	3	1,155,352	3
Total noncurrent liabilities	7,763,144	17	6,187,588	16
Total liabilities	28,170,152	61	23,846,509	62
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Share capital	2,360,179	5	2,313,901	6
Capital surplus	1,690,292	4	1,331,725	3
Retained earnings				
Legal reserve	2,412,040	5	2,228,083	6
Special reserve	636,618	2	980,087	3
Unappropriated earnings	8,783,793	19	6,660,831	17
Total retained earnings	11,832,451	26	9,869,001	26
Other equity	(184,623)	(1)	(636,618)	(2)
Total equity attributable to owners of the Company	15,698,299	34	12,878,009	33
NON-CONTROLLING INTERESTS (Note 21)	2,018,519	5	2,030,451	5
Total equity	17,716,818	39	14,908,460	38
TOTAL	<u>\$ 45,886,970</u>	<u>100</u>	<u>\$ 38,754,969</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

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			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 28)	\$ 70,515,303	100	\$ 59,080,920	100
OPERATING COSTS (Notes 10, 23 and 28)	<u>64,532,617</u>	<u>92</u>	<u>54,280,230</u>	<u>92</u>
GROSS PROFIT	<u>5,982,686</u>	<u>8</u>	<u>4,800,690</u>	<u>8</u>
OPERATING EXPENSES (Notes 9, 23 and 28)				
Selling and marketing expenses	2,272,525	3	2,051,331	4
General and administrative expenses	591,317	1	531,187	1
Expected credit loss	<u>46,134</u>	<u>-</u>	<u>110,257</u>	<u>-</u>
Total operating expenses	<u>2,909,976</u>	<u>4</u>	<u>2,692,775</u>	<u>5</u>
OPERATING INCOME	<u>3,072,710</u>	<u>4</u>	<u>2,107,915</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 28)				
Interest income	49,554	-	52,018	-
Other income	155,584	-	151,737	-
Other gains and losses	(73,245)	-	(51,449)	-
Finance costs	(169,443)	-	(204,649)	-
Share of profit of associates and joint ventures	<u>980,823</u>	<u>1</u>	<u>580,063</u>	<u>1</u>
Total non-operating income and expenses	<u>943,273</u>	<u>1</u>	<u>527,720</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	4,015,983	5	2,635,635	4
INCOME TAX EXPENSE (Notes 4 and 24)	<u>906,811</u>	<u>1</u>	<u>589,519</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>3,109,172</u>	<u>4</u>	<u>2,046,116</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (Notes 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	8,080	-	(4,470)	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	135,795	-	110,390	-
Share of other comprehensive income of associates accounted for using the equity method	677,658	1	236,698	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,131)	-	7,804	-

(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			
	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (130,195)	-	\$ 16,626	-
Share of other comprehensive gain (loss) of associates accounted for using the equity method	(18,985)	-	9,920	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>20,462</u>	<u>-</u>	<u>(4,571)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>690,684</u>	<u>1</u>	<u>372,397</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,799,856</u>	<u>5</u>	<u>\$ 2,418,513</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,843,277	4	\$ 1,859,120	3
Non-controlling interests	<u>265,895</u>	<u>-</u>	<u>186,996</u>	<u>-</u>
	<u>\$ 3,109,172</u>	<u>4</u>	<u>\$ 2,046,116</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,563,855	5	\$ 2,233,421	4
Non-controlling interests	<u>236,001</u>	<u>-</u>	<u>185,092</u>	<u>-</u>
	<u>\$ 3,799,856</u>	<u>5</u>	<u>\$ 2,418,513</u>	<u>4</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 12.05</u>		<u>\$ 7.88</u>	
Diluted	<u>\$ 11.64</u>		<u>\$ 7.66</u>	

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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	Retained 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				
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2020	\$ 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 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)
Changes in percentage of ownership interests in subsidiaries (Note 12)	-	(846)	-	-	-	-	-	-	(846)	846	-
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	18,567	-	(18,567)	(18,567)	-	-	-
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	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
Appropriation of 2020 earnings											
Legal reserve	-	-	183,957	-	(183,957)	-	-	-	-	-	-
Special reserve	-	-	-	(343,469)	343,469	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,018,117)	-	-	-	(1,018,117)	-	(1,018,117)
	-	-	183,957	(343,469)	(858,605)	-	-	-	(1,018,117)	-	(1,018,117)
Equity component of convertible bond issued by the Company	-	34,200	-	-	-	-	-	-	34,200	-	34,200
Changes in capital surplus from investments in associates accounted for using the equity method	-	359,432	-	-	(98,681)	3,828	(35,031)	(31,203)	229,548	-	229,548
Issuance of share dividends from capital surplus	46,278	(46,278)	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	2,843,277	-	-	-	2,843,277	265,895	3,109,172
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	6,441	(98,824)	812,961	714,137	720,578	(29,894)	690,684
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	2,849,718	(98,824)	812,961	714,137	3,563,855	236,001	3,799,856
Disposals of investments accounted for using the equity method	-	(26,711)	-	-	-	-	-	-	(26,711)	(3,189)	(29,900)
Actual disposal or acquisition of interest in subsidiaries (Note 12)	-	37,924	-	-	(409)	-	-	-	37,515	(232,104)	(194,589)
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	(18,070)	(18,070)
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	230,939	-	(230,939)	(230,939)	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	5,430	5,430
BALANCE AT DECEMBER 31, 2021	\$ 2,360,179	\$ 1,690,292	\$ 2,412,040	\$ 636,618	\$ 8,783,793	\$ (678,629)	\$ 494,006	\$ (184,623)	\$ 15,698,299	\$ 2,018,519	\$ 17,716,818

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,015,983	\$ 2,635,635
Adjustments for:		
Depreciation expense	320,581	277,884
Amortization expense	43,168	41,073
Expected credit loss	46,134	110,257
Net (gain) loss of financial instruments at fair value through profit or loss	(980)	6,464
Finance costs	169,443	204,649
Interest income	(49,554)	(52,018)
Dividend income	(23,888)	(16,696)
Share of profit of associates accounted for using the equity method	(980,823)	(580,063)
Loss (gain) on disposal of property, plant and equipment	1,389	(24,182)
Loss on disposal of foreign operations	-	3,371
Loss (gain) on disposal of investments accounted for using the equity method	(20,810)	4,688
Impairment loss recognized (reversed) on inventories	153,553	(9,074)
Net loss on foreign currency exchange	1,058	38,430
Loss provision recognized	80,450	-
Others	(102)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	1,811	778
Notes receivable	612,703	(427,110)
Notes receivable - related parties	6,925	8,613
Accounts receivable	(1,686,879)	(1,739,094)
Accounts receivable - related parties	(2,885)	(9,033)
Other receivables	6,359	(10,692)
Other receivables - related parties	(2,241)	(5,746)
Merchandise	(1,059,294)	(340,836)
Prepayments for purchases	(891,791)	(379,995)
Other current assets	48,677	86,540
Financial liabilities held for trading	(9,537)	(9,837)
Contract liabilities	217,563	55,871
Notes payable	288,507	(233,040)
Notes payable - related parties	(1,261)	1,060
Accounts payable	979,704	1,533,227
Accounts payable - related parties	189,877	23,294
Other payables	91,662	117,421
Refund liabilities	4,501	12,782
Other current liabilities	(2,782)	13,504
Net defined benefit liabilities	(10,100)	(9,540)
Cash generated from operations	2,537,121	1,328,585
Interest received	35,838	51,433
Dividends received	578,130	485,434
Interest paid	(166,721)	(202,930)
Income tax paid	(668,330)	(454,447)
Net cash generated from operating activities	<u>2,316,038</u>	<u>1,208,075</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	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (59,836)	\$ (50,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	47,285
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	15,000	1,288
Purchase of financial assets at fair value through profit or loss	(408,641)	(478,692)
Proceeds from disposal of financial assets at fair value through profit or loss	466,128	443,877
Purchase of investments accounted for using the equity method	(44,926)	(7,005)
Proceeds from disposal of investments accounted for using the equity method	195,680	82,897
Net cash outflow on acquisition of subsidiaries	-	(3,000)
Payments for property, plant and equipment	(1,169,347)	(348,003)
Proceeds from disposal of property, plant and equipment	7,701	137,265
Payments for intangible assets	(37,667)	(5,850)
Decrease (increase) in other financial assets	(1,851,625)	12,493
Increase in other noncurrent assets	-	(9,031)
Prepayments for investments	-	(10,000)
Net cash used in investing activities	<u>(2,887,533)</u>	<u>(186,476)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	901,982	551,400
Increase in short-term bills payable	-	59,840
Proceeds from issuance of convertible bonds	1,999,693	-
Proceeds from long-term borrowings	1,372,954	347,317
Repayment of long-term borrowings	(2,039,534)	(464,533)
Increase in guarantee deposits received	1,018	1,197
Repayment of the principal portion of lease liabilities	(75,770)	(66,892)
Cash dividends	(1,018,117)	(763,587)
Change in non-controlling interests	<u>(208,629)</u>	<u>(4,145)</u>
Net cash generated from (used in) financing activities	<u>933,597</u>	<u>(339,403)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(139,947)</u>	<u>22,460</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	222,155	704,656
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,053,182</u>	<u>2,348,526</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,275,337</u>	<u>\$ 3,053,182</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2022)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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 were listed and have been trading 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 board of directors on March 22, 2022.

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

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are 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 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of the above standards and interpretations would 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)
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
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the above 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.

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

e. 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.

f. 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.

g. 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.

h. 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 and investments 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.

i. Property, Plant, and Equipment

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

Freehold land is not depreciated.

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.

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.

j. 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.

k. 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.

1. 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

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 and derivative instruments.

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.

ii Financial assets at amortized cost

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

- 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.

Subsequent to initial recognition, financial assets at amortized cost 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.

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

Cash equivalents include time deposits with original maturities of 3 months or less and repurchase agreement collateralized by bonds, 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.

iii Investments in equity instruments at FVTOCI

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.

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.

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.

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 Group 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 Group 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) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into derivative financial instruments, which are forward contracts, to manage its exposure to foreign exchange rate risks.

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.

m. 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.

n. 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 the rendering of services

Commission revenue comes from the provision of intermediary or agency services to the client in the transfer of merchandise to the client's 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 the rendering of services is recognized as the Group fulfills their obligation.

o. 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 and 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. The lease payments are discounted using the interest rate implicit in a lease. 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.

p. 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.

q. 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 are intended to compensate.

r. 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 and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expenses in the period in which they occur. Remeasurement 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.

s. 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. 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	
	2021	2020
Cash on hand	\$ 1,291	\$ 1,702
Demand deposits	2,946,410	2,865,503
Checking accounts	10,359	17,702
		(Continued)

	December 31	
	2021	2020
Cash equivalents		
Time deposits with original maturities of 3 months or less	\$ 178,853	\$ 168,275
Repurchase agreement collateralized by bonds	<u>138,424</u>	<u>-</u>
	<u>\$ 3,275,337</u>	<u>\$ 3,053,182</u>
		(Concluded)

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

	December 31	
	2021	2020
Time deposits (%)	0.10-2.03	0.20-1.10

- 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 FVTPL - CURRENT

	December 31	
	2021	2020
Financial assets		
Mandatorily classified as at FVTPL		
Hybrid instruments - structured deposits (a)	\$ 86,867	\$ 139,576
Non-derivative financial assets - mutual funds	75,401	72,066
Derivative instruments (not designated for hedge) (b)		
Foreign exchange forward contracts	336	23
Redemption of convertible bonds	<u>1,200</u>	<u>-</u>
	<u>\$ 163,804</u>	<u>\$ 211,665</u>
Financial liabilities		
Held for trading		
Derivative instruments (not designated for hedge) (b)		
Foreign exchange forward contracts	<u>\$ 127</u>	<u>\$ 280</u>

- a. The Group entered into a structured time deposit contract with banks. 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 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 forward contracts were as follows:

December 31, 2021

Currency	Maturity Date	Notional Amount (In Thousands)
Buy USD/Sell RMB	2022.01-2022.02	USD4,500/RMB28,784
Buy USD/Sell THB	2022.01-2022.03	USD1,450/THB48,466

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

8. FINANCIAL ASSETS AT FVTOCI

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Domestic investments in equity instruments		
Listed shares	<u>\$ 209,000</u>	<u>\$ 119,600</u>
<u>Noncurrent</u>		
Domestic investments in equity instruments		
Listed shares	\$ 119,445	\$ 109,962
Unlisted shares	<u>515,838</u>	<u>426,667</u>
	<u>635,283</u>	<u>536,629</u>
Foreign investments in equity instruments		
Listed shares	23,477	19,956
Unlisted shares	<u>76,569</u>	<u>77,513</u>
	<u>100,046</u>	<u>97,469</u>
	<u>\$ 735,329</u>	<u>\$ 634,098</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.

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2021	2020
Notes receivable - unrelated parties		
Notes receivable - operating	\$ 1,787,067	\$ 2,399,770
Less: Allowance for impairment loss	<u>23</u>	<u>-</u>
	<u>\$ 1,787,044</u>	<u>\$ 2,399,770</u>
Notes receivable - related parties		
Notes receivable - operating	<u>\$ -</u>	<u>\$ 6,925</u>
Accounts receivable - unrelated parties		
At amortized cost		
Gross carrying amount	\$ 16,986,827	\$ 15,327,728
Less: Allowance for impairment loss	<u>232,541</u>	<u>215,967</u>
	<u>\$ 16,754,286</u>	<u>\$ 15,111,761</u>
Accounts receivable - related parties		
At amortized cost		
Gross carrying amount	\$ 117,333	\$ 114,448
Less: Allowance for impairment loss	<u>138</u>	<u>1,006</u>
	<u>\$ 117,195</u>	<u>\$ 113,442</u>

For the information on factored notes receivable pledged as collateral for borrowings, refer to Notes 27 and 29.

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 records of the customer, the customer's current financial position, and 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 tables detail the aging and loss allowance of receivables based on the Group's provision matrix:

December 31, 2021

	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 180 Days		
Expected credit loss rate (%)	0.1-1	1-10	10-100	50-100	100	
Gross carrying amount	\$ 17,467,568	\$ 1,100,652	\$ 143,045	\$ 87,847	\$ 92,115	\$ 18,891,227
Loss allowance (Lifetime ECLs)	(25,142)	(36,621)	(31,943)	(46,881)	(92,115)	(232,702)
Amortized cost	<u>\$ 17,442,426</u>	<u>\$ 1,064,031</u>	<u>\$ 111,102</u>	<u>\$ 40,966</u>	<u>\$ -</u>	<u>\$ 18,658,525</u>

December 31, 2020

	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 180 Days		
Expected credit loss rate (%)	0.1-1	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 ECLs)	(26,308)	(15,840)	(17,301)	(45,615)	(111,909)	(216,973)
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 movements of the loss allowance of receivables were as follows:

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 216,973	\$ 114,591
Impairment losses recognized	46,134	110,257
Amounts written off	(27,780)	(7,663)
Foreign exchange translation differences	(2,625)	(212)
Balance at December 31	<u>\$ 232,702</u>	<u>\$ 216,973</u>

10. MERCHANDISE

The costs of inventories recognized in cost of goods sold for the years ended December 31, 2021 and 2020 were \$63,614,582 thousand and \$53,661,734 thousand respectively, which included the following items:

	For the Year Ended December 31	
	2021	2020
Write-downs (reversal) of inventories	<u>\$ 153,553</u>	<u>\$ (9,074)</u>

11. OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
Current		
Time deposits with original maturities of more than 3 months	\$ 234,015	\$ 63,055
Structured deposits	2,423,574	767,667
		(Continued)

	December 31	
	2021	2020
Pledged deposits	\$ 2,000	\$ 1,300
Refundable deposits	<u>9,087</u>	<u>6,190</u>
	<u>\$ 2,668,676</u>	<u>\$ 838,212</u>
Noncurrent		
Pledged deposits	\$ 109,392	\$ 89,330
Refundable deposits	<u>108,172</u>	<u>107,073</u>
	<u>\$ 217,564</u>	<u>\$ 196,403</u>
		(Concluded)

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

	December 31	
	2021	2020
Time deposits (%)	0.09-3.55	0.25-3.58

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

c. Refer to Note 29 for information on 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, 2021	December 31, 2020	
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	
	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	
	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	70.00	Note 1
(Continued)					

Investor	Investee	Main Businesses	Percentage of Ownership		Remark
			December 31, 2021	December 31, 2020	
Wah Lee Holding Ltd.	Meidi H.K.	International investment	-	-	Liquidation completed in May 2020
	Wah Lee Vietnam Co., Ltd. (WL Vietnam)	Trading business of industrial materials	100.00	100.00	
	Tranceed Logistics Co., Ltd. (Tranceed 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.)	Solar power generation business	78.67	51.00	Note 2
	Wahlee Green Energy Corporation (WL Green Corp.)	Renewable energy self-use power generation equipment business	-	25.00	Note 3
	Wah Heng Energy Technology Corp. (WH Energy)	Solar power generation business	100.00	100.00	Established in July 2020
	Evergreen New Energy Corporation	Solar power generation business	100.00	-	Established in December 2021
	Wah Lee Philippines International Corp. (WL Philippines Corp.)	Trading business of industrial materials	99.99	99.99	
	Wah Lee Philippines Inc. (WL Philippines Inc.)	Trading business of industrial materials	99.99	99.99	
	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)	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 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	
Shanghai Yikang	Yadi International Trading Co., (Shanghai) Ltd. (Shanghai Yadi)	Import and export business of goods and techniques	70.00	70.00	
	Lihuang Medical Devices (Shanghai) Co., Ltd. (Shanghai Lihuang)	Trading business of medical devices and equipment	69.97	69.97	
	Fenghuang Xingwah Shouzheng Health Management Co., Ltd (Fenghuang Xingwah Shouzheng)	Medical devices manufacturing technology developing and consulting	75.00	-	Established in January 2021
Dongguan Hua Gang	Guang Jou Shing Shian Medical Management Consulting Co., Ltd. (Guangjou Shing Shian)	Medical consulting	100.00	100.00	
	Meizhou Bailun Hemodialysis Co., Ltd. (Meizhou Bailun)	Hemodialysis and examination	-	-	Liquidation completed in April 2020

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership		Remark
			December 31, 2021	December 31, 2020	
Guangjiao Shing Shian	Kaiping Huaxinkang Medical Service Co., Ltd. (Kaiping Huaxinkang)	Medical Service	90	-	Established in March 2021
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.)	Solar power generation business	100.00	100.00	
	KSB Energy Corporation (KSB Corp.)	Solar power generation business	100.00	100.00	
	Wahlee Green Energy (WL Green Corp.)	Rnewable energy self-use power generation equipment industry	-	51.00	Note 3
	KSC Energy Corporation (KSC Corp.)	Solar power generation business	100.00	100.00	Established in June 2020
	KSD Energy Corporation (KSD Corp.)	Solar power generation business	100.00	100.00	Established in November 2020
WT Industrial	P.T. Wah Tech Indonesia (WT Indonesia)	Trading business of industrial materials	66.00	66.00	
Tranceed Logistics	Cyuan Cheng Logistics Co., Ltd. (Cyuan Cheng Logistics)	Freight forwarders and leasing business	100.00	100.00	Note 4

(Concluded)

Note 1: In June 2020, the Company's ownership percentage in WL Indonesia increased to 70% due to the Company's subscription of additional new shares of WL Indonesia at a percentage different from its existing shareholding proportion. As the transaction did not change the control of the Group over WL Indonesia, the Group processed the equity transaction by reducing the capital surplus by \$846 thousand.

Note 2: In September 2021, the Company's ownership percentage in KS Corp. increased to 78.67% as the Company acquired 27.67% equity from unrelated parties for \$192,669 thousand in cash. As the transaction did not change the control of the Group over KS Corp., the Group processed the equity transaction by increasing the capital surplus by \$37,924 thousand.

Note 3: KS Corp. acquired 25% equity from an unrelated party for \$1,920 thousand in cash in January 2021. As the transaction did not change the control of the Group over WL Green Corp., the Group processed the equity transaction by reducing the capital surplus by \$409 thousand. WL Green Corp. had completed liquidation in April 2021.

Note 4: In order to obtain a logistics transportation business license, QuanShun Logistics acquired 100% of the equity of Chuancheng Logistics at a consideration of \$12,947 thousand in cash on April 30, 2020. In accordance with IFRS 3, the Group evaluated and concluded that the acquired shares of Chuancheng Logistics 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:

Acquisition of assets

	Amount
Current assets	
Cash and cash equivalents	\$ 9,947
Other current assets	28
	(Continued)

	Amount
Noncurrent assets	
Property, plant and equipment	\$ 1,995
Other intangible assets	<u>977</u>
	<u>\$ 12,947</u>
	(Concluded)

Net cash outflow on acquisition of subsidiaries

	Amount
Consideration paid in cash	\$ 12,947
Less: Cash and cash equivalents acquired	<u>(9,947)</u>
	<u>\$ 3,000</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2021	2020
<u>Investments in associates</u>		
Material associates		
Chang Wah Electromaterials Inc.	\$ 3,194,774	\$ 2,080,267
Associates that are not individually material	<u>2,746,022</u>	<u>2,741,815</u>
	<u>5,940,796</u>	<u>4,822,082</u>
<u>Investments in joint ventures</u>		
Joint ventures that are not individually material	<u>15,938</u>	<u>4,000</u>
	<u>\$ 5,956,734</u>	<u>\$ 4,826,082</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

	<u>Proportion of Ownership and Voting Rights December 31</u>	
Name of Associate	2021	2020
Chang Wah Electromaterials Inc. (CWE Inc.)	28.71%	30.98%

The Company's ownership percentage in CWE Inc. decreased as the bondholders of CWE Inc. converted the bonds into ordinary shares. Due to the change in ownership, the Company increased the capital surplus by \$153,237 thousand, transferred the unrealized gain on financial assets at FVTOCI of \$35,107 thousand to retained earnings and transferred exchange differences on translating the financial statements of foreign operations of \$3,338 thousand to loss on disposal of investments accounted for using the equity method.

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

Name of Associate	December 31	
	2021	2020
CWE Inc.	\$ <u>7,698,395</u>	\$ <u>6,065,702</u>

The summarized financial information below represents amounts shown in the financial statements of CWE Inc. prepared for equity accounting purposes:

	December 31	
	2021	2020
Current assets	\$ 14,718,903	\$ 11,117,986
Noncurrent assets	15,589,692	12,201,685
Current liabilities	(8,323,087)	(6,282,083)
Noncurrent liabilities	<u>(7,264,541)</u>	<u>(8,122,048)</u>
Equity	14,720,967	8,915,540
Non-controlling interests	<u>(3,826,423)</u>	<u>(2,418,385)</u>
	<u>\$ 10,894,544</u>	<u>\$ 6,497,155</u>
Percentage of ownership held by the Company (%)	28.71	30.98
Equity attributable to the Company	\$ 3,127,347	\$ 2,012,840
Goodwill	<u>67,427</u>	<u>67,427</u>
Carrying amount	<u>\$ 3,194,774</u>	<u>\$ 2,080,267</u>

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ <u>20,670,509</u>	\$ <u>16,424,018</u>
Net profit for the year	\$ 2,488,063	\$ 1,362,120
Other comprehensive income for the year	<u>2,309,626</u>	<u>744,564</u>
Total comprehensive income for the year	<u>\$ 4,797,689</u>	<u>\$ 2,106,684</u>
Cash dividends received	<u>\$ 252,785</u>	<u>\$ 249,357</u>

As of December 31, 2021 and 2020, the Company's dividends receivable from CWE Inc. were \$75,203 thousand and \$51,455 thousand, respectively.

b. Aggregate information of associates and joint ventures that are not individually material

	For the Year Ended December 31	
	2021	2020
The Group's share of		
Net profit for the year	\$ 477,954	\$ 271,096
Other comprehensive income (loss) for the year	<u>(4,952)</u>	<u>19,293</u>
Total comprehensive income for the year	<u>\$ 473,002</u>	<u>\$ 290,389</u>

c. Changes in investment in associates and joint ventures

- 1) In May 2021, KS Corp. invested \$44,820 thousand in Huahsuan Green Energy Co., Ltd. (HGE Co.), and as of December 31, 2021, KS Corp. held 64.99% equity of HGE Co. However, since the Group does not have control over HGE Co., the Group accounts for it as an associate.
- 2) The Company sold all of its equity of Eco Energy Corp. to an unrelated party in September 2021 for \$97,840 thousand and recognized a gain on disposal of \$12,319 thousand, which included the transfer of capital surplus from long-term equity investments of \$14,950 thousand to the gain.
- 3) KS Corp. sold all of its equity of Eco Energy Corp. to a related party, Open Sky Technology Corp., in September 2021 for \$97,840 thousand and recognized a gain on disposal of \$12,319 thousand, which included the transfer of capital surplus from long-term equity investments of \$14,950 thousand to the gain.
- 4) The Company purchased 156 thousand shares of Wah Hong industrial Corp. (Wah Hong Corp.) from the open market in the amount of \$3,005 thousand in cash in 2020, and the ownership percentage increased to 26.67%. The Company's ownership percentage in Wah Hong Corp. reduced to 26.51% as Wah Hong Corp. transferred the treasury shares to employees in August 2021. Due to the change in ownership, the Company decreased the capital surplus by \$635 thousand, transferred the unrealized loss on financial assets at FVTOCI of \$76 thousand to retained earnings and transferred exchange differences on translating the financial statements of foreign operations of \$490 thousand to loss on disposal of investments accounted for using the equity method. The Company purchased 4 thousand shares of Wah Hong Corp. from the open market in the amount of \$106 thousand in cash in October 2021, and the ownership percentage increased to 26.52%.
- 5) Shanghai Yikang sold all of its equity of Shanghai Chang Wah Electromaterials Inc. to CWE Inc. in June 2020 for \$82,897 thousand (RMB19,729 thousand) and recognized a loss on disposal of investments of \$4,688 thousand.
- 6) 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, 2021

	Freehold Land	Buildings	Power Generation Equipment	Other Equipment	Property under Construction and Equipment to be Inspected	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 744,230	\$ 1,044,017	\$ 1,973,680	\$ 894,191	\$ 303,192	\$ 4,959,310
Additions	104,005	23,430	13,770	186,230	904,106	1,231,541
Disposals	-	-	(10,556)	(31,253)	(6,566)	(48,375)
Reclassified	-	5,982	257,366	8,421	(257,637)	14,132
Effect of foreign currency exchange differences	(8,095)	(5,427)	(47,354)	(2,966)	66	(63,776)
Balance at December 31, 2021	<u>\$ 840,140</u>	<u>\$ 1,068,002</u>	<u>\$ 2,186,906</u>	<u>\$ 1,054,623</u>	<u>\$ 943,161</u>	<u>\$ 6,092,832</u>

(Continued)

	Freehold Land	Buildings	Power Generation Equipment	Other Equipment	Property under Construction and Equipment to be Inspected	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ 326,536	\$ 208,522	\$ 638,674	\$ -	\$ 1,173,732
Depreciation expense	-	30,341	107,894	86,584	-	224,819
Disposals	-	-	(10,556)	(28,729)	-	(39,285)
Reclassified	-	3,022	-	2,711	-	5,733
Effect of foreign currency exchange differences	-	(1,171)	(9,030)	(2,770)	-	(12,971)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 358,728</u>	<u>\$ 296,830</u>	<u>\$ 696,470</u>	<u>\$ -</u>	<u>\$ 1,352,028</u>
Carrying amount at December 31, 2021	<u>\$ 840,140</u>	<u>\$ 709,274</u>	<u>\$ 1,890,076</u>	<u>\$ 358,153</u>	<u>\$ 943,161</u>	<u>\$ 4,740,804</u>

(Concluded)

For the year ended December 31, 2020

	Freehold Land	Buildings	Power Generation Equipment	Other Equipment	Property under Construction and Equipment to be Inspected	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>

- 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>	
	<u>2021</u>	<u>2020</u>
Additions to property, plant and equipment	\$ 1,231,541	\$ 351,599
Capitalization of interest and depreciation expense	(13,306)	(12,644)
Increase in prepayments for equipment	10,064	18,957
Decrease (increase) in payables for equipment	(48,820)	17,206
Increase in provisions	<u>(10,132)</u>	<u>(27,115)</u>
Cash paid	<u>\$ 1,169,347</u>	<u>\$ 348,003</u>

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

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 29 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, 2021

	Land	Buildings	Other Equipment	Total
Balance at January 1, 2021	\$ 30,216	\$ 585,551	\$ 8,478	\$ 624,245
Additions	13,478	104,781	17,335	135,594
Depreciation expense	(2,583)	(90,159)	(8,886)	(101,628)
Lease modification	-	298	-	298
Effects of foreign currency exchange differences	<u>(13)</u>	<u>(643)</u>	<u>(1)</u>	<u>(657)</u>
Balance at December 31, 2021	<u>\$ 41,098</u>	<u>\$ 599,828</u>	<u>\$ 16,926</u>	<u>\$ 657,852</u>

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

- b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Carrying amount		
Current	<u>\$ 95,358</u>	<u>\$ 64,747</u>
Noncurrent	<u>\$ 595,710</u>	<u>\$ 566,902</u>

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

	December 31	
	2021	2020
Land	1.85	1.85
Buildings	1.10-4.80	1.50-4.80
Other equipment	0.98-4.80	0.98-4.80

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, which will expire from May 2022 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	
	2021	2020
Expenses relating to short-term leases	<u>\$ 103,344</u>	<u>\$ 107,978</u>
Expenses relating to low-value asset leases	<u>\$ 2,906</u>	<u>\$ 4,757</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 26,676</u>	<u>\$ 6,897</u>
Total cash outflow for leases	<u>\$ 224,025</u>	<u>\$ 197,727</u>

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	
	2021	2020
Secured bank borrowings (Note 29)	\$ 996,221	\$ 709,245
Unsecured bank borrowings	<u>7,290,738</u>	<u>6,691,691</u>
	<u>\$ 8,286,959</u>	<u>\$ 7,400,936</u>
Annual interest rate (%)	0.53-3.85	0.50-3.70

b. Short-term bills payable

	December 31	
	2021	2020
Short-term bills payable		
China Bills Finance Corporation	\$ 30,000	\$ 30,000
Mega Bills Finance Corporation	<u>30,000</u>	<u>30,000</u>
	<u>60,000</u>	<u>60,000</u>

(Continued)

	December 31	
	2021	2020
Less: Discount on short-term bills payable	\$ 178	\$ 83
	<u>\$ 59,822</u>	<u>\$ 59,917</u>
Annual interest rate (%)	1.64-1.79	1.64-1.79 (Concluded)
c. Long-term borrowings		
	December 31	
	2021	2020
Unsecured borrowings		
Syndicated bank loans (Note 1)	\$ 1,298,149	\$ 1,799,823
Less: Syndicated loan fee	<u>2,880</u>	<u>4,320</u>
	1,295,269	1,795,503
Bank loans (Note 2)	<u>1,071,676</u>	<u>1,240,707</u>
	<u>2,366,945</u>	<u>3,036,210</u>
Secured borrowings (Note 29)		
Syndicated bank loans (Note 3)	1,205,724	1,080,081
Bank loans	373,316	540,149
Other	-	919
Less: Syndicated loan fee	<u>6,251</u>	<u>11,822</u>
	<u>1,572,789</u>	<u>1,609,327</u>
Less: Current portion	<u>376,940</u>	<u>538,534</u>
	<u>\$ 3,562,794</u>	<u>\$ 4,107,003</u>
Annual interest rate (%)		
Syndicated bank loans	0.62-1.85	0.66-1.85
Bank loans	0.88-1.69	0.87-2.07
Others	-	3.00
Expiration period		
Syndicated bank loans	2024.01-2024.10	2024.01-2024.10
Bank loans	2022.06-2037.06	2021.02-2037.06
Others	-	2021.08

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, 2021 and 2020.

- 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, 2021 and 2020.
- 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, and the new borrowers, KSD Corp. and KSC Corp., were added in April 2021. 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 nonrevolving credit.
 - a) The total amount of credit limit A is \$2.628 billion, which has to be fully paid off in 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, 2021 and 2020.

17. BONDS PAYABLE

**December 31,
2021**

3rd domestic unsecured convertible bonds	<u>\$ 1,972,752</u>
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In August 2021, the Company issued its 3rd domestic three-year unsecured zero-coupon convertible bonds with an aggregate principal amount of \$2,005,000 thousand (100.25% of the face value) and a par value of \$100 thousand per bond certificate.

Bondholders have the right to convert the bonds into ordinary shares of the Company at the current conversion price per share from three months after the issuance date to the maturity date, except during the book closure period. The conversion price at the time of issuance was \$105.3 per share. In the case of ex-right or ex-dividends, the conversion price shall be adjusted according to the conversion price adjustment formula. As of December 31, 2021, the conversion price was \$98.1 per share.

If the closing price of the Company's common shares continues being at least 130% of the conversion price then in effect for 30 consecutive trading days or the aggregate outstanding balance of bonds payable is less than 10% of the original issuance amount, the Company has the right to redeem the outstanding bonds payable at par value in cash during the period from three months after the issuance date to the date 40 days prior to the maturity date.

The amount of the face value of the convertible bonds plus interest compensation (1.5075%) has to be fully paid off in cash by the Company on the maturity date.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options; the effective interest rate of liability component was 1.08%.

	Amount
Proceeds from issuance (less transaction costs of \$5,307 thousand)	\$ 1,999,693
Redemption of options	200
Equity component	<u>(34,200)</u>
Liability component at the date of issue	1,965,693
Interest charged at an effective interest rate	<u>7,059</u>
Liability component at December 31, 2021	<u><u>\$ 1,972,752</u></u>

18. NOTES AND ACCOUNTS PAYABLE

Notes 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.

19. OTHER PAYABLES

	December 31	
	2021	2020
Payable for salaries or bonuses	\$ 587,407	\$ 673,642
Payable for employees' compensation and remuneration of directors	372,114	237,733
Payable for commission	98,082	28,960
Payable for equipment	55,691	6,871
Others	<u>250,618</u>	<u>276,607</u>
	<u><u>\$ 1,363,912</u></u>	<u><u>\$ 1,223,813</u></u>

20. 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	
	2021	2020
Present value of defined benefit obligation	\$ 383,468	\$ 414,688
Fair value of plan assets	<u>(87,890)</u>	<u>(99,848)</u>
Net defined benefit liabilities	<u>\$ 295,578</u>	<u>\$ 314,840</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service cost			
Current service cost	\$ 1,894	\$ -	\$ 1,894
Past service cost	(1,564)	-	(1,564)
Net interest expense (income)	<u>1,154</u>	<u>(294)</u>	<u>860</u>
Recognized in profit or loss	<u>1,484</u>	<u>(294)</u>	<u>1,190</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,447)	(1,447)
Actuarial gain - changes in financial assumptions	(12,248)	-	(12,248)
Actuarial loss - changes in demographic assumptions	348	-	348
Actuarial loss - experience adjustments	<u>5,267</u>	<u>-</u>	<u>5,267</u>
Recognized in other comprehensive income	<u>(6,633)</u>	<u>(1,447)</u>	<u>(8,080)</u>
Contributions from the employer	<u>-</u>	<u>(11,290)</u>	<u>(11,290)</u>
Benefits paid	<u>(24,989)</u>	<u>24,989</u>	<u>-</u>
Exchange differences on foreign plans	<u>(1,082)</u>	<u>-</u>	<u>(1,082)</u>
Balance at December 31, 2021	<u>\$ 383,468</u>	<u>\$ (87,890)</u>	<u>\$ 295,578</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	
	2021	2020
Discount rate (%)	0.70	0.30
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	
	2021	2020
Discount rate		
0.25% increase	<u>\$ (7,393)</u>	<u>\$ (8,425)</u>
0.25% decrease	<u>\$ 7,634</u>	<u>\$ 8,711</u>
Expected rate of salary		
0.25% increase	<u>\$ 7,517</u>	<u>\$ 8,542</u>
0.25% decrease	<u>\$ (7,318)</u>	<u>\$ (8,307)</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	
	2021	2020
Expected contributions to the plan for the next year	<u>\$ 27,107</u>	<u>\$ 26,354</u>
Average duration of the defined benefit obligation	8 years	8 years

21. EQUITY

a. Share capital

	December 31	
	2021	2020
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>236,018</u>	<u>231,390</u>
Amount of issued and fully paid shares	<u>\$ 2,360,179</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	
	2021	2020
<hr/>		
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of share capital	\$ 1,114,241	\$ 1,160,519
Difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	37,924	-
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition from associates accounted for using the equity method	1,808	-
Expired share options	22,374	22,374
Donations	11,867	11,867
<hr/>		
May be used only to offset a deficit		
Share of changes in capital surplus of associates	467,878	136,965
<hr/>		
May not be used for any purpose		
Share warrants	<u>34,200</u>	<u>-</u>
	<u>\$ 1,690,292</u>	<u>\$ 1,331,725</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.

The 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 2020 and 2019 had been approved in the shareholders’ meetings in July 2021 and May 2020, respectively; the amounts were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Legal reserve	\$ 183,957	\$ 143,424		
Special reserve	\$ (343,469)	\$ 300,740		
Cash dividends to shareholders	\$ 1,018,117	\$ 763,587	\$ 4.4	\$ 3.3

As of July 28, 2021, the transfer of the amount of \$46,278 thousand from the capital surplus to share capital was approved in the shareholders’ meeting, where share dividends equivalent to \$0.2 per share were issued, and capital increased by 4,628 thousand new ordinary shares.

The appropriations of earnings for 2021 had been proposed by the Company’s board of directors on March 22, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 298,157	
Reversal of special reserve	\$ (451,995)	
Cash dividends to shareholders	\$ 1,604,922	\$ 6.8

The appropriations of earnings for 2021 are subject to the resolution of the shareholders in their meeting to be held on May 27, 2022.

d. Other equity items

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (583,633)	\$ (607,512)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(100,301)	15,159
Share from associates accounted for using the equity method	(18,985)	9,920
Income tax	20,462	(4,571)
Reclassification adjustment		
Share from the disposal of associates accounted for using the equity method	3,828	-
Disposal of foreign operations	-	3,371
Balance at December 31	\$ (678,629)	\$ (583,633)

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (52,985)	\$ (372,575)
Recognized for the year		
Unrealized gain - equity instruments	135,795	110,390
Share from associates accounted for using the equity method	677,681	235,449
Income tax	(515)	6,911
Reclassification adjustment		
Share from the disposal of associates accounted for using the equity method	(35,031)	-
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal		
Equity instruments of the Group	-	(18,567)
Share from associates accounted for using the equity method	<u>(230,939)</u>	<u>(14,593)</u>
Balance at December 31	<u>\$ 494,006</u>	<u>\$ (52,985)</u>

e. Non-Controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 2,030,451	\$ 1,839,706
Other comprehensive income (loss) during the year		
Net profit for the year	265,895	186,996
Exchange differences on translating the financial statements of foreign operations	(29,894)	(1,904)
Non-controlling interests arising from acquisition of subsidiaries	5,430	-
Non-controlling interests arising from subsidiaries' capital increase	-	11,729
Acquisition of non-controlling interests in subsidiaries	(232,104)	-
Disposals of investments in equity method	(3,189)	-
Cash dividends distributed to non-controlling interests	(18,070)	(3,196)
Capital refund from subsidiaries	<u>-</u>	<u>(2,880)</u>
Balance at December 31	<u>\$ 2,018,519</u>	<u>\$ 2,030,451</u>

22. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sale of goods	\$ 69,338,021	\$ 58,183,071
Other operating revenue	<u>1,177,282</u>	<u>897,849</u>
	<u>\$ 70,515,303</u>	<u>\$ 59,080,920</u>

a. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable (including related parties)	\$ 1,787,044	\$ 2,406,695	\$ 1,988,198
Accounts receivable, net (including related parties)	<u>16,871,481</u>	<u>15,225,203</u>	<u>13,587,121</u>
	<u>\$ 18,658,525</u>	<u>\$ 17,631,898</u>	<u>\$ 15,575,319</u>
Contract liabilities			
Sale of goods	<u>\$ 562,914</u>	<u>\$ 345,351</u>	<u>\$ 289,480</u>

The changes in the balance of contract liabilities primarily resulted 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, 2021 and 2020.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year is as follows:

	For the Year Ended December 31	
	2021	2020
Sale of goods	<u>\$ 316,660</u>	<u>\$ 286,976</u>

b. Disaggregation of revenue

Refer to Note 33 for information about the disaggregation of revenue.

23. NET PROFIT

The details of net profit were as follows:

a. Other income (Note 28)

	For the Year Ended December 31	
	2021	2020
Rental income	\$ 23,444	\$ 25,068
Dividend income	23,888	16,696
Consulting service income	18,323	38,551
Government grants	44,688	31,625
Others	<u>45,241</u>	<u>39,797</u>
	<u>\$ 155,584</u>	<u>\$ 151,737</u>

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net gain (loss) of financial instruments at FVTPL	\$ 980	\$ (6,464)
Net foreign exchange gains (loss)	14,288	(31,107)
		(Continued)

	For the Year Ended December 31	
	2021	2020
Gains (loss) on disposal of property, plant and equipment	\$ (1,389)	\$ 24,182
Gains (loss) on disposal of associates (Note 13)	20,810	(4,688)
Loss on disposal of foreign operations	-	(3,371)
Loss provision recognized (Note 30)	(80,450)	-
Others	<u>(27,484)</u>	<u>(30,001)</u>
	<u>\$ (73,245)</u>	<u>\$ (51,449)</u>
		(Concluded)

c. Financial costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 150,914	\$ 197,174
Syndicated loan fee amortization	3,581	3,050
Interest on lease liabilities	15,329	11,203
Interest on convertible bonds	7,059	-
Less: Amount included in cost of qualifying assets	<u>7,440</u>	<u>6,778</u>
	<u>\$ 169,443</u>	<u>\$ 204,649</u>
Capitalized rate (%)	1.43-1.85	1.85

d. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 224,819	\$ 203,752
Right-of-use assets	101,628	79,998
Intangible assets	40,791	33,750
Other noncurrent assets	2,377	7,323
Less: Amount included in cost of qualifying assets	<u>5,866</u>	<u>5,866</u>
	<u>\$ 363,749</u>	<u>\$ 318,957</u>
An analysis of depreciation by function		
Operating costs	\$ 204,562	\$ 166,101
Operating expenses	<u>116,019</u>	<u>111,783</u>
	<u>\$ 320,581</u>	<u>\$ 277,884</u>
An analysis of amortization by function		
Operating costs	\$ 9,579	\$ 9,700
Operating expenses	<u>33,589</u>	<u>31,373</u>
	<u>\$ 43,168</u>	<u>\$ 41,073</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 1,632,599	\$ 1,566,685
Post-employment benefits		
Defined contribution plans	52,732	39,632
Defined benefit plans (Note 20)	<u>1,190</u>	<u>4,210</u>
	<u>53,922</u>	<u>43,842</u>
	<u>\$ 1,686,521</u>	<u>\$ 1,610,527</u>
An analysis by function		
Operating costs	\$ 119,969	\$ 87,960
Operating expenses	<u>1,566,552</u>	<u>1,522,567</u>
	<u>\$ 1,686,521</u>	<u>\$ 1,610,527</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, 2021 and 2020 which have been approved by the Company's board of directors on March 22, 2022 and March 26, 2021, were as follows:

	For the Year Ended December 31			
	2021		2020	
	Withdrawal Rate (%)	Amount	Withdrawal Rate (%)	Amount
Compensation of employees paid in cash	9	\$ 329,953	9	\$ 210,798
Remuneration of directors paid in cash	1.15	42,161	1.15	26,935

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, 2020 and 2019.

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

24. INCOME TAX

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 704,116	\$ 494,473
Income tax on unappropriated earnings	51,567	11,325
Adjustments for prior years	<u>10,791</u>	<u>391</u>
	766,474	506,189
Deferred tax		
In respect of the current year	<u>140,337</u>	<u>83,330</u>
	<u>\$ 906,811</u>	<u>\$ 589,519</u>

The reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 4,015,983</u>	<u>\$ 2,635,635</u>
Income tax expense calculated at the statutory rate	\$ 853,166	\$ 573,250
Nondeductible expenses in determining taxable income	6,997	6,972
Domestic investment income	(178,928)	(113,398)
Deferred tax effect of earnings of subsidiaries	145,240	99,715
Other adjustments	(1,202)	6,912
Income tax on unappropriated earnings	51,567	11,325
Adjustments for prior years	10,791	391
Nondeductible withholding tax	<u>19,180</u>	<u>4,352</u>
	<u>\$ 906,811</u>	<u>\$ 589,519</u>

The corporate income tax rate is 20%, the tax rate applicable to subsidiaries in China is 25%, the tax rate applicable to subsidiaries in Singapore is 17%, the tax rate applicable to subsidiaries in Thailand is 20%, and tax rates applicable to 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 2022 is uncertain, the potential income tax consequences of the 2021 unappropriated earnings are not reliably determinable.

- b. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax benefit (expense)		
In respect of the current year		
Unrealized loss on financial assets at FVTOCI	\$ (515)	\$ 6,911
Remeasurement on defined benefit plan	(1,616)	893
Translation of foreign operations	<u>20,462</u>	<u>(4,571)</u>
	<u>\$ 18,331</u>	<u>\$ 3,233</u>

c. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets	\$ <u>7</u>	\$ <u>114</u>
Income tax payable	\$ <u>371,005</u>	\$ <u>272,968</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Provision for loss on inventories	\$ 35,331	\$ 28,495	\$ -	\$ (445)	\$ 63,381
Unpaid bonuses	88,382	(22,226)	-	908	67,064
Refund liabilities	34,791	209	-	-	35,000
Unrealized consulting expenses	27,854	(14,108)	-	(130)	13,616
Defined benefit plan	60,002	(2,039)	(1,616)	-	56,347
Foreign operations loss and exchange differences	35,843	(5,441)	5,692	-	36,094
Others	<u>62,835</u>	<u>15,027</u>	<u>-</u>	<u>(881)</u>	<u>76,981</u>
	345,038	(83)	4,076	(548)	348,483
Loss carryforwards	<u>93</u>	<u>318</u>	<u>-</u>	<u>-</u>	<u>411</u>
	<u>\$ 345,131</u>	<u>\$ 235</u>	<u>\$ 4,076</u>	<u>\$ (548)</u>	<u>\$ 348,894</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Foreign operations income and exchange differences	\$ 1,145,608	\$ 137,463	\$ (14,255)	\$ -	\$ 1,268,816
Others	<u>9,744</u>	<u>3,109</u>	<u>-</u>	<u>-</u>	<u>12,853</u>
	<u>\$ 1,155,352</u>	<u>\$ 140,572</u>	<u>\$ (14,255)</u>	<u>\$ -</u>	<u>\$ 1,281,669</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
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 plan	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>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	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>\$ 3,576</u>	<u>\$ -</u>	<u>\$ 1,155,352</u>
					(Concluded)

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2021	2020
Evaluation loss of foreign investments	<u>\$ 116,383</u>	<u>\$ 116,383</u>

- f. Information about unused loss carryforwards

Loss carryforwards of subsidiaries as of December 31, 2021 comprise:

Unused Amount	Expiry Year
\$ 345	119
<u>1,710</u>	120
<u>\$ 2,055</u>	

- g. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$1,679,101 thousand and \$1,173,920 thousand.

- h. Income tax assessments

The income tax returns of the Company and the domestic subsidiaries through 2019 have been assessed by the tax authorities.

Shanghai Yikang and Dongguan Hua Gang had completed the filing of their tax returns through 2020 with the tax authorities.

25. EARNINGS PER SHARE (EPS)

The information of the change in basic and diluted earnings per share for the year ended December 31, 2020 that was adjusted retrospectively due to the issuance of bonus shares on September 10, 2021 was as follows:

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share (NT\$)	<u>\$ 8.03</u>	<u>\$ 7.88</u>
Diluted earnings per share (NT\$)	<u>\$ 7.81</u>	<u>\$ 7.66</u>

Earnings and weighted average number of shares outstanding used in the computation of EPS were as follows:

a. Net profit for the year

	For the Year Ended December 31 2021	2020
Profit for the year attributable to owners of the Company	\$ 2,843,277	\$ 1,859,120
Convertible bonds	<u>967</u>	<u>-</u>
Net profit used in computation of diluted EPS	<u>\$ 2,844,244</u>	<u>\$ 1,859,120</u>

b. Weighted average number of shares outstanding (in thousands)

	For the Year Ended December 31 2021	2020
Weighted average number of shares outstanding used in computation of basic EPS	236,018	236,018
Effect of potentially dilutive shares		
Employees' compensation	3,658	6,768
Convertible bonds	<u>4,760</u>	<u>-</u>
Weighted average number of shares outstanding used in computation of diluted EPS	<u>244,436</u>	<u>242,786</u>

The Company offers to settle the employees' compensation in cash or shares; thus, the Company assumes that 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.

26. 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.

27. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments not measured at fair value

The Group's management considers that the carrying amounts of financial assets and financial liabilities that are not measured at fair value approximate their fair values, except for bonds payable.

The carrying amount and fair value of the bonds payable on December 31, 2021 were as follows:

	Amount
Carrying amount	<u>\$ 1,972,752</u>
Fair value	<u>\$ 1,969,200</u>

The fair value of the bonds payable based on Level 3 fair value measurement was determined using the binomial option pricing model, where the significant and unobservable input was historical volatility.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 75,401	\$ -	\$ -	\$ 75,401
Structured deposits	-	86,867	-	86,867
Foreign exchange forward contracts	-	336	-	336
Redemption options of convertible bonds	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>1,200</u>
	<u>\$ 75,401</u>	<u>\$ 87,203</u>	<u>\$ 1,200</u>	<u>\$ 163,804</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 241,532	\$ 86,913	\$ -	\$ 328,445
Unlisted shares	-	-	592,407	592,407
Foreign listed shares	<u>23,477</u>	<u>-</u>	<u>-</u>	<u>23,477</u>
	<u>\$ 265,009</u>	<u>\$ 86,913</u>	<u>\$ 592,407</u>	<u>\$ 944,329</u>
<u>Financial liabilities at FVTPL</u>				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 127</u>

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 forward contracts	-	23	-	23
	<u>\$ 72,066</u>	<u>\$ 139,599</u>	<u>\$ -</u>	<u>\$ 211,665</u>
<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>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial assets

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 504,180	\$ 511,494
Purchases	60,000	-
Reduction of capital	(15,000)	(1,288)
Recognized in other comprehensive income	<u>43,227</u>	<u>(6,026)</u>
Balance at December 31	<u>\$ 592,407</u>	<u>\$ 504,180</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Structured deposits	Based on the financial product information provided by financial institutions, the valuation method was based on the rate of return of the deposit principal and its linked targets.
Derivative financial assets	The estimated future cash flows were 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.

(Continued)

Financial Instruments	Valuation Techniques and Inputs
Emerging market shares	The fair value was assessed by reference to the transaction price supported by observable market prices. (Concluded)

4) Valuation techniques and inputs applied for Level 3 fair value measurement

a) Investments in equity instruments

The fair value of the unlisted shares held by the Group was measured using the market approach based on the price-book ratio of comparable companies or by the latest net value of the investees.

b) Redemption options of convertible bonds

The fair value of redemption options of convertible bonds was determined using the binomial option pricing model where the significant and unobservable input was historical volatility.

c. Categories of financial instruments

	December 31	
	2021	2020
Financial assets		
FVTPL		
Mandatorily classified at FVTPL	\$ 163,804	\$ 211,665
FVTOCI		
Equity instruments	944,329	753,698
Measured at amortized cost (Note 1)	25,046,443	21,912,133
Financial liabilities		
FVTPL		
Held for trading	127	280
Measured at amortized cost (Note 2)	24,630,287	20,879,466

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), bonds payable 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 market risks as follows:

a) Foreign currency risk

The Group had foreign currency trades, which exposed the Group to foreign currency risk, and 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 31.

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, 2021 and 2020 would have been higher (lower) by \$2,574 thousand and \$3,837 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	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 2,912,045	\$ 1,025,233
Financial liabilities	7,267,678	6,096,367
Cash flow interest rate risk		
Financial assets	3,120,623	2,929,897
Financial liabilities	7,682,657	6,641,672

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, 2021 and 2020 would have been lower/higher by \$45,620 thousand and \$37,118 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate 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, 2021 and 2020 would have been higher/lower by \$754 thousand and \$721 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, 2021 and 2020 would have been higher/lower by \$9,443 thousand and \$7,537 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 a counterparty will default on its contractual obligations resulting in a 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
<hr/> December 31, 2021 <hr/>					
Non-interest bearing liabilities	\$ 10,368,386	\$ 2,634	\$ -	\$ -	\$ 10,371,020
Variable interest rate liabilities	5,758,191	1,890,859	149,835	43,138	7,842,023
Lease liabilities	107,058	262,270	170,891	241,940	782,159
Fixed interest rate liabilities	3,042,252	3,630,355	-	-	6,672,607
Financial guarantee contracts	<u>1,083,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,083,487</u>
	<u>\$ 20,359,374</u>	<u>\$ 5,786,118</u>	<u>\$ 320,726</u>	<u>\$ 285,078</u>	<u>\$ 26,751,296</u>
<hr/> December 31, 2020 <hr/>					
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>

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.

	<hr/> December 31 <hr/>	
	2021	2020
Discounted to banks	<u>\$ 846,749</u>	<u>\$ 709,245</u>
Endorsement transfer to suppliers	<u>\$ 182,199</u>	<u>\$ 413,991</u>

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 amount of the transferred but unsettled bills receivable, and as of December 31, 2021 and 2020, the face amount of these unsettled bills receivable was \$39,167 thousand and \$390,423 thousand, respectively. The unsettled bills receivable will be due in 1-7 and 1-6 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, 2021 and 2020, 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.

28. RELATED PARTY TRANSACTIONS

Transactions between the Group and related parties were disclosed as follows:

a. Name of related parties and relationships with the Group

Related Party	Relationship with the Group
CWE Inc.	Associate
Nagase Wahlee Plastics Corp.	Associate
Wah Hong Corp.	Associate
ORC Technology Corp.	Associate
ORC Electrical Machinery Corp.	Associate (Joint Venture)
Shanghai Hua Chang Trading Co., Ltd.	Associate
Xiamen JianYuan Rung Logistic Co., Ltd.	Associate
Eco Energy Corporation	Associate (became an unrelated party after selling shares in September 2021)
Huahsuan Green Energy Corp.	Associate
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
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
Bao Guang Investment Co., Ltd.	Key management personnel (Director of the Company)
Open sky Technology Corp.	Other related party (adopt equity method for subsidiaries before September 2021)
Welo-tech Corp.	Other related party (adopt equity method for subsidiaries)
Daily Polymer Corp.	Other related party
Asahi Kasei Wah Lee Hi-tech Corp.	Other related party
JingYi Technology Co.	Other related party

(Continued)

Related Party	Relationship with the Group
Forcera Materials Co., Ltd.	Other related party
Minima Co., Ltd.	Other related party
Taigene Biotechnology Co., Ltd.	Other related party
Sin Hao Co., Ltd.	Other related party
Raycon Industries Inc.	Other related party
	(Concluded)

b. Operating transactions

1) Operating revenues

Related Party Category	For the Year Ended December 31	
	2021	2020
Sale of goods		
Associates and their subsidiaries	\$ 437,222	\$ 389,411
Other related parties	<u>15,475</u>	<u>15,580</u>
	<u>\$ 452,697</u>	<u>\$ 404,991</u>
Other operating revenues		
Associates and their subsidiaries	\$ 26,638	\$ 11,801
Other related parties	<u>30,016</u>	<u>9,322</u>
	<u>\$ 56,654</u>	<u>\$ 21,123</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	
	2021	2020
Associates and their subsidiaries	\$ 724,793	\$ 576,889
Other related parties	<u>1,473,180</u>	<u>1,348,756</u>
	<u>\$ 2,197,973</u>	<u>\$ 1,925,645</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) Operating expense

Related Party Category	For the Year Ended December 31	
	2021	2020
Commission		
Associates	\$ 1,418	\$ 608
Other related parties	<u>155</u>	<u>154</u>
	<u>\$ 1,573</u>	<u>\$ 762</u>
Service expense		
Other related parties	<u>\$ 10,100</u>	<u>\$ -</u>

4) Receivables from related parties

	December 31	
	2021	2020
<hr/>		
Notes receivable - related parties		
Associates	\$ -	\$ 6,925
<hr/>		
Accounts receivable - related parties		
Associates and their subsidiaries	\$ 114,154	\$ 96,695
Other related parties	3,179	17,753
	117,333	114,448
Less: Allowance for losses	138	1,006
	<u>\$ 117,195</u>	<u>\$ 113,442</u>
<hr/>		
Other receivables - related parties		
Associates and their subsidiaries		
CWE Inc.	\$ 75,203	\$ 51,455
Others	10,399	2,880
Other related parties	696	5,417
	<u>\$ 86,298</u>	<u>\$ 59,752</u>

The outstanding receivables from related parties are unsecured.

5) Payables to related parties

	December 31	
	2021	2020
<hr/>		
Notes payable - related parties		
Associates	\$ -	\$ 938
Other related parties	-	323
	<u>\$ -</u>	<u>\$ 1,261</u>
<hr/>		
Accounts payable - related parties		
Associates and their subsidiaries	\$ 144,638	\$ 127,369
Other related parties	423,243	250,635
	<u>\$ 567,881</u>	<u>\$ 378,004</u>
<hr/>		
Other payables		
Associates and their subsidiaries	\$ 2,432	\$ 2,510
Other related parties	445	5,843
	<u>\$ 2,877</u>	<u>\$ 8,353</u>

The outstanding payables to related parties are unsecured.

6) Contract liabilities

Related Party Category	December 31	
	2021	2020
Associates	\$ <u>-</u>	\$ <u>27,872</u>

c. Acquisitions of property, plant and equipment

Related Party Category	For The Year Ended December 31	
	2021	2020
Associates	\$ <u>147,028</u>	\$ <u>114,606</u>

d. Disposals of property, plant and equipment

	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Associates	\$ -	\$ 9,181	\$ -	\$ 1,208
Other related parties	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>
	<u>\$ 100</u>	<u>\$ 9,181</u>	<u>\$ 100</u>	<u>\$ 1,208</u>

e. Disposals of investment under the equity method, please refer to Note 13.

f. Other income

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Associates and their subsidiaries		
Wah Hong Corp.	\$ 13,492	\$ 25,059
Others	<u>3,249</u>	<u>8,173</u>
	16,741	33,232
Other related parties	3,627	3,425
Key management personnel	<u>24</u>	<u>24</u>
	<u>\$ 20,392</u>	<u>\$ 36,681</u>

Other income included rental income, consulting service income, endorsement income and remuneration of director and supervisor, etc.

g. Lease arrangements

Related Party Category	For the Year Ended December 31	
	2021	2020
Lease expense		
Associated	\$ -	\$ 35
Other related parties	<u>247</u>	<u>279</u>
	<u>\$ 247</u>	<u>\$ 314</u>

h. Endorsements and guarantees

Related Party Category	December 31	
	2021	2020
Associates		
Amount endorsed	\$ 1,422,096	\$ 1,183,456
Amount utilized	\$ 1,044,320	\$ 770,572
Other related parties		
Amount endorsed	\$ 25,194	\$ 25,194
Amount utilized	\$ -	\$ -

i. Remuneration 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	
	2021	2020
Short-term employee benefits	\$ 160,036	\$ 128,143
Post-employment benefits	802	909
	<u>\$ 160,838</u>	<u>\$ 129,052</u>

The remuneration of directors and other key management was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL

The Group provided the following assets as collateral for part of borrowings and performance guarantee:

	December 31	
	2021	2020
Notes receivable	\$ 1,028,948	\$ 1,123,236
Other financial assets - current	2,000	1,300
Other financial assets - noncurrent	109,392	89,330
Property, plant and equipment		
Freehold land	457,022	457,022
Buildings	396,944	410,439
Power generation equipment	1,613,580	1,460,394
Other	<u>-</u>	<u>1,260</u>
	<u>\$ 3,607,886</u>	<u>\$ 3,452,981</u>

In addition to the above assets as collateral, the Group also provided the shares of some subsidiaries as collateral for borrowings, please refer to Table 2.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2021 were as follows:

- a. The Group's unused letters of credit for the purchase of merchandise amounted to \$202,791 thousand.
- b. The unrecognized commitments for acquisition of property, plant and equipment were \$230,317 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 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. appealed and recognized the related loss provision of \$50,363 thousand in 2021. As of the date the consolidated financial statements were authorized for issue, the case is still under trial, and the outcome of the final trial is highly uncertain.
- 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 the 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 in 2020, but no loss related to the default penalty was recognized. In addition, KS Corp. has filed a lawsuit against the request of Company B.

31. 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, 2021 <hr/>				
Monetary financial assets				
USD	\$ 292,094	27.68	(USD:NTD)	\$ 8,085,151
USD	36,294	7.7994	(USD:HKD)	1,004,607
USD	22,031	6.3730	(USD:RMB)	609,806
USD	1,593	23,066.67	(USD:VND)	44,091
USD	1,161	33.16	(USD:THB)	32,132
Nonmonetary financial assets				
Investments accounted for using the equity method				
USD	12,820	27.68	(USD:NTD)	354,854
RMB	204,192	4.3433	(RMB:NTD)	886,869
RMB	1,509,154	1.2238	(RMB:HKD)	6,556,083
JPY	514,233	0.2405	(JPY:NTD)	123,673
HKD	2,082,458	3.5490	(HKD:NTD)	7,391,983
THB	223,415	0.8347	(THB:NTD)	186,484

(Continued)

	Foreign Currency Amount		Exchange Rate	Carrying Amount
Monetary financial liabilities				
USD	\$ 290,212	27.68	(USD:NTD)	\$ 8,033,055
USD	19,581	7.7994	(USD:HKD)	541,991
USD	23,049	6.3730	(USD:RMB)	638,007
USD	9,090	23,066.67	(USD:VND)	251,602
USD	1,940	33.16	(USD:THB)	53,705
<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
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
(Concluded)				

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange gains (losses) were gains \$14,288 thousand and losses \$31,107 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.

33. ADDITIONAL DISCLOSURES

a. Information about significant transactions

- 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 \$7,465 thousand on derivative instruments transactions for the year ended December 31, 2021.
 - 10) Intercompany relationships and significant intercompany transactions: Table 9
- b. Information on investees: Table 6
- c. 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, 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, 2021 were as follows:

Counterparty	Line Item	Amount
Shanghai Yikang	Other income	\$ 28,030
Shanghai Yikang	Commission expense	139,854
Shanghai Yikang	Other receivables	52,394
Shanghai Yikang	Other payables	46,212

- d. 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

33. 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, 2021						
Revenue from external customers	\$ 38,894,325	\$ 14,390,533	\$ 13,015,416	\$ 4,215,029	\$ -	\$ 70,515,303
Inter-segment revenue	<u>3,987,783</u>	<u>59,495</u>	<u>283,193</u>	<u>88,779</u>	<u>(4,419,250)</u>	<u>-</u>
Segment revenue	<u>\$ 42,882,108</u>	<u>\$ 14,450,028</u>	<u>\$ 13,298,609</u>	<u>\$ 4,303,808</u>	<u>\$ (4,419,250)</u>	<u>\$ 70,515,303</u>
Segment income	\$ 1,134,683	\$ 652,194	\$ 935,840	\$ 252,757	\$ 97,236	\$ 3,072,710
Interest income	602	8,185	39,312	1,636	(181)	49,554
Other income	196,524	5,377	62,522	17,636	(126,475)	155,584
Other gains and losses	(45,560)	6,910	(3,215)	(41,488)	10,108	(73,245)
Financial costs	<u>(70,499)</u>	<u>(36,052)</u>	<u>(23,106)</u>	<u>(42,224)</u>	<u>2,438</u>	<u>(169,443)</u>
Profit before income tax	1,215,750	636,614	1,011,353	188,317	(16,874)	3,035,160
Income tax expense	<u>(450,758)</u>	<u>(153,820)</u>	<u>(266,550)</u>	<u>(35,535)</u>	<u>(148)</u>	<u>(906,811)</u>
Net profit after tax	<u>\$ 764,992</u>	<u>\$ 482,794</u>	<u>\$ 744,803</u>	<u>\$ 152,782</u>	<u>\$ (17,022)</u>	2,128,349
Share of profit or loss of associates under the equity method						<u>980,823</u>
Consolidated net profit						<u>\$ 3,109,172</u>

(Continued)

	Wah Lee	Raycong	Shanghai Yikang	Others	Adjustment and Elimination	Total
<u>December 31, 2021</u>						
Identifiable assets	<u>\$ 18,554,900</u>	<u>\$ 7,241,712</u>	<u>\$ 8,799,012</u>	<u>\$ 6,260,154</u>	<u>\$ (1,036,745)</u>	\$ 39,819,033
Goodwill						111,203
Investment accounted for using the equity method						<u>5,956,734</u>
Total assets						<u>\$ 45,886,970</u>
<u>For the year ended December 31, 2020</u>						
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>	-
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>	1,466,053
Share of profit or loss of associates under the equity method						<u>580,063</u>
Consolidated net profit						<u>\$ 2,046,116</u>
<u>December 31, 2020</u>						
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>	\$ 33,817,078
Goodwill						111,809
Investment accounted for using the equity method						<u>4,826,082</u>
Total assets						<u>\$ 38,754,969</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	
	2021	2020
IT industry	\$ 23,310,323	\$ 20,224,937
FPD industry	21,413,132	16,249,182
Semiconductor industry	14,024,958	12,129,747
PCB industry	6,833,319	6,369,176
Opto-electronics	1,895,553	1,640,036
Others	<u>3,038,018</u>	<u>2,467,842</u>
	<u>\$ 70,515,303</u>	<u>\$ 59,080,920</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	
	2021	2020	2021	2020
Taiwan	\$ 18,790,135	\$ 17,279,050	\$ 4,702,715	\$ 3,687,029
China	36,221,219	32,094,120	504,609	438,468
Others	<u>15,503,949</u>	<u>9,707,750</u>	<u>463,442</u>	<u>564,645</u>
	<u>\$ 70,515,303</u>	<u>\$ 59,080,920</u>	<u>\$ 5,670,766</u>	<u>\$ 4,690,142</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, 2021 and 2020.

TABLE 1

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS FOR THE YEAR ENDED DECEMBER 31, 2021 (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 4)	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			
0	The Company	KS Corp.	Other receivables - related parties	Yes	\$ 150,000	\$ 150,000	\$ -	-	Financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 251,548	\$ 1,569,830	
1	Shanghai Yikang	Fenghuang Xingwah Shouzheng	Other receivables - related parties	Yes	17,453	17,373	2,653	5.92	Short-term financing	-	Operating capital	-	-	-	1,546,185	1,546,185	
1	Shanghai Yikang	Shanghai Yadi	Other receivables - related parties	Yes	65,448	65,150	46,690	5.31	Short-term financing	-	Operating capital	-	-	-	1,546,185	1,546,185	
2	Shenzhen Huaying	Xiamen Hua Chen Da	Other receivables - related parties	Yes	8,831	8,687	-	-	Short-term financing	-	Operating capital	-	-	-	63,696	63,696	
4	KS Corp.	KSA Corp.	Other receivables - related parties	Yes	30,000	15,000	-	-	Short-term financing	-	Operating capital	-	-	-	188,661	188,661	

Note 1: RMB is converted by the spot exchange RMB1=NT\$4.3433.

Note 2: The aggregate financing limit for the subsidiaries in need of short-term financing shall not exceed 10% of the Company's equity; the financing limit for each counterparty shall not exceed 5% of the Company's equity and shall not exceed 40% of each counterparty's equity.

Note 3: The individual and aggregate financing limit for the subsidiaries included in the consolidated financial statements of the parent company shall not exceed 30% of the financing company's equity.

Note 4: It was eliminated on consolidation.

TABLE 2

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Endorsee/Guaranteee		Limit on Endorsement /Guarantee Given on Benefit of Each Party (Notes 1-7)	Maximum Amount Endorsed /Guaranteed During the Year	Outstanding Endorsement /Guarantee at The End of the Year (Notes 8)	Actual Borrowing Amount (Notes 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 1-7)	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	\$ 3,139,660	\$ 1,080,000	\$ 600,000	\$ 490,472	\$ -	3.82	\$ 15,698,299	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	3,139,660	50,388	25,194	-	-	0.16	15,698,299	N	N	N	
0	The Company	Shanghai Yikang	Subsidiary of the Company	3,139,660	190,213	138,400	9,664	-	0.88	15,698,299	Y	N	Y	
0	The Company	Dongguan Hua Gang	Subsidiary of the Company	4,709,490	255,510	-	-	-	-	15,698,299	Y	N	Y	
0	The Company	Raycong H.K., Shanghai Yikang and Dongguan Hua Gang	Subsidiary of the Company	3,139,660	120,000	120,000	120,000	-	0.76	15,698,299	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	3,139,660	1,501,831	822,096	553,848	-	5.24	15,698,299	N	N	Y	
0	The Company	WL Singapore	Subsidiary of the Company	4,709,490	753,324	536,992	294,146	-	3.42	15,698,299	Y	N	N	
0	The Company	Sakuragawa Solar Ltd.	Subsidiary of the Company	3,139,660	171,651	69,898	66,868	-	0.45	15,698,299	Y	N	N	
0	The Company	Miyazaki Solar Ltd.	Subsidiary of the Company	3,139,660	309,896	207,927	204,808	-	1.32	15,698,299	Y	N	N	
0	The Company	WL Indonesia	Subsidiary of the Company	3,139,660	172,670	130,096	-	-	0.83	15,698,299	Y	N	N	
0	The Company	WL Vietnam	Subsidiary of the Company	4,709,490	489,228	265,728	154,198	-	1.69	15,698,299	Y	N	N	
0	The Company	WT Industrial	Subsidiary of the Company	3,139,660	549,822	390,639	138,620	-	2.49	15,698,299	Y	N	N	
0	The Company	Wah Lee Philippines Inc.	Subsidiary of the Company	3,139,660	111,400	55,360	-	-	0.35	15,698,299	Y	N	N	
0	The Company	KS Corp.	Subsidiary of the Company	3,139,660	277,081	277,081	277,081	277,081	1.77	15,698,299	Y	N	N	
1	Shanghai Yikang	Shanghai Yadi	Subsidiary of the Company	1,030,790	123,637	121,612	70,580	-	2.36	2,576,976	Y	N	Y	
2	KS Corp.	KSA Corp.	Subsidiary of the Company	176,094	1,382	1,382	1,353	-	0.22	352,188	Y	N	N	
2	KS Corp.	KSB Corp.	Subsidiary of the Company	2,113,128	200,000	200,000	17,434	11,130	31.80	3,521,880	Y	N	N	

(Continued)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement /Guarantee Given on Benefit of Each Party (Notes 1-7)	Maximum Amount Endorsed /Guaranteed During the Year	Outstanding Endorsement /Guarantee at The End of the Year (Notes 8)	Actual Borrowing Amount (Notes 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 1-7)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Relationship											
2	KS Corp.	KSA Corp.	Subsidiary of the Company	\$ 2,113,128	\$ 500,000	\$ 500,000	\$ 117,819	\$ 61,300	79.51	\$ 3,521,880	Y	N	N	
2	KS Corp.	KSD Corp.	Subsidiary of the Company	2,113,128	500,000	500,000	103,427	67,000	79.51	3,521,880	Y	N	N	
2	KS Corp.	KSC Corp.	Subsidiary of the Company	2,113,128	1,500,000	1,500,000	-	1,000	238.52	3,521,880	Y	N	N	
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	-	-	-	-	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	-	-	-	-	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	-	-	-	-	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	-	-	-	-	4,452,000	N	Y	N	
5	Dongguan Hua Gang	Guangjou Shing Shian	Subsidiary of the Company	820,799	177,898	174,249	84,492	-	6.37	1,367,999	Y	N	Y	
6	Raycong H.K.	Xiamen Hua Chen Da	Subsidiary of the Company	1,478,397	28,535	27,680	8,782	-	0.37	3,695,992	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. 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 600% of the paid-in capital of KS Corp.; the maximum total amount of endorsement/guarantee shall not exceed 1000% of the paid-in capital of KS Corp. The limit on endorsement/guarantee given to each party, not based on the 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 USD1=NT\$27.68; JPY is converted by spot exchange JPY1=NT\$0.2405; RMB is converted by spot exchange RMB=NT\$4.3433; THB is converted by spot exchange THB1=NT\$0.8347.

TABLE 3

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(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, 2021				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	\$ 209,000	-	\$ 209,000	
	Daily Polymer Corp.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,154,410	\$ 32,532	3.09	\$ 32,532	
	Wah Yuen Technology Holding Limited	-	Financial assets at FVTOCI - noncurrent	1,968,180	76,569	0.75	76,569	
	JingYi Technology Co.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,066,432	106,833	16.94	106,833	
	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	90,752	19.38	90,752	
	Forcera Materials Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,102,476	56,557	8.83	56,557	
	Univision Technology Holdings	-	Financial assets at FVTOCI - noncurrent	38,794,190	-	9.10	-	
	Minima Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	3,600,000	66,223	9.23	66,223	
	TaiGene Biotechnology Co., Ltd.	The Company is the supervisor of the company	Financial assets at FVTOCI - noncurrent	2,300,000	11,883	6.57	11,883	
	Shilian Fine Chemicals Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	11,871,585	79,046	4.57	79,046	
	CDIB Capital Group.	-	Financial assets at FVTOCI - noncurrent	3,500,000	44,544	2.86	44,544	
	Darco Water Technologies Ltd.	-	Financial assets at FVTOCI - noncurrent	7,649,782	23,477	8.15	23,477	
	Eleocom Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	1,500,000	-	10.71	-	
	Tien Li Offshore Wind Technology Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	956,344	86,913	1.47	86,913	
	Locus Cell Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	5,000,000	50,000	2.50	50,000	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with The Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
SHC Holding Ltd.	Phoenix II Venture Capital Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	1,000,000	\$ 10,000	2.34	\$ 10,000	
					<u>\$ 735,329</u>		<u>\$ 735,329</u>	
SHC Holding Ltd.	Guangzhou Yonguang Optoelectronics Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	-	<u>\$ -</u>	12.82	<u>\$ -</u>	
Wah Lee Holding Ltd.	Mutual funds							
	JPMorgan Funds-Multi-Revenue Fund-A (acc) - USD	-	Financial assets at FVTPL - current	7,737	\$ 48,264	-	\$ 48,264	
	JPMorgan Funds-Income Fund A (dist) - USD	-	Financial assets at FVTPL - current	29,187	27,137	-	27,137	
					<u>\$ 75,401</u>		<u>\$ 75,401</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, 2021
(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	
							Unit Price	Payment Terms			
The Company	Raycong H.K.	Subsidiary	Sales	\$ (1,360,036)	(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	\$ 269,226	3	Note
	Dongguan Hua Gang	Subsidiary	Sales	(1,052,672)	(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	79,900	1	Note
	Shanghai Yikang	Subsidiary	Sales	(855,264)	(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	158,391	2	Note
	KSD Corp.	Subsidiary	Sales	(304,696)	(1)	14 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	274,568	3	Note
	CWE Inc.	Associate accounted for using the equity method	Sales	(271,495)	(1)	90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	70,893	1	
	WT Indonesia	Subsidiary	Sales	(117,607)	-	30 to 60 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	10,109	-	Note
	Nagase Wahlee Plastics.	Associate accounted for using the equity method	Purchase	209,005	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	(51,937)	(1)	
	Asahi Kasei Wah Lee Hi-tech Corp.	The Company is the director of the Company	Purchase	1,319,886	3	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	(387,585)	(7)	
Raycong H.K.	Dongguan Hua Gang	Subsidiary	Sales	(646,049)	(15)	30 to 180 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	65,396	7	Note

(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	
WL Indonesia	WT Indonesia	Brother Company	Sales	\$ (102,539)	(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	\$ 23,281	100	Note
Shanghai Yikang	Shanghai Hua Chang Trading Co., Ltd.	Subsidiary of associate accounted for using the equity method	Purchase	168,184	1	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	(15,159)	1	

(Concluded)

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, 2021
(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	\$ 210,785	3.19	\$ -	-	\$ 176,629	\$ -
	Raycong H.K.	Subsidiary	293,795	5.00	-	-	132,175	-
	KSD Corp.	Subsidiary	274,568	2.26	-	-	14,632	-
	CWE Inc.	Associate accounted for using the equity method	146,096	2.54	-	-	146,096	-

Note 1: Including accounts receivable and other receivables. Other receivables are mainly service revenue and dividends 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, 2021 (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, 2021	December 31, 2020						
The Company	Wah Lee Holding Ltd.	BVI	International investment business	\$ 430,666	\$ 430,666	13,070,000	100.00	\$ 4,769,943	\$ 623,642	\$ 623,573	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	3,966,512	1,010,362	542,414	Subsidiary
The Company	CWE Inc.	Taiwan	Agency of IC packaging material and equipment	449,349	449,349	197,902,180	28.71	3,194,774	1,725,500	502,869	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	811,217	472,467	188,987	Associate
The Company	Wah Hong Corp.	Taiwan	Manufacturing of LCD material, BMC (bulk molding compound) material and molded product	943,032	942,926	26,122,978	26.52	1,096,529	427,293	113,550	Associate
The Company	ORC Technology Corp.	Taiwan	Trading business and service of exposure machine and parts	6,000	6,000	600,000	35.00	76,590	86,553	29,232	Associate
The Company	WL Japan	Japan	Trading business of synthetic resin, industrial plastic, molding machine, electromechanical parts	21,490	21,490	1,500	83.33	4,285	(48)	(41)	Subsidiary
The Company	WL Korea	South Korea	Trading business of synthetic resin, industrial plastic, molding machine, electromechanical parts	18,856	18,856	147,000	100.00	2,214	1,605	1,605	Subsidiary
The Company	Sakuragawa Solar Ltd.	Japan	Solar power generation business	46,008	46,008	-	99.99	82,913	8,049	8,049	Subsidiary
The Company	Miyazaki Solar Ltd.	Japan	Solar power generation business	82,103	82,103	-	99.99	36,475	4,188	4,188	Subsidiary
The Company	WL Indonesia	Indonesia	Trading business of industrial materials	48,261	48,261	1,610,000	70.00	36,017	(270)	(189)	Subsidiary
The Company	WL Vietnam	Vietnam	Trading business of industrial materials	16,293	16,293	-	100.00	59,395	18,310	18,310	Subsidiary
The Company	Tranceed Logistics	Taiwan	Freight forwarders and leasing business	95,000	95,000	9,500,000	63.33	139,048	26,177	16,578	Subsidiary
The Company	WL Green Corp.	Taiwan	Renewable energy self-use power generation equipment business	-	2,000	-	-	-	(1,853)	(463)	Subsidiary
The Company	WT Industrial	Thailand	Trading business of industrial materials	200,000	200,000	7,650	51.00	198,042	86,113	36,213	Subsidiary
The Company	Eco Energy Corp.	Taiwan	Renewable energy self-use power generation equipment business	-	80,000	-	-	-	12,966	2,593	Associate
The Company	KS Corp.	Taiwan	Solar power generation business	661,053	468,384	27,708,077	78.67	669,945	(16,436)	(21,536)	Subsidiary
The Company	WL Philippines Corp.	Philippines	Trading business of industrial materials	7,755	7,755	127,495	99.99	6,263	(593)	(593)	Subsidiary
The Company	WL Philippines Inc.	Philippines	Trading business of industrial materials	7,747	7,747	126,997	99.99	3,719	(2,297)	(2,297)	Subsidiary
The Company	WH Energy	Taiwan	Solar power generation business	90,000	30,000	9,000,000	100.00	93,206	3,305	3,305	Subsidiary
The Company	ORC Co.	Taiwan	Trading business of industrial materials	4,000	4,000	400,000	40.00	15,938	29,841	11,938	Joint Venture
The Company	Evergreen New Energy Corporation	Taiwan	Solar power generation business	500	-	50,000	100.00	500	-	-	Subsidiary
Tranceed Logistics	Cyuancheng Logistics	Taiwan	Freight forwarders and leasing business	42,947	12,947	5,500,000	100.00	40,709	(1,343)	(1,539)	Subsidiary
KS Corp.	KSA Corp.	Taiwan	Solar power generation business	55,000	55,000	6,130,000	100.00	68,996	6,325	6,325	Subsidiary
KS Corp.	KSB Corp.	Taiwan	Solar power generation business	10,000	10,000	1,113,000	100.00	12,283	882	882	Subsidiary

(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, 2021	December 31, 2020						
KS Corp.	WL Green Corp.	Taiwan	Renewable energy self-use power generation equipment business	\$ -	\$ 4,320	-	-	\$ -	\$ (1,853)	\$ (1,390)	Subsidiary
KS Corp.	Eco Energy Corp.	Taiwan	Renewable energy self-use power generation equipment business	-	80,000	-	-	-	12,966	2,593	Associate
KS Corp.	KSC Corp.	Taiwan	Solar power generation business	1,000	1,000	100,000	100.00	571	(346)	(346)	Subsidiary
KS Corp.	KSD Corp.	Taiwan	Solar power generation business	67,000	67,000	6,700,000	100.00	65,779	(1,028)	(1,028)	Subsidiary
KS Corp.	HGE Co.	Taiwan	Solar power generation business	44,820	-	4,482,000	64.99	42,714	(3,290)	(2,106)	Associate
Wah Lee Holding Ltd.	SHC Holding Ltd.	Mauritius	International investment business	43,892	43,892	1,290,000	100.00	883,761	123,781	123,781	Subsidiary
Wah Lee Holding Ltd.	WL Singapore	Singapore	Agency of semiconductor materials and equipment	51,639	51,639	1,600,000	100.00	366,416	28,515	28,515	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	3,423,006	1,010,362	467,868	Subsidiary
Wah Lee Holding Ltd.	Regent King	Hong Kong	Trading business of engineering plastic, composite materials and equipment	39	39	10,000	100.00	3,108	808	808	Subsidiary
WT Industrial	WT Indonesia	Indonesia	Trading business of industrial materials	3,953	3,953	18,150	66.00	3,856	3,112	2,054	Subsidiary
WL Singapore	Gishine Tech Pte. Ltd.	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, 2021 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, 2021 (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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Dongguan Hua Gang	Trading business of industrial materials	\$ 1,132,384	Invested through the third region, Raycong H.K.	\$ -	\$ -	\$ -	\$ -	\$ 415,100	100.00	\$ 415,100	\$ 2,731,099	\$ -	
Shanghai Yikang	Trading business of industrial materials	986,547	Invested through the third region, Raycong H.K.	340,629	-	-	340,629	742,632	70.00	519,842	3,624,985	-	
Shenzhen Huaying	Supply chain management and consultancy service	23,982	Invested through the third region, Raycong H.K.	-	-	-	-	5,368	100.00	5,368	212,321	-	
Shanghai Wah Chang Trading Co., Ltd.	International trading and trading consulting; trading agent and commercial simple processing within enterprises in the bonded area	66,432	Invested through the third region, SHC Holding Ltd.	43,714	-	-	43,714	437,440	30.00	131,232	706,718	-	
Shanghai Yadi	Import and export of goods and technology	13,030	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	3,132	49.00	1,535	19,817	-	
Shanghai Lihuang	Medical devices and equipment	14,463	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	2,920	48.98	(511)	6,229	-	
Fenghuang Xinwah Shouzheng	Medical devices manufacturing technology developing and consulting	21,717	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	(1,679)	52.50	(882)	10,516	-	
Guangjou Shing Shian	Hospital management, medical equipment repair, wholesale of medical supplies	21,717	Invested through Chinese corporation, Dongguan Hua Gang	-	-	-	-	6,743	100.00	6,743	50,912	-	
Xiamen Hua Chen Da	Warehouse logistics	13,030	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(1,725)	70.00	(1,207)	6,246	-	
Xiamen Jian Yuan Rong Logistics Ltd.	Warehouse logistics	34,747	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(157)	30.00	(47)	9,299	-	
Xiamen Jia Cheng Yuan Trading and Development Co. Ltd.	Warehouse logistics	8,687	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(60)	30.00	(18)	2,955	-	
Kaiping Huaxinkang	Medical service	1	Invested through Chinese corporation, Guangjou Shing Shian	-	-	-	-	-	90.00	-	-	-	

(Continued)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 (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 disclosure 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 \$42,644 thousand and the invested amount of \$154,795 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, 2021
(In Thousands of New Taiwan Dollars)**

Company Name	Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
			Amount (Note)	%		Payment Terms	Comparison with Normal Transactions	Ending Balance (Note)	%		
The Company	Shanghai Yikang	Sales	\$ 855,264	2	Normal trade terms	30 to 120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	\$ 158,391	2	\$ 883	
	Shanghai Yikang	Purchase	(43,093)	-	Normal trade terms	120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	(176)	-	-	
	Dongguan Hua Gang	Sales	1,052,672	2	Normal trade terms	30 to 120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	79,900	1	299	
	Dongguan Hua Gang	Purchase	(8,537)	-	Normal trade terms	60 days after monthly closing	The terms with related parties are not significantly different from those to third parties	(420)	-	-	
	Shanghai Lihuang	Sales	2,094	-	Normal trade terms	90 days after monthly closing	The terms with related parties are not significantly different from those to third parties	-	-	-	
Raycong H.K.	Dongguan Hua Gang	Sales	646,049	15	Normal trade terms	30 to 180 days after monthly closing	The terms with related parties are not significantly different from those to third parties	65,396	7	1,380	

(Continued)

Company Name	Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
			Amount (Note)	%		Payment Terms	Comparison with Normal Transactions	Ending Balance (Note)	%		
WL Vietnam	Dongguan Hua Gang	Purchase	\$ (31,463)	-	Normal trade terms	30 to 180 days after monthly closing	The terms with related parties are not significantly different from those to third parties	\$ (11,644)	(4)	\$ -	
	Shanghai Yikang	Purchase	(10,629)	-	Normal trade terms	30 days after monthly closing	The terms with related parties are not significantly different from those to third parties	(1,370)	-	-	
	Shanghai Yikang	Purchase	(10,450)	9	Normal trade terms	90 days after transactions	The terms with related parties are not significantly different from those to third parties	-	-	-	

(Concluded)

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, 2021
(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	\$ 855,264	According to the contract	1.00
0	The Company	Shanghai Yikang	Parent to subsidiary	Accounts receivable	158,391	According to the contract	-
0	The Company	Shanghai Yikang	Parent to subsidiary	Other income	28,030	According to the contract	-
0	The Company	Shanghai Yikang	Parent to subsidiary	Other receivables	52,394	According to the contract	-
0	The Company	Raycong H.K.	Parent to subsidiary	Operating revenue	1,360,036	According to the contract	2.00
0	The Company	Raycong H.K.	Parent to subsidiary	Accounts receivable	269,226	According to the contract	1.00
0	The Company	Raycong H.K.	Parent to subsidiary	Other income	37,378	According to the contract	-
0	The Company	Raycong H.K.	Parent to subsidiary	Other receivables	24,569	According to the contract	-
0	The Company	Dongguan Hua Gang	Parent to subsidiary	Operating revenue	1,053,904	According to the contract	1.00
0	The Company	Dongguan Hua Gang	Parent to subsidiary	Accounts receivable	79,900	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Operating revenue	85,695	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Accounts receivable	32,076	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Contract liabilities	17,823	According to the contract	-
0	The Company	KSD Corp.	Parent to subsidiary	Operating revenue	310,002	According to the contract	-
0	The Company	KSD Corp.	Parent to subsidiary	Accounts receivable	274,568	According to the contract	1.00
0	The Company	KSB Corp.	Parent to subsidiary	Operating revenue	29,383	According to the contract	-
0	The Company	KSB Corp.	Parent to subsidiary	Accounts receivable	8,947	According to the contract	-
0	The Company	WL Singapore	Parent to subsidiary	Operating revenue	72,847	According to the contract	-
0	The Company	WL Singapore	Parent to subsidiary	Accounts receivable	4,712	According to the contract	-
0	The Company	WL Vietnam	Parent to subsidiary	Operating revenue	98,373	According to the contract	-
0	The Company	WL Vietnam	Parent to subsidiary	Accounts receivable	22,586	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Operating revenue	117,607	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Accounts receivable	10,109	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Other income	14,153	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Other receivables	7,882	According to the contract	-
0	The Company	Tranceed Logistice	Parent to subsidiary	Other income	18,896	According to the contract	-
0	The Company	Tranceed Logistice	Parent to subsidiary	Other receivables	8,097	According to the contract	-
1	Shanghai Yikang	The Company	Subsidiary to Parent	Operating revenue	182,947	According to the contract	-
1	Shanghai Yikang	The Company	Subsidiary to Parent	Accounts receivable	46,388	According to the contract	-
1	Shanghai Yikang	Raycong H.K.	Parent to subsidiary	Operating revenue	10,629	According to the contract	-
1	Shanghai Yikang	Raycong H.K.	Parent to subsidiary	Accounts receivable	1,370	According to the contract	-
1	Shanghai Yikang	Dongguan Hua Gang	Subsidiary to subsidiary	Operating revenue	82,977	According to the contract	-
1	Shanghai Yikang	Dongguan Hua Gang	Subsidiary to subsidiary	Accounts receivable	6,159	According to the contract	-
1	Shanghai Yikang	WL Vietnam	Subsidiary to subsidiary	Operating revenue	10,450	According to the contract	-
1	Shanghai Yikang	WL Vietnam	Subsidiary to subsidiary	Accounts receivable	-	According to the contract	-
1	Shanghai Yikang	Shanghai Yadi	Parent to subsidiary	Interest income	1,994	According to the contract	-
1	Shanghai Yikang	Shanghai Yadi	Parent to subsidiary	Other receivables	47,399	According to the contract	-

(Continued)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
2	Raycong H.K.	The Company	Subsidiary to Parent	Operating revenue	\$ 16,466	According to the contract	-
2	Raycong H.K.	The Company	Subsidiary to Parent	Accounts receivable	1,878	According to the contract	-
2	Raycong H.K.	Dongguan Hua Gang	Parent to subsidiary	Operating revenue	646,049	According to the contract	1.00
2	Raycong H.K.	Dongguan Hua Gang	Parent to subsidiary	Accounts receivable	65,396	According to the contract	-
3	Dongguan Hua Gang	The Company	Subsidiary to Parent	Operating revenue	8,537	According to the contract	-
3	Dongguan Hua Gang	The Company	Subsidiary to Parent	Accounts receivable	420	According to the contract	-
3	Dongguan Hua Gang	Shanghai Yikang	Subsidiary to subsidiary	Operating revenue	27,166	According to the contract	-
3	Dongguan Hua Gang	Shanghai Yikang	Subsidiary to subsidiary	Accounts receivable	3,085	According to the contract	-
3	Dongguan Hua Gang	Raycong H.K.	Subsidiary to Parent	Operating revenue	31,463	According to the contract	-
3	Dongguan Hua Gang	Raycong H.K.	Subsidiary to Parent	Accounts receivable	11,644	According to the contract	-
4	Tranceed Logistics	The Company	Subsidiary to Parent	Operating revenue	86,476	According to the contract	-
4	Tranceed Logistics	The Company	Subsidiary to Parent	Accounts receivable	33,611	According to the contract	-
5	Shenzhen Huaying	Dongguan Hua Gang	Subsidiary to subsidiary	Operating revenue	53,130	According to the contract	-
5	Shenzhen Huaying	Dongguan Hua Gang	Subsidiary to subsidiary	Accounts receivable	3,363	According to the contract	-
6	KS Corp.	KSC Corp.	Parent to subsidiary	Other receivable	50,979	According to the contract	-
6	KS Corp.	WH Energy	Subsidiary to subsidiary	Disposal of property, plant and equipment	23,578	According to the contract	-
7	KSA Corp.	WH Energy	Subsidiary to subsidiary	Disposal of property, plant and equipment	54,487	According to the contract	-
8	KSB Corp.	WH Energy	Subsidiary to subsidiary	Disposal of property, plant and equipment	13,623	According to the contract	-
9	WL Indonesia	WT Indonesia	Subsidiary to subsidiary	Operating revenue	102,539	According to the contract	-
9	WL Indonesia	WT Indonesia	Subsidiary to subsidiary	Accounts receivable	23,281	According to the contract	-

(Concluded)

TABLE 10

WAH LEE INDUSTRIAL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2021[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.

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, 2021 and 2020, 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants 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, 2021. 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, 2021 is described as follows:

Occurrence of revenue from specific customers

The operating revenue from specific customers of the Company for the year ended December 31, 2021 showed 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 obtained an understanding and tested the design and operating effectiveness of the internal controls relevant to shipment and revenue recognition.
2. We selected samples and verified the occurrence of recorded revenue from specific customers against supporting documents, including shipping and collection documents, and we checked and confirmed that 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, 2021 and 2020 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, 2021 and 2020 were NT\$811,217 thousand and NT\$728,537 thousand, respectively, both representing 2% and 3% of total parent company only assets; and the amounts of the share of profit of associates for the years ended December 31, 2021 and 2020 were NT\$188,987 thousand and NT\$111,793 thousand, representing 6% and 5% 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 group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2021 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 22, 2022

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, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 1,656,213	5	\$ 1,194,704	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,200	-	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	209,000	1	119,600	-
Notes receivable (Notes 4 and 9)	173,345	-	131,614	1
Accounts receivable, net (Notes 4, 5 and 9)	9,019,030	27	6,534,683	24
Accounts receivable - related parties (Notes 4, 5, 9 and 27)	955,337	3	800,694	3
Other receivables	39,869	-	42,422	-
Other receivables - related parties (Note 27)	187,351	1	253,266	1
Merchandise (Notes 4, 5 and 10)	2,090,639	6	1,824,901	7
Prepayments for purchases (Note 27)	1,841,991	5	1,004,155	4
Other current assets	<u>11,848</u>	<u>-</u>	<u>12,136</u>	<u>-</u>
Total current assets	<u>16,185,823</u>	<u>48</u>	<u>11,918,175</u>	<u>44</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	735,329	2	634,098	2
Investments accounted for using the equity method (Notes 4, 11 and 28)	15,263,525	45	12,812,080	48
Property, plant and equipment (Notes 4, 12, 27 and 28)	885,210	3	711,059	3
Right-of-use assets (Notes 4 and 13)	19,348	-	21,427	-
Investment properties (Notes 4, 14 and 28)	432,970	1	436,599	2
Other intangible assets	17,020	-	23,619	-
Deferred tax assets (Notes 4 and 23)	226,916	1	236,455	1
Refundable deposits	52,284	-	54,114	-
Prepayments for investments	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Total noncurrent assets	<u>17,632,602</u>	<u>52</u>	<u>14,939,451</u>	<u>56</u>
TOTAL	<u>\$ 33,818,425</u>	<u>100</u>	<u>\$ 26,857,626</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 5,206,357	15	\$ 4,013,494	15
Contract liabilities - current (Notes 21 and 27)	356,220	1	305,104	1
Notes payable (Notes 17 and 27)	37,996	-	30,157	-
Accounts payable (Note 17)	4,731,417	14	3,602,416	13
Accounts payable - related parties (Notes 17 and 27)	488,737	1	271,663	1
Other payables (Notes 18 and 27)	928,882	3	771,384	3
Current tax liabilities (Note 23)	207,672	1	82,325	-
Provisions - current (Note 4)	30,086	-	-	-
Lease liabilities - current (Notes 4 and 13)	11,110	-	8,043	-
Current portion of long-term borrowings (Note 15)	21,203	-	433,577	2
Refund liabilities - current	175,002	1	173,956	1
Other current liabilities	<u>20,530</u>	<u>-</u>	<u>15,358</u>	<u>-</u>
Total current liabilities	<u>12,215,212</u>	<u>36</u>	<u>9,707,477</u>	<u>36</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 4 and 16)	1,972,752	6	-	-
Long-term borrowings (Note 15)	2,342,319	7	2,785,247	11
Provision for employee benefits - noncurrent	14,760	-	14,760	-
Deferred tax liabilities (Notes 4 and 23)	1,281,669	4	1,155,352	4
Lease liabilities - noncurrent (Notes 4 and 13)	8,569	-	13,663	-
Net defined benefit liabilities - noncurrent (Notes 4 and 19)	281,736	1	300,009	1
Guarantee deposits received	<u>3,109</u>	<u>-</u>	<u>3,109</u>	<u>-</u>
Total noncurrent liabilities	<u>5,904,914</u>	<u>18</u>	<u>4,272,140</u>	<u>16</u>
Total liabilities	<u>18,120,126</u>	<u>54</u>	<u>13,979,617</u>	<u>52</u>
EQUITY (Note 20)				
Share capital	<u>2,360,179</u>	<u>7</u>	<u>2,313,901</u>	<u>8</u>
Capital surplus	<u>1,690,292</u>	<u>5</u>	<u>1,331,725</u>	<u>5</u>
Retained earnings				
Legal reserve	2,412,040	7	2,228,083	8
Special reserve	636,618	2	980,087	4
Unappropriated earnings	<u>8,783,793</u>	<u>26</u>	<u>6,660,831</u>	<u>25</u>
Total retained earnings	<u>11,832,451</u>	<u>35</u>	<u>9,869,001</u>	<u>37</u>
Other equity	<u>(184,623)</u>	<u>(1)</u>	<u>(636,618)</u>	<u>(2)</u>
Total equity	<u>15,698,299</u>	<u>46</u>	<u>12,878,009</u>	<u>48</u>
TOTAL	<u>\$ 33,818,425</u>	<u>100</u>	<u>\$ 26,857,626</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 22, 2022)

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			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 27)	\$ 42,882,108	100	\$ 33,236,491	100
OPERATING COSTS (Notes 10, 22 and 27)	<u>39,900,737</u>	<u>93</u>	<u>30,967,419</u>	<u>93</u>
GROSS PROFIT	2,981,371	7	2,269,072	7
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	(6,949)	-	(2,234)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>2,234</u>	<u>-</u>	<u>22,361</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,976,656</u>	<u>7</u>	<u>2,289,199</u>	<u>7</u>
OPERATING EXPENSES (Notes 9, 22 and 27)				
Selling and marketing expenses	1,406,309	3	1,265,698	4
General and administrative expenses	407,557	1	344,463	1
Expected credit loss	<u>28,107</u>	<u>-</u>	<u>38,697</u>	<u>-</u>
Total operating expenses	<u>1,841,973</u>	<u>4</u>	<u>1,648,858</u>	<u>5</u>
OPERATING INCOME	<u>1,134,683</u>	<u>3</u>	<u>640,341</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 22 and 27)				
Interest income	602	-	709	-
Other income	196,524	-	189,594	1
Other gains and losses	(45,560)	-	(49,813)	-
Finance costs	(70,499)	-	(79,298)	-
Share of profit of subsidiaries, associates and joint ventures	<u>2,078,285</u>	<u>5</u>	<u>1,402,936</u>	<u>4</u>
Total non-operating income and expenses	<u>2,159,352</u>	<u>5</u>	<u>1,464,128</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	3,294,035	8	2,104,469	7
INCOME TAX EXPENSE (Notes 4 and 23)	<u>450,758</u>	<u>1</u>	<u>245,349</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>2,843,277</u>	<u>7</u>	<u>1,859,120</u>	<u>6</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			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 8,080	-	\$ (4,470)	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	135,795	-	110,390	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	677,658	1	236,698	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,131)	-	7,804	-
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	(119,286)	-	28,450	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>20,462</u>	<u>-</u>	<u>(4,571)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>720,578</u>	<u>1</u>	<u>374,301</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,563,855</u>	<u>8</u>	<u>\$ 2,233,421</u>	<u>7</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 12.05</u>		<u>\$ 7.88</u>	
Diluted	<u>\$ 11.64</u>		<u>\$ 7.66</u>	

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 22, 2022)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

			Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity		
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Subtotal	Total Equity
BALANCE AT JANUARY 1, 2020	\$ 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 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
	-	-	-	-	1,856,792	23,879	352,750	376,629	2,233,421
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	-	-	-	(846)
Changes in percentage of ownership interests in subsidiaries (Note 11)	-	(846)	-	-	-	-	-	-	-
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	18,567	-	(18,567)	(18,567)	-
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	14,593	-	(14,593)	(14,593)	-
	2,313,901	1,331,725	2,228,083	980,087	6,660,831	(583,633)	(52,985)	(636,618)	12,878,009
BALANCE AT DECEMBER 31, 2020									
Appropriation of 2020 earnings	-	-	183,957	-	(183,957)	-	-	-	-
Legal reserve	-	-	-	(343,469)	343,469	-	-	-	-
Special reserve	-	-	-	-	(1,018,117)	-	-	-	(1,018,117)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-
	-	-	183,957	(343,469)	(858,605)	-	-	-	(1,018,117)
Equity component of convertible bond issued by the Company (Note 16)	-	34,200	-	-	-	-	-	-	34,200
Changes in capital surplus from investments in associates accounted for using the equity method	-	359,432	-	-	(98,681)	3,828	(35,031)	(31,203)	229,548
Issuance of share dividends from capital surplus	46,278	(46,278)	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	2,843,277	-	-	-	2,843,277
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	6,441	(98,824)	812,961	714,137	720,578
	-	-	-	-	2,849,718	(98,824)	812,961	714,137	3,563,855
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	-	(26,711)
Disposals of investments accounted for using the equity method	-	(26,711)	-	-	-	-	-	-	-
Actual disposal or acquisition of interest in subsidiaries (Note 11)	-	37,924	-	-	(409)	-	-	-	37,515
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	230,939	-	(230,939)	(230,939)	-
	2,360,179	1,690,292	2,412,040	636,618	8,783,793	(678,629)	494,006	(184,623)	15,698,299
BALANCE AT DECEMBER 31, 2021									

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 22, 2022)

WAH LEE INDUSTRIAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,294,035	\$ 2,104,469
Adjustments for:		
Depreciation expense	58,199	58,658
Amortization expense	6,977	6,770
Expected credit loss	28,107	38,697
Net gain of financial assets at fair value through profit or loss	(1,000)	-
Finance costs	70,499	79,298
Interest income	(602)	(709)
Dividend income	(23,888)	(16,696)
Share of profit of subsidiaries and associates accounted for using the equity method	(2,078,285)	(1,402,936)
Gain on disposal of property, plant and equipment	(30)	(2,375)
Gain (loss) on disposal of investments accounted for using the equity method	(8,491)	3,371
Impairment loss recognized on inventories	55,979	3,785
Unrealized gain on transactions with subsidiaries	6,949	2,234
Realized gain on transactions with subsidiaries	(2,234)	(22,361)
Net loss on foreign currency exchange	1,066	37,629
Loss provision recognized	30,086	-
Changes in operating assets and liabilities		
Notes receivable	(41,731)	24,190
Accounts receivable	(2,513,322)	(1,078,059)
Accounts receivable - related parties	(153,775)	213,591
Other receivables	2,553	(16,251)
Other receivables - related parties	90,220	113,216
Merchandise	(321,717)	2,844
Prepayments for purchases	(837,836)	(313,810)
Other current assets	288	1,977
Contract liabilities	51,116	45,951
Notes payable	7,839	(293,950)
Accounts payable	1,129,001	728,787
Accounts payable - related parties	217,074	(3,092)
Other payables	144,326	93,135
Refund liabilities	1,046	18,137
Other current liabilities	5,172	3,957
Net defined benefit liabilities	(10,193)	(7,467)
Cash generated from (used in) operations	(792,572)	422,990
Interest received	602	709
Dividends received	583,655	493,329
Interest paid	(61,313)	(86,910)
Income tax paid	(171,220)	(164,049)
Net cash generated from (used in) operating activities	(440,848)	666,069

(Continued)

WAH LEE INDUSTRIAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (59,836)	\$ (50,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	47,285
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	15,000	1,288
Purchase of investments accounted for using the equity method	(106)	(37,005)
Proceeds from disposal of investments accounted for using the equity method	97,840	-
Acquisition of a subsidiary	(500)	-
Proceeds from the capital reduction of investments accounted for using equity method	700	3,000
Payments for property, plant and equipment	(204,362)	(47,420)
Proceeds from disposal of property, plant and equipment	30	17,194
Decrease (increase) in refundable deposits	1,830	(4,538)
Increase in other intangible assets	(378)	(5,850)
Prepayments for investments	-	(10,000)
Net cash used in investing activities	<u>(149,782)</u>	<u>(86,046)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,191,797	658,903
Proceeds from issuance of convertible bonds	1,999,693	-
Proceeds from long-term borrowings	1,000,000	200,000
Repayment of long-term borrowings	(1,856,743)	(232,527)
Increase in guarantee deposits received	-	89
Repayment of the principal portion of lease liabilities	(11,822)	(7,560)
Cash dividends	(1,018,117)	(763,587)
Acquisition of additional interests in subsidiaries	<u>(252,669)</u>	<u>(33,422)</u>
Net cash generated from (used in) financing activities	<u>1,052,139</u>	<u>(178,104)</u>
NET INCREASE IN CASH	461,509	401,919
CASH AT THE BEGINNING OF THE YEAR	<u>1,194,704</u>	<u>792,785</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,656,213</u>	<u>\$ 1,194,704</u>

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 22, 2022)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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 were listed and have been trading 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 board of directors on March 22, 2022.

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

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

The initial application of the amendments to 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 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are 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 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the parent company only financial statements were authorized for issue, the Company assessed that the application of the above standards and interpretations would 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)
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 Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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 the above 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 the 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, associates and joint venture 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 and joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus and investments 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.

Freehold land is not depreciated.

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.

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. 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

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as FVTPL; such assets are derivative instruments.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

ii Financial assets at amortized cost

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

- 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.

Subsequent to initial recognition, financial assets at amortized cost 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.

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

iii Investments in equity instruments at FVTOCI

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.

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.

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.

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.

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

1. Provisions

Provisions 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.

m. 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 the rendering of services

Commission revenue comes from the provision of intermediary or agency services to the client in the transfer of merchandise to the client's 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 the rendering of services is recognized as the Company fulfills their obligation.

n. 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 and 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. 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.

o. 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 and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expenses in the period in which they occur. Remeasurement, 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.

p. 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. 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

	December 31	
	2021	2020
Cash on hand	\$ 392	\$ 538
Demand deposits	1,653,944	1,192,420
Checking accounts	<u>1,877</u>	<u>1,746</u>
	<u>\$ 1,656,213</u>	<u>\$ 1,194,704</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 INSTRUMENTS AT FVTPL - CURRENT

	December 31, 2021
Mandatorily classified as at FVTPL	
Derivative instruments (not designated for hedge)	
Redemption of convertible bonds	<u>\$ 1,200</u>

8. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2021	2020
<hr/>		
Current		
Domestic investments in equity instruments		
Listed shares	<u>\$ 209,000</u>	<u>\$ 119,600</u>
<hr/>		
Noncurrent		
Domestic investments in equity instruments		
Listed shares	\$ 119,445	\$ 109,962
Unlisted shares	<u>515,838</u>	<u>426,667</u>
	<u>635,283</u>	<u>536,629</u>
Foreign investments in equity instruments		
Listed shares	23,477	19,956
Unlisted shares	<u>76,569</u>	<u>77,513</u>
	<u>100,046</u>	<u>97,469</u>
	<u>\$ 735,329</u>	<u>\$ 634,098</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 Company's strategy of holding these investments for long-term purposes.

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2021	2020
Notes receivable		
Notes receivable - operating	<u>\$ 173,345</u>	<u>\$ 131,614</u>
Accounts receivables - unrelated parties		
At amortized cost		
Gross carrying amount	\$ 9,087,145	\$ 6,577,457
Less: Allowance for impairment loss	<u>68,115</u>	<u>42,774</u>
	<u>\$ 9,019,030</u>	<u>\$ 6,534,683</u>
Accounts receivables - related parties		
At amortized cost		
Gross carrying amount	\$ 955,475	\$ 801,700
Less: Allowance for impairment loss	<u>138</u>	<u>1,006</u>
	<u>\$ 955,337</u>	<u>\$ 800,694</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 prepared by reference to the past default records of the customer, the customer's current financial position, and economic condition of the industry in which the customer operates. 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 tables detail the aging and loss allowance of receivables based on the Company's provision matrix:

December 31, 2021

	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 180 Days		
Expected credit loss rate (%)	0.1	1-5	10-35	50	100	
Gross carrying amount	\$ 9,473,806	\$ 627,446	\$ 49,865	\$ 63,453	\$ 1,395	\$ 10,215,965
Loss allowance (Lifetime ECLs)	<u>(10,529)</u>	<u>(15,596)</u>	<u>(9,007)</u>	<u>(31,726)</u>	<u>(1,395)</u>	<u>(68,253)</u>
Amortized cost	<u>\$ 9,463,277</u>	<u>\$ 611,850</u>	<u>\$ 40,858</u>	<u>\$ 31,727</u>	<u>\$ -</u>	<u>\$ 10,147,712</u>

December 31, 2020

	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 180 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 ECLs)	<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 movements of the loss allowance of receivables were as follows:

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 43,780	\$ 8,517
Impairment losses recognized	28,107	38,697
Amounts written off	<u>(3,634)</u>	<u>(3,434)</u>
Balance at December 31	<u>\$ 68,253</u>	<u>\$ 43,780</u>

10. MERCHANDISE

The costs of inventories recognized in cost of goods sold for the years ended December 31, 2021 and 2020 were \$39,884,548 thousand and \$30,963,508 thousand respectively, which included the following items:

	For the Year Ended December 31	
	2021	2020
Write-downs of inventories	\$ 55,979	\$ 3,785
Others	<u>(2,573)</u>	<u>581</u>
	<u>\$ 53,406</u>	<u>\$ 4,366</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 10,068,477	\$ 8,707,554
Investments in associates	5,179,110	4,100,526
Investment in joint ventures	<u>15,938</u>	<u>4,000</u>
	<u>\$ 15,263,525</u>	<u>\$ 12,812,080</u>

See Tables 6 and 7 for the information on investments accounted for using the equity method and the nature of activities and countries of incorporation of the associates.

a. Investments in subsidiaries

Unlisted Company	December 31			
	2021		2020	
	Book Value	Percentage of Ownership	Book Value	Percentage of Ownership
Wah Lee Holding Ltd.	\$ 4,769,943	100.00	\$ 4,184,973	100.00
Raycong Industrial (H.K.) Ltd. (Raycong H.K.)	3,966,512	53.69	3,453,779	53.69
Wah Lee Japan Corp. (WL Japan)	4,285	83.33	4,966	83.33
Wah Lee Korea Ltd (WL Korea)	2,214	100.00	698	100.00
Sakuragawa Solar Ltd.	82,913	99.99	86,576	99.99
Miyazaki Solar Ltd.	36,475	99.99	37,440	99.99
PT. Wah Lee Indonesia (WL Indonesia)	36,017	70.00	37,145	70.00
Medi H.K.	-	-	-	-
Wah Lee Vietnam Co., Ltd. (WL Vietnam)	59,395	100.00	36,133	100.00
Tranceed Logistics Co., Ltd. (Tranceed Logistics)	139,048	63.33	122,470	63.33
Wah Tech Industrial Co., Ltd. (WT Industrial)	198,042	51.00	197,605	51.00
Kingstone Energy Technology Corporation (KS Corp.)	669,945	78.67	500,767	51.00
Wahlee Green Energy Corporation (WL Green Corp.)	-	-	1,164	25.00
Wah Heng Energy Technology Corp. (WH Energy)	93,206	100.00	29,901	100.00
Evergreen New Energy Corporation	500	100.00	-	-
Wah Lee Philippines International Corp. (WL Philippines Corp.)	6,263	99.99	7,464	99.99
Wah Lee Philippines Inc. (WL Philippines Inc.)	<u>3,719</u>	99.99	<u>6,473</u>	99.99
	<u>\$ 10,068,477</u>		<u>\$ 8,707,554</u>	

Note 1: In June 2020, the Company's ownership percentage in WL Indonesia increased to 70% due to the Company's subscription for additional new shares of WL Indonesia (amounting to \$33,422 thousand) at a percentage different from its existing shareholding proportion. As the transaction did not change the control of the Company over WL Indonesia, the Company processed the equity transaction by reducing the capital surplus by \$846 thousand.

Note 2: In May 2020, Meidi H.K. was liquidated.

Note 3: In September 2021, the Company's ownership percentage in KS Corp. increased to 78.67% as the Company acquired 27.67% equity from unrelated parties for \$192,669 thousand in cash. As the transaction did not change the control of the Group over KS Corp., the Group processed the equity transaction by increasing the capital surplus by \$37,924 thousand.

Note 4: WL Green Corp. returned cash capital of \$3,000 thousand in September 2020. In April 2021, WL Green Corp. had completed liquidation, and returned cash capital of \$700 thousand.

Note 5: In July 2020, the Company invested \$30,000 thousand in WH Energy, which was established in Taiwan. In January 2021, the capital increased by \$60,000 thousand.

Note 6: In December 2021, the Company invested \$500 thousand in Evergreen New Energy Corporation, which was established in Taiwan.

Note 7: Refer to Note 28 for information relating to investments in subsidiaries pledged as collateral for borrowings.

b. Investments accounted for using the equity method

	December 31	
	2021	2020
<hr/> Investments in associates <hr/>		
Material associates		
Chang Wah Electromaterials Inc.	\$ 3,194,774	\$ 2,080,267
Associates that are not individually material	<u>1,984,336</u>	<u>2,020,259</u>
	<u>5,179,110</u>	<u>4,100,526</u>
<hr/> Investments in joint ventures <hr/>		
Joint ventures that are not individually material	<u>15,938</u>	<u>4,000</u>
	<u>\$ 5,195,048</u>	<u>\$ 4,104,526</u>

1) Material associates

	Proportion of Ownership and Voting Rights December 31	
Name of Associate	2021	2020
Chang Wah Electromaterials Inc. (CWE Inc.)	28.71%	30.98%

The Company's ownership percentage in CWE Inc. decreased as the bondholders of CWE Inc. converted the bonds into ordinary shares. Due to the change of ownership, the Company increased the capital surplus by \$153,237 thousand, transferred the unrealized gain on financial assets at FVTOCI of \$35,107 thousand to retained earnings and transferred exchange differences on translating the financial statements of foreign operations of \$3,338 thousand to loss on disposal of investments accounted for using the equity method.

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

Name of Associate	December 31	
	2021	2020
CWE Inc.	\$ 7,698,395	\$ 6,065,702

The summarized financial information below represents amounts shown in the financial statements of CWE Inc. prepared for equity accounting purposes:

	December 31	
	2021	2020
Current assets	\$ 14,718,903	\$ 11,117,986
Noncurrent assets	15,589,692	12,201,685
Current liabilities	(8,323,087)	(6,282,083)
Noncurrent liabilities	<u>(7,264,541)</u>	<u>(8,122,048)</u>
Equity	14,720,967	8,915,540
Non-controlling interests	<u>(3,826,423)</u>	<u>(2,418,385)</u>
	<u>\$ 10,894,544</u>	<u>\$ 6,497,155</u>
Percentage of ownership held by the Company (%)	28.71	30.98
Equity attributable to the Company	\$ 3,127,347	\$ 2,012,840
Goodwill	<u>67,427</u>	<u>67,427</u>
Carrying amount	<u>\$ 3,194,774</u>	<u>\$ 2,080,267</u>

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 20,670,509	\$ 16,424,018
Net profit for the year	\$ 2,488,063	\$ 1,362,120
Other comprehensive income for the year	<u>2,309,626</u>	<u>744,564</u>
Total comprehensive income for the year	<u>\$ 4,797,689</u>	<u>\$ 2,106,684</u>
Cash dividends received	<u>\$ 252,785</u>	<u>\$ 249,357</u>

As of December 31, 2021 and 2020, the Company's dividends receivable from CWE Inc. were \$75,203 thousand and \$51,455 thousand, respectively.

2) Aggregate information of associates and joint ventures that are not individually material

	For the Year Ended December 31	
	2021	2020
The Company's share of		
Net profit for the year	\$ 346,300	\$ 197,927
Other comprehensive income (loss) for the year	<u>(2,251)</u>	<u>14,121</u>
Total comprehensive income for the year	<u>\$ 344,049</u>	<u>\$ 212,048</u>

c. Changes in investment in associates and joint ventures

- 1) The Company sold all of its equity of Eco Energy Corp. to an unrelated party in September 2021 for \$97,840 thousand and recognized a gain on disposal of \$12,319 thousand, which included the transfer of capital surplus from long-term equity investments of \$14,950 thousand to the gain.
- 2) The Company purchased 156 thousand shares of Wah Hong industrial Corp. (Wah Hong Corp.) from the open market in the amount of \$3,005 thousand in cash in 2020, and the ownership percentage increased to 26.67%. The Company's ownership percentage in Wah Hong Corp. reduced to 26.51% as Wah Hong Corp. transferred the treasury shares to employees in August 2021. Due to the change in ownership, the Company decreased the capital surplus by \$635 thousand, transferred the unrealized loss on financial assets at FVTOCI of \$76 thousand to retained earnings and transferred exchange differences on translating the financial statements of foreign operations of \$490 thousand to loss on disposal of investments accounted for using the equity method. The Company purchased 4 thousand shares of Wah Hong Corp. from the open market in the amount of \$106 thousand in cash in October 2021, and the ownership percentage increased to 26.52%.
- 3) 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.

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2021

	Freehold Land	Buildings	Power Generation Equipment	Other Equipment	Property under Construction and Equipment to be Inspected	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 413,343	\$ 288,675	\$ 526,703	\$ 49,046	\$ -	\$ 1,277,767
Additions	104,005	23,303	11,540	753	77,246	216,847
Disposals	-	-	(19,708)	-	-	(19,708)
Balance at December 31, 2021	<u>\$ 517,348</u>	<u>\$ 311,978</u>	<u>\$ 518,535</u>	<u>\$ 49,799</u>	<u>\$ 77,246</u>	<u>\$ 1,474,906</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ 136,856	\$ 384,344	\$ 45,508	\$ -	\$ 566,708
Depreciation expense	-	5,381	36,258	1,057	-	42,696
Disposals	-	-	(19,708)	-	-	(19,708)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 142,237</u>	<u>\$ 400,894</u>	<u>\$ 46,565</u>	<u>\$ -</u>	<u>\$ 589,696</u>
Carrying amount at December 31, 2021	<u>\$ 517,348</u>	<u>\$ 169,741</u>	<u>\$ 117,641</u>	<u>\$ 3,234</u>	<u>\$ 77,246</u>	<u>\$ 885,210</u>

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>

- 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>	
	2021	2020
Additions to property, plant and equipment	\$ 216,847	\$ 47,529
Decrease in prepayments for equipment	-	(109)
Increase in payable for equipment	(12,303)	-
Capitalization of interest	<u>(182)</u>	<u>-</u>
Cash paid	<u>\$ 204,362</u>	<u>\$ 47,420</u>

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

Buildings	
Office	41-61 years
Office interior decoration	5 years
Power generation equipment	
Cylinder	5-9 years
Warehouse	8 years
Other	2-15 years
Others	6-11 years

- c. Refer to Note 28 for the carrying amount of property, plant and equipment pledged as collateral for borrowings.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

For the year ended December 31, 2021

	Buildings	Transportation Equipment	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 27,307	\$ 5,820	\$ 33,127
Additions	<u>6,223</u>	<u>3,572</u>	<u>9,795</u>
Balance at December 31, 2021	<u>\$ 33,530</u>	<u>\$ 9,392</u>	<u>\$ 42,922</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ 9,684	\$ 2,016	\$ 11,700
Depreciation expense	<u>8,709</u>	<u>3,165</u>	<u>11,874</u>
Balance at December 31, 2021	<u>\$ 18,393</u>	<u>\$ 5,181</u>	<u>\$ 23,574</u>
Carrying amount at December 31, 2021	<u>\$ 15,137</u>	<u>\$ 4,211</u>	<u>\$ 19,348</u>

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>

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount		
Current	<u>\$ 11,110</u>	<u>\$ 8,043</u>
Noncurrent	<u>\$ 8,569</u>	<u>\$ 13,663</u>

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

	December 31	
	2021	2020
Buildings	1.43-1.80	1.80
Transportation equipment	0.98-1.80	0.98-1.80

c. Material leasing activities and terms

The Company leases abovementioned subjects for the use of warehouse and transportation equipment, which will expire from May 2022 to 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	
	2021	2020
Expenses relating to short-term leases	<u>\$ 67,302</u>	<u>\$ 55,007</u>
Expenses relating to low-value asset leases	<u>\$ 882</u>	<u>\$ 1,877</u>
Total cash outflow for leases	<u>\$ 80,406</u>	<u>\$ 64,873</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.

14. INVESTMENT PROPERTY

For the year ended December 31, 2021

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and December 31, 2021	<u>\$ 268,412</u>	<u>\$ 185,076</u>	<u>\$ 453,488</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ -	\$ 16,889	\$ 16,889
Depreciation expense	-	<u>3,629</u>	<u>3,629</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 20,518</u>	<u>\$ 20,518</u>
Carrying amount at December 31, 2021	<u>\$ 268,412</u>	<u>\$ 164,558</u>	<u>\$ 432,970</u>

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>

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 2022 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	
	2021	2020
Within 1 year	\$ 8,496	\$ 8,384
More than 1 year but not more than 5 years	<u>2,325</u>	<u>3,004</u>
	<u>\$ 10,821</u>	<u>\$ 11,388</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 28.

The fair value of the Company's investment properties was around \$500 million as of December 31, 2021 and 2020. 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.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured borrowings	<u>\$ 5,206,357</u>	<u>\$ 4,013,494</u>

(Continued)

	December 31	
	2021	2020
Annual interest rate (%)	0.53-0.91	0.50-2.67 (Concluded)
b. Long-term borrowings		
	December 31	
	2021	2020
Unsecured borrowings		
Syndicated bank loans (Note 1)	\$ 1,298,149	\$ 1,799,823
Less: Syndicated loan fee	<u>2,880</u>	<u>4,320</u>
	1,295,269	1,795,503
Bank loans (Note 2)	<u>800,000</u>	<u>900,000</u>
	2,095,269	2,695,503
Secured borrowings (Note 28)		
Bank loans	<u>268,253</u>	<u>523,321</u>
	2,363,522	3,218,824
Less: Current portion	<u>21,203</u>	<u>433,577</u>
	<u>\$ 2,342,319</u>	<u>\$ 2,785,247</u>
Annual interest rate (%)		
Syndicated bank loans	0.62	0.66
Bank loans	0.88-1.43	0.87-1.43
Expiration period		
Syndicated bank loans	2024.01	2024.01
Bank loans	2023.04-2037.06	2021.02-2037.06

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, 2021 and 2020.

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, 2021 and 2020.

16. BONDS PAYABLE

**December 31,
2021**

3rd domestic unsecured convertible bonds	\$ <u>1,972,752</u>
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In August 2021, the Company issued its 3rd domestic three-year unsecured zero-coupon convertible bonds with an aggregate principal amount of \$2,005,000 thousand (100.25% of the face value) and a par value of \$100 thousand per bond certificate.

Bondholders have the right to convert the bonds into ordinary shares of the Company at the current conversion price per share from three months after the issuance date to the maturity date, except during the book closure period. The conversion price at the time of issuance was \$105.3 per share. In the case of ex-right or ex-dividends, the conversion price shall be adjusted according to the conversion price adjustment formula. As of December 31, 2021, the conversion price was \$98.1 per share.

If the closing price of the Company's common shares continues being at least 130% of the conversion price then in effect for 30 consecutive trading days or the aggregate outstanding balance of bonds payable is less than 10% of the original issuance amount, the Company has the right to redeem the outstanding bonds payable at par value in cash during the period from three months after the issuance date to the date 40 days prior to the maturity date.

The amount of the face value of the convertible bonds plus interest compensation (1.5075%) has to be fully paid off in cash by the Company on the maturity date.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options; the effective interest rate of liability component was 1.08%.

	Amount
Proceeds from issuance (less transaction costs of \$5,307 thousand)	\$ 1,999,693
Redemption of options	200
Equity component	<u>(34,200)</u>
Liability component at the date of issue	1,965,693
Interest charged at an effective interest rate	<u>7,059</u>
Liability component at December 31, 2021	<u>\$ 1,972,752</u>

17. NOTES AND ACCOUNTS PAYABLE

Notes 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.

18. OTHER PAYABLES

	December 31	
	2021	2020
Payable for salaries or bonuses	\$ 265,165	\$ 378,312
Payable for employees' compensation and remuneration of directors	372,114	237,733
Payable for commission	138,313	53,074
Others	<u>153,290</u>	<u>102,265</u>
	<u>\$ 928,882</u>	<u>\$ 771,384</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.

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	
	2021	2020
Present value of defined benefit obligation	\$ 369,626	\$ 399,857
Fair value of plan assets	<u>(87,890)</u>	<u>(99,848)</u>
Net defined benefit liabilities	<u>\$ 281,736</u>	<u>\$ 300,009</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 413,936</u>	<u>\$ (110,930)</u>	<u>\$ 303,006</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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>
Service cost			
Current service cost	1,801	-	1,801
Past service cost	(1,564)	-	(1,564)
Net interest expense (income)	<u>1,154</u>	<u>(294)</u>	<u>860</u>
Recognized in profit or loss	<u>1,391</u>	<u>(294)</u>	<u>1,097</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,447)	(1,447)
Actuarial gain - changes in financial assumptions	(12,248)	-	(12,248)
Actuarial loss - changes in demographic assumptions	348	-	348
Actuarial loss - experience adjustments	<u>5,267</u>	<u>-</u>	<u>5,267</u>
Recognized in other comprehensive income	<u>(6,633)</u>	<u>(1,447)</u>	<u>(8,080)</u>
Contributions from the employer	<u>-</u>	<u>(11,290)</u>	<u>(11,290)</u>
Benefits paid	<u>(24,989)</u>	<u>24,989</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 369,626</u>	<u>\$ (87,890)</u>	<u>\$ 281,736</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	
	2021	2020
Discount rate (%)	0.70	0.30
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	
	2021	2020
Discount rate		
0.25% increase	\$ (7,393)	\$ (8,425)
0.25% decrease	\$ 7,634	\$ 8,711
Expected rate of salary		
0.25% increase	\$ 7,517	\$ 8,542
0.25% decrease	\$ (7,318)	\$ (8,307)

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	
	2021	2020
Expected contributions to the plan for the next year	\$ 27,107	\$ 26,354
Average duration of the defined benefit obligation	8 years	8 years

20. EQUITY

a. Share capital

	December 31	
	2021	2020
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>236,018</u>	<u>231,390</u>
Amount of issued and fully paid shares	<u>\$ 2,360,179</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	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of share capital	\$ 1,114,241	\$ 1,160,519
Difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	37,924	-
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition from associates accounted for using the equity method	1,808	-
Expired share options	22,374	22,374
Donations	11,867	11,867
May be used only to offset a deficit		
Share of changes in capital surplus of associates	467,878	136,965
May not be used for any purpose		
Share warrants	<u>34,200</u>	<u>-</u>
	<u>\$ 1,690,292</u>	<u>\$ 1,331,725</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.

The 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 2020 and 2019 had been approved in the shareholders' meetings in July 2021 and May 2020, respectively; the amounts were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended		(NT\$)	
	December 31		For the Year Ended	
	2020	2019	2020	2019
Legal reserve	\$ 183,957	\$ 143,424		
Special reserve	\$ (343,469)	\$ 300,740		
Cash dividends to shareholders	\$ 1,018,117	\$ 763,587	\$ 4.4	\$ 3.3

As of July 28, 2021, the transfer of the amount of \$46,278 thousand from the capital surplus to share capital was approved in the shareholders' meeting, where share dividends equivalent to \$0.2 per share were issued, and capital increased by 4,628 thousand new ordinary shares.

The appropriations of earnings for 2021 had been proposed by the Company's board of directors on March 22, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 298,157	
Reversal of special reserve	\$ (451,995)	
Cash dividends to shareholders	\$ 1,604,922	\$ 6.8

The appropriations of earnings for 2021 are subject to the resolution of the shareholders in their meeting to be held on May 27, 2022.

d. Other equity items

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (583,633)	\$ (607,512)
Recognized for the year		
Share from subsidiaries and associates accounted for using the equity method	(119,286)	25,079
Income tax	20,462	(4,571)
Reclassification adjustment		
Share from the disposal of subsidiaries and associates accounted for using the equity method	<u>3,828</u>	<u>3,371</u>
Balance at December 31	<u>\$ (678,629)</u>	<u>\$ (583,633)</u>

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (52,985)	\$ (372,575)
Recognized for the year		
Unrealized gain - equity instruments	135,795	110,390
Share from associates accounted for using the equity method	677,681	235,449
Income tax	(515)	6,911
Reclassification adjustment		
Share from the disposal of associates accounted for using the equity method	(35,031)	-
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal		
Equity instruments of the Company	-	(18,567)
Share from associates accounted for using the equity method	<u>(230,939)</u>	<u>(14,593)</u>
Balance at December 31	<u>\$ 494,006</u>	<u>\$ (52,985)</u>

21. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sale of goods	\$ 42,798,007	\$ 33,183,310
Other operating revenue	<u>84,101</u>	<u>53,181</u>
	<u>\$ 42,882,108</u>	<u>\$ 33,236,491</u>

Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 173,345	\$ 131,614	\$ 155,804
Accounts receivable, net (including related parties)	<u>9,974,367</u>	<u>7,335,377</u>	<u>6,509,606</u>
	<u>\$ 10,147,712</u>	<u>\$ 7,466,991</u>	<u>\$ 6,665,410</u>
Contract liabilities			
Sale of goods	<u>\$ 356,220</u>	<u>\$ 305,104</u>	<u>\$ 259,153</u>

The changes in the balance of contract liabilities primarily resulted 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, 2021 and 2020.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year is as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Sale of goods	<u>\$ 277,082</u>	<u>\$ 257,919</u>

22. NET PROFIT

The details of net profit were as follows:

a. Other income (Note 27)

	<u>For the Year Ended December 31</u>	
	2021	2020
Rental income	\$ 38,257	\$ 39,300
Dividend income	23,888	16,696
Consulting service income	108,878	118,243
Others	<u>25,501</u>	<u>15,355</u>
	<u>\$ 196,524</u>	<u>\$ 189,594</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2021	2020
Net gain of financial assets at FVTPL	\$ 1,000	\$ -
Gain (loss) on disposals of associates	8,491	(3,371)
Net foreign exchange loss	(6,703)	(33,407)
Loss provision recognized	(30,086)	-
Others	<u>(18,262)</u>	<u>(13,035)</u>
	<u>\$ (45,560)</u>	<u>\$ (49,813)</u>

c. Financial costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 61,782	\$ 77,429
Syndicated loan fee amortization	1,440	1,440
Interest on lease liabilities	400	429
Interest on convertible bonds	7,059	-
Less: Amount included in cost of qualifying assets	<u>(182)</u>	<u>-</u>
	<u>\$ 70,499</u>	<u>\$ 79,298</u>
Capitalized rate (%)	1.43	-

d. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 42,696	\$ 47,439
Right-of-use assets	11,874	7,706
Investment property	3,629	3,513
Intangible assets	<u>6,977</u>	<u>6,770</u>
	<u>\$ 65,176</u>	<u>\$ 65,428</u>
An analysis of depreciation by function		
Operating costs	\$ 632	\$ 632
Operating expenses	53,938	54,513
Non-operating income and expenses	<u>3,629</u>	<u>3,513</u>
	<u>\$ 58,199</u>	<u>\$ 58,658</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 6,977</u>	<u>\$ 6,770</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	<u>\$ 895,101</u>	<u>\$ 881,204</u>
Post-employment benefits (Note 19)		
Defined contribution plans	18,519	18,239
Defined benefit plans	<u>1,097</u>	<u>4,041</u>
	<u>19,616</u>	<u>22,280</u>
	<u>\$ 914,717</u>	<u>\$ 903,484</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, 2021 and 2020 which have been approved by the Company's board of directors on March 22, 2022 and March 26, 2021, were as follows:

	For the Year Ended December 31			
	2021		2020	
	Withdrawal Rate (%)	Amount	Withdrawal Rate (%)	Amount
Compensation of employees paid in cash	9	\$ 329,953	9	\$ 210,798
Remuneration of directors paid in cash	1.15	42,161	1.15	26,935

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, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors 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	
	2021	2020
Current tax		
In respect of the current year	\$ 244,496	\$ 145,955
Income tax on unappropriated earnings	51,567	11,325
Adjustments for prior years	<u>508</u>	<u>(4,502)</u>
	<u>296,571</u>	<u>152,778</u>
Deferred tax		
In respect of the current year	154,584	92,571
Adjustments for prior years	<u>(397)</u>	<u>-</u>
	<u>154,187</u>	<u>92,571</u>
	<u>\$ 450,758</u>	<u>\$ 245,349</u>

The reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 3,294,035</u>	<u>\$ 2,104,469</u>
Income tax expense calculated at the statutory rate 20%	\$ 658,807	\$ 420,894
Nondeductible expenses in determining taxable income	2,097	199
Domestic investment income	(176,652)	(111,110)
		(Continued)

	For the Year Ended December 31	
	2021	2020
Unrecognize the taxable temporary differences associated with investments in subsidiaries	\$ (101,036)	\$ (74,138)
Income tax on unappropriated earnings	51,567	11,325
Adjustments for prior years	111	(4,502)
Nondeductible withholding tax	<u>15,864</u>	<u>2,681</u>
	<u>\$ 450,758</u>	<u>\$ 245,349</u>
		(Concluded)

As the status of appropriations of earnings for 2022 is uncertain, the potential income tax consequences of the 2021 unappropriated earnings are not reliably determinable.

b. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Unrealized loss on financial assets at FVTOCI	\$ (515)	\$ 6,911
Remeasurement on defined benefit plan	(1,616)	893
Translation of foreign operations	<u>20,462</u>	<u>(4,571)</u>
	<u>\$ 18,331</u>	<u>\$ 3,233</u>

c. Current tax liabilities

	December 31	
	2021	2020
Income tax payable	<u>\$ 207,672</u>	<u>\$ 82,325</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provision for loss on inventories	\$ 20,422	\$ 9,765	\$ -	\$ 30,187
Unpaid bonuses	64,432	(22,554)	-	41,878
Refund liabilities	34,791	209	-	35,000
Defined benefit plan	60,002	(2,039)	(1,616)	56,347
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Foreign operations loss and exchange differences	\$ 35,843	\$ (5,441)	\$ 5,692	\$ 36,094
Others	<u>20,965</u>	<u>6,445</u>	<u>-</u>	<u>27,410</u>
	<u>\$ 236,455</u>	<u>\$ (13,615)</u>	<u>\$ 4,076</u>	<u>\$ 226,916</u>
<hr/> Deferred tax liabilities <hr/>				
Temporary differences				
Foreign operations income and exchange differences	\$ 1,145,608	\$ 137,463	\$ (14,255)	\$ 1,268,816
Others	<u>9,744</u>	<u>3,109</u>	<u>-</u>	<u>12,853</u>
	<u>\$ 1,155,352</u>	<u>\$ 140,572</u>	<u>\$ (14,255)</u>	<u>\$ 1,281,669</u> (Concluded)

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<hr/> Deferred tax assets <hr/>				
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 plan	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>1,929</u>	<u>20,965</u>
	<u>\$ 227,274</u>	<u>\$ 2,372</u>	<u>\$ 6,809</u>	<u>\$ 236,455</u>
<hr/> Deferred tax liabilities <hr/>				
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>9,744</u>
	<u>\$ 1,056,833</u>	<u>\$ 94,943</u>	<u>\$ 3,576</u>	<u>\$ 1,155,352</u>

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the parent company only balance sheets

	<hr/> December 31 <hr/>	
	2021	2020
Evaluation loss of foreign investments	<u>\$ 116,383</u>	<u>\$ 116,383</u>

- f. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$1,679,101 thousand and \$1,173,920 thousand.

- g. Income tax assessments

The income tax returns of the Company through 2019 have been assessed by the tax authorities.

24. EARNINGS PER SHARE (EPS)

The information of the change in basic and diluted earnings per share for the year ended December 31, 2020 that was adjusted retrospectively due to the issuance of bonus shares on September 10, 2021 was as follows:

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share (NT\$)	<u>\$ 8.03</u>	<u>\$ 7.88</u>
Diluted earnings per share (NT\$)	<u>\$ 7.81</u>	<u>\$ 7.66</u>

Earnings and weighted average number of shares outstanding used in the computation of EPS were as follows:

- a. Net profit for the year

	For the Year Ended December 31 2021	2020
Net profit used in the computation of basic EPS	\$ 2,843,277	\$ 1,859,120
Convertible bonds	<u>967</u>	<u>-</u>
Net profit used in computation of diluted EPS	<u>\$ 2,844,244</u>	<u>\$ 1,859,120</u>

- b. Weighted average number of shares outstanding (in thousands)

	For the Year Ended December 31 2021	2020
Weighted average number of shares outstanding used in computation of basic EPS	236,018	236,018
Effect of potentially dilutive shares		
Employees' compensation	3,658	6,768
Convertible bonds	<u>4,760</u>	<u>-</u>
Weighted average number of shares outstanding used in computation of diluted EPS	<u>244,436</u>	<u>242,786</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. 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 15.

26. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments not measured at fair value

The Company's management considers that the carrying amounts of financial assets and financial liabilities that are not measured at fair value approximate their fair values, except for bonds payable.

The carrying amount and fair value of the bonds payable on December 31, 2021 were as follows:

	Amount
Carrying amount	<u>\$ 1,972,752</u>
Fair value	<u>\$ 1,969,200</u>

The fair value of the bonds payable based on Level 3 fair value measurement was determined using the binomial option pricing model, where the significant and unobservable input was historical volatility.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Redemption options of convertible bonds	\$ -	\$ -	\$ 1,200	\$ 1,200

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 241,532	\$ 86,913	\$ -	\$ 328,445
Unlisted shares	-	-	592,407	592,407
Foreign listed shares	<u>23,477</u>	<u>-</u>	<u>-</u>	<u>23,477</u>
	<u>\$ 265,009</u>	<u>\$ 86,913</u>	<u>\$ 592,407</u>	<u>\$ 944,329</u> (Concluded)

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>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial assets

	<u>For the Year Ended December 31</u>	
	2021	2020
Balance at January 1	\$ 504,180	\$ 511,494
Purchases	60,000	-
Reduction of capital	(15,000)	(1,288)
Recognized in other comprehensive income	<u>43,227</u>	<u>(6,026)</u>
Balance at December 31	<u>\$ 592,407</u>	<u>\$ 504,180</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

The emerging market shares' fair value was assessed by reference to the transaction price supported by observable market prices.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

a) Investments in equity instruments

The fair value of the unlisted shares held by the Company was 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.

b) Redemption options of convertible bonds

The fair value of redemption options of convertible bonds was determined using the binomial option pricing model where the significant and unobservable input was historical volatility.

c. Categories of financial instruments

	December 31	
	2021	2020
<hr/> Financial assets <hr/>		
FVTPL		
Mandatorily classified at FVTPL	\$ 1,200	\$ -
FVTOCI		
Equity instruments	944,329	753,698
Measured at amortized cost (Note 1)	12,083,429	9,011,497
<hr/> Financial liabilities <hr/>		
Measured at amortized cost (Note 2)	15,732,772	11,911,047

Note 1: Including cash, 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, bonds payable, 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 market risks as follows:

a) Foreign currency risk

The Company had foreign currency trades, which exposed the Company to foreign currency risk, and 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 30.

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, 2021 and 2020 would have been higher (lower) by \$306 thousand and \$1,362 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	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 4,826,943	\$ 3,871,566
Cash flow interest rate risk		
Financial assets	1,653,944	1,192,420
Financial liabilities	4,735,367	3,382,458

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, 2021 and 2020 would have been lower/higher by \$30,814 thousand and \$21,900 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate deposits and borrowings.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. 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 shows the exposure to equity price risk had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have been higher/lower by \$9,443 thousand and \$7,537 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 a counterparty will default on its contractual obligations resulting in a 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, 2021</u>					
Non-interest bearing liabilities	\$ 6,187,032	\$ 3,109	\$ -	\$ -	\$ 6,190,141
Variable interest rate liabilities	3,998,590	608,062	124,501	43,138	4,774,291
Lease liabilities	11,331	8,656	-	-	19,987
Fixed interest rate liabilities	1,257,093	3,630,355	-	-	4,887,448
Financial guarantee contracts	<u>2,309,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,309,705</u>
	<u>\$ 13,763,751</u>	<u>\$ 4,250,182</u>	<u>\$ 124,501</u>	<u>\$ 43,138</u>	<u>\$ 18,181,572</u>
<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>

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.

27. RELATED PARTY TRANSACTIONS

The transactions between the Company and related parties were disclosed as follows:

a. Name of related parties and relationships with the Company

Related Party	Relationship with the Company
Raycong H.K.	Subsidiary
Shanghai Yikang Co. Ltd.	Subsidiary
Dongguan Huagang Co. Ltd.	Subsidiary
Tranceed Logistics	Subsidiary
WL Indonesia	Subsidiary
WL Vietnam	Subsidiary
WT Industrial	Subsidiary
Wah Lee Tech (Singapore) Pte. Ltd.	Subsidiary
WL Korea	Subsidiary
Regent King International Limited	Subsidiary
Shanghai Yadi Co. Ltd.	Subsidiary
Shanghai Lihuang Co. Ltd.	Subsidiary
Xiamen Hua Chen Da Logistics Co. Ltd.	Subsidiary
KS Corp.	Subsidiary
KSA Energy Corporation	Subsidiary
KSD Energy Corporation	Subsidiary
Sakuragawa Solar Ltd.	Subsidiary
Miyazaki Solar Ltd.	Subsidiary
Cyuan Cheng Logistics Co., Ltd.	Subsidiary
WL Philippines Inc.	Subsidiary
CWE Inc.	Associate
Nagase Wahlee Plastics Corp.	Associate
Wah Hong Corp.	Associate
ORC Technology Corp.	Associate
Shanghai Hua Chang Trading Co. Ltd.	Associate
Eco Energy Corporation	Associate (became an unrelated party after selling shares in September 2021)
Huahsuan Green Energy Corp.	Associate
ORC Electrical Machinery Corp.	Associate (Joint Venture)
Chang Wah Technology Co. Ltd.	Associate's subsidiary
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
Bao Guang Investment Co., Ltd.	Key management personnel (Director of the Company)

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
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
Taigene Biotechnology Co., Ltd.	Other related party
Sin Hao Co., Ltd.	Other related party
Raycon Industries Inc.	Other related party
	(Concluded)

b. Operating transactions

1) Operating revenues

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Sale of goods		
Subsidiaries	\$ 3,978,489	\$ 3,069,435
Associates and their subsidiaries	341,200	328,342
Other related parties	<u>15,475</u>	<u>15,580</u>
	<u>\$ 4,335,164</u>	<u>\$ 3,413,357</u>
Other operating revenues		
Subsidiaries	<u>\$ 9,294</u>	<u>\$ 4,271</u>

The selling prices and collection terms of sales to related parties were similar to third parties.

2) Purchase of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	\$ 71,679	\$ 26,525
Associates and their subsidiaries	241,054	149,208
Other related parties	<u>1,467,170</u>	<u>1,339,653</u>
	<u>\$ 1,779,903</u>	<u>\$ 1,515,386</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) Operating expense

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Commission expense		
Subsidiaries		
Shanghai Yikang	\$ 139,854	\$ 111,499
Others	337	2,655
Associates and their subsidiaries	1,418	608
		(Continued)

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Other related parties	\$ 155	\$ 154
	<u>\$ 141,764</u>	<u>\$ 114,916</u>
Freight Fee		
Subsidiaries		
Tranceed Logistics	\$ 46,091	\$ 47,683
Others	<u>173</u>	<u>-</u>
	<u>\$ 46,264</u>	<u>\$ 47,683</u>
Service fee		
Other related parties	<u>\$ 10,100</u>	<u>\$ -</u>
		(Concluded)

4) Receivables from related parties

	December 31	
	2021	2020
<u>Accounts receivable - related parties</u>		
Subsidiaries	\$ 860,516	\$720,340
Associates and their subsidiaries	93,624	77,950
Other related parties	<u>1,335</u>	<u>3,410</u>
	955,475	801,700
Less: Allowance for losses	<u>138</u>	<u>1,006</u>
	<u>\$ 955,337</u>	<u>\$ 800,694</u>
<u>Other receivables - related parties</u>		
Subsidiaries		
Raycong H.K.	\$ 24,569	\$ 54,018
Shanghai Yikang	52,394	107,472
Others	<u>24,124</u>	<u>37,146</u>
	<u>101,087</u>	<u>198,636</u>
Associates and their subsidiaries		
CWE Inc.	75,203	51,455
Others	<u>10,368</u>	<u>2,876</u>
	<u>85,571</u>	<u>54,331</u>
Other related parties	<u>693</u>	<u>299</u>
	<u>\$ 187,351</u>	<u>\$ 253,266</u>

The outstanding receivables from related parties are unsecured.

5) Payables to related parties

	December 31	
	2021	2020
<hr/>		
Notes payable - related parties		
Associates	\$ -	\$ 938
<hr/>		
Accounts payable - related parties		
Subsidiaries	\$ 2,476	\$ 6,244
Associates	63,446	14,970
Other related parties	<u>422,815</u>	<u>250,449</u>
	<u>\$ 488,737</u>	<u>\$ 271,663</u>
<hr/>		
Other payables		
Subsidiaries	\$ 75,339	\$ 52,338
Associates' subsidiaries	1,198	-
Other related parties	<u>445</u>	<u>667</u>
	<u>\$ 76,982</u>	<u>\$ 53,005</u>

The outstanding payables to related parties are unsecured and will be paid in cash.

6) Prepayments for purchases

	December 31	
Related Party Category	2021	2020
Associates	\$ -	\$ 60,573

7) Contract liabilities

	December 31	
Related Party Category/Name	2021	2020
Subsidiaries		
KS Corp.	\$ 17,823	\$ 77,113
Others	<u>6,623</u>	<u>9,473</u>
	24,446	86,586
Associates	<u>-</u>	<u>27,872</u>
	<u>\$ 24,446</u>	<u>\$ 114,458</u>

c. Acquisitions of property, plant and equipment- only for the year ended December 31, 2021

Related Party Category/Name	Amount
Associates	
ORC Technology Corp.	<u>\$ 127,104</u>

d. Disposals of property, plant and equipment - only for the year ended December 31, 2020

Related Party Category	Proceeds	Gain on Disposal
Subsidiaries	\$ 7,047	\$ 1,035
Associates	<u>9,181</u>	<u>1,208</u>
	<u>\$ 16,228</u>	<u>\$ 2,243</u>

e. Other income

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Raycong H.K.	\$ 37,378	\$ 38,766
Shanghai Yikang	28,030	29,158
Tranceed Logistics	18,896	17,947
Others	<u>33,418</u>	<u>19,146</u>
	<u>117,722</u>	<u>105,017</u>
Associates and their subsidiaries		
Wah Hong Corp.	13,492	25,059
Others	<u>3,219</u>	<u>8,173</u>
	<u>16,711</u>	<u>33,232</u>
Other related parties	<u>3,627</u>	<u>3,425</u>
Key management personnel	<u>24</u>	<u>24</u>
	<u>\$ 138,084</u>	<u>\$ 141,698</u>

Other income included rental income, consulting service income, endorsement income and remuneration of director and supervisor.

f. Lease arrangements

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Lease expense		
Subsidiaries		
Tranceed Logistics	\$ 35,570	\$ 28,145
Others	<u>-</u>	<u>31</u>
	<u>35,570</u>	<u>28,176</u>
Other related parties	<u>175</u>	<u>279</u>
	<u>\$ 35,745</u>	<u>\$ 28,455</u>

- g. Loans to related parties (Including principal and interest) - only for the year ended December 31, 2021

Interest income

Related Party Category/Name	Amount
Subsidiaries	
KS Corp.	\$ <u>177</u>

The loans provided to related parties was unsecured, and the loan interest rate was 2%.

- h. Endorsements and guarantees

Related Party Category	December 31	
	2021	2020
Subsidiaries		
Amount endorsed	\$ <u>2,192,121</u>	\$ <u>2,492,694</u>
Amount utilized	\$ <u>1,265,385</u>	\$ <u>1,460,064</u>
Associates		
Amount endorsed	\$ <u>1,422,096</u>	\$ <u>1,183,456</u>
Amount utilized	\$ <u>1,044,320</u>	\$ <u>770,572</u>
Other related parties		
Amount endorsed	\$ <u>25,194</u>	\$ <u>25,194</u>
Amount utilized	\$ <u>-</u>	\$ <u>-</u>

- i. Remuneration 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	
	2021	2020
Short-term employee benefits	\$ 139,764	\$ 93,192
Post-employment benefits	<u>607</u>	<u>411</u>
	\$ <u>140,371</u>	\$ <u>93,603</u>

The remuneration of directors and other key management was determined by the remuneration committee based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL

The Company provided the following assets as collateral for part of borrowings and performance guarantee:

	December 31	
	2021	2020
Property, plant and equipment		
Freehold land	\$ 188,610	\$ 188,610
Buildings	<u>138,181</u>	<u>142,680</u>
	<u>\$ 326,791</u>	<u>\$ 331,290</u>
Investment property		
Land	\$ 268,412	\$ 268,412
Buildings	<u>164,558</u>	<u>168,187</u>
	<u>\$ 432,970</u>	<u>\$ 436,599</u>
Investments accounted for using the equity method	<u>\$ 669,945</u>	<u>\$ 500,767</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Company as of December 31, 2021 were as follows:

- The Company's unused letters of credit for purchase of merchandise were \$106,034 thousand.
- The unrecognized commitments for acquisition of property, plant and equipment were \$122,390 thousand.
- For details of the litigation of KS Corp., a subsidiary of the Company, refer to Note 30 to the consolidated financial statements for the year ended December 31, 2021.

30. 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
<u>December 31, 2021</u>			
Monetary financial assets			
USD	\$ 291,316	27.68 (USD:NTD)	\$ 8,063,627
Nonmonetary financial assets			
Investments accounted for using the equity method			
HKD	1,118,337	3.5490 (HKD:NTD)	3,968,978
Monetary financial liabilities			
USD	290,212	27.68 (USD:NTD)	8,033,068
			(Continued)

	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 (Concluded)

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange loss were \$6,703 thousand and \$33,407 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 Company.

31. ADDITIONAL DISCLOSURES

a. Information about significant transactions

- 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

b. Information on investees: Table 6

c. 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, 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, 2021 were as follows:

Counterparty	Line Item	Amount
Shanghai Yikang	Other income	\$ 28,030
Shanghai Yikang	Commission expense	139,854
Shanghai Yikang	Other receivables	52,394
Shanghai Yikang	Other payables	46,212

- d. 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, 2021 (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 4)	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			
0	The Company	KS Corp.	Other receivables - related parties	Yes	\$ 150,000	\$ 150,000	\$ -	-	Financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 251,548	\$ 1,569,830	
1	Shanghai Yikang	Fenghuang Xingwah Shouzheng	Other receivables - related parties	Yes	17,453	17,373	2,653	5.92	Short-term financing	-	Operating capital	-	-	-	1,546,185	1,546,185	
1	Shanghai Yikang	Shanghai Yadi	Other receivables - related parties	Yes	65,448	65,150	46,690	5.31	Short-term financing	-	Operating capital	-	-	-	1,546,185	1,546,185	
2	Shenzhen Huaying	Xiamen Hua Chen Da	Other receivables - related parties	Yes	8,831	8,687	-	-	Short-term financing	-	Operating capital	-	-	-	63,696	63,696	
4	KS Corp.	KSA Corp.	Other receivables - related parties	Yes	30,000	15,000	-	-	Short-term financing	-	Operating capital	-	-	-	188,661	188,661	

Note 1: RMB is converted by the spot exchange rate of RMB1=NT\$4.3433.

Note 2: The aggregate financing limit for the subsidiaries in need of short-term financing shall not exceed 10% of the Company's equity; the financing limit for each counterparty shall not exceed 5% of the Company's equity and shall not exceed 40% of each counterparty's equity

Note 3: The individual and aggregate financing limit for the subsidiaries included in the consolidated financial statements of the parent company shall not exceed 30% of the financing company's equity.

Note 4: It was eliminated on consolidation.

TABLE 2

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Endorsee/Guaranteee		Limit on Endorsement /Guarantee Given on Benefit of Each Party (Notes 1-7)	Maximum Amount Endorsed /Guaranteed During the Year	Outstanding Endorsement /Guarantee at The End of the Year (Notes 8)	Actual Borrowing Amount (Notes 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 1-7)	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	\$ 3,139,660	\$ 1,080,000	\$ 600,000	\$ 490,472	\$ -	3.82	\$ 15,698,299	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	3,139,660	50,388	25,194	-	-	0.16	15,698,299	N	N	N	
0	The Company	Shanghai Yikang	Subsidiary of the Company	3,139,660	190,213	138,400	9,664	-	0.88	15,698,299	Y	N	Y	
0	The Company	Dongguan Hua Gang	Subsidiary of the Company	4,709,490	255,510	-	-	-	-	15,698,299	Y	N	Y	
0	The Company	Raycong H.K., Shanghai Yikang and Dongguan Hua Gang	Subsidiary of the Company	3,139,660	120,000	120,000	120,000	-	0.76	15,698,299	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	3,139,660	1,501,831	822,096	553,848	-	5.24	15,698,299	N	N	Y	
0	The Company	WL Singapore	Subsidiary of the Company	4,709,490	753,324	536,992	294,146	-	3.42	15,698,299	Y	N	N	
0	The Company	Sakuragawa Solar Ltd.	Subsidiary of the Company	3,139,660	171,651	69,898	66,868	-	0.45	15,698,299	Y	N	N	
0	The Company	Miyazaki Solar Ltd.	Subsidiary of the Company	3,139,660	309,896	207,927	204,808	-	1.32	15,698,299	Y	N	N	
0	The Company	WL Indonesia	Subsidiary of the Company	3,139,660	172,670	130,096	-	-	0.83	15,698,299	Y	N	N	
0	The Company	WL Vietnam	Subsidiary of the Company	4,709,490	489,228	265,728	154,198	-	1.69	15,698,299	Y	N	N	
0	The Company	WT Industrial	Subsidiary of the Company	3,139,660	549,822	390,639	138,620	-	2.49	15,698,299	Y	N	N	
0	The Company	Wah Lee Philippines Inc.	Subsidiary of the Company	3,139,660	111,400	55,360	-	-	0.35	15,698,299	Y	N	N	
0	The Company	KS Corp.	Subsidiary of the Company	3,139,660	277,081	277,081	277,081	277,081	1.77	15,698,299	Y	N	N	
1	Shanghai Yikang	Shanghai Yadi	Subsidiary of the Company	1,030,790	123,637	121,612	70,580	-	2.36	2,576,976	Y	N	Y	
2	KS Corp.	KSA Corp.	Subsidiary of the Company	176,094	1,382	1,382	1,353	-	0.22	352,188	Y	N	N	
2	KS Corp.	KSB Corp.	Subsidiary of the Company	2,113,128	200,000	200,000	17,434	11,130	31.80	3,521,880	Y	N	N	

(Continued)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement /Guarantee Given on Benefit of Each Party (Notes 1-7)	Maximum Amount Endorsed /Guaranteed During the Year	Outstanding Endorsement /Guarantee at The End of the Year (Notes 8)	Actual Borrowing Amount (Notes 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 1-7)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Relationship											
2	KS Corp.	KSA Corp.	Subsidiary of the Company	\$ 2,113,128	\$ 500,000	\$ 500,000	\$ 117,819	\$ 61,300	79.51	\$ 3,521,880	Y	N	N	
2	KS Corp.	KSD Corp.	Subsidiary of the Company	2,113,128	500,000	500,000	103,427	67,000	79.51	3,521,880	Y	N	N	
2	KS Corp.	KSC Corp.	Subsidiary of the Company	2,113,128	1,500,000	1,500,000	-	1,000	238.52	3,521,880	Y	N	N	
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	-	-	-	-	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	-	-	-	-	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	-	-	-	-	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	-	-	-	-	4,452,000	N	Y	N	
5	Dongguan Hua Gang	Guangjou Shing Shian	Subsidiary of the Company	820,799	177,898	174,249	84,492	-	6.37	1,367,999	Y	N	Y	
6	Raycong H.K.	Xiamen Hua Chen Da	Subsidiary of the Company	1,478,397	28,535	27,680	8,782	-	0.37	3,695,992	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. 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 600% of the paid-in capital of KS Corp.; the maximum total amount of endorsement/guarantee shall not exceed 1000% of the paid-in capital of KS Corp. The limit on endorsement/guarantee given to each party, not based on the 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 USD1=NT\$27.68; JPY is converted by spot exchange JPY1=NT\$0.2405; RMB is converted by spot exchange RMB=NT\$4.3433; THB is converted by spot exchange THB1=NT\$0.8347.

TABLE 3**WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2021****(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, 2021				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>\$ 209,000</u>	-	<u>\$ 209,000</u>	
	Daily Polymer Corp.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,154,410	\$ 32,532	3.09	\$ 32,532	
	Wah Yuen Technology Holding Limited	-	Financial assets at FVTOCI - noncurrent	1,968,180	76,569	0.75	76,569	
	JingYi Technology Co.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,066,432	106,833	16.94	106,833	
	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	90,752	19.38	90,752	
	Forcera Materials Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	2,102,476	56,557	8.83	56,557	
	Univision Technology Holdings	-	Financial assets at FVTOCI - noncurrent	38,794,190	-	9.10	-	
	Minima Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	3,600,000	66,223	9.23	66,223	
	TaiGene Biotechnology Co., Ltd.	The Company is the supervisor of the company	Financial assets at FVTOCI - noncurrent	2,300,000	11,883	6.57	11,883	
	Shilian Fine Chemicals Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	11,871,585	79,046	4.57	79,046	
	CDIB Capital Group.	-	Financial assets at FVTOCI - noncurrent	3,500,000	44,544	2.86	44,544	
	Darco Water Technologies Ltd.	-	Financial assets at FVTOCI - noncurrent	7,649,782	23,477	8.15	23,477	
	Eleocom Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	1,500,000	-	10.71	-	
	Tien Li Offshore Wind Technology Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	956,344	86,913	1.47	86,913	
	Locus Cell Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	5,000,000	50,000	2.50	50,000	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with The Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
SHC Holding Ltd.	Phoenix II Venture Capital Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - noncurrent	1,000,000	\$ 10,000	2.34	\$ 10,000	
					<u>\$ 735,329</u>		<u>\$ 735,329</u>	
	Guangzhou Yonguang Optoelectronics Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	-	<u>\$ -</u>	12.82	<u>\$ -</u>	
Wah Lee Holding Ltd.	Mutual funds							
	JPMorgan Funds-Multi-Revenue Fund-A (acc) - USD	-	Financial assets at FVTPL - current	7,737	\$ 48,264	-	\$ 48,264	
	JPMorgan Funds-Income Fund A (dist) - USD	-	Financial assets at FVTPL - current	29,187	27,137	-	27,137	
					<u>\$ 75,401</u>		<u>\$ 75,401</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, 2021
(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	
							Unit Price	Payment Terms			
The Company	Raycong H.K.	Subsidiary	Sales	\$ (1,360,036)	(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	\$ 269,226	3	
	Dongguan Hua Gang	Subsidiary	Sales	(1,052,672)	(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	79,900	1	
	Shanghai Yikang	Subsidiary	Sales	(855,264)	(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	158,391	2	
	KSD Corp.	Subsidiary	Sales	(304,696)	(1)	14 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	274,568	3	
	CWE Inc.	Associate accounted for using the equity method	Sales	(271,495)	(1)	90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	70,893	1	
	WT Indonesia	Subsidiary	Sales	(117,607)	-	30 to 60 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	10,109	-	
	Nagase Wahlee Plastics.	Associate accounted for using the equity method	Purchase	209,005	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	(51,937)	(1)	
	Asahi Kasei Wah Lee Hi-tech Corp.	The Company is the director of the Company	Purchase	1,319,886	3	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	(387,585)	(7)	
Raycong H.K.	Dongguan Hua Gang	Subsidiary	Sales	(646,049)	(15)	30 to 180 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	65,396	7	

(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	
WL Indonesia	WT Indonesia	Brother Company	Sales	\$ (102,539)	(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	\$ 23,281	100	
Shanghai Yikang	Shanghai Hua Chang Trading Co., Ltd.	Subsidiary of associate accounted for using the equity method	Purchase	168,184	1	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	(15,159)	1	

(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, 2021
(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	\$ 210,785	3.19	\$ -	-	\$ 176,629	\$ -
	Raycong H.K.	Subsidiary	293,795	5.00	-	-	132,175	-
	KSD Corp.	Subsidiary	274,568	2.26	-	-	14,632	-
	CWE Inc.	Associate accounted for using the equity method	146,096	2.54	-	-	146,096	-

Note : Including accounts receivable and other receivables. Other receivables are mainly service revenue and dividends from related parties.

TABLE 6**WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021	December 31, 2020						
The Company	Wah Lee Holding Ltd.	BVI	International investment business	\$ 430,666	\$ 430,666	13,070,000	100.00	\$ 4,769,943	\$ 623,642	\$ 623,573	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	3,966,512	1,010,362	542,414	Subsidiary
The Company	CWE Inc.	Taiwan	Agency of IC packaging material and equipment	449,349	449,349	197,902,180	28.71	3,194,774	1,725,500	502,869	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	811,217	472,467	188,987	Associate
The Company	Wah Hong Corp.	Taiwan	Manufacturing of LCD material, BMC (bulk molding compound) material and molded product	943,032	942,926	26,122,978	26.52	1,096,529	427,293	113,550	Associate
The Company	ORC Technology Corp.	Taiwan	Trading business and service of exposure machine and parts	6,000	6,000	600,000	35.00	76,590	86,553	29,232	Associate
The Company	WL Japan	Japan	Trading business of synthetic resin, industrial plastic, molding machine, electromechanical parts	21,490	21,490	1,500	83.33	4,285	(48)	(41)	Subsidiary
The Company	WL Korea	South Korea	Trading business of synthetic resin, industrial plastic, molding machine, electromechanical parts	18,856	18,856	147,000	100.00	2,214	1,605	1,605	Subsidiary
The Company	Sakuragawa Solar Ltd.	Japan	Solar power generation business	46,008	46,008	-	99.99	82,913	8,049	8,049	Subsidiary
The Company	Miyazaki Solar Ltd.	Japan	Solar power generation business	82,103	82,103	-	99.99	36,475	4,188	4,188	Subsidiary
The Company	WL Indonesia	Indonesia	Trading business of industrial materials	48,261	48,261	1,610,000	70.00	36,017	(270)	(189)	Subsidiary
The Company	WL Vietnam	Vietnam	Trading business of industrial materials	16,293	16,293	-	100.00	59,395	18,310	18,310	Subsidiary
The Company	Tranceed Logistics	Taiwan	Freight forwarders and leasing business	95,000	95,000	9,500,000	63.33	139,048	26,177	16,578	Subsidiary
The Company	WL Green Corp.	Taiwan	Renewable energy self-use power generation equipment business	-	2,000	-	-	-	(1,853)	(463)	Subsidiary
The Company	WT Industrial	Thailand	Trading business of industrial materials	200,000	200,000	7,650	51.00	198,042	86,113	36,213	Subsidiary
The Company	Eco Energy Corp.	Taiwan	Renewable energy self-use power generation equipment business	-	80,000	-	-	-	12,966	2,593	Associate
The Company	KS Corp.	Taiwan	Solar power generation business	661,053	468,384	27,708,077	78.67	669,945	(16,436)	(21,536)	Subsidiary
The Company	WL Philippines Corp.	Philippines	Trading business of industrial materials	7,755	7,755	127,495	99.99	6,263	(593)	(593)	Subsidiary
The Company	WL Philippines Inc.	Philippines	Trading business of industrial materials	7,747	7,747	126,997	99.99	3,719	(2,297)	(2,297)	Subsidiary
The Company	WH Energy	Taiwan	Solar power generation business	90,000	30,000	9,000,000	100.00	93,206	3,305	3,305	Subsidiary
The Company	ORC Co.	Taiwan	Trading business of industrial materials	4,000	4,000	400,000	40.00	15,938	29,841	11,938	Joint Venture
The Company	Evergreen New Energy Corporation	Taiwan	Solar power generation business	500	-	50,000	100.00	500	-	-	Subsidiary
Tranceed Logistics	Cyuancheng Logistics	Taiwan	Freight forwarders and leasing business	42,947	12,947	5,500,000	100.00	40,709	(1,343)	(1,539)	Subsidiary
KS Corp.	KSA Corp.	Taiwan	Solar power generation business	55,000	55,000	6,130,000	100.00	68,996	6,325	6,325	Subsidiary
KS Corp.	KSB Corp.	Taiwan	Solar power generation business	10,000	10,000	1,113,000	100.00	12,283	882	882	Subsidiary

(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, 2021	December 31, 2020						
KS Corp.	WL Green Corp.	Taiwan	Renewable energy self-use power generation equipment business	\$ -	\$ 4,320	-	-	\$ -	\$ (1,853)	\$ (1,390)	Subsidiary
KS Corp.	Eco Energy Corp.	Taiwan	Renewable energy self-use power generation equipment business	-	80,000	-	-	-	12,966	2,593	Associate
KS Corp.	KSC Corp.	Taiwan	Solar power generation business	1,000	1,000	100,000	100.00	571	(346)	(346)	Subsidiary
KS Corp.	KSD Corp.	Taiwan	Solar power generation business	67,000	67,000	6,700,000	100.00	65,779	(1,028)	(1,028)	Subsidiary
KS Corp.	HGE Co.	Taiwan	Solar power generation business	44,820	-	4,482,000	64.99	42,714	(3,290)	(2,106)	Associate
Wah Lee Holding Ltd.	SHC Holding Ltd.	Mauritius	International investment business	43,892	43,892	1,290,000	100.00	883,761	123,781	123,781	Subsidiary
Wah Lee Holding Ltd.	WL Singapore	Singapore	Agency of semiconductor materials and equipment	51,639	51,639	1,600,000	100.00	366,416	28,515	28,515	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	3,423,006	1,010,362	467,868	Subsidiary
Wah Lee Holding Ltd.	Regent King	Hong Kong	Trading business of engineering plastic, composite materials and equipment	39	39	10,000	100.00	3,108	808	808	Subsidiary
WT Industrial	WT Indonesia	Indonesia	Trading business of industrial materials	3,953	3,953	18,150	66.00	3,856	3,112	2,054	Subsidiary
WL Singapore	Gishine Tech Pte. Ltd.	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, 2021 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, 2021 (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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Dongguan Hua Gang	Trading business of industrial materials	\$ 1,132,384	Invested through the third region, Raycong H.K.	\$ -	\$ -	\$ -	\$ -	\$ 415,100	100.00	\$ 415,100	\$ 2,731,099	\$ -	
Shanghai Yikang	Trading business of industrial materials	986,547	Invested through the third region, Raycong H.K.	340,629	-	-	340,629	742,632	70.00	519,842	3,624,985	-	
Shenzhen Huaying	Supply chain management and consultancy service	23,982	Invested through the third region, Raycong H.K.	-	-	-	-	5,368	100.00	5,368	212,321	-	
Shanghai Wah Chang Trading Co., Ltd.	International trading and trading consulting; trading agent and commercial simple processing within enterprises in the bonded area	66,432	Invested through the third region, SHC Holding Ltd.	43,714	-	-	43,714	437,440	30.00	131,232	706,718	-	
Shanghai Yadi	Import and export of goods and technology	13,030	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	3,132	49.00	1,535	19,817	-	
Shanghai Lihuang	Medical devices and equipment	14,463	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	2,920	48.98	(511)	6,229	-	
Fenghuang Xinwah Shouzheng	Medical devices manufacturing technology developing and consulting	21,717	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	(1,679)	52.50	(882)	10,516	-	
Guangjou Shing Shian	Hospital management, medical equipment repair, wholesale of medical supplies	21,717	Invested through Chinese corporation, Dongguan Hua Gang	-	-	-	-	6,743	100.00	6,743	50,912	-	
Xiamen Hua Chen Da	Warehouse logistics	13,030	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(1,725)	70.00	(1,207)	6,246	-	
Xiamen Jian Yuan Rong Logistics Ltd.	Warehouse logistics	34,747	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(157)	30.00	(47)	9,299	-	
Xiamen Jia Cheng Yuan Trading and Development Co. Ltd.	Warehouse logistics	8,687	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(60)	30.00	(18)	2,955	-	
Kaiping Huaxinkang	Medical service	1	Invested through Chinese corporation, Guangjou Shing Shian	-	-	-	-	-	90.00	-	-	-	

(Continued)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 (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 disclosure 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 \$42,644 thousand and the invested amount of \$154,795 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, 2021
(In Thousands of New Taiwan Dollars)**

Company Name	Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
			Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
The Company	Shanghai Yikang	Sales	\$ 855,264	2	Normal trade terms	30 to 120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	\$ 158,391	2	\$ 883	
	Shanghai Yikang	Purchase	(43,093)	-	Normal trade terms	120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	(176)	-	-	
	Dongguan Hua Gang	Sales	1,052,672	2	Normal trade terms	30 to 120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	79,900	1	299	
	Dongguan Hua Gang	Purchase	(8,537)	-	Normal trade terms	60 days after monthly closing	The terms with related parties are not significantly different from those to third parties	(420)	-	-	
	Shanghai Lihuang	Sales	2,094	-	Normal trade terms	90 days after monthly closing	The terms with related parties are not significantly different from those to third parties	-	-	-	
Raycong H.K.	Dongguan Hua Gang	Sales	646,049	15	Normal trade terms	30 to 180 days after monthly closing	The terms with related parties are not significantly different from those to third parties	65,396	7	1,380	

(Continued)

Company Name	Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
			Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
WL Vietnam	Dongguan Hua Gang	Purchase	\$ (31,463)	-	Normal trade terms	30 to 180 days after monthly closing	The terms with related parties are not significantly different from those to third parties	\$ (11,644)	(4)	\$ -	
	Shanghai Yikang	Purchase	(10,629)	-	Normal trade terms	30 days after monthly closing	The terms with related parties are not significantly different from those to third parties	(1,370)	-	-	
	Shanghai Yikang	Purchase	(10,450)	9	Normal trade terms	90 days after transactions	The terms with related parties are not significantly different from those to third parties	-	-	-	

(Concluded)

TABLE 9

WAH LEE INDUSTRIAL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2021[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, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Amount
Cash on hand	
	\$ 392
Cash in banks	
Checking accounts	1,877
Demand deposits	1,037,185
Foreign currency deposits	
Demand deposits	
USD21,196 thousand	586,694
JPY54,968 thousand	13,220
RMB858 thousand	3,728
EUR419 thousand	13,116
HKD0.4 thousand	<u>1</u>
	<u>\$ 1,656,213</u>

Note: Exchange rate:

USD1=NTD27.68

JPY1=NTD0.24

RMB1=NTD4.34

EUR1=NTD31.32

HKD1=NTD3.55

STATEMENT 2

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
New Jet Enterprise Co., Ltd.	\$ 8,715
Others (Note)	<u>164,630</u>
	<u>\$ 173,345</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, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Related parties (Note)	\$ 955,475
Less: Allowance for impairment loss	<u>138</u>
	<u>955,337</u>
Unrelated parties	
Viewsonic Corporation	856,937
Taiwan Semiconductor Manufacturing Co., Ltd.	502,709
Others (Note)	<u>7,727,499</u>
	9,087,145
Less: Allowance for impairment loss	<u>68,115</u>
	<u>9,019,030</u>
	<u>\$ 9,974,367</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, 2021****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Related parties	
Consulting service income	\$ 88,365
Dividends receivable	76,560
Others (Note)	<u>22,426</u>
	<u>187,351</u>
Non-related parties	
Tax refund receivable	17,861
Others (Note)	<u>22,008</u>
	<u>39,869</u>
	<u>\$ 227,220</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, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Carrying Amount	Net Realizable Value
Merchandise	<u>\$ 2,090,639</u>	<u>\$ 2,379,621</u>

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollar)

Investees	Balance, January 1, 2021		Additions in Investment		Decrease in Investment		Balance, December 31, 2021		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Stock									
Daily Polymer Corp.	2,154,410	\$ 34,471	-	\$ -	-	\$ 1,939	2,154,410	\$ 32,532	None
Wah Yuen Technology Holding Limited	1,968,180	77,513	-	-	-	944	1,968,180	76,569	None
Jing Yi Technology Co.,	2,066,432	55,014	-	51,819	-	-	2,066,432	106,833	None
High Power Optoelectronics Inc.	67,991	-	-	-	-	-	67,991	-	None
Asahi Kasei Wah Lee Hi-tech Corp.	9,497	85,891	-	4,861	-	-	9,497	90,752	None
Forcera Materials Co., Ltd.	2,102,476	56,581	-	-	-	24	2,102,476	56,557	None
Univision Technology Holdings	38,794,190	-	-	-	-	-	38,794,190	-	None
Minima Technology Co., Ltd.	3,600,000	82,160	-	-	-	15,937	3,600,000	66,223	None
Taigene Biotechnology Co., Ltd.	2,300,000	11,037	-	846	-	-	2,300,000	11,883	None
Shilian Fine Chemicals Co., Ltd.	11,871,585	81,890	-	-	-	2,844	11,871,585	79,046	None
CDIB Capital Group.	5,000,000	54,094	-	-	1,500,000	9,550	3,500,000	44,544	None
Darco Water Technologies Ltd.	7,649,782	19,956	-	3,521	-	-	7,649,782	23,477	None
Eleocom Co., Ltd.	1,500,000	-	-	-	-	-	1,500,000	-	None
Tien Li Offshore Wind Technology Co., Ltd.	828,572	75,491	127,772	11,422	-	-	956,344	86,913	None
Locus Cell Co., Ltd.	-	-	5,000,000	50,000	-	-	5,000,000	50,000	None
Phoenix II Venture Capital Innovation Co., Ltd.	-	-	1,000,000	10,000	-	-	1,000,000	10,000	None
		<u>\$ 634,098</u>		<u>\$ 132,469</u>		<u>\$ 31,238</u>		<u>\$ 735,329</u>	

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollar, Except Unit Price)

Name	Balance, January 1, 2021		Additions in Investment (Note 1)		Decrease in Investment (Note 1)		Balance, December 31, 2021			Market Value or Net Assets Value		
							% of			(Note 2)		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership	Amount	Unit Price (NT\$)	Total Amount	Collateral
Wah Lee Holding Ltd.	13,070,000	\$ 4,184,973	-	\$ 584,970	-	\$ -	13,070,000	100.00	\$ 4,769,943	365.20	\$ 4,773,228	None
Raycong H.K.	56,000,000	3,453,779	-	512,733	-	-	56,000,000	53.69	3,966,512	70.87	3,968,978	None
CWE Inc.	197,902,180	2,080,267	-	1,114,507	-	-	197,902,180	28.71	3,194,774	38.90	7,698,395	None
Nagase Wahlee Plastics Corp.	4,000,000	728,537	-	82,680	-	-	4,000,000	40.00	811,217	202.80	811,217	None
Wah Hong Corp.	26,118,978	1,023,436	4,000	73,093	-	-	26,122,978	26.52	1,096,529	32.15	839,854	None
ORC Technology Corp.	600,000	170,408	-	-	-	93,818	600,000	35.00	76,590	127.65	76,590	None
WL Japan	1,500	4,966	-	-	-	681	1,500	83.33	4,285	2856.79	4,285	None
WL Korea	147,000	698	-	1,516	-	-	147,000	100.00	2,214	15.06	2,214	None
Sakuragawa Solar Ltd.	-	86,576	-	-	-	3,663	-	99.99	82,913	-	82,913	None
Miyazaki Solar Ltd.	-	37,440	-	-	-	965	-	99.99	36,475	-	36,475	None
WL Indonesia	1,610,000	37,145	-	-	-	1,128	1,610,000	70.00	36,017	22.37	36,017	None
WL Vietnam	-	36,133	-	23,262	-	-	-	100.00	59,395	-	59,395	None
Tranceed Logistics	9,500,000	122,470	-	16,578	-	-	9,500,000	63.33	139,048	14.64	139,048	None
WL Green Corp.	200,000	1,164	-	-	200,000	1,164	-	-	-	-	-	None
WT Industrial	7,650	197,605	-	437	-	-	7,650	51.00	198,042	24377.04	186,484	None
Eco Energy Corporation	8,000,000	97,878	-	2,593	8,000,000	100,471	-	-	-	-	-	None
KS Corp.	17,962,577	500,767	9,745,500	230,593	-	61,415	27,708,077	78.67	669,945	17.86	494,757	Note 3
WL Philippines Corp.	127,495	7,464	-	-	-	1,201	127,495	99.99	6,263	49.12	6,263	None
WL Philippines Inc.	126,997	6,473	-	-	-	2,754	126,997	99.99	3,719	29.29	3,719	None
Wah Heng Energy Technology	3,000,000	29,901	6,000,000	63,305	-	-	9,000,000	100.00	93,206	10.36	93,206	None
ORC Electrical Machinery Co., Ltd.	400,000	4,000	-	11,938	-	-	400,000	40.00	15,938	39.85	15,938	None
Evergreen New Energy Corporation	-	-	50,000	500	-	-	50,000	100.00	500	10.00	500	None
		<u>\$ 12,812,080</u>		<u>\$ 2,718,705</u>		<u>\$ 267,260</u>			<u>\$ 15,263,525</u>		<u>\$ 19,329,470</u>	

Note 1: Changes in this year include new investments, cash 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, affiliates and joint ventures recognized by the equity method, and the unrealized profit and loss.

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 27,708,077 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, 2021

(In Thousands of New Taiwan Dollars)

Type/Bank Name	Contract Period	Interest Rate (%)	Balance, December 31, 2021	Loan Commitments	Collateral
Unsecured Borrowings					
The Shanghai Commercial & Savings Bank, Ltd.	2021.08-2022.03	0.71-0.82	\$ 287,660	\$ 553,000	None
CTBC Bank	2021.08-2022.06	0.75-0.86	390,034	500,000	None
Sumitomo Mitsui Banking Corporation	2021.09-2022.06	0.81	256,581	553,600	None
MUFG	2021.10-2022.01	0.80	136,066	500,000	None
Mizuho Bank	2021.11-2022.06	0.60-0.80	580,171	1,051,840	None
Fubon Bank	2021.07-2022.03	0.60	70,339	100,000	None
Taishin Bank	2021.11-2022.02	0.83-0.83	66,300	100,000	None
E. SUN Commercial Bank	2021.10-2022.03	0.59-0.79	236,870	300,000	None
Mega Bank	2021.09-2022.06	0.75	435,288	500,000	None
Bank of Panshin	2021.11-2022.02	0.90	7,444	100,000	None
HSBC Hong Kong Bank	2021.10-2022.04	0.80	402,326	775,040	None
Cathay United Bank	2021.07-2022.03	0.66-0.72	205,470	300,000	None
First Commercial Bank	2021.08-2022.03	0.79-0.81	415,665	500,000	None
Hua Nan Bank	2021.11-2022.03	0.78-0.83	461,378	1,050,000	None
United Overseas Bank	2021.10-2022.01	0.82	130,200	276,800	None
Land Bank of Taiwan	2021.08-2022.03	0.53-0.70	552,926	736,288	None
Taiwan Business Bank	2021.08-2022.03	0.70-0.76	214,679	262,960	None
Bank of Taiwan	2021.08-2022.02	0.71	327,146	500,000	None
SinoPac Bank	2021.10-2022.01	0.91	<u>29,814</u>	450,000	None
			<u>\$ 5,206,357</u>		

STATEMENT 9**WAH LEE INDUSTRIAL CORPORATION****STATEMENT OF CONTRACT LIABILITIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Related parties	
KS Corp.	\$ 17,823
Others (Note)	<u>6,623</u>
	<u>24,446</u>
Unrelated parties	
Tecorp Electronics Co., Ltd.	60,064
Ligra DS S.R.L.	38,608
Taiwan Semiconductor Manufacturing Co., Ltd.	29,074
Eco Energy Corporation	27,872
Sahara Presentation Systems Ltd.	26,373
United Microelectronics Corporation	24,618
Clevertouch B.V.	24,300
Sahara Presentation System, Inc.	19,851
Clear Touch Interactive, Inc.	18,353
Others (Note)	<u>62,661</u>
	<u>331,774</u>
	<u>\$ 356,220</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, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Shinkong Synthetic Fibers Corp.	\$ 23,130
Nan Ya Plastics Corporation	4,945
Gheng Yang Transportation Co., Ltd.	3,575
Sheng Yang Co., Ltd.	2,862
Others (Note)	<u>3,484</u>
	<u>\$ 37,996</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, 2021****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Related parties	
Asahi Kasei Wah Lee Hi-tech Corp.	\$ 387,585
Others (Note)	<u>101,152</u>
	<u>488,737</u>
Unrelated parties	
JSR Corp.	850,529
Mitsubishi Chemical Taiwan Co., Ltd.	673,199
Fitipower Integrated Technology Inc.	536,188
Chi Mei Corporation	457,511
Others (Note)	<u>2,213,990</u>
	<u>4,731,417</u>
	<u>\$ 5,220,154</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, 2021
 (In Thousands of New Taiwan Dollars)

Bank Name	Contract Period and Repayment Terms	Interest Rate (%)	Balance, December 31, 2021			Collateral
			Current	Noncurrent	Total	
Syndicated Bank Loans						
Bank of Taiwan	Revolving until January 2024	0.62	\$ -	\$ 1,298,149	\$ 1,298,149	None
Less: Syndicated loan free			-	2,880	2,880	
			-	1,295,269	1,295,269	
Unsecured Borrowing						
HSBC Bank	Repayable in October 2023	0.88	-	200,000	200,000	None
MUFG Bank	Repayable in June 2024	1.05	-	300,000	300,000	None
Mizuho Bank	Repayable in April 2023	0.93	-	300,000	300,000	None
			-	800,000	800,000	
Collate raised Borrowing						
Land Bank of Taiwan	Repayable monthly to June 2037	1.43	21,203	247,050	268,253	Land and Buildings
			\$ 21,203	\$ 2,342,319	\$ 2,363,522	

WAH LEE INDUSTRIAL CORPORATION**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item (Note 1)	Quantities	Amount
FPD (Flat Panel Display) Industry	Note 2	\$ 17,465,177
Semiconductor Industry	Note 2	11,308,957
Information and Communication Technology Industry	Note 2	8,131,127
PCB (Printed Circuit Board)/Mainboard Industry	Note 2	3,817,959
Green Energy Industry	Note 2	1,157,800
Other (Note 3)		<u>1,001,088</u>
		<u>\$ 42,882,108</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, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Cost of goods sold	
Inventories, beginning of year	\$ 1,824,901
Add: Purchases	40,173,009
Less: Transfer to operating expenses	(20,028)
Transfer to other loss	(122)
Write-down of inventories	(55,979)
Inventories, end of year	<u>(2,090,639)</u>
	39,831,142
Write-down of inventories	55,979
Others	<u>(2,573)</u>
Cost of goods sold	<u>39,884,548</u>
Other operating costs	<u>16,189</u>
	<u>\$ 39,900,737</u>

WAH LEE INDUSTRIAL CORPORATION**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Marketing Expense	General and Administrative Expense	Total
Employee benefits	\$ 653,903	\$ 260,814	\$ 914,717
Commission expense	283,829	-	283,829
Import/export expense	130,078	-	130,078
Freight Fee	97,477	135	97,612
Rent expense	66,962	1,222	68,184
Depreciation and amortization	38,019	22,896	60,915
Others	<u>136,041</u>	<u>122,490</u>	<u>258,531</u>
	<u>\$ 1,406,309</u>	<u>\$ 407,557</u>	1,813,866
Expected credit loss			<u>28,107</u>
			<u>\$ 1,841,973</u>

WAH LEE INDUSTRIAL CORPORATION

**STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31							
	2021				2020			
	Operating Cost	Operating Expense	Non-operating Expenses	Total	Operating Cost	Operating Expense	Non-operating Expenses	Total
Employee benefit								
Salaries	\$ -	\$ 767,396	\$ -	\$ 767,396	\$ -	\$ 777,655	\$ -	\$ 777,655
Labor and health insurance	-	42,862	-	42,862	-	39,764	-	39,764
Pension	-	19,616	-	19,616	-	22,280	-	22,280
Remuneration of directors	-	42,161	-	42,161	-	26,935	-	26,935
Others	-	42,682	-	42,682	-	36,850	-	36,850
	<u>\$ -</u>	<u>\$ 914,717</u>	<u>\$ -</u>	<u>\$ 914,717</u>	<u>\$ -</u>	<u>\$ 903,484</u>	<u>\$ -</u>	<u>\$ 903,484</u>
Depreciation	\$ 632	\$ 53,938	\$ 3,629	\$ 58,199	\$ 632	\$ 54,513	\$ 3,513	\$ 58,658
Amortization	-	6,977	-	6,977	-	6,770	-	6,770

Note 1: The average number of the Company's employees was 421 and 419, including 4 and 5 non-employee directors in 2021 and 2020, 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, 2021 and 2020 were \$2,092 thousand and \$2,117 thousand, respectively.
- b. The average salaries for the years ended December 31, 2021 and 2020 were \$1,840 thousand and \$1,878 thousand, respectively.
- c. The average salaries decreased by 2% year-on-year.
- d. The Company has set up an audit committee replace 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) Transport allowance

According to the Company's remuneration and compensation policy, 1) the transport allowance per person (one-time payment) for attending the board of directors' meeting is \$10 thousand; 2) directors who do not attend the board of directors' meeting in person are not allowed to be paid the transport allowance; 3) the adjustment for transport allowance shall be proposed by the remuneration committee and submitted to the board of directors for approval.

c) Other remuneration

According to the Company's Articles, the remuneration 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 dividends, retirement benefits, 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