



WAH LEE INDUSTRIAL CORP.

Annual Report 2022

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

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

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

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- VI. Company Website:<https://www.wahlee.com>

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Chapter 1 Letter to Shareholders

Dear shareholders,

In 2022, labor and raw material costs rose sharply due to the shortage of labor and materials and the shortage of bulk commodities caused by the Russia-Ukraine Conflict, forcing the central banks of various countries to raise interest rates. The excessive inventory on the customer side and the decline in demand due to increase in interest rate led to a gradual decline in revenue in each month of 2022. In spite of such severe situation, Wah Lee's revenue reached a record high of NT\$ 73.57 billion in 2022, showing that Wah Lee has always been grasping the growth trend of the industry and implementing diversified operations, thus achieving remarkable results.

Looking forward to this year, as customers are still under inventory pressure in the first half and central banks are still adopting tight monetary policies, customers' capital expenditures have been slowing down successively. However, with the relief of COVID-19, all countries are opening their borders, and the demand is expected to recover gradually. However, there are still many uncertainties in the global economy, and we need to observe whether the major export markets fall into low growth with high inflation or recession this year. Although the outlook is challenging, Wah Lee is confident that with its unique industrial layout and efficient marketing channel capabilities, it can maintain growth and achieve further success.

The following is a condensed report on our financial performance for 2022: the consolidated revenue in 2022 reached NT\$ 73.57 billion, with an annual growth rate of 4.3%. The consolidated gross profit reached NT\$ 5.6 billion and the consolidated operating profit reached NT\$ 2.6 billion. Last year, the equity-method investment companies made good profits and contributed significant income to non-operating profit, resulting in a consolidated net income before tax of NT\$3.5 billion and a net income after tax of NT\$2.7 billion, with earnings per share of NT\$10.53. Despite the environment of economic downturn, high inventory and high interest rates, Wah Lee's profit performance last year still exceeded the share capital. In terms of financial indicators, the consolidated current and quick ratios for 2022 were 163% and 124%, respectively, and the cash conversion cycle was 76 days. At the same time, the return on equity this year was 15%, which continued to generate excellent returns for shareholders. The consolidated cash inflow from operating activities amounted to NT\$3.8 billion, demonstrating Wah Lee's sound financial position, and various financial indicators were also outstanding.

This year, the top two international CPU manufacturers successively launched new server platforms. These demands will certainly drive a significant growth in high-end PCBs and IC substrates. The application of high performance computing (HPC), data centers, and 5G communication requires high-end servers, routers, switches, antenna modules, communication equipment and other cutting-edge equipment. Such infrastructures will maintain resilient corporate capital expenditures in spite of adverse major environment. The high-end and 5G printed circuit board related materials of Wah Lee will maintain growth, including low Dk, low Df 5G high frequency CCLs (copper clad laminates), direct imaging DI high resolution electroplating dry film for high-end processes, PCB equipment, high frequency connector materials, electronic components and ICs. Wah Lee also has a presence in low orbit satellite communications and will

be able to share in this very promising end user market.

The automotive market is one of the few high-growth markets despite the economic downturn. Wah Lee has successfully supplied high-end engineering plastic automotive parts, including ECU (electronic control unit) connectors for electric vehicles, automotive navigation and speedometers, connectors for automotive cameras and transmission, as well as charging stations. In addition, the Company has successfully introduced GaN, SiC, and other third generation compound semiconductor components that can withstand high voltages, in the important next-generation semiconductor materials, which are in high demand for high voltage components inside electric vehicles and fast charging facilities. Therefore, we will certainly take a place when electric vehicles and alternative energy generators become more and more popular in the future. Since all countries are implementing increasingly stringent emission regulations, automakers will pay high attention to lightweight when developing new vehicles, and replacing metal with plastic is the key. Wah Lee offers the most complete high-strength automotive structural materials, and our plastic products have captured hundreds of component markets.

In recent years, environmental awareness is attracting more and more attention, and world's top plastic manufacturers have started to supply PCR (Post Consumer Recycle) plastics. Wah Lee has acquired the supply rights of many PCR factories, and the growing trend of demand will accelerate, so that we can do our best to contribute to the sustainable environment of the earth.

Under the expanding trend of globalization in the semiconductor industry, Wah Lee is ahead of its peers in terms of the breadth and speed of globalization, because it has already established operations in the USA, Japan, Korea, Chinese Mainland, and Southeast Asia, and is also making layout in European and Indian markets, where it can realize the pioneer advantages. The processes of major semiconductor customers are developing rapidly, and they have a strong demand for raw materials for various advanced processes. As the largest supplier of consumables for major semiconductor customers, including electronic grade chemicals, photoresists, photoresist stripper, CMP slurry, specialty gases, equipment spare parts and wafers, Wah Lee will maintain its growth as the global long-term demand for wafers continues to grow steadily and technology continues to upgrade.

The power demand in Taiwan is becoming increasingly urgent, and the demand for carbon neutrality in the world also increases significantly. Wah Lee's customers in various technology industries need to obtain renewable energy certificates and green power generation before 2025. Wah Lee started green power generation early and has rich experience, and has won the Top Solar Awards, an award granted by the President personally for high quality solar power generation. It is expected that by the end of this year, the solar power capacity connected to the grid will reach 80MW. We have also established a platform invested in cooperation with large international funds and property & life insurance companies. Wah Lee can provide customers with comprehensive solutions, including renewable energy certificates, carbon emission right trading, and production materials and services, so that customers can meet international carbon neutrality requirements and deepen the supply-demand relationship with Wah Lee. It also strengthens the performance of Wah Lee's investment in ESG and demonstrates Wah Lee's contribution to corporate social responsibility.

In the next five years, Taiwan's technology industry logistics will be in significant short supply. Based on our business philosophy of comprehensive solutions, Wah Lee will build the largest high-tech professional logistics center in Taiwan to partially solve the serious logistics service shortage problems in Taiwan, so we will continue to strengthen our core competitive advantages. Last year, Wah Lee's Board of Directors approved the investment in a southern logistics center. The demand from customers in the semiconductor and high-tech industries in the south will quickly catch up with the demand for logistics in the north and central regions, which will further strengthen Wah Lee's leading position in logistics center and increase the added value of Wah Lee's services to customers. Wah Lee has already started logistics system operations throughout Mainland China, and is expanding around the world with its customers.

With the accelerated deployment of companies from different countries to Southeast Asia, Wah Lee has gained the pioneer advantage from its early deployment in these regions, and has first obtained orders from many relocating customers. Wah Lee has established successful sales offices in Vietnam, Thailand, Malaysia, Indonesia, Philippines, and Singapore, and has been steadily supplying the key raw materials, technical services and comprehensive solutions required by local manufacturers in each market. This year, we are actively establishing the India office, further expanding the offices in Southeast Asia, and strengthening the use of diversified local talents. In the future, we will play an important role in reducing geopolitical risks and the firmly grasping the rise of supply chain in the Indo-Pacific region. With the flexible operations in internationalization, Wah Lee reduces the political and economic risks between individual countries.

Finally, we will continue to accelerate the deployment of emerging industries such as high-performance computing, 5G communications, data center, AIOT, metaverse, Internet of Things, biomedicine, and electric vehicles, and expand our international operations. Wah Lee is moving towards its goal of becoming a world leader in technology application integration solutions and an excellent ESG company. Thanks again for the long term support of our shareholders and the unremitting efforts of our employees.

Chairman: Chang, Ray-Ching

Vice Chairman: Chen, Chun-Yin

CEO: Chang, Tsuen-Hsien

Chapter 2 Company Profile

I. **Date of Establishment:** October 1, 1968.

II. **Company History:**

- 1968 : Founded in Kaohsiung, Taiwan, with a registered capital of NT\$500,000, and engaged in the sale of chemicals.
- 1970 : Established Composite Materials Department to sell glass fiber of Asahi Fiber Glass and polyester resins of Nippon Shokubai.
- 1972 : Established Industrial Materials Department to sell printed circuit boards of Toray Polyester Film and Sumitomo Bakelite.
- 1973 : Established Plastic Materials Department to sell GE engineering plastics and Asahi Kasei products.
- 1975 : Established Taipei Branch.
- 1976 : Established Machinery Department to sell injection molding machines and exposure machines for PCB manufacturing process of Japan Steel Works.
- 1978 : Established Taichung Branch.
- 1981 : Established Development Department to sell materials for semiconductor manufacturing process.
- 1987 : Purchased 11F-1 of the Taipei Bao Fu Building and moved to the new location to expand business.
- 1988 : Renamed Development Department as Electronic Materials Department.
- 1989 : Established Chang Wah Electromaterials Inc. with Nagase & Co., Ltd. as a joint venture.
- 1990 : Established Nagase Wahlee Plastics Corp. with Nagase & Co., Ltd. as a joint venture.
Purchased a property at 10F, No. 235, Chung Cheng 4th Rd., Kaohsiung City, as the head office.
- 1997 : Established Asahi Kasei Wah Lee Hi-tech Corp. with Asahi Kasei Corporation (Japan) as a joint venture.
- 1999 : Renamed the Sales Division to Semiconductor Materials Division, Electronic Machinery Division, Engineering Plastics Division, New Materials Division, Composite Materials Division, and Optoelectronics Division.
- 2000 : The stock was listed on OTC on September 19 after being approved by the securities authority.
- 2001 : Acquired a majority shareholding in Raycong Industrial Products (Hong Kong) Co., Ltd.
Established Wah Lee (Japan) Co., Ltd.
- 2002 : Established Wah Fu International Trading (Shenzhen) Co., Ltd.
The stock was listed on stock exchange on July 22, 2002 after being approved by the securities authority.

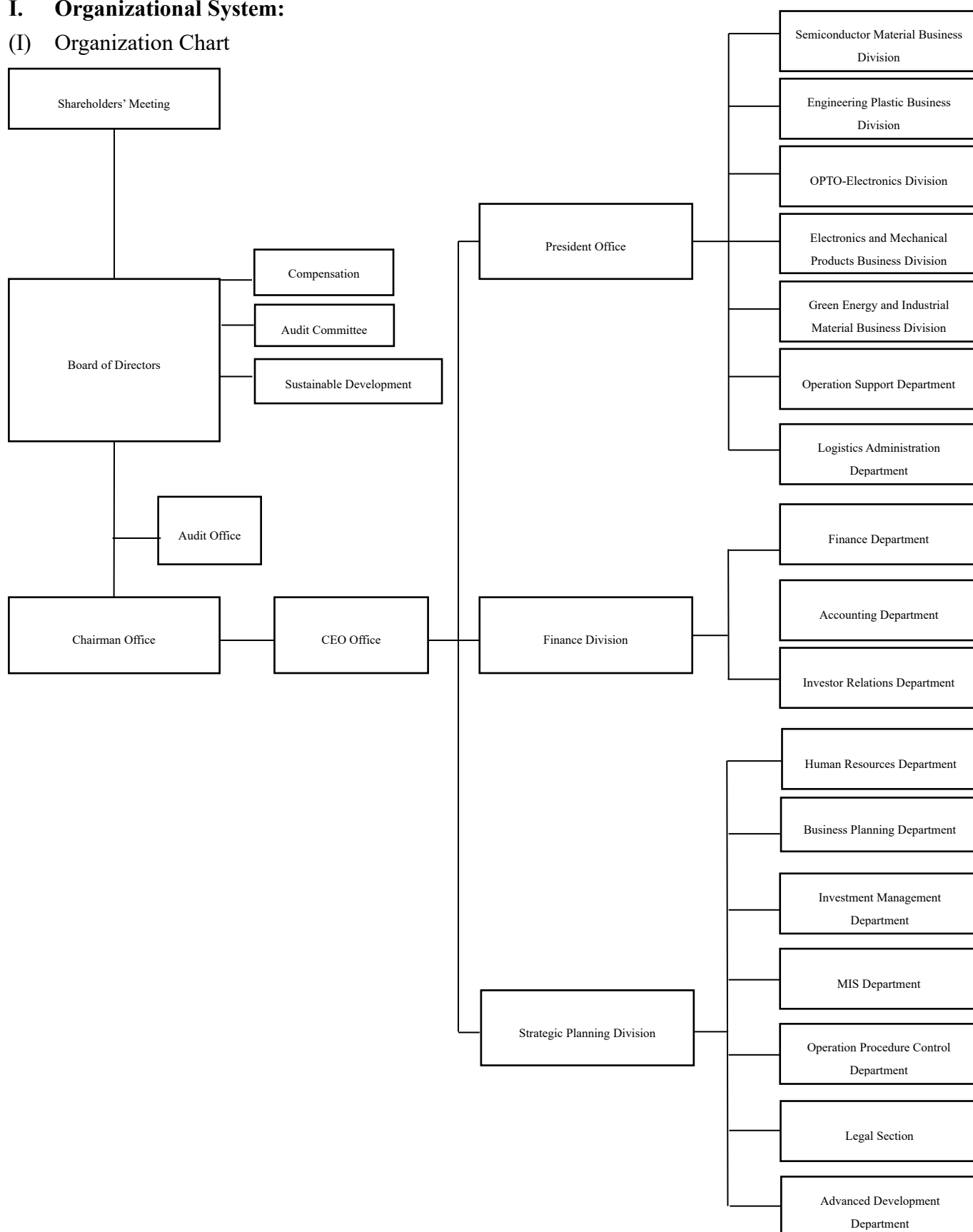
- Purchased the 12F of the Taipei Bao Fu Building.
- 2003 : Chang Wah Electromaterials Inc., an investee company, was listed on the OTC on October 30.
Hsinchu office and warehouse passed ISO9001 and ISO14001 certification.
Invested in Shanghai Hua Chang Trading Co., Ltd. with Nagase & Co., Ltd.
- 2004 : Acquired majority shareholding in Shanghai Yikang Chemicals and Industries Co., Ltd.
Integrated the former New Materials Division and PCB Division under the Electronic Machinery Division into the Printed Circuit Board Division.
Kaohsiung and Tainan offices passed ISO9001 and 14001 certification.
- 2005 : Wah Hong Industrial Corp., an investee company, was listed on the OTC on June 23.
The Composite Materials Division was renamed Composite Industrial Materials Division.
Taipei and Taichung offices passed ISO9001 and 14001 certification.
- 2006 : Acquired majority shareholding in Wah Lee Tech (Singapore) Ptd, Ltd.
Shanghai Yikang established the Suzhou Branch.
- 2007 : Established Dongguan Hua Gang International Trading Co., Ltd.
Introduced SAP ERP operating system.
Dongguan Hua Gang established Xiamen Branch.
- 2008 : Purchased the office at ZIHCIANG S. RD, Jhubei City, Hsinchu County.
- 2009 : Established Green Energy Optoelectronics Division.
- 2010 : Wah Fu International Trading (Shenzhen) Co., Ltd. was liquidated and the related business was merged into Dongguan Hua Gang International Trading Co., Ltd.
Dongguan Hua Gang established Guangdong Zhongshan Branch.
- 2011 : Adjusted the investment structure in China and transferred the stock equity of Shanghai Yikang Chemicals and Industries Co., Ltd. to Raycong Industrial (H.K.) Ltd.
Renamed the Printed Circuit Board Division as the Electronic Assembly Division.
Dongguan Hua Gang established Chongqing Branch.
Shanghai Yikang established the Tianjin Branch.
- 2012 : Established Skypower Ltd. to invest in a solar power plant in Japan.
Shanghai Yikang established the Wuhan Branch.
- 2013 : Integrated Industrial Materials Division and Green Energy Optoelectronics Division, and renamed as Green Energy and Industrial Materials Division; renamed former Green Energy Optoelectronics Division as Optoelectronics Division.
- 2014 : Established Okayama, Sakuragawa, and Miyazaki limited companies to invest in solar power plants in Japan.
- 2015 : Established subsidiaries Huaying Supply Chain Management (Shenzhen) Co., Ltd. , PT. Wah Lee Indonesia and Wah Lee (Vietnam) Co., Ltd.
- 2016 : Mr. Chang, Tsuen-Hsien held CEO and President.
- 2017 : Established Audit Committee in response to the corporate governance regulations

- of the competent authorities.
Sold Skypower Ltd. and the solar power plant held by Skypower.
Acquired majority shareholding in Tranceed Logistics Co., Ltd.
- 2018 : Acquired majority shareholding in Wah Tech Industrial Co., Ltd. in Thailand to strengthen its presence in Southeast Asia.
Sold the solar power plant held by Okayama Ltd. in Japan and liquidated the company.
Held the 50th anniversary party for the founding of the Company.
- 2019 : Acquired majority shareholding in Kingstone Energy Technology Corporation to run business of solar power plant.
Established the Subsidiaries Wah Lee Philippines Inc. and Wah Lee Philippines International Corp..
Established Guangzhou Xingxian Medical Management Consulting Co., Ltd. to run business in biotech medical industry.
Acquired majority shareholding in Cyuan Cheng Logistics Co., Ltd. to expand the business in logistics industry.
- 2020 : Established Wah Heng Energy Technology Corp.
- 2021 : Exclusively sponsored the National Junior College Cup “Wah Lee Innovative Materials Competition” held by the China Society for Materials Science.
The subsidiary Kingstone Energy Technology Corporation won the Top Solar Awards, the highest national PV (solar photovoltaic system) award.
Issued the third domestic unsecured convertible bond of NT\$2.05 billion.
- 2022 : Established the Sustainable Development Committee and issued the first sustainability report.
Acquired the land for the Southern Logistics Center.
Acquired majority shareholding in Hightech Polymer Sdn Bhd in Malaysia to strengthen the presence in Southeast Asia.
Adjusted the investment structure in Singapore and transferred the stock equity of Wah Lee Tech (Singapore) Ptd, Ltd. to the parent company.
Completed the Company’s first sustainable linked syndicated loan of NT\$5 billion.

Chapter 3 Corporate Governance Report

I. Organizational System:

(I) Organization 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.
CEO Office	<ol style="list-style-type: none"> 1. Develop, plan and execute the short, 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 the 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 Administration Department	<ol style="list-style-type: none"> 1. Manage the storage, transportation and delivery of raw materials and merchandise. 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.

Function	Role and Responsibility
	<ol style="list-style-type: none"> Undertake stock affairs. Source of capital and manage its utilization. Execute the evaluation and planning of the financing activities of the Company. Undertake customer credit review, investigation and control.
Accounting Department	<ol style="list-style-type: none"> Undertake and execute the planning for accounting and financial budgeting procedures. Undertake and execute the planning for tax matters.
Investor Relations Department	<ol style="list-style-type: none"> Establish communication channels between external investors and the Company. Strengthen investors' recognition of the company's integrity and future development. Establish and devote in the operation of the media and public relations to promote corporate image. Lead the preparation of the Sustainable Development Report and assist the Sustainable Development Committee's operation to implement relevant ESG policies.
Human Resources Department	<ol style="list-style-type: none"> Establish the human resource strategy of the Company. Effectively oversee the execution of recruitment, staffing, training and retainment systems. Undertake and promote comprehensive human resource management and development planning. Plan for and execute the organizational assessment and development. Plan for and execute the use of human resources.
Investment Management Department	<ol style="list-style-type: none"> Coordinate the management of investment companies in and outside of Taiwan. Devise the planning and evaluation of future development of various investment strategies and directions. Devise and execute the investment strategic projects of the Company. Assist the investment companies to implement the company's regulations and systems.
Business Planning Department	<ol style="list-style-type: none"> Devise and implement the operating strategies of the Company and new development projects for business divisions. Analyze industry environment and development trends. Oversee performance management and budgeting. Execute and implement projects related to the Company's strategies.
MIS Department	<ol style="list-style-type: none"> Devise the planning and design of the overall MIS. Manage computer resources and equipment and promote computerization. Oversee the execution of the internal control of the computing cycle and the audit of internal security.
Advanced Development Department	<ol style="list-style-type: none"> Devise and execute the new strategic development programs of the business divisions. Establish the latest industry development trends of the market research mechanism and the new optimization program of collaboration with industrial suppliers. Seek out appropriate strategic alliances and devise strategic alliance planning.
Operation Procedure Control Department	<ol style="list-style-type: none"> Coordinate and manage the operating transaction procedures and regulations. Optimize and coordinate the procedures of the transaction system.
Legal Section	<ol style="list-style-type: none"> Undertake legal advisory and affairs. Review, plan, undertake and execute all contracts, litigations and other legal affairs of the Company.

II. Directors, Supervisors and Management Team:

(I) Directors

Directors (1)

March 31, 2023

Title	Nationality/ place of registration	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.	—	2020.05.28	3 years	2005.06.07	14,439,155	6.24%	19,868,338	8.42%	0	0.00%	0	0.00%	None	None	None	None	None	None
	R.O.C.	Kang Tai Investment Corp. Representative: Chang, Ray- Ching	Male 81-90 y/o	2020.05.28	3 years	1971.05.26	14,910,397	6.44%	6,137,364	2.60%	728,569	0.31%	8,188,320	3.47%	Honorary Doctorate, National Sun Yat-Sen University Honorary Doctorate, National Cheng Kung University Wah Lee Industrial Corp. CEO	Chairman, 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 Pao Co. Ltd. Chairman of Fenghuang No.5 Innovation Venture Capital Co., Ltd. Director of Fenghuang No.2 Innovation Venture Capital Co., Ltd.	Vice Chairman Director CEO	Chen, Chun-Yin Lin, Shu- Chen Chang, Tsuen- Hsien	Affinity Spouse Father and son	Note 2
Vice Chairman	R.O.C.	Chen, Chun-Yin	Male 81-90 y/o	2020.05.28	3 years	1990.09.07	3,796,014	1.64%	3,417,934	1.45%	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, Director of ORC Electrical Machinery Co., Ltd Director of Asahi Kasei Wah Lee Hi-Tech Corp. Director of Hsin Hao Company	Chairman Director	Chang, Ray- Ching Lin, Shu- Chen	Affinity Affinity	None
Director	R.O.C.	Kang Tai Investment Corp.	—	2020.05.28	3 years	2005.06.07	14,439,155	6.24%	19,868,338	8.42%	0	0.00%	0	0.00%	None	None	None	None	None	None
	R.O.C.	Kang Tai Investment Corp. Representative: Chang, Tsuen- Hsien	Male 51-60 y/o	2020.05.28	3 years	2017.05.26	0	0.00%	1,011,200	0.43%	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 Hua Gang 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.	Chairman Director	Chang, Ray- Ching Lin, Shu- Chen	Father and son Mother and son	Note 2

Title	Nationality/ place of registration	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	
																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 (SZ) 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	2020.05.28	3 years	1969.09.17	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.	—	2020.05.28	3 years	2008.06.18	1,971,873	0.85%	2,666,310	1.13%	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	2020.05.28	3 years	2012.12.01	1,689,656	0.73%	728,569	0.31%	6,137,364	2.60%	8,188,320	3.47%	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 Chen, Chun-Yin Chang, Tsuen- Hsien	Spouse Affinity Mother and son	None
Director	R.O.C.	Yeh, Ching-Pin	Male 71-80 y/o	2020.05.28	3 years	1990.09.07	3,356,263	1.45%	3,423,388	1.45%	921,397	0.40%	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	R.O.C.	Wang, Yea- Kang	Male 71-80 y/o	2020.05.28	3 years	2008.06.18	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 of the Chinese National Federation of Industries Chairman of Taiwan Textile Research Institute	Evaluation Expert of the Public Constitution Commission Consultant of Taiwan Textile Research Institute Director of Johnson Health Tech Co., Ltd. Director of Singtex Industrial Co., Ltd. Independent director of Wisher Industrial Co., Ltd. Independent director of Eclet Textile Co., Ltd. Independent director of Feng Hsin Steel Co., Ltd.	None	None	None	None

Title	Nationality/ place of registration	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	
Independent Director	R.O.C.	Shyu, So-De	Male 61-70 y/o	2020.05.28	3 years	2017.05.26	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	Independent director of Gamma Optical Investment (Samoa) Co., Ltd. Independent director of Soft-world International Corporation Independent director of Myson Century, Inc.	None	None	None	None
Independent Director (Note 1)	R.O.C.	Chen, Ju-Chung	Male 51-60 y/o	2022.05.27	1 year	2022.05.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Science, Bernard M.Baruch College Master of Business Administration, University of North Carolina, Charlotte President of First Securities Investment Trust Co., Ltd.	Council Chairman of Greater China Financial and Economic Development Association	None	None	None	None

Note 1: The new independent director Chen, Ju-Chung elected by the Shareholders' Meeting on May 27, 2022 resigned on November 25, 2022 for personal career planning.

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 hold concurrent positions as the Company's employees or managers.
5. The shareholders' meeting will reelect all directors in 2023, and four independent directors will be elected and appointed.

Major Corporate Shareholders

March 31, 2023

Corporate Shareholder	Major Corporate Shareholders
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, 2023

Name of Institutional Shareholder	Major Shareholder
Fortune Investment Co., Ltd.	Ray Kang Investment Co. Ltd. (98.90%) and Crystal Investment Co. Ltd. (1.10%)
Dragon Investment Co., Ltd.	Totino Investment (B.V.I.) Co., Ltd. (100%)

Directors (2)

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

Qualifications Name	Professional Qualification and Work Experience	Independence Criteria (Note)	Number of Other Public Companies where the Individual Concurrently Serves 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 the 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

<div>Qualifications</div> <div>Name</div>	Professional Qualification and Work Experience	Independence Criteria (Note)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Director Chang, Tsuen-Hsien	Graduated from the 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, managing and supervising the performance of business units and operation support units, making annual budget and financial measurement of the company, managing the relationship between suppliers and customers, assisting in the development of new product agents, as well as the ability of judging the competition in global professional market, 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., and the 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
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 the 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

<div>Qualifications</div> <div>Name</div>	Professional Qualification and Work Experience	Independence Criteria (Note)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
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, the member of the Audit Committee and the member of the Sustainable Development Committee. Currently, he is the current Evaluation Expert of the Public Constitution Commission, Executive Yuan, Consultant of Taiwan Textile Research Institute. 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 (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (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 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings. (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officers in the preceding paragraph 1, or of any of the persons in the preceding paragraphs (2) and (3). (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the	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.		3

<p>Independent Director Chen, Ju-Chung (Note 1)</p>	<p>Master of Science of Bernard M.Baruch College, and Master of Business Administration of University of North Carolina, Charlotte. Member of the Audit Committee. Former President of First Securities Investment Trust Co., Ltd. Council Chairman of Greater China Financial and Economic Development Association. He has more than five years of working experience in business, finance and corporate business, specializing in financial management and accounting.</p>	<p>laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(6) Not a director, supervisor or employee of a company controlled by the same person whose shares exceed half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, president, or person holding an equivalent position of the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative compensation less than NTD500,000 in the past two years. However, this does not apply in cases where members of the Compensation Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.</p> <p>(10) Not a spouse or a relative within the second degree of kinship to any other director of the Company.</p> <p>(11) Does not meet any of the criteria described in Article 30 of the Company Act.</p> <p>(12) Not a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act.</p>	<p>None</p>
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Note 1: The new independent director Chen, Ju-Chung elected by the Shareholders' Meeting on May 27, 2022 resigned on November 25, 2022 for personal career planning.

2. Diversity and independence of the Board of Directors

According to Sections 5.1.3 and 5.1.4, Article 5.1 of the Company's "Corporate Governance Best Practice Principles", the structure of the Board of Directors and the diversity of the Board of Directors' membership and the overall capabilities of the 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 judgment.

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 the 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 the 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	Basic Information									Part time staff	Diversified Core Capabilities							
	Title	Gender	Age				Independent director terms and seniority				Finance and Banking	Business Administration	Business Marketing	R&D	Accounting and Financial Analysis.	Expertise Ability	Information Technology	Risk Management
			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									
Director																		
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			✓							✓	✓	✓	✓	✓	✓	✓
Wang, Yea-Kang	Independent Director	Male			✓				✓			✓	✓		✓	✓	✓	✓
Shyu, So-De	Independent Director	Male		✓				✓			✓	✓			✓	✓	✓	✓
Chen, Ju-Chung (Note 1)	Independent Director	Male	✓				✓				✓	✓	✓		✓	✓	✓	✓

Note 1: The new independent director Chen, Ju-Chung elected by the Shareholders' Meeting on May 27, 2022 resigned on November 25, 2022 for personal career planning.

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 managers 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.	The independent director Chen, Ju-Chung resigned on November 25, 2022, and all the directors will be re-elected no the Shareholders' Meeting for 2023, when the number of independent directors will increase from 3 to 4.

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

March 31, 2023

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 and President	R.O.C.	Chang, Tsuen-Hsien	Male	2016.09.01	1,011,200	0.43%	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 Hua Gang 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 (SZ) 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	2017.03.01	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. 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 Hua Gang International Trading Co., Ltd. Chairman and President of Hua Ying Supply Chain Management (SZ) Co., Ltd. Chairman of Guangzhou Xingxian Medical Management Consulting Co., Ltd.	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	
CEO Office Vice President	R.O.C.	Yeh, Ching-Wen	Male	2018.07.01	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. Chairman of Hightech Polymer Sdn.Bhd.	None	None	None	None
OPTO-Electronics Division Vice President	R.O.C.	Liu, Feng-Roung	Male	2018.07.01	4,555	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
Senior Director of Engineering Plastic Business Division & Head of Taichung Office	R.O.C.	Chang, Jui-Yu	Male	2018.07.01	1,022,820	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	2019.04.09	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
Senior Director of Engineering Plastic Business Division	R.O.C.	Yang, Chen-Ming	Male	2014.07.01	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 Business Division Senior Director	R.O.C.	Chen, Yi-Jen	Male	2021.07.01	133	0.00%	0	0.00%	0	0.00%	Department of Business Decision Making, Sanno University	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	
Semiconductor Material Business Division Senior Director	R.O.C.	Yang, Cheng-Ju	Male	2021.07.03	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 Business Division Director	R.O.C.	Chang, Chi-An	Male	2016.07.01	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
Semiconductor Material Division Director	R.O.C.	Chen, Mao-Hua	Male	2019.07.01	563	0.00%	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
Electronics and Mechanical Products Business Division Senior Director	R.O.C.	Shan, Tzu Hao	Male	2022.02.14	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 Business Division Director	R.O.C.	Tsai, Yu-Tang	Male	2014.07.01	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
Electronics and Mechanical Products Business Division Director	R.O.C.	Lee, Chi-Shan	Male	2021.07.01	6,573	0.00%	0	0.00%	0	0.00%	Applied Foreign Language Department of Kao Yuan University	None	None	None	None	None
Senior director of Green Energy and Industrial Material Business Division	R.O.C.	Shao, Kuang-Wei	Male	2015.04.13	0	0.00%	0	0.00%	0	0.00%	Department of Chemical Engineering, Kuang Wu Industry and Commerce Junior College Vice president of Tong Tai Jung Industrial Co., Ltd.	Director and president of Kingstone Energy Technology Corporation.	None	None	None	None
Strategic	R.O.C.	Liu,	Male	2006.06.09	0	0.00%	0	0.00%	0	0.00%	Graduate Institute of	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	
Planning Division Director		Tsung-Ming									Business Administration, National Sun Yat-sen University Corporate management executive director of Yen Li En Co., Ltd.					
Strategic Planning Division Senior Director	R.O.C.	Chiang, Kuo-Jui	Male	2021.03.10	0	0.00%	0	0.00%	0	0.00%	Department of Chemistry, Chinese Culture University Director of Hon Hai Precision Industry Co., Ltd.	None	None	None	None	None
Audit Office Director	R.O.C.	Yang Yu-Kuang	Male	2021.07.01	0	0.00%	0	0.00%	0	0.00%	Centenary College, MBA Program Foxconn Technology Co., Ltd., Director of the Operation and Management Department	None	None	None	None	None
Director, MIS Department	R.O.C.	Shih, Ching-Hsien	Male	2014.07.01	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 Senior Director	R.O.C.	Lin, Jen-Chih	Male	2008.07.01	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.	Supervisor of Nagase Wahlee Plastics Corp. Director of Shanghai Yi Kang Chemicals & Industries Co., Ltd. Director of Shanghai Hua Chang Trading Co., Ltd.	None	None	None	None
Finance Division Director	R.O.C.	Tsai, Shu-Fen	Female	2019.07.01	102,285	0.04%	0	0.00%	0	0.00%	Department of Accounting, National Cheng Kung University (Open Junior College) Accounting personnel of Cheng Hsin CPA Firm	Chairman of Kang Tai Investment Corp.	None	None	None	None
Accounting Department Senior Director	R.O.C.	Li, Kuo-Ping	Male	102.07.01	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 Hua Gang International Trading Co., Ltd. Director of Raycong Industrial (Hong Kong) Limited	None	None	None	None
Logistics Administration	R.O.C.	Shih, Chia-	Male	2021.07.01	0	0.00%	1,020	0.00%	0	0.00%	Department of Information Management of Tamkang	Chairman of Tranceed Logistic Co., Ltd.	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	
Department Director		Sheng									University, Deputy Manager of Manufacturing Division, AHEAD Optoelectronics, INC.	Chairman of Xiamen Huashengda Logistics Co., Ltd.				

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, 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 hold concurrent positions as the Company’s employees or managers.
5. The shareholders’ meeting will reelect all directors in 2023, and four independent directors will be elected and appointed.

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

(I) Compensation of directors and independent directors

Unit: NT\$; % December 31, 2022

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)
		Compensation (A) (Note 1)		Pensions (B)		Compensation of director (C) (Note 2)		Business department implementation fees for services rendered (D) (Note 3)				Salary, Bonuses, and Special Allowances etc (E) (Note 4)		Pensions (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	32,306	32,306	410	410	32,716 1.32%	32,716 1.32%	22,858	22,858	379	379	21,150	0	21,150	0	77,103 3.10%	77,103 3.10%	17,713
	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	0	0	0	0	5,000	5,000	400	400	5,400 0.21%	32,716 0.21%	0	0	0	0	0	0	0	0	5,400 0.21%	5,400 0.21%	0
	Shyu, So-De																					
	Chen, Ju-Chung (Note 9)																					
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. 2. In addition to the disclosure in the above table, the compensation 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) in the recent year: None.																						

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: Chen, Ju-Chung	Independent Director: Chen, Ju-Chung	Independent Director: Chen, Ju-Chung	Independent Director: Chen, Ju-Chung
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	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	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	Director: Lin, Chi-Hai; Yeh, Ching-Pin Independent Director: Wang, Yea-Kang; Shyu, So-De	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)	—	—	Director: Bau Guang Investment Corp.: Lin, Shu-Chen	Director: Bau Guang Investment Corp.: Lin, Shu-Chen
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	—	—	Director: Kang Tai Investment Corp.: Chang, Tsuen-Hsien	Director: Kang Tai Investment Corp.: Chang, Tsuen-Hsien
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	Director: Kang Tai Investment Corp.: Chang, Ray-Ching	Director: Kang Tai Investment Corp.: Chang, Ray-Ching	Director: Chen, Chun-Yin	Director: Chen, Chun-Yin
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	—	—	Director: Kang Tai Investment Corp.: Chang, Ray-Ching	Director: Kang Tai Investment Corp.: Chang, Ray-Ching
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	—	—	—	—
Over 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 the appropriation of director compensation for 2022 that has been resolved by the Board of Directors.

Note 3: Referring to professional fees for services rendered made to directors for 2022 (including honorarium and compensation for Compensation Committee members).

Note 4: Referring to salaries, allowances, severance packages, various rewards, bonuses, honorariums, special allowances, various allowances, dormitories, cars and other material provisions made to directors who held concurrent positions as company employees (including the president, vice presidents, other managers and employees) for 2022.

Note 5: Referring to employee cash salaries made to directors who held concurrent positions as company employees (including the president, vice presidents, other managers and employees) for 2022; 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 2022.

Note 7: Referring to pension appropriation for 2022.

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 compensation, 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.

Note 9: Resigned on November 25, 2022

(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\$1,000; % December 31, 2022														
Title	Name	Salary (A) (Note 1)		Pension (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)		Compensation from Invested Companies Other than Subsidiaries or the Parent Company(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 and President	Chang, Tsuen-Hsien	13,013	15,779	243	243	9,700	13,671	21,400	0	21,400	0	44,356 1.79%	51,093 2.06%	2,006
Vice President	Lu, Jui-Ming													
Vice President (Note 7)	Chen, Chih-Yuan													
Vice President	Liu, Feng-Roung													
Vice President	Yeh, Ching-Wen													
Vice President (Note 7)	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	—	—
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Chen, Chih-Yuan	—
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	—	Chen, Chih-Yuan
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	—	—
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Chang, Tsuen-Hsien; Lu, Jui-Ming; Liu, Feng-Roung; Yeh, Ching-Wen; Su, Yu-Liang	Liu, Feng-Roung; Yeh, Ching-Wen; Su, Yu-Liang
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	—	Chang, Tsuen-Hsien; Lu, Jui-Ming;
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)	—	—
Over NT\$100,000,000	—	—
Total	6	6

Note 1:Referring to the president and vice president salaries, allowances, severance package and etc. for 2022.

Note 2:Referring to the president and vice presidents’ various rewards and bonuses for 2022.

Note 3:The employee compensation for 2022 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 2022.

Note 5:Referring to pension appropriation for 2022.

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

Note 7:The vice president Chen, Chih-Yuan retired in April 2022, and the vice president Su, Yu-Liang retired in December 2022.

(IV) Analysis of the proportion of the total compensation 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 compensation, and the procedures for formulating compensation and its correlation with business performance and future risks.

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

Title	Percentage of total compensation to net profit after tax				Increase (decrease) Percentage	
	2021		2022			
	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	3.11%	3.11%	3.32%	3.32%	(0.21%)	(0.21%)
President and Vice President	1.96%	2.30%	1.79%	2.06%	(0.17%)	(0.24%)

Note 1: The information in 2022 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 compensation:

- (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 compensation.
- 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 compensation of directors who serve as the manager of the 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% to 13% shall be allocated for the compensation of employees.

3. Procedure for determining compensation:

- (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 compensation of the 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 compensation.
- (3) The Company also examines future operational risks, environmental protection, and corporate social responsibility from time to time, and reviews the compensation 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 compensation ratio of directors and employees in 2022 is lower than that in 2021, mainly because the net profit before tax in 2022 is lower than that in 2021, and there is no unreasonable situation.
 2. The compensation ratio of the general manager and vice president in 2022 decreased compared with that in 2021, mainly due to the reduction of annual pre-tax net profit in 2022 compared with that in 2021 and the reduction of a senior executive in 2022, which is not unreasonable.

(V) Distribution of compensation to management

Unit: NT\$1,000; % December 31, 2022						
	Title	Name	Stock amount	Cash amount(Note 1)	Total	Total as a percentage of after-tax profit (%)
Manager	CEO and President	Chang, Tsuen-Hsien	0	58,980	58,980	2.37%
	Vice President (Note 2)	Chen, Chih-Yuan				
	Vice President	Lu, Jui-Ming				
	Vice President	Liu, Feng-Roung				
	Vice President	Yeh, Ching-Wen				
	Vice President (Note 2)	Su, Yu-Liang				
	Director	Chang, Jui-Yu				
	Director (Note 2)	Lin, Li-Chang				
	Director	Liu, Tsung-Ming				
	Director (Note 2)	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	Yang, Cheng-Ju				
	Director	Shao, Kuang-Wei				
	Director	Chang, Chi-An				
	Director	Tsai, Shu-Fen				
	Director	Chen, Mao-Hua				
	Director (Note 4)	Chang, Tzu-Cheng				
	Director	Chiang, Kuo-Jui				
	Director	Lee, Chi-Shan				
	Director	Shih, Chia-Sheng				
	Director	Yang Yu-Kuang				
	Director	Lin, Jen-Chih				
	Director	Li, Kuo-Ping				
	Director (Note 3)	Shan, Tzu Hao				

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

Note 2: Discharged in 2022

Note 3: Appointed in 2022

Note 4: Discharged in 2023

IV. Implementation of Corporate Governance:

(I) Participation of Board of Directors:

1. There were 7 board meetings (A) in 2022. 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	Chen, Chun-Yin	7	0	100%	
Director	Kang Tai Investment Corp. Representative: Chang, Tsuen-Hsien	7	0	100%	
Director	Lin, Chi-Hai	6	1	86%	
Director	Bau Guang Investment Corp. Representative: Lin, Shu-Chen	7	0	100%	
Director	Yeh, Ching-Pin	7	0	100%	
Independent Director	Chen, Ju-Chung	3	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: The new independent director Chen, Ju-Chung elected by the Shareholders' Meeting on May 27, 2022 resigned on November 25, 2022 for personal career planning.

Other items should be recorded:

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 2022" below.

(2) Other issues opposed by independent directors or of which, the directors have reservations that have been noted in the record or declared in writing: None.

II. Recusal by directors due to the 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 information transparency:

The Company upholds the principle of transparency in operation and respects the shareholders' interest. After every board meeting, the Company shall announce important resolutions passed by the Board of Directors. This practice shall be continued in the future to achieve information transparency.

(3) On May 27, 2022, 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, 2022 to June 18, 2023.

(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 2022 annual assessment have been submitted to the Board of Directors report on March 16, 2023.

2. Attendance of Independent Directors in 2022:

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

2022	First Interim	First	Second meeting	Third meeting	Fourth	Fifth	Sixth
Chen, Ju-Chung	N/A	N/A	N/A	N/A	◎	◎	◎
Wang, Yea-Kang	◎	◎	◎	◎	◎	◎	◎
Shyu, So-De	◎	◎	◎	◎	◎	◎	◎

3. Participation of Board of Directors in 2022:

Date of Meeting	Session	Resolution	Independent Director's Opinion	Actions to be taken
2022.01.25	First Interim	Approved to purchase the land for the southern logistic center with NTD1.2 billion.	Resolution passed unanimously.	N/A
		Approved the amount of long-term secured loan to be applied from the Land Bank for the southern logistic center.	Resolution passed unanimously.	N/A
		Approved the obtaining of the solar power generation equipment engineering through the subsidiary KSD Energy.	Resolution passed unanimously.	N/A
2022.02.17	First	Approved the 2022 Business Plan.	Resolution passed unanimously.	N/A
		Approved the Company's fourth quarter overdue receivables in 2021 are not listed as a loan to others.	Resolution passed unanimously.	N/A
		Approved the authorization of the Company's banking facilities in 2022.	Resolution passed unanimously.	N/A
		Approved to apply for the medium-term working capital bank loan.	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Asahi Kasei Wah Lee Hi-tech Corp. (NTD 25,194,000)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Nagase Wahlee Plastics Corp. (NTD640 million and NTD150 million for the purchase of materials.)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Shanghai Nagase Wahlee Trading Limited. (USD22.2 million and USD9.5 million for the purchase of materials.)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Wah Lee (Vietnam) Co., Ltd. (USD13.6 million)	Resolution passed unanimously.	N/A
		Approved the amendment to some provisions of "Standard Procedures for Handling the Request of Directors"	Resolution passed unanimously.	N/A
		Approved the election of independent directors.	Resolution passed unanimously.	N/A
2022.03.22	Second meeting	Approved the date and place of the 2022 Annual General Meeting of Shareholders.	Resolution passed unanimously.	N/A
		Approved the 2021 Business Report, Individual Financial Report and Consolidated Financial Report.	Resolution passed unanimously.	N/A
		Approved the proposal to distribute earnings for 2021. (Cash dividend of NTD6.8 per share)	Resolution passed unanimously.	N/A
		Approved the appropriation of the Company's Director's	Resolution passed	N/A

		and employees' compensation for 2021.	unanimously.	
		Approved the proposal of Director's compensation and employee's compensation ratio for 2022.	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for subsidiaries Raycong Industrial (Hong Kong) Limited, DongGuan Hua Gang 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. (NTD120 million)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Wah Lee Tech (Singapore) Pte., Ltd. (USD10.50 million)	Resolution passed unanimously.	N/A
		Approved to provide the loan to the subsidiary Kingstone Energy Technology Co., Ltd. (NTD150 million)	Resolution passed unanimously.	N/A
		Approved the amendment to some provisions of "the Articles of Association".	Resolution passed unanimously.	N/A
		Approved the amendment to some provisions of "the management of procedures for preparation of financial statements".	Resolution passed unanimously.	N/A
		Approved to issue the company's 2021 statement of the internal control system.	Resolution passed unanimously.	N/A
		Approved the change of the Company's CPAs and their compensation.	Resolution passed unanimously.	N/A
		Approved the Company's nomination and review of independent director candidates.	Resolution passed unanimously.	N/A
		Approved to revise the discussion proposal of the 2022 general meeting of shareholders.	Resolution passed unanimously.	N/A
		Approved the Company's intellectual property management plan.	Resolution passed unanimously.	N/A
2022.05.10	Third meeting	Approved the Consolidated Financial Report for the first quarter of 2022.	Resolution passed unanimously.	N/A
		Approved the Company's first quarter overdue receivables are not listed as a loan to others.	Resolution passed unanimously.	N/A
		Approved the amendment to some provisions of the "Corporate Governance Best Practice Principles"	Resolution passed unanimously.	N/A
		Approved to cancel the corporate guarantee for Shanghai Yi Kang Chemical & Industries Co., Ltd. and Wah Lee Tech (Singapore) Pte. Ltd. for purchasing materials from JSR company.	Resolution passed unanimously.	N/A
2022.05.27	Fourth	Approved matters related to the distribution of cash dividend for 2021.	Resolution passed unanimously.	N/A
		Approved the discussion on the purchase of liability insurance discussions for the company's Director and managers. (Insurance limit of USD 5 million) (Due on June 18, 2022).	Resolution passed unanimously.	N/A
		Approved the discussion of applying for medium and long-term syndicated loan from the bank.	Resolution passed unanimously.	N/A
2022.08.09	Fifth	Approved the consolidated financial statements for the second quarter of 2022.	Resolution passed unanimously.	N/A
		Approved the compensation for managers deliberated by the Company's Compensation Committee.	Resolution passed unanimously.	N/A
		Approved the Company's second quarter overdue receivables are not listed as a loan to others.	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for WAH TECH	Resolution passed	N/A

		INDUSTRIAL CO., LTD. (THB300 million and USD6 million)	unanimously.	
		Approved the discussion of the Company's proposal to issue the first domestic secured ordinary corporate bonds	Resolution passed unanimously.	N/A
2022.11.09	Sixth	Approved the consolidated financial statements for the third quarter of 2022.	Resolution passed unanimously.	N/A
		Approved the bank guarantee for REGENT KING INTERNATIONAL LIMITED. (USD2 million)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Wah Lee Philippines Inc. (USD2 million)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Wah Lee Philippines International Corp. (USD2 million)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for PT. WAH LEE INDONESIA (USD3.1 million)	Resolution passed unanimously.	N/A
		Approved the proposal of acquiring all the company shares of Wah Lee Tech (Singapore) Pte. Ltd. from its subsidiary Wah Lee Holding Ltd.	Resolution passed unanimously.	N/A
		Approved the 2023 Audit Plan.	Resolution passed unanimously.	N/A
		Approved the discussion on the formulation of the Company's Sustainable Development Best Practice Principles.	Resolution passed unanimously.	N/A
		Approved the discussion on the formulation of the Company's Organization Procedures of Sustainable Development Committee.	Resolution passed unanimously.	N/A
		Approved the discussion on the appointment of members for the first Sustainable Development Committee.	Resolution passed unanimously.	N/A
		Approved the discussion on the Company's Operational Procedures for Preparing and Validating the Sustainable Development Report	Resolution passed unanimously.	N/A
		Approved the discussion of renaming the Procedures on Insider Trading Prevention and Control as Internal Important Information Processing and Procedures on Insider Trading Prevention and Control.	Resolution passed unanimously.	N/A
		Approved the formulation of the Company's Risk Management Policy and Procedures.	Resolution passed unanimously.	N/A
		Approved the replacement of the Company's stock affairs agency.	Resolution passed unanimously.	N/A

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 results of the Board of Directors are as follows:

No.	Scope of assessment	Method of assessment	Assessment period	Content of assessment	Assessment result	Remarks
1	<input checked="" type="checkbox"/> Board of Directors <input type="checkbox"/> Individual board member <input type="checkbox"/> Functional committee	<input checked="" type="checkbox"/> Internal self-assessment of Board of Directors <input type="checkbox"/> Self-assessment by director <input type="checkbox"/> Peer assessment <input type="checkbox"/> External assessment	Start date: January 1, 2022 End date: December 31, 2022	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 89%.	
2	<input type="checkbox"/> Board of Directors <input checked="" type="checkbox"/> Individual board member <input type="checkbox"/> Functional committee	<input type="checkbox"/> Internal self-assessment of Board of Directors <input checked="" type="checkbox"/> Self-assessment by director <input type="checkbox"/> Peer assessment <input type="checkbox"/> External assessment	Start date: January 1, 2022 End date: December 31, 2022	1. Comprehension of the goals and missions of the Company; 2. Comprehension of the duties of directors; 3. Participation level in the management of the Company. 4. Management of internal relationships and communication; 5. Professionalism and continuing education of director; and 6. Internal control.	Item awaiting improvement: Some directors 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 performance assessment scores for individual board members lie in the Outstanding category at 81%.	
3	<input type="checkbox"/> Board of Directors <input type="checkbox"/> Individual board member <input checked="" type="checkbox"/> Functional committee	<input type="checkbox"/> Internal self-assessment of Board of Directors <input type="checkbox"/> Self-assessment by director <input checked="" type="checkbox"/> Peer assessment <input type="checkbox"/> External assessment	Start date: January 1, 2022 End date: December 31, 2022	1. Participation level in the management of the Company; 2. Comprehension of the duties of the 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	All the assessment items are met. <ul style="list-style-type: none"> Attachment 3: The results of the self-evaluation questionnaire of the performance appraisal of the three members of the Compensation Committee were 98% outstanding. Attachment 4: The audit committee's 2 performance assessment self-assessment questionnaire results were 100% outstanding. 	

(II) Participation 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 Qualification and Work 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, the member of the Audit Committee and the member of the Sustainable Development Committee. Currently, he is the current Consultant of Chinese National Federation of Industries, Evaluation Expert of the Public Constitution Commission, Executive Yuan, Consultant of Taiwan Textile Research Institute, Dean of Knowledge Service Center, NCKU Research & Development Foundation. 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	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.
Independent Director Chen, Ju-Chung (Note 1)	Master of Science of Bernard M.Baruch College, and Master of Business Administration of University of North Carolina, Charlotte. Member of the Audit Committee. Former President of First Securities Investment Trust Co., Ltd. Council Chairman of Greater China Financial and Economic Development Association. He has more than five years of working experience in business, finance and corporate business, specializing in financial management and accounting.

Note 1: The new independent director Chen, Ju-Chung elected by the Shareholders' Meeting on May 27, 2022 resigned on November 25, 2022 for personal career planning.

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 and 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 the conflict of interest of directors.
5. Oversee transactions involving significant assets or derivatives.
6. Oversee major funds lending, and the 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 the 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.

A total of 7 meetings (A) of the Audit Committee were held in 2022. 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	Wang, Yea-Kang	7	0	100%	
Independent Director	Chen, Ju-Chung	3	0	100%	Note 2
<p>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.</p> <p>Note 2: The new independent director Chen, Ju-Chung elected by the Shareholders' Meeting on May 27, 2022 resigned on November 25, 2022 for personal career planning.</p> <p>Other items should be recorded:</p> <p>I. Operation of the Audit Committee:</p> <p>(1) Matters described in the Securities and Exchange Act, Article 14-5:: Please see the "Participation of Audit Committee in 2022" below.</p>					

- (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.

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

III. Communication between independent directors, head of internal audit, and external auditors in 2022 :

- (1) Communication between independent directors and external auditors:

Date	Matters communicated	Result
2022.03.22	[Audit Committee's Report] The external auditors and the corporate governance unit communicated about the key auditing reports of the financial statements for 2021.	Good
2022.11.09	[Audit Committee's Report] The external auditors and the corporate governance unit communicated about the key auditing rules of the financial statements for 2022.	Good

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

Date	Matters communicated	Result
2022.02.17	[Report to the Board of Directors] The summary of the audit and follow-up report for the period between October 2021 and January 1, 2022.	Good
2022.03.22	[Report of the Board of Directors] The summary of the audit and follow-up report for the period between February 2022 and March 2022.	Good
2022.05.10	[Report of the Board of Directors] The summary of the audit and follow-up report for April 2022.	Good
2022.05.27	[Report of the Board of Directors] The summary of the audit and follow-up report for May 2022.	Good
2022.08.09	[Report of the Board of Directors] The summary of the audit and follow-up report for the period between June 2022 and July 2022.	Good
2022.11.09	[Report of the Board of Directors] The summary of the audit and follow-up report for the period between August 2022 and October 2022.	Good
2022.11.09	[Summary of seminar] 1. Follow up on previous directives. 2. Overall audit planning and audit findings statistics in 2022. 3. Notes on the preparation of the audit plan for 2023. 4. Directives of independent directors: (1) It is suggested to supplement the audit manpower and collect the number of audit departments in the same industry for decision-makers' reference. (2) In order to improve the ranking of the corporate governance assessment, it is suggested to use accurate expressions in the assessment report. The responsible units are suggested to improve it actively. (3) Strengthen the supervision on the subsidiaries, and the management is requested to implement the management.	Good

3. Operation of the company's audit committee in 2022:

Date of Audit Committee meeting	Session	Resolution	Audit Committee's opinion	Actions to be taken
2022.01.25	First Interim	Approved to purchase the land for the southern logistic center with NTD1.2 billion.	Resolution passed unanimously.	N/A
		Approved the amount of long-term secured loan to be applied from the Land Bank for the southern logistic center.	Resolution passed unanimously.	N/A
		Approved the obtaining of the solar power generation equipment engineering through the subsidiary KSD Energy.	Resolution passed unanimously.	N/A
2022.02.17	First	Approved the 2022 Business Plan.	Resolution passed unanimously.	N/A
		Approved the Company's fourth quarter overdue receivables in 2021 are not listed as a loan to others.	Resolution passed unanimously.	N/A
		Approved the authorization of the Company's banking facilities in 2022.	Resolution passed unanimously.	N/A
		Approved to apply for the medium-term working capital bank loan.	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Asahi Kasei Wah Lee Hi-tech Corp. (NTD 25,194,000)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Nagase Wahlee Plastics Corp. (NTD640 million and NTD150 million for the purchase of materials.)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Shanghai Nagase Wahlee Trading Limited. (USD22.2 million and USD9.5 million for the purchase of materials.)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Wah Lee (Vietnam) Co., Ltd. (USD13.6 million)	Resolution passed unanimously.	N/A
		Approved the amendment to some provisions of "Standard Procedures for Handling the Request of Directors"	Resolution passed unanimously.	N/A
		Approved the election of independent directors.	Resolution passed unanimously.	N/A
2022.03.22	Second meeting	Approved the 2021 Business Report, Individual Financial Report and Consolidated Financial Report.	Resolution passed unanimously.	N/A
		Approved the proposal to distribute earnings for 2021. (Cash dividend of NTD6.8 per share)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for subsidiaries Raycong Industrial (Hong Kong) Limited, DongGuan Hua Gang 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. (NTD120 million)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Wah Lee Tech (Singapore) Pte., Ltd. (USD10.50 million)	Resolution passed unanimously.	N/A
		Approved to provide the loan to the subsidiary Kingstone Energy Technology Co., Ltd. (NTD150 million)	Resolution passed unanimously.	N/A
		Approved the amendment to some provisions of "the	Resolution passed	N/A

		Articles of Association".	unanimously.	
		Approved the amendment to some provisions of "the management of procedures for preparation of financial statements".	Resolution passed unanimously.	N/A
		Approved to issue the company's 2021 statement of the internal control system.	Resolution passed unanimously.	N/A
		Approved the change of the Company's CPAs and their compensation.	Resolution passed unanimously.	N/A
		Approved the Company's nomination and review of independent director candidates.	Resolution passed unanimously.	N/A
		Approved to revise the discussion proposal of the 2022 general meeting of shareholders.	Resolution passed unanimously.	N/A
		Approved the Company's intellectual property management plan.	Resolution passed unanimously.	N/A
2022.05.10	Third meeting	Approved the Consolidated Financial Report for the first quarter of 2022.	Resolution passed unanimously.	N/A
		Approved the Company's first quarter overdue receivables are not listed as a loan to others.	Resolution passed unanimously.	N/A
		Approved the amendment to some provisions of the "Corporate Governance Best Practice Principles"	Resolution passed unanimously.	N/A
		Approved to cancel the corporate guarantee for Shanghai Yi Kang Chemical & Industries Co., Ltd. and Wah Lee Tech (Singapore) Pte. Ltd. for purchasing materials from JSR company.	Resolution passed unanimously.	N/A
2022.05.27	Fourth	Approved the discussion on the purchase of liability insurance discussions for the company's Director and managers. (Insurance limit of USD 5 million) (Due on June 18, 2022).	Resolution passed unanimously.	N/A
		Approved the discussion of applying for medium and long-term syndicated loan from the bank.	Resolution passed unanimously.	N/A
2022.08.09	Fifth	Approved the consolidated financial statements for the second quarter of 2022.	Resolution passed unanimously.	N/A
		Approved the Company's second quarter overdue receivables are not listed as a loan to others.	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for WAH TECH INDUSTRIAL CO., LTD. (THB 300 million, USD 6 million)	Resolution passed unanimously.	N/A
		Approved the discussion of the Company's proposal to issue the first domestic secured ordinary corporate bonds	Resolution passed unanimously.	N/A
2022.11.09	Sixth	Approved the consolidated financial statements for the third quarter of 2022.	Resolution passed unanimously.	N/A
		Approved the bank guarantee for REGENT KING INTERNATIONAL LIMITED. (USD2 million)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Wah Lee Philippines Inc. (USD2 million)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for Wah Lee Philippines International Corp. (USD2 million)	Resolution passed unanimously.	N/A
		Approved to continue the bank guarantee for PT. WAH LEE INDONESIA (USD3.1 million)	Resolution passed unanimously.	N/A
		Approved the proposal of acquiring all the company shares of Wah Lee Tech (Singapore) Pte. Ltd. from its subsidiary Wah Lee Holding Ltd.	Resolution passed unanimously.	N/A
		Approved the 2023 Audit Plan.	Resolution passed unanimously.	N/A

		Approved the discussion on the Company's Operational Procedures for Preparing and Validating the Sustainable Development Report	Resolution passed unanimously.	N/A
		Approved the discussion of renaming the Procedures on Insider Trading Prevention and Control as Internal Important Information Processing and Procedures on Insider Trading Prevention and Control.	Resolution passed unanimously.	N/A
		Approved the formulation of the Company's Risk Management Policy and Procedures.	Resolution passed unanimously.	N/A
		Approved the replacement of the Company's stock affairs agency.	Resolution passed unanimously.	N/A

4. Communication between the head of corporate governance and independent directors in 2022:

Date	Session	Resolution	Independent Director's Opinion	Actions to be taken
2022.11.25	First	Corporate Governance Assessment Report.	Hope to improve the assessment score and rating of the Company assessment.	Actions have been taken to improve the corporate governance in 2022, and a sustainable development report has been released in September, which would be able to improve the score and ranking level.

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

Assessment criteria	Actual governance			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 & 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 charge 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 a monthly report on the list of the 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	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment criteria	Actual governance			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>“Procedures for Subsidiary Supervision”, “Regulations Governing Position Authority in Subsidiaries and Form Management”; the supervision of the audit of the subsidiaries has also been incorporated in the internal audit plan as 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> <ol style="list-style-type: none"> 1. Director When the directors take office, the company provides a director's regulations publicity manual, and sends legal information to the directors from time to time for their knowledge. 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. After the Company issues an important notice, it will 	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>notify the manager to avoid any situations that may involve insider trading.</p> <p>The Company approved Procedures on Insider Trading Prevention and Control as Internal Important Information Processing and Procedures on Insider Trading Prevention and Control at the meeting of the Board of Directors on November 9, 2022, which were announced to the nine current directors for 1 hour to explain the aforesaid procedures, and remind them not to trade any stock or other securities of a stock nature of the Company in the open market during the closed period 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report.</p> <p>On December 20, 2022, the Company has conducted a 2-hour training for the current managers and employees for 199 times, with a total training time of 398 hours, and at the same time, remind them not to trade any stock or other securities of a stock nature of the Company in the open market during the closed period 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report.</p>	
III. Composition and responsibilities 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, set specific management objectives and implemented them according to the policy. For the implementation, please refer to "Director Diversification and Independence" on pages 13 to 19 of this annual report.	With no apparent deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Assessment criteria	Actual governance			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?	✓		(II) The Company has established the Compensation Committee and Audit Committee according to the laws and regulations, and a Sustainable Development Committee was established on November 9, 2022.	Same as the summary description.
(III) Does the company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' compensation and nomination and renewal?	✓		<p>(III) The Company carried out board of Directors Performance Evaluation in 2022. 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 in the form of questionnaires.</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 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. Assist directors in assuming office and pursuing continuing education. 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. Comprehension of the goals and missions of the Company. 2. Comprehension of the duties of directors. 3. Participation level in the management of the 	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>Company.</p> <p>4. Management of internal relationship and communication;</p> <p>5. Assist directors in assuming office and pursuing continuing education.</p> <p>6. Internal Control</p> <p>The performance evaluation measurement items of the Company's Compensation Committee and the Audit Committee include the following five aspects:</p> <p>1. Participation level in the management of the Company.</p> <p>2. Comprehension of the duties of the functional committee.</p> <p>3. Enhancement of the decision-making quality of the functional committee.</p> <p>4. Composition of functional committee and appointment of members.</p> <p>5. Internal Control.</p> <p>The Company has completed the performance self-evaluation of the Board of Directors in 2022 and submitted the evaluation results to the Board of Directors' report on March 16, 2022 as the basis for review and improvement.</p> <p>In the overall performance self-assessment of the Board of Directors, 89% achieve excellent, and in that of the individual director members, 81% achieve excellent, indicating that the overall Board of Directors operates well; in the overall performance self-assessment of the Compensation Committee, 98% achieve excellent, and in that of the Audit Committee, 100% achieve excellent, indicating the overall operation of the Compensation</p>	

Assessment criteria	Actual governance			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 regularly evaluated the independence of the external auditors?	✓		<p>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 and requires the certified public accountants to issue an "Independence Statement" every year. The Certified Public Accountants Independence Report for the year 2022 has been submitted to the Board of Directors on March 16, 2023, for the evaluation of the independence and suitability of certified public accountants by referring to Auditor's Quality Index (AQIs). The results of the AQI assessment are as follows: [AQIs 3-1] Non-audit services - the non-audit service fees account for 13.9%, lower than standard of EU norms, [AQIs 3-2] Customer familiarity - Deloitte & Touche has been accumulatively served the company for 24 years, only the certified public accountants were rotated to moderately reduce the risk of independence.</p>	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
IV. Does the TWSE/TPEX listed company dedicate competent managers or a 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)?	✓		On August 12, 2020, the Board of Directors passed a resolution to appoint the senior director Lin, Jen-Chih as the officer of corporate governance to ensure the shareholders' interest and strengthen the functionality of the Board of Directors. Senior director, Lin, Jen-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 in taking office and their continuing education, providing the information needed by the	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
meetings)?			directors to execute their duties and assisting the directors in compliance. For the status of execution in 2022, please see pages 50-51 of the annual reports.	
V. Has the company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, et cetera) or created stakeholder section on the company website? Does the company respond to stakeholders' questions on corporate social responsibilities?	✓		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. Has the company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The company has appointed Yuanta Securities to handle shareholder affairs and shareholders' meetings.	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
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 (https://www.wahlee.com), and 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) Has the company made a 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 set up an English website and 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 agent 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.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(III) Has the company publicly announced and filed 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. But the annual financial statements, are announced and reported within the prescribed period. 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 the 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 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)?	✓		<ol style="list-style-type: none"> 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 continuing education, all directors have accepted a total of 48 training hours in 2022. Please see page 51 of the annual reports for further details. 3. The attendance of directors in the board meeting: In 2022, the attendance rate of directors in the board meeting amounted to 98%, which was fairly good. 4. Since the shareholders' meeting on May 26, 2017, the Audit Committee has been established to replace the functions of supervisors. 5. In 2022, the participation of managers in the training and education related to corporate governance: Please refer to pages 142 and 144 of the annual reports for "Participation of managers in the training and education related to corporate governance 2022" for further details. 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 	Consistent with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>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 171 and 172 of the annual reports on “Analysis and evaluation of risk management” for further details.</p> <p>9. Please see page 53 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.				
Item	Evaluation Indicators	Improvements		
Improved Items	2.14	Increase a functional committee. The Company’s meeting of the Board of Directors on November 9, 2022 approved the establishment of the Sustainable Development Committee.		
	2.27	The Company’s meeting of the Board of Directors approved the “Intellectual Property Management Plan” on March 22, 2022, and its implementation was reported at the meeting of the Board of Directors on November 9, 2022.		
	3.20	The Company has held the institutional investors’ conference every quarter in 2022, in total 5 conferences were convened.		
	4.4	Based on the GRI standards released by the Global Reporting Initiative, the Company has uploaded the Sustainability Report on the Market Observation Post System and the Company’s website on September 27, 2022.		
Priorities for enhancement items	2.22	The Company's meeting of the Board of Directors on November 9, 2022 approved the formulation of the Company’s Risk Management Policy and Procedures, which discloses the scope, organization and operation of risk management, and its implementation was reported to the Board of Directors in 2023.		
	3.6	The Company has uploaded the English version Interim Financial Report since 2023.		
	4.1	The meeting of the Board of Directors on November 9, 2022 approved the establishment of the Sustainable Development Committee, the operation of which will be reported to the Board of Directors and disclosed on the Company’s Website and in the annual reports.		
	4.2	The Company has formulated the “Code of Good Faith Operation”, which was disclosed on the Company’s Website and in the annual reports.		

Business undertaking of the officer of corporate governance in 2022:

On August 12, 2020, the Board of Directors passed a resolution to appoint Lin, Jen-Chih as the officer of corporate governance to ensure the shareholders' interest and strengthen the functionality of the Board of Directors.

Director, Lin, Jen-Chih possesses more than three years of experience as a supervisor overseeing financial and stock affairs.

1. Assisted independent directors and directors in performing their duties, provided the 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 an understanding of the Company's financial and business aspects from the head of internal audit 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 the 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 principles.
 - (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 7 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.
5. To report to the Board of Directors on its review of whether the qualifications of independent directors at the time of nomination, appointment and during the term of office are in compliance with relevant laws and regulations.
6. Handled matters related to the change of directors.

Continuing education of the officer of corporate governance in 2022:

Date of Training		Organizer	Course Name	Training Hours	Total Training Hours
Start	End				
2022.06.10	2022.06.10	Securities and Futures Institute of R.O.C.	Insider Trading Prevention and Control Seminar for 2022.	3 hours	18 hours
2022.10.05	2022.10.05	Securities and Futures Institute of R.O.C.	Insider Equity Trading Law Compliance Seminar for 2022.	3 hours	
2022.10.07	2022.10.07	Taiwan Stock Exchange Corp.	The release of the 2022 Reference Guidelines on the Execution of Functions and Powers by Independent Directors and Audit Committees of Listed Companies and Training of Directors and Supervisors	3 hours	
2022.11.13	2022.11.14	Taiwan Stock Exchange Corp.	2022 Cathay Sustainable Finance and Climate Change Summit	6 hours	
2022.11.15	2022.11.15	Taiwan Corporate Governance Association	Corporate Control Fight and Prevention Strategies Analysis for Directors	3 hours	

Continuing education of directors in 2022:

Title	Name	Organizer	Course Name	Training Hours
Director	Chen, Chun-Yin	Taiwan Institute of Directors	Create a Sustainable Corporate Competitive Force	6 hours
		Securities and Futures Institute of R.O.C.	Introduction to Corporate Control Fight and Commercial Case Adjudication Act.	
Director	Chang, Tsuen-Hsien	Securities and Futures Institute of R.O.C.	Technological Development and Business Opportunities of Electric Vehicles and Smart Vehicles	6 hours
		Securities and Futures Institute of R.O.C.	Future Development of Metaverse and Cryptocurrency Blockchain	
Director	Yeh, Ching-Pin	Taiwan Stock Exchange Corp.	2022 Reference Guidelines on the Execution of Functions and Powers by Independent Directors and Audit Committees and Training of Directors and Supervisors	6 hours
		Securities and Futures Institute of R.O.C.	Insider equity trading law compliance seminar for 2022.	
Independent	Wang, Yea-	Securities and Futures Institute of R.O.C.	Legality of Information Communication Security Management Law under the Threat of Ransomware	18 hours

Title	Name	Organizer	Course Name	Training Hours
Director	Kang	Accounting Research and Development Foundation	Information Security and Personal Privacy Act Compliance and Anti-fraud Practice	
		Taiwan Academy of Banking and Finance	Public Relations Crisis and Response Mechanism	
		Securities and Futures Institute of R.O.C.	Latest Practice Development and Enterprise Prevention and Coping Methods for Insider Trading	
		Taiwan Academy of Banking and Finance	Analysis of Controlled Foreign Company Rules and Its Influences	
		Accounting Research and Development Foundation	Big Data Analysis and Corporate Fraud Detection and Prevention	
Independent Director	Chen, Ju-Chung	The Business Development Foundation of The Chinese Straits.	Legal Obligations and Responsibilities of Directors and Supervisors on Intellectual Property	3 hours
Independent Director	Shyu, So-De	Securities and Futures Institute of R.O.C.	Ideas, Practices and Tools of Group Tax Governance	9 hours
		Securities and Futures Institute of R.O.C.	Insider trading prevention and control seminar for 2022.	
		Securities and Futures Institute of R.O.C.	External Innovation and Sustainable Operation	

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 are 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 judgment 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:

According to the organizational rules of the Compensation Committee, the compensation committee should be composed of at least three members, who are appointed by the Board of Directors, and among whom, there should be at least one independent director, who is nominated by all members and acts as the convener. The operation of the Compensation Committee shall follow the organizational rules of the Compensation Committee of the Company:

1. Information on members of the Compensation Committee

Identity	Name	Professional Qualification and Work Experience	Independence Criteria (Note)	Number of Other Public Companies where the Individual Concurrently Serves as a Compensation Committee Member
Independent Director Convenor	Wang, Yea-Kang	Refer to the relevant contents of Appendix 1 - Director information (I) on page 11.	<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 (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</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 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officers in the preceding paragraph 1, or of any of the persons in the preceding paragraphs (2) and (3).</p> <p>(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(6) Not a director, supervisor or employee of a company controlled by the same person whose shares exceed half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, president, or person holding an equivalent</p>	3
Independent Director	Shyu, So-De			3
Others	Chen, Yi-Ming	Graduated from the Department of business management of Chengchi University, he is a member of the Company's Compensation Committee, and a CPA of Chen Yi-Ming Certified Public Accountants. He has more than five years of working experience required for business, accounting		2

Identity	Name	Professional Qualification and Work Experience	Independence Criteria (Note)	Number of Other Public Companies where the Individual Concurrently Serves as a Compensation Committee Member
		and corporate business, specializing in the field of accounting.	<p>position of the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative compensation less than NTD500,000 in the past two years. However, this does not apply in cases where members of the Compensation Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.</p> <p>(10) Not a spouse or a relative within the second degree of kinship to any other director of the Company.</p> <p>(11) Does not meet any of the criteria described in Article 30 of the Company Act.</p> <p>(12) Not a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act.</p>	

(2) Participation of the 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 2022. The attendance of committee members is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance in Person (B/A) (Note 1)	Remarks
Convener	Wang, Yea-Kang	2	0	100%	
Committee Member	Shyu, So-De	2	0	100%	
Committee Member	Chen, Yi-Ming	2	0	100%	
Note 1: 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.					
Other items should be recorded:					
I. The Board of Directors does not adopt or amend the recommendations of the Compensation Committee: None.					
II. The members of the Compensation Committee have objections or reservations to the resolutions of the Committee and have records or written statements: None.					

III. Duties of the Compensation Committee:

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 of the Company

(1) Formulate and regularly review the performance appraisal of directors and managers, the compensation policy, system, standard and structure.

(2) Regularly evaluate and determine the salary and remuneration of directors and managers.

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

(1) When deliberating on the performance evaluation, the salary and compensation of directors (members of the 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 are 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 2022:

Salary and Compensation Date of Compensation Committee Meeting	Session	Resolution	Voting result	Company's response to the Compensation Committee's opinion
2022.03.22	First	Approved the appropriation of the Company's Director's and employees' compensation for 2021.	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 proposal on the distribution of directors' remuneration and employees' compensation of the Company in 2022 was approved	All committee members passed the resolution unanimously.	Forwarding to the Board of Directors for unanimous approval by all attending directors.
2022.08.09	Second meeting	Approved the compensation for managers deliberated by the Company's Compensation Committee.	All committee members passed the resolution unanimously.	Forwarding to the Board of Directors for unanimous approval by all attending directors.

(V) Participation of Sustainable Development Committee:

The Company's Board of Directors approved to establish the Sustainable Development Committee on November 9, 2022. The Sustainable Development Committee is composed of at least three members, half of whom shall be independent directors. The Chairman shall be the convener and the Chairman of the committee. The committee shall be participated in accordance with its organizational rules and its main duties are as follows:

- I. Promote and strengthen corporate governance and faithful operation systems.
- II. Promote and develop businesses related to the sustainability of enterprises.
- III. Examine risk management policies, procedures and structures, and timely review its applicability and executive effectiveness to propose improvement suggestions and report to the Board of Directors.
- IV. Supervise other matters related to sustainability as determined by the Board of Directors.

1. Professional qualifications and experience of members of the Sustainable Development Committee:

Members	Professional Qualification and Work Experience
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.
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, the member of the Audit Committee and the member of the Sustainable Development Committee. Currently, he is the current Evaluation Expert of the Public Constitution Commission, Executive Yuan, Consultant of Taiwan Textile Research Institute. 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	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.

2. Participation of Sustainable Development Committee:

Functional groups such as the corporate governance group, operation and environment sustainability group, corporate social responsibility group, etc. are set up in the Sustainable Development Committee. These functional groups may be adjusted with the consent of the Committee as needs change. The Committee shall convene at least once a year, or at any time as necessary from 2023.

(VI) Implementation of promoting sustainable development and deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons:

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
I. Has the Company established 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 the Board of Directors, and under the supervision of the Board of Directors?	✓		On November 9, 2022, the Company's Board of Directors approved to establish the Sustainable Development Committee, the members of which are composed of the Chairman and two independent directors, and the Chairman is the convener and the Chairman of the meeting. The Board of Directors authorizes the Sustainable Development Committee to review the ESG development goals of the functional groups, The highest supervisor of the execution unit is the CEO. to supervises the head of each functional group in setting goals and executing plans. Functional groups such as the corporate governance group, operation and environment sustainability group, corporate social responsibility group, etc. are set up in the Sustainable Development Committee. These functional groups may convene work meetings as needed to discuss their implementation of work and shall propose the annual execution plan at the beginning of each year and regularly	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			<p>propose a results report.</p> <p>Each year, the heads of the functional groups shall regularly report to the chief executive officer, who shall report to the Sustainable Development Committee the annual execution plan and results, the key points of which shall be submitted to the Board of Directors after deliberation.</p> <p>The key points of reports submitted to the Board of Directors for review and announcement include policy goals, key sustainability plans and performance outcomes, identification of key themes of concern through stakeholder engagement, and response to the SDGs of the United Nations.</p>	
II. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the business operations and formulate relevant risk management policies or strategies based on the materiality principle?	✓		<ol style="list-style-type: none"> 1. The disclosed information covers the sustainable development performance results of the Company's main operation locations in Taiwan in the period from January 2022 to December 2022. The risk assessment boundary mainly covers Taiwan Wah Lee, Tranceed Logistic and Kingstone Energy, but financial statements will include subsidiaries in Taiwan and abroad. 2. The Sustainable Development Committee analyzes the Sustainable Development Report based on the materiality principle, and communicates with both inside and outside stakeholders and ask for the opinions of experts to formulate risk management policies that can effectively 	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.									
	Yes	No	Summary description										
			identify, measure, monitor and control the risks and take specific actions to reduce the influence of relevant risks.										
			3. The following risk management policies or strategies are made according to the assessed risks:										
			<table><tr><th>Material topics</th><th>Risk assessment criteria</th><th>Description</th></tr><tr><td rowspan="2">Environment</td><td rowspan="2">Environmental impact and management</td><td>Effectively reduce the impact of pollution emissions to the environment. 1. Implement and enforce the ISO 14001 environmental management system. 2. Promote and obtain the International Sustainability & Carbon Certification (ISCC) plus verified by BV. 3. Introduce the ISO14064-1 greenhouse gas inventory system, which takes 2023 as the base year.</td></tr><tr><td>Society</td><td>Occupational</td><td>1. Hold health lectures every</td></tr></table>		Material topics	Risk assessment criteria	Description	Environment	Environmental impact and management	Effectively reduce the impact of pollution emissions to the environment. 1. Implement and enforce the ISO 14001 environmental management system. 2. Promote and obtain the International Sustainability & Carbon Certification (ISCC) plus verified by BV. 3. Introduce the ISO14064-1 greenhouse gas inventory system, which takes 2023 as the base year.	Society	Occupational	1. Hold health lectures every
			Material topics		Risk assessment criteria	Description							
Environment	Environmental impact and management	Effectively reduce the impact of pollution emissions to the environment. 1. Implement and enforce the ISO 14001 environmental management system. 2. Promote and obtain the International Sustainability & Carbon Certification (ISCC) plus verified by BV. 3. Introduce the ISO14064-1 greenhouse gas inventory system, which takes 2023 as the base year.											
		Society	Occupational	1. Hold health lectures every									

Promotional Items	Implementation					Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description			
				health	year, and publish health e-newspapers monthly. 2. Regularly organize employee health examination and invite professional doctors to provide consultation report and safety and health education and training. 3. It appoints "occupational medicine specialists" and "occupational medicine nurses" according to law to regularly 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	

Promotional Items	Implementation					Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description			
					accordance with the labor health protection law in the company. 4. Obtain the "healthy workplace certification - healthy start seal". 5. Regularly conduct fire drills every year.	
				Product safety	The Company strictly abides by relevant laws and regulations of the government to formulate relevant operation methods for personnel to follow. Management mechanisms are set up for products sold by the agents and Customer Complaint Handling Methods are provided to achieve the safety commitment.	
			Corporate governance	Law compliance	The Company establishes a governance organization and implements internal control mechanism to ensure that all	

Promotional Items	Implementation					Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description			
					the personnel and operations comply with relevant laws and regulations.	
			Corporate governance	Strengthen functions of directors	1. Provide topics related to corporate governance for the further study of directors, and provide the directors with the latest regulations, system development and policies every year. In 2022, the directors have spent a total of 48 hours for further study. 2. Purchase responsible insurance for the directors to indemnify them from lawsuits or claims.	
				Communication with stakeholders	1. To avoid business or litigation risks caused by misunderstandings between the stakeholders and the company, the Company analyzes the main stakeholders and	

Promotional Items	Implementation					Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description			
					<p>their most concerned issues.</p> <p>2. Establish various communication channels to actively communicate with the stakeholders to reduce confrontation and misunderstanding. Set an investor’s email account and the spokesman and the deputy spokesman will be in charge of handling and responding to the emails.</p> <p>3. The Company has held 5 institutional investors conferences in 2022.</p>	
III. Environmental issues (I) Has the company established an environmental management system proper to its industry’s characteristics?	✓		To promote sustainable management and social development, the Company treats environmental protection as its responsibility, and aims at a green enterprise and continues to move forward. To ensure environmental quality, the Company actively implements the ISO14001 management system and promotes environmental safety and health management to obtain a more greening environment, prevent			Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			<p>pollution, properly use resources and comply 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 enforce the ISO 14001 environmental management system. (Certificate No.:TW03/00393; Valid period:2021/09/25 to 2024/09/25) 2. Continue to implement energy conservation and resource recovery. 3. Continue to improve and prevent pollution to 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 company with a legal and effective environmental management system. 	
(II) Has the Company committed to improving energy efficiency and using recycled materials with low impact on environmental loadings?	✓		The Company is committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load, establishing an appropriate environmental management system, and	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			<p>implementing and maintaining it to achieve energy conservation, carbon reduction and greenhouse gas reduction. It is committed to carrying out energy conservation, carbon reduction, waste reduction and other environmental protection activities, such as improvement of lighting facilities, resource recovery and reuse, and actively carrying out the inventory of greenhouse gas emissions 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 its achievement. It aims to reduce the emission of greenhouse gas in 2023 by 0.2% compared with that in 2022, and takes 2023 is the base year of GHG emission inventory.</p> <p>In response to the global trend of greenhouse gas reduction, the Company actively introduced bio-plastic materials and post-consumer recycled (PCR) materials, and the ISO14064-1 greenhouse gas inventory system to reduce its impact on the environment and fulfill social responsibility.</p> <p>At the same time, the Company also discloses its operational performance to external stakeholders such as SGS, BV, and customers and internal ISO management review, and according to the requirements of customers, coordinates suppliers to cooperate with the implementation of greenhouse gas inventory activities, so as to reduce the impact on environmental load.</p>	

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.						
	Yes	No	Summary description							
(III) Has the company made an assessment on the present and future potential risks and opportunities posed by climate change to the company and undertaken countermeasures pertaining to climate change?	✓		<div><p>The Sustainable Development Committee of the Company is the highest organization of climate change management. Chaired by the Chairman, it reviews the company's climate change strategy and objectives, manages climate change risks and opportunities, reviews the implementation status, discusses future plans, and reports to the Board of Directors. Assessment of the present and future potential risks and opportunities posed by climate changes to the company and countermeasures pertaining to climate changes adopted are as follows:</p><table><tr><th>Risk (potential financial influences)</th><th>Opportunities (potential financial influences)</th><th>Countermeasures</th></tr><tr><td>To increase its long-term climate resilience, the customers' demand for low-carbon products and services will be increased, and they are likely to turn to lower-carbon services. This will influence the</td><td>Energy transformation in Taiwan takes minimizing coal-fired power, increasing the portion of natural gas, promoting green energy, and achieving a nuclear-free status as the development goal</td><td>In addition to its advanced allocation in green energy and energy storage, Wah Lee Group is also deepening the green energy solutions through internal structure adjustment. One-stop operation of the solar energy</td></tr></table></div>	Risk (potential financial influences)	Opportunities (potential financial influences)	Countermeasures	To increase its long-term climate resilience, the customers' demand for low-carbon products and services will be increased, and they are likely to turn to lower-carbon services. This will influence the	Energy transformation in Taiwan takes minimizing coal-fired power, increasing the portion of natural gas, promoting green energy, and achieving a nuclear-free status as the development goal	In addition to its advanced allocation in green energy and energy storage, Wah Lee Group is also deepening the green energy solutions through internal structure adjustment. One-stop operation of the solar energy	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
Risk (potential financial influences)	Opportunities (potential financial influences)	Countermeasures								
To increase its long-term climate resilience, the customers' demand for low-carbon products and services will be increased, and they are likely to turn to lower-carbon services. This will influence the	Energy transformation in Taiwan takes minimizing coal-fired power, increasing the portion of natural gas, promoting green energy, and achieving a nuclear-free status as the development goal	In addition to its advanced allocation in green energy and energy storage, Wah Lee Group is also deepening the green energy solutions through internal structure adjustment. One-stop operation of the solar energy								

Promotional Items	Implementation					Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description			
			revenue. In accordance with the revision direction of the Renewable Energy Development Ordinance, the operation sites will increase the cost of the capacity of renewable energy installation and subscription of green power certificates.	to ensure a stable power supply, and meanwhile, reduce air pollution and carbon emission. To promote green energy, that is, promote renewable energy, the Ministry of Economic Affairs has promoted the goal of increasing the proportion of power generation with renewable energy to 20% by 2025. At present, it is actively promoting solar power and wind power, the installed capacity of which is	industry: solar farm development, engineering undertaking, module and material selling, maintenance and operation, etc. Promotion of energy storage system: the company is expected to take an important part in the green energy supply chain in Taiwan through the allocation of solar power, and thereby enter the field of energy storage.	

Promotional Items	Implementation					Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.																	
	Yes	No	Summary description																				
				expected to achieve over 25.7GW by 2025.																			
(IV) Has the company measured its greenhouse gas emission, water use and the total weight of waste for the past two years, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emissions, reduction in water use, or management of waste disposal?	✓		1. 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. (1)GHG emissions in the most recent 2 years: <table><tr><th>Item</th><th>2021</th><th>2022</th></tr><tr><td>Scope 1: Direct GHG Emissions (KgCO2e)</td><td>1,443,178.93</td><td>1,634,843.21</td></tr><tr><td>Scope 2: Indirect GHG Emissions (KgCO2e)</td><td>1,102,760.72</td><td>1,163,448.79</td></tr><tr><td>Total Emission= Scope 1 + Scope 2(KgCO2e)</td><td>2,545,939.64</td><td>2,798,292.00</td></tr><tr><td>Particular Amount for</td><td>3,929</td><td>4,187</td></tr></table>			Item	2021	2022	Scope 1: Direct GHG Emissions (KgCO2e)	1,443,178.93	1,634,843.21	Scope 2: Indirect GHG Emissions (KgCO2e)	1,102,760.72	1,163,448.79	Total Emission= Scope 1 + Scope 2(KgCO2e)	2,545,939.64	2,798,292.00	Particular Amount for	3,929	4,187	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.		
Item	2021	2022																					
Scope 1: Direct GHG Emissions (KgCO2e)	1,443,178.93	1,634,843.21																					
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Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			Organizations (NT\$10 million)	
			GHG Emission Intensity(KgCO ₂ e/NT\$10 million revenue)	647.9867 668.3286
			Note: 1. Emission types include fixed emissions, mobile emissions, manufacturing emissions, fugitive emissions, and energy. 2. Scope 1: Direct GHG emissions include emission sources from/controlled by the organization 3. Scope 2: Indirect GHG emissions include indirect GHG emissions from electricity, heat, or steam. 4. Particular amount for organizations is the denominator of GHG emission intensity, which is the total revenue of Wah Lee Industrial Corp. and Transceed Logistics. (NT\$10 million) 5. GHGs include N ₂ O, CH ₄ , CO ₂ , HFCs, PFCs, SF ₆ , NF ₃ , etc. 6. Method of consolidating GHGs: Operating control.	
			The Company still uses electricity-based calculation method in 2022 to determine the GHG	

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			<p>emissions and emission intensity from purchased electricity. As many of the emission sources are owned or controlled by other companies, the Company cannot control their activities and GHG emissions. Therefore, in the greenhouse gas inventory, we only perform emission source identification work without quantification (excluding Scope 3).</p> <p>In 2022, diesel usage increased by nearly 12.7% compared to 2021, due to the revenue growth of our subsidiary Transceed Logistics exceeding 22%, with transport business requiring diesel fuel increasing by 39%. In order to improve air quality and achieve carbon emission reduction targets, we have gradually replaced old vehicles in recent years. Over 90% of our transport vehicles have been replaced with environmentally-friendly Euro V and VI models, and we have also requested our suppliers to replace their vehicles with eco-friendly models as soon as possible, in order to jointly reduce air pollution and GHG emissions caused by vehicle exhaust. Electricity consumption in 2022 also grew by 5.5% compared to 2021. Apart from the Wah Lee Hsinchu office renting out some space to other industries to increase space utilization, resulting in increased local electricity consumption, we have actively coordinated with tenants to implement various energy-saving measures. In addition, our subsidiary Transceed Logistics has</p>	

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.															
	Yes	No	Summary description																
			<p>also grown by nearly 10% in warehousing business, and a new warehouse in Guanyin was established to serve customers, both of which have caused an increase in purchased electricity. In the future, we plan to install rooftop solar panels at the newly established large logistics center in Tainan, reducing our reliance on traditional energy sources through the use of new energy sources.</p> <p>(2) Water usage in the most recent 2 years:</p> <table><tr><th>Year</th><th>2021</th><th>2022</th></tr><tr><td>Water intake (1 million liter)</td><td>5.89</td><td>4.85</td></tr><tr><td>Particular Amount for Organizations (Unit)</td><td>Revenue (NT\$10 million)</td><td>Revenue (NT\$10 million)</td></tr><tr><td>Particular Amount for Organizations</td><td>3,929</td><td>4,187</td></tr><tr><td>Water density</td><td>0.0015</td><td>0.0012</td></tr></table> <p>Note: 1. Water intake= Water outflow = Water consumption 2. The revenue for particular amount of organizations is the total amount of Wah Lee and Transceed Logistics. Formula for water usage density: Water intake (million liters)/particular amount of organizations</p>	Year	2021	2022	Water intake (1 million liter)	5.89	4.85	Particular Amount for Organizations (Unit)	Revenue (NT\$10 million)	Revenue (NT\$10 million)	Particular Amount for Organizations	3,929	4,187	Water density	0.0015	0.0012	
Year	2021	2022																	
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Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.																						
	Yes	No	Summary description																							
			<p>The Company is not a manufacturing company nor a water-intensive business entity. Our water resource usage mainly comes from tap water, which is supplied for employee use or for some air conditioning equipment in the offices. However, we still fully implement water resource management. For office and employee use, we mainly focus on infrastructure maintenance and improvement. In addition to installing water-saving devices, we continue to supervise and educate employees on water conservation and reduce our impact on water resources and the environment. In 2022, our water intake decreased by 17.7% compared to 2021.</p> <p>(3) Waste produced in the most recent 2 years:</p> <table border="1"> <thead> <tr> <th colspan="5">Statistics of general waste</th></tr> <tr> <th rowspan="2">Year</th><th rowspan="2">Waste components</th><th rowspan="2">Hazardous /Non-hazardous</th><th colspan="2">Offsite</th></tr> <tr> <th>Waste generation (ton)</th><th>Waste generation (ton)</th></tr> </thead> <tbody> <tr> <td>2021</td><td>Paper</td><td>Non-hazardous</td><td>5</td><td>Incineration</td></tr> <tr> <td>2022</td><td>Paper</td><td>Non-hazardous</td><td>3</td><td>Incineration (Including energy recycling)</td></tr> </tbody> </table> <p>All the Company's operational locations are in office buildings, and the waste generated is general waste without the production of hazardous waste. The Company first conducts recycling and sorting of the general office waste generated, and if necessary, commissions external qualified waste disposal companies for transportation. The general household</p>	Statistics of general waste					Year	Waste components	Hazardous /Non-hazardous	Offsite		Waste generation (ton)	Waste generation (ton)	2021	Paper	Non-hazardous	5	Incineration	2022	Paper	Non-hazardous	3	Incineration (Including energy recycling)	
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Year	Waste components	Hazardous /Non-hazardous	Offsite																							
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2022	Paper	Non-hazardous	3	Incineration (Including energy recycling)																						

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			<p>garbage is entrusted to the building management committee and collected by garbage trucks. The IT equipment is handed over to the information department for recycling. Therefore, there has not been any significant impact on the environment.</p> <p>Regarding the offsite paper documents, apart from incineration, in order to achieve the sustainable goal of circular economy, we use a large cutting machine to cut the wastepaper into approximately 1 cm² pieces, and then press the paper pieces into paper bricks. These paper bricks are then sent to paper mills, where they are mixed with water in a pulper to make pulp to produce recycled paper. By using this process, the amount of waste produced in 2022 was reduced by 40% compared to 2021.</p> <p>2. In 2022, the Company promoted the ISCC PLUS certificate (Certificate No. : ISC-plus-cert-PL214-31827212; Valid period: February 17, 2023 to February 16, 2024) and introduced the ISO14064-1 greenhouse gas inventory System to address the impacts of climate change.</p> <p>Considering its social responsibility and environmental protection policies, the Company introduced the greenhouse gas inventory management system in 2023, and based on the five principles of relevance,</p>	

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			<p>completeness, consistency, accuracy, and transparency, the company established the information for the organization's greenhouse gas emission reduction base year, and plans to accept the verification by a third-party verification company in 2024. This will further implement in the subsidiaries to strengthen the corporate social responsibility</p> <p>At the same time, it will identify possibilities for energy savings and improvements and provide data and information to effectively minimize the risk of adverse environmental impacts, enhance the company's image, increase investors' profits and provide reliable information on financial markets and insurance companies.</p>	
<p>IV. Social issues</p> <p>(I) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?</p>	✓		<p>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 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</p>	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			<p>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 15 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 respects employees' freedom and right of assembly and association under the law, and is committed to providing a smooth communication channel between labor and management, including labor and management meetings, occupational safety and health committee meetings, etc., with a view to integrating all resources and moving towards a common goal.</p> <p>3. The company provides relevant education and training to strengthen employees' understanding of human rights issues. In addition to training on gender typing and gender equality, sexual harassment prevention, basic</p>	

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			<p>chapters of labor laws and labor standards Law, it also publicizes employees' workplace safety and health, the highest workplace ethical standards and avoidance of physical or mental violations.</p> <p>4. The Company has conducted 402 times of training on personal human rights in the Year 2022, achieving a total of 561 training hours.</p>	
(II) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits), and reasonably reflected 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% of the profit shall be allocated as employee compensation, and therefore, business performance and results can be appropriately reflected in employee salary.</p> <p>2. Regardless of gender, race, nationality, age and other conditions, the basic salary ratio between the female and male employees of the same position and grade in the company is 1:1. The company has participated in and referred to the salary research of the same industry on a regular basis to provide a reasonable and competitive salary system, so as to maintain the overall salary competitiveness. It has been consecutively included in "Taiwan High Salary 100 Index" by Taiwan Stock Exchange.</p> <p>3. In terms of employee benefits, in addition to providing leaves in accordance with the law, annual sick and</p>	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			<p>personal leaves with pay are also provided, and there are also various diversified and flexible welfare measures.</p> <p>4. A staff welfare committee has been established to provide staff with various subsidies (weddings, funerals, education awards and grants, etc.), sponsor staff club activities and provide and subsidize travel in Taiwan and abroad.</p> <p>5. An Employee Stock Ownership Program (ESOP) is implemented to help employees save and accumulate wealth in the long term, so as to ensure future life stability and enhance employees' sense of participation in the company.</p>	
(III) Has the company provided a healthy and safe work environment and organized health and safety training for its employees on a regular basis?	✓		<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 updated health information.</p> <p>2. It regularly organizes employee health examinations and invite professional doctors to provide consultation reports and safety and health education and training.</p> <p>3. It appoints "occupational medicine specialists" and "occupational medicine nurses" according to law to regularly provide four health management services such as "overwork and stress management", "maternal health protection of female workers", "prevention of human</p>	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			<p>sexual hazards" and "prevention of illegal infringement" in accordance with the labor health protection law in the company.</p> <p>4. For female colleagues with milk pumping or breastfeeding needs, the Company has set up "Pumping (Breastfeeding) Rooms" in Kaohsiung, Hsinchu, and Taipei offices.</p> <p>5. 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 a happy enterprise.</p> <p>6. There was no occupational accident in 2022, and attentions will be paid to relevant issues.</p>	
(IV) Has the company implemented an effective training program that helps employees develop skills over the course of their careers?	✓		<p>The company conducts staff education and training in accordance with the training plan every year, including new staff training, basic general knowledge development, management function and professional development, to train the staff with necessary knowledge and working skills so that they will be competent for the job, and their work performance will be promoted and ability will be developed sustainably. Please refer to the contents of Chapter V “Labor and Management Relation” of this report.</p> <p>The Company conducted 3,256 head counts of training in 2022, achieving a total of 4,889 training hours.</p>	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
(V) Pertaining to the health and safety of customers 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>The Company strictly abides by relevant laws and regulations of the government to formulate relevant operation methods for personnel to follow. Management mechanisms are set up for products sold by the agents and Customer Complaint Handling Methods are provided to achieve the safety commitment.</p> <p>It has established a management mechanism for information security, formulated the "Personal Data Protection Management Methods" and dedicated personnel to manage and maintain information security. It ensures the security of customer information and other information through internal and external audits and education.</p>	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(VI) Has the company established a policy on supplier management, demanding suppliers to observe the code of conduct pertaining to environmental protection, labor safety and health or labor rights, and monitoring their implementation?	✓		<p>It has obtained ISO9001 certification and developed "Supplier and Partner Management Procedures" according to this international standard. New suppliers are selected and evaluated before being listed as qualified suppliers. Qualified suppliers will be re-evaluated annually. So far, there is no non-conforming accidents.</p> <p>At present, supplier evaluation mainly focuses on environmental protection, and occupational safety and health or labor human rights and other related aspects, are not included in the scope of the evaluation.</p>	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
V. Does the company refer to internationally-used standards or guidelines for the preparation of	✓		The company prepared the report in accordance with the internationally accepted GRI (Global Initiative Report)	Consistent with the Sustainable Development Best Practice Principles

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
reports such as sustainability reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?			standard to expose the Company's non-financial information. After being submitted to the Board of Directors, the report was uploaded to the authority and the website to provide more complete information to stakeholders. However, the 2022 sustainability report has not obtained the confirmation or assurance opinion of the third-party verification unit.	for TWSE/TPEX Listed Companies.
<p>VI. If the company has established its practice for sustainable development based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," describe its implementation and any deviations from such principles:</p> <p>On November 9, 2022, the Board of Directors approved the Company's Sustainable Development Best Practice Principles, aiming to be a model corporate citizen and demonstrate the company's commitment to employees, shareholders and customers. In addition to transparency, under the leadership of the Chairman and CEO, the staff of the company is committed to the introduction of new materials, new technology and new equipment for the high-tech industry, and providing sensitive services for the sustainable growth of enterprises and the success of customers, while creating more job opportunities. The Company regularly reviews the implementation of these principles and makes improvements accordingly. There have been no deviations to date.</p>				
<p>VII. Other information relevant to understanding the implementation of promoting sustainable development:</p> <p>(1) The company has been engaged in solar power stations for many years, and in addition to the achievements in enterprise plants and school roofs, it also starts businesses in large-scale ground-mounted power plants. At the end of 2022, about 54MW of solar power plants have been built, contributing 32,000 tonnes of annual carbon emissions reduction, which is equivalent to that of 128 Da'an Forest Parks and the effect of 3,190 forests, that is, 3.19 million trees, calculated with 1,000 trees per hectare, and satisfying annual power consumption of about 17,500 households ; from an energy-saving perspective, 15,000 gallons of fuel oil, 23,000 tons of coal, and 10,000 tons of natural gas were saved.</p> <p>(2) Wah Lee Innovative Materials Competition is closely related to the development of science and technology: in 2022, it sponsored NTD1.88 million to jointly organized the National College and University (including master/doctoral students) Materials Competition with Materials Research Society Taiwan and Industrial Technology Research Institute / Material and Chemical Laboratories. Professors from top universities and universities of science and technology were invited to participate in the competition, which has promoted the atmosphere of forward-looking materials innovative applications in higher education institutions. A total of 67 innovative works</p>				

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
			that are guided by professors and participated by students from 21 universities and colleges and universities across Taiwan were submitted, reaching the highest in history. Through rigorous paper review, 10 selected works and 12 teams were selected for the final competition. The topics of the works in the contest are related to the current trend. In the last year, the topics of the golden, silver, and bronze prizes were semiconductors, circular economy, and biomedicine, which created innovation for the industry.	
			(3) Participated in the donation of the Medical Building of Sun Yat-sen University, and developed towards the direction of telemedicine, precision and preventive medicine that uses artificial intelligence. In order to solve the long-term imbalance of medical resources between the North and the South and the shortage of medical manpower in Kaohsiung, Pingtung, and Penghu regions, the Company invested NTD 3.2 million in 2022 to support Sun Yat-sen University to establish a new medical school with AI, remote, and preventive healthcare as its vision, and invested more than NT\$10 million over the past three years. As the first national medical school in Greater Kaohsiung, it also cultivated "medical scientists" by combining the research energy of existing departments in the university and develops cross-domain medical talents different from traditional medical colleges, laying a foundation for expanding the medical field. To improve public health, medical resources and teaching quality in rural areas, mountainous areas and coastal areas, it strives to cultivate excellent cross-regional doctors through Sun Yat-sen University to ensure the health protection of the people at the grass-roots level and the rights and interests of health services for disadvantaged groups.	
			(4) "His Hands Christian Home" saves lives and builds home for love: mainly supports child caring for infants aged 0-2 years, it provides a "family-style" care environment, helping the children to rebuild a sense of security and a healthy attachment relationship. Children caring organizations in Taiwan mainly face children over 6 years, and there are only 3, including His Hands, that provide services to infants aged 0-2 years. The original houses of His Hands were rented old houses in poor conditions, besides, it was damp in the mountains environment. To take back the children in the conservation center and look after more 0-6 children with physical and mental disorders and developmental retardation and their families, we began the dream of building a home. In 2022, the Company donated NTD 3 million to adopt the first floor of the newly built His Hands, named "Wah Lee Rehabilitation Center", to provide daily rehabilitation for children and parental activities for disadvantaged families. It is estimated that it can provide services 1,000 person-times every year.	
			(5) The Company has donated scholarships and subsidies to universities and colleges to support outstanding students in poverty to pursue study. In 2022, it donated NTD2.45 million yuan to the NCKU Chemical Engineering Foundation for Culture and Education and Alumni Association, Engineering College and the Department of Materials and Optoelectronic Science of Sun Yat-sen University, Taichung No. 2 High School Parents Association and Alumni Association to care for the disadvantaged students in education, help them complete their studies, and help promote the development of school affairs, so as to create a better learning and teaching environment for teachers and students.	

Promotional Items	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes thereof.
	Yes	No	Summary description	
<p>(6) Continue to sponsor charitable foundations and social organizations, and join hands to serve the social welfare of the region: donated NTD165,000 to Futzer Charity Foundation, and the Garden of Mercy Foundation in 2022 to assist them in cultural and charitable activities, and promote the virtuous atmosphere of the society. Donate to Coast Guard Association to promote the government and the public to strengthen marine environmental protection and ecological conservation.</p> <p>(7) Sponsor musical orchestras from time to time to support the performances of musicians, and comprehensively improve local art and literature level. In 2022, the Company sponsored NTD100,000 to Baroque soloist orchestra to support artists and to build a true, good and beautiful living environment.</p> <p>(8) Actively join various federations, associations and alliances to contribute to the technological improvement and market development of the industry, and jointly build a competitive national team: In 2022, the company invested NTD900,000 to participate in the operation of public associations, such as International Semiconductor Association, Solar Photovoltaic Industry Sustainable Development Association, Advanced Battery Material Industry Alliance, Circuit Board Association, Taiwan Display Union Association, Electronic Connection Industry Association, etc., to assemble the strength of the industry, universities and research institutes, promote industrial upgrading, build a national alliance, and enter the international market.</p>				

(VII) Performance of good faith operation and differences with the code of good faith operation of listed and TWSE/TPEX Listed Companies and Reasons Thereof:

Assessment criteria	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary description	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the company establish the ethical corporate management policies approved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?</p>	✓		<p>(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.</p>	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
<p>(II) 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?</p>	✓		<p>(II) To prevent unethical conduct, apart from prohibiting directors, supervisors, managers and employees from giving out and receiving bribery, and making an 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.</p>	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
<p>(III) Does the company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular</p>	✓		<p>(III) To promote and raise awareness of ethical conduct, the Company has established the “Ethical Corporate Management Best Practice Principles” and “Procedures for Reporting Cases of Illegal and Immoral or Dishonest</p>	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment criteria	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary description	
basis?			Conduct”, 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.	
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.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX 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 the implementation?	✓		The Company plans to incorporate the corporate ethics unit into the corporate governance unit of the Sustainable Development Commission. It is responsible for and supervises the implementation of the work and reports regularly to the Board of Directors on the implementation in accordance with the operation of the Commission.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the company have any policy that prevents the conflict of interest, and channels that facilitate the report of conflicting interests?	✓		The Company has executed the related regulations. The documents signed by employees also contain terms for the avoidance of the conflict of interests and confidentiality clause. Meanwhile, the Company has established an e-mail for whistle-blowing.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment criteria	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary description	
(IV) Does the company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results of the assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging a certified public accountant to carry out the audit?	✓		The Company has established the accounting and internal control systems. Amendments will 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 to ensure the independence and objectivity of the execution of the auditing activities. Every year, the office shall make a 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.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(V) Does the company regularly hold internal and external training on ethical corporate management?	✓		To promote and raise awareness for ethical conducts, the Company has provided training for all employees in this regard. The related regulations are disclosed on the Company's website for the convenient reference of all employees.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
III. Implementation of the 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 designate personnel to investigate the reported malpractice?	✓		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.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality mechanisms?	✓		The "Ethical Corporate Management Best Practice Principles" stipulates the procedures for conducting investigation. The parties involved shall maintain confidentiality and conduct the investigation in accordance with these principles.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment criteria	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary description	
(III) Does the company assure malpractice whistle-blower that they will not be mistreated for making such reports?	✓		The identity of the whistle-blower is protected throughout the complaint process. The whistle-blower will not be subject to inappropriate measures due to making a complaint.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
IV. Strengthening information disclosure (I) Has the company disclosed relevant CSR principles and implementation on its website and Market Observation Post System?	✓		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.	Consistent with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
V. If the company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe its current practices and any deviations from the Best Practice Principles: To establish a corporate culture that is based on integrity and promote a robust management system, by referring to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, the Company established the “Ethical Corporate Management Best Practice Principles” and has observed these principles in the implementation. There is no deviation from these principles so far.				
VI. Other information relevant to understanding the company’s business integrity (e.g. review of the company’s corporate conduct and ethics policy): Integrity is the number one core value in the Company’s culture. By upholding its commitment, mutual trust and reciprocity, the Company insists on professional ethics and morality of the utmost level when conducting all operating activities. In accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, on August 9, 2017, the Board of Directors passed the resolution to establish the “Ethical Corporate Management Best Practice Principles” and announced it publicly.				

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

- (1) The Company has established the “Rules of Procedures of Board of Directors 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”, “Internal Important Information Processing and 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 Association”, “Procedures for Handling Reports on Illegal or Unethical Conduct”, “Methods to Evaluate the Performance of the Board of Directors”, “Sustainable Development Best Practice Principles”, “Organization Procedures of Sustainable Development Committee”, “Procedures for Preparation and Verification of Sustainable Development Report” and “Risk Management Policies and Procedures”, etc.
- (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>).

(IX) Other material information that may enhance the understanding of the corporate governance status of the company: Please see pages 41 to 51 of the annual report.

(X) Disclosure pertaining to internal control systems:

1. Statement of Internal Control System:

Wah Lee Industrial Corporation Statement on Internal Control

Date: March 16, 2023

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 2022:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. 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 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the 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 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. In accordance with the aforementioned evaluation, the Company has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2022, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.
- VI. 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.
- VII. This statement has been approved on March 16, 2023, by the Board of Directors, and out of the 8 Board members in attendance, none has objected to this statement and all consented to the content expressed herein.

Wah Lee Industrial Corporation

Chairman: Chang, Ray-Ching

Seal

General Manager: Chang, Tsuen-Hsein

Seal

Wah Lee Industrial Corporation

Statement of Internal Control

Date: March 16, 2023

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 2022:

- VIII. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- IX. 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 three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- X. The Company evaluates the design and operating effectiveness of the 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 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- XI. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- XII. In accordance with the aforementioned evaluation, the Company has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2022, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.
- XIII. 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.
- XIV. This statement has been approved on March 16, 2023, by the Board of Directors, and out of the eight Board members in attendance, none has objected to this statement and all consented to the content expressed herein.

Wah Lee Industrial Corporation

Chairman: Chang, Ray-Ching

Seal

General Manager: Chang, Tsuen-HseinSeal

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

(XI) 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 misconduct by internal and external parties.

(XII) 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
2022 General Shareholders' Meeting (May 27, 2022)	I. Approved the annual business report and financial statements in 2021. II. Approved the earnings distribution in 2021 and cash dividends of NTD6.8 per share were allocated to shareholders. III. Approved the amendment of some provisions of the Articles of Association. IV. Approved the election of independent directors.

2. Major resolutions of the Board of Directors

Date of Meeting	Session	Resolution	Independent Director's Opinion
2022.01.25	First Interim	Approved to purchase the land for the southern logistic center with NTD1.2 billion.	Resolution passed unanimously.
		Approved the amount of long-term secured loan to be applied from the Land Bank for the southern logistic center.	Resolution passed unanimously.
		Approved the obtaining of the solar power generation equipment engineering through the subsidiary KSD Energy.	Resolution passed unanimously.
2022.02.17	First	Approved the 2022 Business Plan.	Resolution passed unanimously.
		Approved the Company's fourth quarter overdue receivables in 2021 are not listed as a 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 bank loan.	Resolution passed unanimously.
		Approved to continue the 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. (NTD640 million and NTD150 million for the purchase of materials.)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Shanghai Nagase Wahlee Trading Limited. (USD22.2 million and USD9.5 million for the purchase of materials.)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Wah Lee (Vietnam) Co., Ltd. (USD13.6 million)	Resolution passed unanimously.
		Approved the amendment to some provisions of "Standard	Resolution passed

		Procedures for Handling the Request of Directors”	unanimously.
		Approved the election of independent directors.	Resolution passed unanimously.
		Approved the date and place of the 2022 Annual General Meeting of Shareholders.	Resolution passed unanimously.
2022.03.22	Second meeting	Approved the 2021 Business Report, Individual Financial Report and Consolidated Financial Report.	Resolution passed unanimously.
		Approved the proposal to distribute earnings for 2021. (Cash dividend of NTD6.8 per share)	Resolution passed unanimously.
		Approved the appropriation of the Company's Director's and employees' compensation for 2021.	Resolution passed unanimously.
		Approved the proposal of Director's compensation and employee's compensation ratio for 2022.	Resolution passed unanimously.
		Approved to continue the bank guarantee for subsidiaries Raycong Industrial (Hong Kong) Limited, DongGuan Hua Gang 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. (NTD120 million)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Wah Lee Tech (Singapore) Pte., Ltd. (USD10.50 million)	Resolution passed unanimously.
		Approved to provide the loan to the subsidiary Kingstone Energy Technology Co., Ltd. (NTD150 million)	Resolution passed unanimously.
		Approved the amendment to some provisions of “the Articles of Association”.	Resolution passed unanimously.
		Approved the amendment to some provisions of "the management of procedures for preparation of financial statements".	Resolution passed unanimously.
		Approved to issue the company's 2021 statement of the internal control system.	Resolution passed unanimously.
		Approved the change of the Company’s CPAs and their compensation.	Resolution passed unanimously.
		Approved the Company's nomination and review of independent director candidates.	Resolution passed unanimously.
		Approved to revise the discussion proposal of the 2022 general meeting of shareholders.	Resolution passed unanimously.
		Approved the Company’s intellectual property management plan.	Resolution passed unanimously.
2022.05.10	Third meeting	Approved the Consolidated Financial Report for the first quarter of 2022.	Resolution passed unanimously.
		Approved the Company's first quarter overdue receivables are not listed as a loan to others.	Resolution passed unanimously.
		Approved the amendment to some provisions of the “Corporate Governance Best Practice Principles”	Resolution passed unanimously.
		Approved to cancel the corporate guarantee for Shanghai Yi Kang Chemical & Industries Co., Ltd. and Wah Lee Tech (Singapore) Pte. Ltd. for purchasing materials from JSR company.	Resolution passed unanimously.
2022.05.27	Fourth	Approved matters related to the distribution of cash dividend for 2021.	Resolution passed unanimously.
		Approved the discussion on the purchase of liability insurance discussions for the company's Director and managers. (Insurance limit of USD 5 million) (Due on June 18, 2022).	Resolution passed unanimously.
		Approved the discussion of applying for medium and long-term loans from syndicated loan from the bank.	Resolution passed unanimously.
2022.08.09	Fifth	Approved the consolidated financial statements for the second quarter of 2022.	Resolution passed unanimously.

		Approved the compensation for managers deliberated by the Company's Compensation Committee.	Resolution passed unanimously.
		Approved the Company's second quarter overdue receivables are not listed as a loan to others.	Resolution passed unanimously.
		Approved to continue the bank guarantee for WAH TECH INDUSTRIAL CO., LTD. (THB300 million and USD6 million)	Resolution passed unanimously.
		Approved the discussion of the Company's proposal to issue the first domestic secured ordinary corporate bonds	Resolution passed unanimously.
2022.11.09	Sixth	Approved the consolidated financial statements for the third quarter of 2022.	Resolution passed unanimously.
		Approved to continue the bank guarantee for REGENT KING INTERNATIONAL LIMITED. (USD2 million)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Wah Lee Philippines Inc. (USD2 million)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Wah Lee Philippines International Corp. (USD2 million)	Resolution passed unanimously.
		Approved to continue the bank guarantee for PT. WAH LEE INDONESIA (USD3.1 million)	Resolution passed unanimously.
		Approved the proposal of acquiring all the company shares of Wah Lee Tech (Singapore) Pte. Ltd. from its subsidiary Wah Lee Holding Ltd.	Resolution passed unanimously.
		Approved the 2023 Audit Plan.	Resolution passed unanimously.
		Approved the discussion on the formulation of the Company's Sustainable Development Best Practice Principles.	Resolution passed unanimously.
		Approved the discussion on the formulation of the Company's Organization Procedures of Sustainable Development Committee.	Resolution passed unanimously.
		Approved the discussion on the appointment of members for the first Sustainable Development Committee.	Resolution passed unanimously.
		Approved the discussion on the Company's Operational Procedures for Preparing and Validating the Sustainable Development Report	Resolution passed unanimously.
		Approved the discussion of renaming the Procedures on Insider Trading Prevention and Control as Internal Important Information Processing and Procedures on Insider Trading Prevention and Control.	Resolution passed unanimously.
		Approved the formulation of the Company's Risk Management Policy and Procedures.	Resolution passed unanimously.
		Approved the replacement of the Company's stock affairs agency.	Resolution passed unanimously.
2023.01.05	First	Approved the authorization of the Company's banking facilities in 2023.	Resolution passed unanimously.
		Approved to apply for the medium-term working capital bank loan.	Resolution passed unanimously.
		Approved the amendment to some provisions of the Company's "Rules of Procedures of Board of Director Meetings".	Resolution passed unanimously.
		Approved the proposals to reelect all the directors.	Resolution passed unanimously.
		Approved the date and place of the 2023 Annual General Meeting of Shareholders.	Resolution passed unanimously.
2023.03.16	Second meeting	Approved the business plan for 2023.	Resolution passed unanimously.
		Approved the Company's fourth quarter overdue receivables are not listed as a loan to others.	Resolution passed unanimously.
		Approved the 2022 Business Report, Individual Financial Report	Resolution passed

		and Consolidated Financial Report.	unanimously.
		Approved the proposal to distribute earnings for 2022. (Cash dividend of NTD6.1 per share)	Resolution passed unanimously.
		Approved the distribution of employee compensation for 2022.	Resolution passed unanimously.
		Approved the distribution of employee compensation for 2023.	Resolution passed unanimously.
		Approved to continue the bank guarantee for subsidiaries Raycong Industrial (Hong Kong) Limited, DongGuan Hua Gang 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. (NTD150,000,000)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Asahi Kasei Wah Lee Hi-tech Corp. (NTD75,582,000)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Nagase Wahlee Plastics Corp. (NTD640 million and NTD150 million for the purchase of materials.)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Shanghai Nagase Wahlee Trading Limited. (USD26.70 million and USD10 million for the purchase of materials.)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Wah Lee (Vietnam) Co., Ltd. (USD16.40 million)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Wah Lee Tech (Singapore) Pte., Ltd. (USD10.50 million)	Resolution passed unanimously.
		Approved the bank guarantee for Hightech Polymer Sdn Bhd. (USD11 million)	Resolution passed unanimously.
		Approved to continue the bank guarantee for Wah Tech Industrial Co.,Ltd. (NTD 4 million)	Resolution passed unanimously.
		Approved the amendment to some provisions of the Company's Rules of Procedures for Shareholders Meeting and Procedures for Acquisition or Disposal of Assets.	Resolution passed unanimously.
		Approved to issue the company's 2022 statement of internal control system.	Resolution passed unanimously.
		Approved the Company's nomination and review of independent director candidates.	Resolution passed unanimously.
		Approved to lift the non-competition restrictions on the new directors and their representatives	Resolution passed unanimously.
		Approved to revise the 2022 general meeting of shareholders.	Resolution passed unanimously.

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

Resolutions of the 2022 regular shareholders' meeting (2022.05.27)	Performance Results
Earnings distribution of 2021 was approved	The board resulted on May 27, 2022 that the ex-dividend base date was set on July 3, 2022, and the cash dividend of NTD1,604,921,999 was paid to shareholders on July 21, 2022.
Approved the amendment of some provisions of the Articles of Association.	The Ministry of Economic Affairs approved on June 13, 2022 by the letter of authorization Gin Shou Shang Zi No. 11101101950,
Approved the election of independent directors.	One independent director was elected, which was approved by the Ministry of Economic Affairs on June 13, 2022 by the letter of authorization Gin Shou Shang Zi No. 11101101950,

(XIV) 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.

(XV) 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:

Unit: NTD1,000

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total	Remarks
Deloitte & Touche	Wu, Chiu-Yen	2022.01.01-2022.12.31	5,640	1. 250	2. 5,890	NTD 50,000 for the declaration of salaries of non-supervisory employees and NTD200,000 for others.
	Hsu, Jui-Hsuan					
	Lai, Yung-Fa	2022.01.01-2022.12.31	-	3. 720	4. 720	NTD310,000 for tax compliance audit, and NTD410,000 for others

(I) When the CPA firm is replaced and the audit fees paid for the fiscal year of such fees are lower than those for the previous fiscal year, the amounts of audit fees before and after the change and the reasons thereof shall be disclosed: None.

(II) Audit fees paid for the year are at least 10% less than those paid for the previous year: None.

VI. Information on Replacement of CPAs

(I) Former CPAs

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 internal organization adjustments and changes, the financial statements were certified by Wu, Chiu-Yen and Hsu, Jui-Hsuan of Deloitte Taiwan in the first quarter of 2022.		
Termination by the Company or the CPAs	Party	CPA	Client
	Condition	N/A	
	Termination by the Company		
	Rejection of appointment		
For the most recent two years, the causes for an audit opinion other than unqualified audit opinion	N/A		
Deviation from the Issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None		
	Description	N/A	
Additional Disclosures (under Subparagraphs 1-4 to 1-7, Paragraph 6, Article 10 of the Guidelines)	None		

(II) Successive CPAs:

Name of CPA Firm	Deloitte & Touche
Name of CPA	CPA Wu, Chiu-Yen, CPA Hsu, Jui-Hsuan
Date of Appointment	Board of Directors resolution made on March 22, 2022
Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment	N/A
Succeeding CPA's written opinion of disagreement toward the former CPA	N/A

(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, 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, 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:

Title	Name	2022		As of March 31, 2023	
		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.	369,000	0	0	0
Representative of Chairman	Chang, Ray-Ching	(313,000)	0	0	0
Vice Chairman	Chen, Chun-Yin	(324,000)	0	(130,000)	0
Director	Lin, Chi-Hai	0	0	0	0
Representative of Directors	Chang, Tsuen-Hsien	313,000	0	0	0
Director	Bau Guang Investment Corp.	503,000	0	0	0
Representative of Directors	Lin, Shu-Chen	(313,000)	0	0	0
Director	Yeh, Ching-Pin	0	0	0	0
Independent Director	Wang, Yea-Kang	0	0	0	0
Independent Director (Note 2)	Chen, Ju-Chung	0	0	N/A	N/A
Independent Director	Shyu, So-De	0	0	0	0
CEO and President	Chang, Tsuen-Hsien	313,000	0	0	0
Vice President (Note 2)	Chen, Chih-Yuan	0	0	N/A	N/A
Vice President	Liu, Feng-Roung	0	0	0	0
Vice President	Yeh, Ching-Wen	0	0	0	0
Vice President	Lu, Jui-Ming	0	0	0	0

Title	Name	2022		As of March 31, 2023	
		Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged	Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged
Vice President (Note 2)	Su, Yu-Liang	0	0	N/A	N/A
Director	Chang, Jui-Yu	0	0	0	0
Director (Note 2)	Lin, Li-Chang	0	0	N/A	N/A
Director	Liu, Tsung-Ming	0	0	0	0
Director (Note 2)	Wu, Hsiu-I	0	0	N/A	N/A
Director	Yang, Chen-Ming	0	0	0	0
Director (Note 3)	Chang, Yu-Wen	0	0	N/A	N/A
Director	Yu, Ching-Tien	0	0	0	0
Director	Tsai, Yu-Tang	0	0	0	0
Director	Chen, Yi-Jen	0	0	0	0
Director	Shih, Ching-Hsien	0	0	0	0
Director	Yang, Cheng-Ju	0	0	0	0
Director	Shao, Kuang-Wei	0	0	0	0
Director	Chang, Chi-An	0	0	0	0
Director	Tsai, Shu-Fen	0	0	0	0
Director	Chen, Mao-Hua	108	0	0	0
Director (Note 3)	Chang, Tzu-Cheng	0	0	N/A	N/A
Director	Chiang, Kuo-Jui	0	0	0	0
Director	Lee, Chi-Shan	0	0	0	0
Director	Shih, Chia-Sheng	0	0	0	0
Director	Yang Yu-Kuang	0	0	0	0
Director (Note 1)	Shan, Tzu Hao	0	0	0	0
Director	Lin, Jen-Chih	0	0	0	0
Director	Li, Kuo-Ping	0	0	0	0

Note 1: Assumed office in 2022.

Note 2: Discharged in 2022.

Note 3: Discharged in 2023.

(II) Transfer of equity interest:

Unit: Share; NTD

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	2022.10.24	Chang, Tsuen-Hsien	Father and son	313,000	79.8
Lin, Shu-Chen	Donation	2022.10.24	Chang, Tsuen-Yi	Mother and son	313,000	79.8

(III) Pledge of equity interest: None.

IX. Shareholding Percentage of Top 10 Shareholders and Their Relations

March 31, 2023

NAME	CURRENT SHAREHOLDING		SHAREHOLDINGS OF SPOUSE AND MINORS		SHAREHOLDING BY NOMINEES		AMONG 10 LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANYONE WHO IS A RELATED PARTY UNDER OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		REMARKS
	SHARES	SHAREHOLDING PERCENTAGE (%)	SHARES	SHAREHOLDING PERCENTAGE (%)	SHARES	SHAREHOLDING PERCENTAGE (%)	NAME	RELATION	
Kang Tai Investment Corp.	19,868,338	8.42%	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	
Fortune Investment Co., Ltd.	15,996,494	6.78%	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.	12,666,950	5.37%	0	0.00%	0	0.00%	None	None	
Dragon Investment	62	0.00%	0	0.00%	0	0.00%	None	None	

NAME	CURRENT SHAREHOLDING		SHAREHOLDINGS OF SPOUSE AND MINORS		SHAREHOLDING BY NOMINEES		AMONG 10 LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANYONE WHO IS A RELATED PARTY UNDER OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		REMARKS
	SHARES	SHAREHOLDING PERCENTAGE (%)	SHARES	SHAREHOLDING PERCENTAGE (%)	SHARES	SHAREHOLDING PERCENTAGE (%)	NAME	RELATION	
Co., Ltd. Representative : Hsieh, Hsin-Mo									
Ting Pao Co., Ltd	8,188,320	3.47%	0	0.00%	0	0.00%	Chang, Ray-Ching	Chairman of Ting Pao Co., Ltd.	
Ting Pao Co., Ltd Representative : Chang, Ray-Ching	6,137,364	2.60%	728,569	0.31%	8,188,320	3.47%	Wah Hong Co., Ltd	Chairman of Wah Hong Co., Ltd.	
Crystal Investment Co., Ltd.	7,010,579	2.97%	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	
Wah Hong Industrial Corp.	6,212,559	2.63%	0	0.00%	0	0.00%	Chang, Ray-Ching	Chairman of Wah Hong Co., Ltd.	
Wah Hong Industrial	6,137,364	2.60%	728,569	0.31%	8,188,320	3.47%	Ting Pao Co., Ltd	Chairman of Wah	

NAME	CURRENT SHAREHOLDING		SHAREHOLDINGS OF SPOUSE AND MINORS		SHAREHOLDING BY NOMINEES		AMONG 10 LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANYONE WHO IS A RELATED PARTY UNDER OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		REMARKS
	SHARES	SHAREHOLDING PERCENTAGE (%)	SHARES	SHAREHOLDING PERCENTAGE (%)	SHARES	SHAREHOLDING PERCENTAGE (%)	NAME	RELATION	
Corp. Representative : Chang, Ray-Ching								Hong Co., Ltd.	
Chang, Ray-Ching	6,137,364	2.60%	728,569	0.31%	8,188,320	3.47%	Wah Hong Co., Ltd. and Ting Pao Co., Ltd.	Chairman of Wah Hong Co., Ltd. and Ting Pao Co., Ltd. are held by Chang, Ray-Ching in the name of others.	
Hsieh, Jin-yen	5,585,000	2.37%	0	0.00%	0	0.00%	None	None	
Special account of Wah Lee Industrial's employee stocks entrusted to CTBC Bank	5,287,616	2.24%	0	0.00%	0	0.00%	None	None	

NAME	CURRENT SHAREHOLDING		SHAREHOLDINGS OF SPOUSE AND MINORS		SHAREHOLDING BY NOMINEES		AMONG 10 LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANYONE WHO IS A RELATED PARTY UNDER OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		REMARKS
	SHARES	SHAREHOLDING PERCENTAGE (%)	SHARES	SHAREHOLDING PERCENTAGE (%)	SHARES	SHAREHOLDING PERCENTAGE (%)	NAME	RELATION	
Yeh, Ching-Pin	3,423,388	1.45%	921,397	0.39%	0	0.00%	Wah Hong Co., Ltd	President of Wah Hong Co., Ltd.	

X. Aggregate investments:

December 31, 2022; Unit: Share

Investees (Note 1)	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Shares	Percentage of Ownership	Shares	Percentage of Ownership	Shares	Percentage of Ownership
Wah Lee Holding Ltd.	13,070,000	100.00%	0	0.00%	13,070,000	100.00%
Raycong Industrial (Hong Kong) Limited	56,000,000	53.69%	48,296,655	46.31%	104,296,655	100.00%
Chang Wah Electromaterials Inc.	197,902,180	29.17%	8,131,150	1.20%	206,033,330	30.37%
Nagase Wahlee Plastics Corp.	4,000,000	40.00%	0	0.00%	4,000,000	40.00%
Wah Hong Industrial Corp.	26,129,978	26.52%	6,420,780	6.52%	32,550,758	33.04%
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%
Wah Heng Energy Technology Corp.	9,000,000	100.00%	0	0.00%	9,000,000	100.00%
Evergreen New Energy Corporation	5,000,000	100.00%	0	0.00%	5,000,000	100.00%
Kingstone Energy Technology Corporation	27,708,077	78.67%	0	0.00%	27,708,077	78.67%
KSD Energy Corporation	0	0.00%	12,700,000	100.00%	12,700,000	100.00%
KSA Energy Corporation	0	0.00%	6,130,000	100.00%	6,130,000	100.00%
KSB Energy Corporation	0	0.00%	5,113,000	100.00%	5,113,000	100.00%
KSC Energy Corporation	0	0.00%	5,400,000	100.00%	5,400,000	100.00%
Huahsuan Green Energy Co., Ltd.	0	0.00%	4,482,000	5.71%	4,482,000	5.71%
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%
Huaying Supply Chain Management (SZ) Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	100.00%	- (Note 2)	100.00%

Investees (Note 1)	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Shares	Percentage of Ownership	Shares	Percentage of Ownership	Shares	Percentage of Ownership
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%	10,000	100.00%	10,000	100.00%
Dongguan Hua Gang 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.	1,600,000	100.00%	-	0.00%	1,600,000	100.00%
Shanghai Hua Chang Trading Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	30.00%	- (Note 2)	30.00%
Meditek (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%
FengHuang Xian Hua Shou Cheng Co. Ltd.	- (Note 2)	0.00%	- (Note 2)	52.50%	- (Note 2)	52.50% (Note 3)
Anhua Huixinkang Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	100.00%	- (Note 2)	100.00%
Kaiping Huaxinkang Co., Ltd.	- (Note 2)	0.00%	- (Note 2)	90.00%	- (Note 2)	90.00%
WT Industrial	7,650	51.00%	0	0.00%	7,650	51.00%
WT Indonesia	0	00.00%	18,150	66.00%	18,150	66.00%
Hightech Polymer	7,650,000	51.00%	0	0.00%	7,650,000	51.00%
Gishine Tech	- (Note 2)	00.00%	- (Note 2)	49.00%	- (Note 2)	49.00%

Investees (Note 1)	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Shares	Percentage of Ownership	Shares	Percentage of Ownership	Shares	Percentage of Ownership
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 Huashengda Logistics Co., Ltd.	-	0.00%	- (Note 2)	70.00%	- (Note 2)	70.00%
Xiamen Jian Yuan Rong Logistics Co., Ltd.	-	0.00%	- (Note 2)	30.00%	- (Note 2)	30.00%
Xiamen Jia Sheng Yuan Trading Development Co., Ltd.	-	0.00%	- (Note 2)	30.00%	- (Note 2)	30.00%

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

Note 2: Limited liability Company, no shares held.

Note 3: The Company and its wholly-owned 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 70% stake in Adi International Trading (Shanghai) Co., Ltd., 69.97% stake in Shanghai Li Huang Co., Ltd., and 75% FengHuang Xian Hua Shou Cheng Co. Ltd. Therefore, the company's comprehensive shareholding in Meditek (Shanghai) Co., Ltd., Shanghai Li Huang Co., Ltd. and FengHuang Xing Hhua Shou Cheng Company is 49%, 48.98% and 52.5% respectively.

Chapter 4 Capital Raising

I. Capital and shares:

(I) Source of capital

March 31, 2023; Unit: share/NT\$

Month/Year	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	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 JSFB, 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 JSFB, 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 JSFB, 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	Capitalization of capital reserves NT\$ 46,278,030	None	October 07, 2021 JSS Zi No. 11001180610 Change of Registration

March 31, 2023; Unit: share

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

2. Information on shelf registration: None.

(II) Shareholder structure

March 31, 2023

Shareholder structure Amount	Government agencies	Financial institution	Other corporate entities	Individual	Overseas entities and individuals	Total
Number of holders	2	9	247	27,047	155	27,460
Number of shares held	786,147	4,738,360	93,337,070	112,173,731	24,982,633	236,017,941
Shareholding percentage	0.33%	2.01%	39.54%	47.54%	10.58%	100.00%

(III) Shareholding distribution

NT\$10/share

March 31, 2023

Shareholding brackets	Number of shareholders	Number of shares held	Shareholding percentage
1-999	15,401	767,274	0.33%
1,000-5,000	8,926	16,864,333	7.15%
5,001-10,000	1,476	10,160,718	4.31%
10,001-15,000	597	7,018,771	2.97%
15,001-20,000	225	3,929,060	1.66%
20,001-30,000	291	7,000,258	2.97%
30,001-40,000	116	3,974,347	1.68%
40,001-50,000	96	4,286,322	1.82%
50,001-100,000	158	10,842,105	4.59%
100,001-200,000	75	10,471,590	4.44%
200,001-400,000	42	11,779,831	4.99%
400,001-600,000	11	5,385,112	2.28%
600,001-800,000	9	6,259,025	2.65%
800,001-1,000,000	9	8,072,503	3.42%
Over 1,000,001	28	129,206,692	54.74%
Total	27,460	236,017,941	100.00%

Preference share: None.

(IV) Major shareholders

March 31, 2023

Shareholder	No. of shares held	Shares Ratio
Kang Tai Investment Co., Ltd.	19,868,338	8.42%
Fortune Investment Co., Ltd.	15,996,494	6.78%
Dragon Investment Co., Ltd.	12,666,950	5.37%
Ting Bao Co., Ltd.	8,188,320	3.47%
Crystal Investment Co., Ltd.	7,010,579	2.97%
Wah Hong Industrial Corp.	6,212,559	2.63%
Chang, Ray-Ching	6,137,364	2.60%
Hsieh, Chin-Yen	5,585,000	2.37%
Special account of Wah Lee Industrial's employee stocks entrusted to CTBC Bank	5,287,616	2.24%
Chen, Chun-Ying	3,423,388	1.45%

(V) Share information in the past two years

Unit: NT\$/share

Year			2021	2022	Current year up until March 31, 2023
Item					
Market price per share (Note 1)	Highest		111.50	115.50	89.90
	Lowest		71.20	76.50	82.80
	Average		83.30	94.45	86.80
Net value per share (Note 2)	Before distribution		66.51	70.99	N/A
	After distribution		59.71	64.89 (Note 7)	N/A
Earnings per share	Weighted average shares		236,017,941	236,017,941	N/A
	Earnings per share (Note 3)	Before adjustment	12.05	10.53	N/A
		After adjustment	12.05	10.53	N/A
Dividends per share	Cash dividends		6.8	6.1 (Note 7)	N/A
	From gratuitous allotment	From retained earnings	None	None	N/A
		From capital surplus	None	None	N/A
	Accumulated unpaid dividends		None	None	N/A
Return on investment	Price to earnings ratio(Note 4)		6.91	8.97	N/A
	Price to dividend ratio(Note 5)		12.25	15.48	N/A
	Cash dividend yield(Note 6)		8.16%	6.46%	N/A

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

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

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

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

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

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

Note 7: It is the amount resolved by the Board of Directors on March 16, 2023.

(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 is taken as the accumulated undistributed surplus and distributes common stock dividends after the balance is distributed special stock dividend in accordance with Article 5 (1) of the Company's Articles of Association, and the Board of Directors proposes earning distribution bill. When it is distributed by issuing new shares, it shall be distributed after submitting to the shareholders' meeting for a resolution; When it is distributed in cashes, it shall be subject to resolution of the Board of Directors.

The Company, according to Articles 240 and 241 of the Company Act, authorizes the Board of Directors to distribute the whole or part of dividends and bonus, capital reserves or statutory surplus reserves in cash and report to the Board of Shareholders in the presence of at least two thirds of the directors and by resolution of a majority of the directors present; When it is distributed by issuing new shares, it shall be handled by resolution of the shareholders' meeting in accordance with the provisions.

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

2. Status of dividend distribution proposal for the coming shareholders' meeting: The shareholders' meeting shall propose to distribute cash dividends of NT\$6.1 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) Employee compensation and director remuneration:

1. Employee and director remuneration policies stated in the Articles of Incorporation:
The Company shall set aside 9%~13% and no more than 2%, respectively, from profit as employee compensation, and director and supervisor remuneration. However, the profit shall be retained when there are accumulated losses yet to be offset.
Employee compensation stated above may be made in cash or stock and shall also be allocated to employees of affiliated companies who have met certain criteria.
The two items above shall be executed according to the board's resolution and reported in the shareholders' meeting.
2. The estimation basis of the employee compensation, and director remuneration for the current period, the computation basis for the number of shares issued as stock dividend serving as employee compensation, and accounting treatments for any discrepancies between the estimation and the actual allotment:

The employee compensation and director remunerations for 2022 are NT\$291,956,000 and

NT\$37,306,000 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 in the following year.

3. Remuneration proposal passed by the Board of directors:

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

The employee compensation and director and supervisor remunerations for 2022 are NT\$291,956,000 and 37,306,000 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 22, 2022, the Board resolved that NT\$329,953,000 was distributed as employee compensation and NT\$242,161,000 was distributed as director remuneration, both of which are in cash from 2020 earnings.

(IX) Share repurchase by the Company: None.

II. Corporate bonds:

(I) Handling situation of corporate bonds:

Type of corporate bonds:	Domestic unsecured corporate bonds for the third time
Issuing date	August 24, 2021
Face value	NT \$100,000 per face value
Place of issue and trading	Republic of China Foundation Legal Person Counter Trading Center
Issue price	NT\$100.25 (premium issue)
Total	NT\$ 2,000,000,000
Interest rate	0%
Time limit	3 year, Maturity date: August 24, 2024
Guarantee mechanism	None
Trustee	Trust Department of Huanan Commercial Bank Co., Ltd.
Underwriting agency	Yuanta Securities Co., Ltd.
Licensing lawyer	TaipeiLaw Attorneys-at-Law Lawyers Huang, Pei-Sheng and Chen, Chun-Chih
Certified accountant	Deloitte & Touche Accountant Wu, Chiu-Yen, Chen, Chen-Li
Method of repayment	Except for early conversion or early collection by the Company, it will be repaid in cash in one lump sum at maturity.
Outstanding principal	NT\$ 2,000,000,000
Redemption or early redemption clause	Details of the corporate bond issuance and conversion procedures

Restriction clause		Details of the corporate bond issuance and conversion procedures
Name of credit rating agency, rating date and corporate bond rating results		None
Additional rights	Amount of common stock, overseas depositary receipts or other marketable securities converted (exchanged or subscribed) as at the date of publication of the annual report	None
	Issuance and conversion (exchange or subscription) method	Please refer to the bond issue information in the credit section of the open information observatory
Issuance and conversion, exchange or subscription, and possible dilution of the issuing conditions to equity and impact on existing shareholders' equity		Assuming that all creditors of the conversion company request conversion at the current conversion price of NT\$ 91.7, the maximum dilution ratio is about 9.24%, and the dilution effect should be limited.
Name of the institution entrusted to exchange the subject matter		None

(II) Information of conversion corporate bonds:

Type of corporate bonds:		Domestic unsecured conversion corporate bonds for the third time	
Item	Year	2022	Current year up until March 31, 2023
Market price of conversion corporate bonds:	Highest	127.00	112.00
	Lowest	102.00	103.35
	Average	115.45	107.52
Conversion price		91.7	91.7
Date of issue (handling) and conversion price at issue		Issuing date: August 24, 2021 Conversion price at issue: NT\$ 105.30	
Manner of performing the conversion obligation		Issue new shares	

III. Preference share: None.

IV. Overseas depositary receipts: None.

V. Employee stock option certificates and new shares limiting employee rights: None.

VI. Acquisition or transfer of shares of other companies to issue new shares: None.

VII. Fund utilization plan: None.

Chapter 5 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 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	2022 Consolidated Revenues	Sales Percentage (%)
Information and communication tech.	21,722,131	30%
Flat-panel displays	20,273,854	28%
Semiconductors	18,614,568	25%
PCB/motherboard	6,965,753	9%
Green energy	2,574,136	3%
Others	3,419,854	5%
Total	73,570,296	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 the 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) Information and communication technology and electro mechanical; (2) semiconductors; (3) opto-electronics, optical communication, and flat-panel display; (4) green energy, energy conservation, and energy storage; and (5) environmental protection, biomedicine, etc. Product categories by industry:

Industry	Main Product Categories
Information and communication technology and electro mechanical	High-performance engineering plastics, thermosetting engineering plastics, general-purpose engineering plastics, thin films & sheets, glass fiber, Dry Films, substrates, exposure machines and parts, release film, other PCB construction materials, chemicals and equipment, high-frequency application materials, appearance inspection machine, rechargeable battery-related business, active and passive electronic components, wide bandgap power supply devices/substrate/epitaxial sheet.
Semiconductors	Process photoresist, electronic-grade specialty gases, IC Chemical, Remover, Silicon wafer, advanced packaging materials, slurry, Developer, Spare Parts, Polyimide, target materials, etc.
Opto-electronics, optical communication, and flat-panel display	Flat-panel display terminal system products, system photoelectric display ICs, materials and equipment, photoelectric equipment/parts, OLED materials and components, optical communication materials, TV motherboard and control ICs, and Mini LED application solutions/semi-finished products.
Green energy,	Solar cell materials, solar cells, solar modules/systems/equipment, solar

energy conservation, and energy storage	above-ground/rooftop power plants, solar energy system engineering, energy storage devices, energy conservation equipment, wind power blade materials, and rechargeable battery materials and lithium batteries.
Environmental protection, biomedicine and others	Ship engine and parts, coolants, foaming agents, carbon fiber, compound, core materials, functional materials, special chemicals, ganister sand, automated equipment and control components, other industrial materials, other biotech products, antibody-related products.

4. New products under development

The Company operates with the vision of satisfying the needs of world's growing industries and markets, particularly in the Greater China area 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 reasonably 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 the role of an industry integrator and total solution provider. Below is a list of new products the Company is actively developing in the five main industries. In the future, we will continue to accelerate the deployment of emerging industries such as high-performance computing, 5G communications, data center, AIOT, metaverse, Internet of Things, biomedicine, and electric vehicles, and expand our international operations. New products categories sold by the Company as agent or distributed by the Company in 2022 include automotive, semiconductor industry application products, environmental protection and recycled materials, automation equipment and solutions, wide-gap compound semiconductor and power module packaging materials, 5G high-frequency application materials, new generation semiconductor front-end materials, advanced packaging materials, circular economy products, photoelectric, flat-panel display and communication equipment, wafers, system products, electronic chemical and optical materials, batteries and energy-storage-related materials and systems, components required for solar power plants, energy management service solutions, solar power plant evaluation, design, construction, maintenance, energy storage systems/plants, etc.

Industry	Agency or Distribution of New Products
Information and communication tech. and electro mechanical	<ol style="list-style-type: none"> 1. Flexible and rigid PCB high-frequency materials, automation equipment, 5G server, HPC application-related materials, active and passive electronic components, wide bandgap power devices/substrate/epitaxial sheet, Internet of things and mobile device products and solutions, low orbit satellite communication market. 2. Automotive market: high-end engineering plastic automotive parts, including ECU (electronic control unit) connectors for electric vehicles, automotive navigation and speedometers, connectors for automotive cameras and transmission, as well as charging stations. 3. Electric vehicles and alternative energy generators: third-generation compound semiconductor components such as gallium nitride (GaN) and silicon carbide (SiC), internal high-voltage components for electric vehicles, and fast-charging facilities. 4. Lightweight vehicle, replacing metal with plastics: high-strength automotive structural plastics 5. Recyclable grade PCR (Post Consumer Recycle), Biobased engineering plastics. 6. We continue to develop and introduce new products and suppliers for the following application markets: handheld devices, NB, mobile phones, vehicle-mounted electronics, 3C applications, solar energy, consumer goods, food packaging, household products and emerging applications in medical equipment.
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 specialty gases (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, 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	<ol style="list-style-type: none"> 1. Business related to lithium battery, green certificate, production materials and services related to carbon rights trading, including surface type, ground type, roof type solar energy field, related materials, components, modules, such as high efficiency/double wave/imbricate module, fuel cell core materials, slow/fast charging gun, solar surface type floating platform, energy storage system, and energy management services. 2. To evaluate and develop green energy cycle industries such as agricultural and fishery power plants, low-temperature thermal cracking, biomass energy, hydrogen energy, geothermal energy, renewable fuel rods, green power transfer/certification, etc.
Environmental protection, biomedicine and others	Pharmaceutical raw materials (excipients, additives), biotechnology application (biotechnology raw materials), Class I/II medical materials, medical beauty materials, terminal medical services, marine engine/generator set, related equipment and coatings, technologies and materials related to various environment-friendly finished products, air pollution, and wastewater treatment, graphite and related products and applications, and the new generation of environment-friendly refrigerant.

1. Analysis and evaluation of risk managementCurrent and future industry prospects

(1) Overall industry development

In 2022, the epidemic situation slowed down and many countries gradually unsealed their borders; the international monetary policy changed; the Russia-Ukraine war accelerated global inflation, and due to the shortage of labor and materials as well as commodities caused by the Russia-Ukraine war, the cost of labor and raw materials rose sharply; central banks around the world have stepped in to raise interest rates, excessive inventories in the industrial chain and the recession in demand caused by higher interest rates have added uncertainties to the global industrial economy. In spite of such a severe situation, the

Company's revenue reached a record high of NTD 73.57 billion in 2022, showing that it has always been grasping the growth trend of the industry and implementing diversified operations, thus achieving remarkable results. Looking forward to 2023, as customers are still under inventory pressure in the first half of the year and central banks are still adopting tight monetary policies, customers' capital expenditures have been slowing down successively. However, with the relief of COVID-19, all countries are opening their borders, and the demand is expected to recover gradually. However, there are still many uncertainties in the global economy. International institutions forecast that the economic growth momentum in 2023 will slow down compared with that in 2022, with most major economies showing stagnation. The global economy is expected to grow gradually in the second half of 2023, but the momentum is still slow. However, we need to observe whether the major export markets fall into low growth with high inflation or recession this year. Although the outlook is challenging, the Company is confident that with its unique industrial layout and efficient marketing channel capabilities, it can maintain growth and achieve further success.

(2) Information and communication technology and electro mechanical

In 2022, Taiwan's circuit board industry grew by 13.4%, but only IC board has grown significantly, and the general multilayer board has declined. Battery components grew by 5.7%; and sensing components reduced by 6.9%. The Company's electro mechanical division saw revenue growth of 22.7% in 2022 due to continued growth in key products and new businesses such as battery metal recycling and automation equipment.

The top two international CPU manufacturers have successively launched new server platforms, which will certainly drive a significant growth in high-end PCBs and IC substrates. The application of high-performance computing (HPC), data centers, and 5G communication requires high-end servers, routers, switches, antenna modules, communication equipment and other cutting-edge equipment. Such infrastructures will maintain resilient corporate capital expenditures despite of major adverse environment.

Despite the economic downturn, the automotive market is one of the few high-growth markets. The ECU (electronic control unit) connectors for electric vehicles, automotive navigation and speedometers, connectors for automotive cameras and transmission, as well as charging stations will grow rapidly and drive the growth of the engineering plastic products of the Company. In addition, the Company has successfully introduced GaN, SiC, and other third-generation compound semiconductor components that can withstand high voltages, in the important next-generation semiconductor materials, which are in high demand for high voltage components inside electric vehicles and fast charging facilities. Therefore, the Company will undoubtedly take a place when electric vehicles and alternative energy generators become more and more popular in the future. Since countries worldwide are implementing increasingly stringent emission regulations, automakers will pay high attention to lightweight when developing new vehicles, and replacing metal with plastic is the key. The Company offers

the most complete high-strength automotive structural materials, and our plastic products have captured hundreds of component markets. In recent years, the world's top plastic manufacturers have started to supply PCR (Post Consumer Recycle) plastics, and the Company has also acquired the supply rights of many PCR factories.

Looking forward to 2023, factors that are favorable to the Company include the development of the new capacity of substrate makers, the increase of the advanced packaging high-power modules, the continuous growth of electric vehicles, the continuous growth of servers, the popularity of compound semiconductor substrates and modules, the increasing market demand for high-frequency materials, high efficiency and high-density power supplies and high-speed wireless networking; On the other hand, the risks faced by the Company include weak demand in the ICT consumer market, inventory pressure, price falling due to excessively supply, reduced capital expenditure in the circuit board industry, a continued shortage of semiconductor components, and international instability due to geopolitical and US-China technology conflicts. It depends on how well inflation can be controlled and how quickly supply chain inventories can be digested. If the economy in the U.S. continues to suffer a severe recession or stagnant inflation, the semiconductor and ICT industries will inevitably suffer another recession. In addition, if the inventory adjustment of upstream and downstream supply chains (including semiconductors) can be effectively completed in the first half of this year, there will still be a chance for the ICT industry to recover in the second half of the year.

(3) Semiconductors

In 2022, the semiconductor industry further developed due to the growth of high-efficiency computing, 5G, the Internet of things and automotive electronics demand, and the use of semiconductors in various terminal applications continues to increase. At the same time, the rapid interest rate rise in the United States has led to the depreciation of the Taiwan dollar, effectively driving up the growth of IC industry in Taiwan in 2022 by 15.6%. As for the wafer foundry and packaging business, the demand for heterogeneous integration has increased due to the development of the 3 nm technology, and the impact of the exchange rate has depreciated. Driven by this trend, the growth of the Company's semiconductor division in 2022 has also accelerated, with annual revenue growth of 31%.

Looking forward to 2023, the size of the semiconductor market will shrink and the accumulation of semiconductor inventories will reduce production. There are also uncertainties due to the effectiveness of inflation controls and inventory adjustments, as well as the ban of the US and delays in advanced processes. Despite industry analysts estimating that there would be a 3.5 percent to 5 percent decline in the global semiconductor market, the Company's Semiconductor Division targets modest revenue growth over 2022.

(4) Opto-electronics, optical communication, and flat-panel display

In 2022, the prices of some TV panels fell to historic lows, and the annual profit performance of Taiwan's panel industry saw a loss. IEK estimated that the

output value of Taiwan's panel industry would decline by 22.3%. As a result, the annual revenue of our Optoelectronics Business Division declined by 5.5% in 2022.

Since 2022, the output value of TV and IT panels has slowed down due to market saturation, and the display equipment market has shrunk. The global economy has decreased by more than 10% compared to the previous year due to the impact of the Russia-Ukraine conflict and the epidemic containment in mainland China. In the future, the automotive panel will have more growth momentum. With the development of intelligent cabins, the demand for automotive panels will also grow. By 2025, the compound annual growth rate of automotive panel is expected to reach 8.1%, the highest among panel applications. The direct-lit mini-LED backlit display has higher brightness than side backlit LCD and better product reliability than OLED, with a higher competitive advantage in automotive panel applications. It is expected that the increasing demand for Mini LED will drive the growth of equipment demand, while the trend of miniaturization and large production, the requirements of equipment accuracy, production speed and yield are all challenges to be solved.

According to IEK, the global communications industry market will reach USD2.19 trillion in 2022. The pandemic has catalyzed the digital transformation of enterprises, and the data centers within enterprises have also gradually shifted from local to cloud, or cloud-based new application services will be launched, resulting in an overall market growth of 3.7% in 2022. In terms of communication equipment, such as 5G telecommunication office terminals, cloud high-speed switching equipment, commercial wide area/LAN, wireless LAN, DSL and fiber broadband network, and other application products, we have recorded positive growth in 2022. It is estimated that in 2023, the annual growth rate of the global communications industry will reach 4.5%, or about USD2.29 trillion, driven by low-orbit satellite communications, 5G private networks, cloud applications and other issues.

(5) Green energy, energy conservation and energy storage

With the development of the topic of net zero and environmental protection, the world is accelerating the progress of net-zero carbon emissions, and the EU is about to impose a carbon dioxide emissions tariff. Therefore, environmental protection and green energy demands and sustainable development of enterprises have become a key factor in industry development. In recent years, the topic of corporate sustainability has inevitably challenge faced by global companies. The most popular topic is how to use more green electricity. From 2018 to 2022, the group completed the meter installation for up to 58.34MW of power plant capacity. However, according to the latest report of TrendForce, from 2021 to 2022, the solar supply chain is still impacted by the epidemic. The shortage of silicon material resulted in a high price level of solar panels, a shortage of modules and labor, and the installation demand was postponed to 2023, resulting in the Company's sales of related solar modules of 2022, materials and components and the revenue from building systems engineering not as good as expected.

With the rise of global renewable energy, Taiwan's solar energy industry will continue to look promising in 2023. With the end of the election, many solar energy projects have resumed construction and are showing signs of accelerating. With the large-scale release of new silicon production capacity, the price of all industrial chain links will return to normal level. This is conducive to the rapid growth of solar installed capacity. In 2023, the global solar installed capacity is expected to reach 351GW, an increase of 53.4%, mainly benefiting from the deferred effect of installation demand.

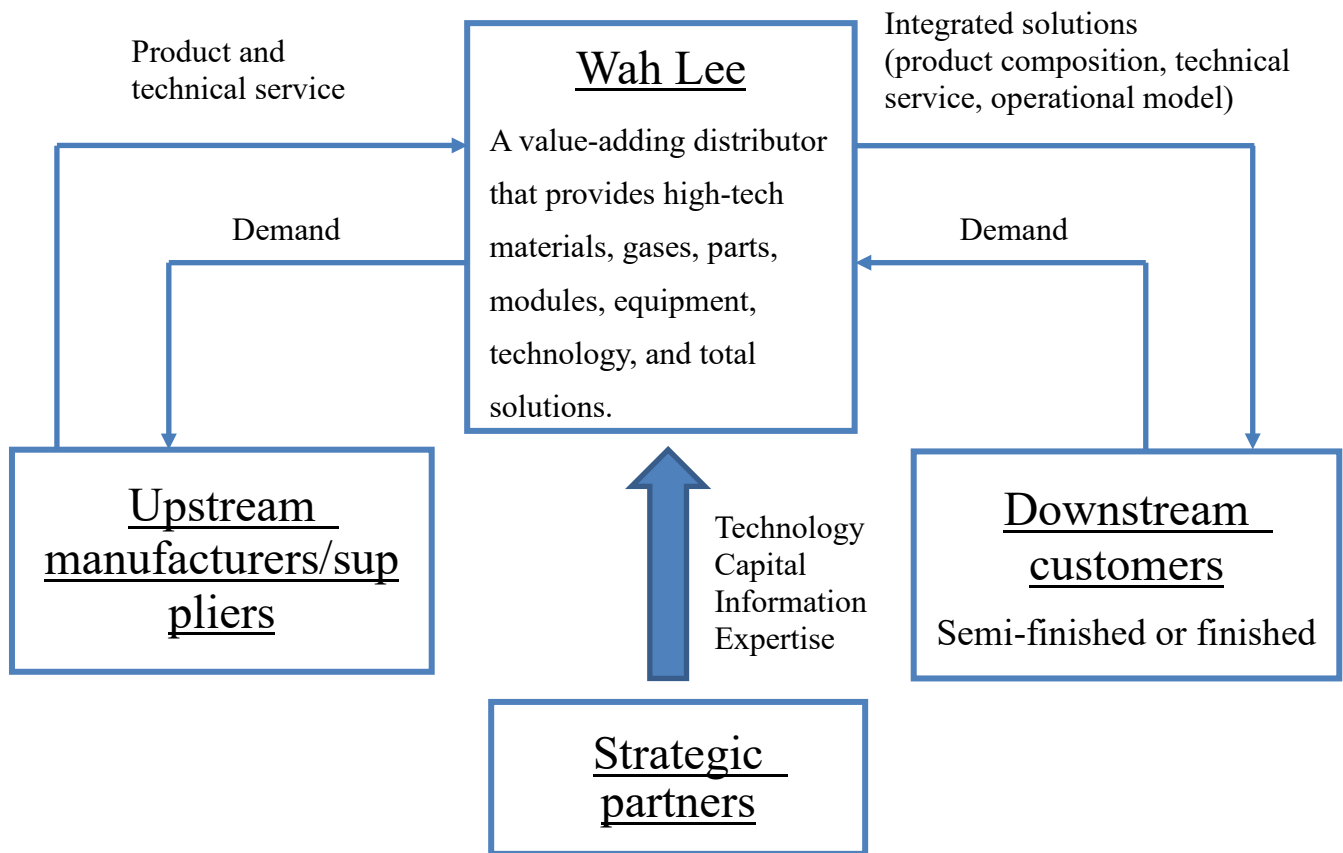
With the increase in demand, the Group's target contract capacity for this year is 61.9MW. However, there are still risks, such as inflation, interest rate hike, workforce shortage, delayed government audit and fierce competition, which may lead to lower IRR, contract volume and completion volume than expected. We will combine the group and strategic alliance to jointly develop case sources, raise funds, and develop more suppliers for materials and modules with the same value but low price to ensure the supply of goods.

Mainland China has made CO2 emission reduction/renewable energy conversion a clear national goal, driving the fast development of the ESS (energy storage system) market. Local governments have implemented specific regulations/obligations on ESS introduction and subsidy policies. By the end of June 2021, 25 provincial-level administrative regions have made it mandatory for new energy plants to install ESS. The "light and wind abandonment" problem is prominent in all provinces. The stability of wind and photoelectric power is not as good as that of coal-fired power generation. One of the solutions before grid-side absorption difficulty is to solve the problem of "light and wind abandonment" by combining wind power and photoelectric facilities with ESS. Therefore, it is encouraged or required to increase the construction of ESS for renewable energy power plants in all provinces. Wood Mackenzie estimates China's ESS installation capacity to reach 194.3 GWh in 2025, with a CAGR of 84% from 2021 to 2025.

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 many industries, include but not limited to ICT and electro mechanical, semiconductors, optoelectronics, 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. 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 in new business models. Connection

between upstream, midstream and downstream industry participants is depicted in the following figure.



3. Product trends

The Company supplies high-tech materials, chemicals, gases, parts, modules, and equipment, both as individual products and as total solutions. The Company distributes a wide variety of products. All its services and products are highly relevant to the growth and needs of high-tech industries in the Greater China area, 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, life quality, industry localization, and intelligent/automatic production, highperformance computing, 5G communication, data center, AIOT, metaverse, Internet of things, biomedical, electric vehicles and other emerging hot industries and expanding international operation. It has also accelerated the pace of the layout of related product fields, which has achieved initial results.

The Company still possesses a leading position in the supply of high-performance engineering plastics for the ICT industry, and has made a successful entry into optical lens materials, smartphone antenna modules, non-metallic alternative auto parts, self-driving camera modules, and medical instruments. In recent years, we have added bio-based engineering plastics to address the issues of environmental protection, energy-

saving, carbon reduction and carbon neutrality, and applied for the International Sustainability & Carbon Certification (ISCC+) certification. 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 facilitated 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. 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 primarily 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 to vertical supply chain integration and application market establishment exporting to ensure the success of its well-developed products in local markets and increase of new businesses. The Company has envisioned itself as the driver of industry innovations from Greater China area, Southeast Asia and the rest of the world.

4. Product competition

The Group as a whole carried more than 700 different product categories, 100 generated more than NTD100 million in revenues whereas 270 generated more than NTD 10 million of revenues for the Group in 2022, all showing an increase than 2021. It sold products to nearly 5,500 customers, and more than 650 of which purchased more than NTD10 million from the Company. These results indicate 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 with the highest competitive advantage. The Company mostly targets mid-level and high-end markets and customers, and has gained a strong share of all its target customers. For this reason, the report will focus on products that have top three market shares with their respective target markets namely: engineering plastics, flat-panel display materials, IC and equipment, coolant, photoresist, 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 a broad range of applications from IT/IA products, mobile/wearable devices, auto parts, and medical instruments to food packaging, and has made successful entry into the supply of parts for electric car charging equipment and wireless charging stations for smartphones. High-end engineering plastics have shown 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 Taiwan and mainland China. The Company distributes high-end semiconductor process chemicals, gases, materials, and equipment for key manufacturers worldwide, 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 and electro mechanical 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 successfully generated new revenues from PCB materials and equipment, which enabled the Company to report high growth in relevant Electro Mechanical Products Business Division.

Both governments in Taiwan and China are actively encouraging the 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 investing in 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.

(II) 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 products and new technology introductions 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 the development of new industries and products and to expand the alliance with viable business partners. It has also established a new business development award and development fund. In 2022, the Group's revenue from new business development (including new categories and new applications) exceeded NTD12.8 billion, with an annual growth rate of 47%. This shows that the Company's new business development-related mechanism is effective, and it will accelerate the operation and highly contribute to the revenue.

Looking above, if we treat training expenses, think tank implementation expenses, New Businesses Department expenses, and new business development rewards as a rough estimate of the Company's R&D expenses, the Company had incurred approximately NTD 68.5 million in 2022. However, actual amounts incurred on developing new businesses and products far exceeded this sum. In addition to budgeting comparable amounts of the above expenses, additional funds will be allocated in 2023, depending on demand.

2. 2022 development outcomes: only major new product categories are listed, excluding new specifications, new applications, and new suppliers.

Industry	Agency or distribution of new products
Information and communication and electro mechanical	<ul style="list-style-type: none"> • Products for the automotive and semiconductor industry, such as foamed mPPE and insulating paper • Environmental-protection and recyclable materials, such as PCR and PBS • Automation equipment and solutions, such as hoist and AGV • wide-bandgap semiconductors and power module packaging materials, such as SiC • Materials for 5G high-frequency applications, such as LCP
Semiconductors	<ul style="list-style-type: none"> • New generation semiconductor front-end materials, such as EUV photoresist and PDMAT • Advanced packaging materials, such as Stripper, Cu and Ti Etchant • Circular economy products, such as recycled wafers
Opto-electronics, optical communication, and flat-panel display	<ul style="list-style-type: none"> • Equipment, such as automation equipment • Chips, such as MCU and ASIC ICs • System products, materials, and components, such as PID and electronic paper • Electronic chemistry and optical materials, such as black photosensitive gap materials, and RGB photoresists
Green energy, energy conservation, and energy storage	<ul style="list-style-type: none"> • Materials and systems related to batteries and energy storage, such as raw materials for positive electrode materials • Components required for solar power plants, such as inverters. • Energy Management Service Plan • Evaluation, design, construction, and maintenance of solar power plants, as well as efficient solar silicon wafers/cells/modules, rooftop/ground/surface solar power plants, • Energy storage system/power plant, household small energy storage, slow/fast charging gun, low-temperature cracking furnace.
Environmental protection, biomedicine and others	<ul style="list-style-type: none"> • Thermal management materials, such as carbon nanotubes • Sewage treatment equipment, and sludge dryer • Marine diesel engine, motor and spare parts • Automation equipment and components, such as pneumatic/transmission components • Cell CPC mass production consumables, antibody development, 100% biodegradable materials for medical food packaging • Environmental refrigerant, hemodialysis-related equipment and consumables.

(III) Long-term and Short-term Business Development Plans

1. Short-term development plans

(1) Marketing

A. Grow relationships with key customers, expand product portfolio, broaden

integrated solutions, increase share in existing markets/customers, and offer localized services.

- 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 develop target customers
- (2) Product development strategies
- A. Expand the application of engineering plastics to areas such as home appliances, healthcare, food packaging, container, consumer goods, electric vehicles, lighting, 3C, solar energy, communication etc., and develop new technologies and applications.
 - B. For optoelectronics and flat-panel display industries, the Company will continue introducing the existing and new generations 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 developing 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's progress.
 - D. For the semiconductors industry, the Company will work with customers on researching new generation production lines and source new materials accordingly.

2. Medium and long-term plans

(1) Marketing

- A. Consolidate resources across the Greater China Region; grow sales and market share in China, Southeast Asia, and Northeast Asia, as well as European and American markets.
- 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. Gain more overseas distributorship, exclusive distributorship, and long-term supply commitments from the original manufacturers.
- D. Make synergistic and strategic investments in the supply chain to secure supply and sales channels.
- E. Take the initiative in the development of new industries, new applications,

and new operating models, and strengthen strategic investments and alliances.

(2) Product development strategies

- A. Pay close attention to and develop materials, gases, components, equipment and solutions in the future mainstream industry.
- B. Place emphasis on the development of high-value-adding products and government-incentivized high-tech industries.
- C. Balance our core business performance, innovation and development, and growth development, and continue to expand the proportion of innovation and development sales over total revenue.

II. Market and sales overview:

(I) Market Analysis

1. Regions of products sold

Unit: NTD thousands

Year Sales Territory		2020		2021		2022	
		Sales Amount	%	Sales Amount	%	Sales Amount	%
Domestic Sales		17,279,051	29.2	18,790,135	26.6	19,519,742	26.5
Foreign Sales	Asia	37,379,654	63.3	43,209,939	61.3	44,413,608	60.4
	America	1,908,834	3.2	4,475,673	6.3	5,878,156	8.0
	Europe	2,344,155	4.0	3,715,886	5.3	3,628,106	4.9
	Others	169,226	0.3	323,670	0.5	130,684	0.2
	Total	41,801,869	70.8	51,725,168	73.4	54,050,554	73.5
Total		59,080,920	100.0	70,515,303	100.0	73,570,296	100%

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 Information and communication and electro mechanical/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 wide 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 2022 with 2021, the Company belonged to the leading group, only next to WT Microelectronics Co., Ltd. and TOPCO Scientific Co. Ltd.

The Company supplies a wide range of products across industries and stays at the forefront of new industries. It has developed strong capabilities to contribute and add value to industry integration, making it an increasingly important member of industry growth. Having been recognized by Commonwealth Magazine as an iconic company among industry generation 2.5 and outstanding "Resource Integrator" and "Technology Innovator" in the 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. 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 have been 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. Below is an analysis of the Company's market growth potentials based on the prospects of the end solutions. (Note: Year is presented in Gregorian calendar)








A. Information and communication/electro mechanical and the semiconductor industry

The effect of global economic trends is reducing and geopolitics, war, inflation, containment, the rise of interest rate and other factors continue to affect the demand for terminal consumer electronics; wafer foundry is affected by the high inventory level of the client. As the high-end chip market is supported by the demand for high-speed applications such as servers, automotive electronics, and HPC, it is estimated that in the 5G/B5G era, these mainstream applications will continue to dominate the development trend of semiconductor materials and electronic construction materials. Looking ahead to 2023, in response to the global economic situation, there may still be a demand for inventory adjustments. However, global wafer manufacturing giants are still researching and developing advanced node processes, so a high growth energy can be expected with the introduction of products with new process nodes and high margins into high-order wafers.

According to the IEK brief [November 7, 2022], the commodities below will still have a significant market demand in the future, and these are also the main application markets of the products of the Company's engineering plastics, semiconductors and electronic construction division. With the evolution of industrial technology, the Company is also actively introducing related or even leading materials and technologies.

According to the prediction of ASML on the semiconductor market in its Annual Report [2022], these application fields will still have a large market demand in the future. These are also main application markets of the products

of the Company's engineering plastics, semiconductor and electronic construction division. With the evolution of industrial technology, the Company is also actively introducing corresponding or even related materials and technologies.

Smartphone	Personal computing	Consumer electronics	Automotive	Industrial electronics	Wired and wireless infrastructure	Servers, data centers and storage	
							
Key driver Continued refresh of all semiconductor content including image sensors	High-end compute and Memory, fast conversion to SSD	Legacy products and packaged ICs, advanced ICs in add-ons	Strong IC content growth: GPU, sensors, V2X communication sensing	High-end compute for AI on big data and sensors	Devices for fast data processing, modem, base-station infrastructure refresh	High processor and Memory growth, hardware accelerations including GPU	
2020 market size (\$bn)							Total
117	100	50	40	51	38	76	471
2022 market size (\$bn)							
144	115	71	63	73	53	100	618
2025 market opportunity (\$bn)							
150	124	79	93	93	62	136	737
2030 market opportunity (\$bn)							
213	131	114	149	160	82	249	1,098
Outlook CAGR 2020-2030 (%)							
6%	3%	9%	14%	12%	8%	13%	9%

Source: ASML's Investor Day presentation (November 2022). Please note rounding differences may exist.

We list the industry trends indicated by IEK [November 7, 2022] and are comparatively relevant to the Company as follows, and we are agent for most of these products:

- The market size of small chip packaging in 2020 was approximately USD3.3 billion, which will expand to USD 50.5 billion by 2024, with large market demand, nearly doubling year by year. The market demand is huge, with almost doubling growth every year. The products are mainly used in the server, high-end smartphones, and notebook computers. High-end computing products often adopt ABF carriers as packaging carriers, which will further increase the usage of ABF carriers.
- In response to the international economic situation, the growth rate of the global semiconductor market in 2023 has been revised from 13.6% to 7.4%.
- In 2025, the demand for silicon wafers in the global semiconductor industry is estimated to be 14,800,000 m². From 2022, the evolution from ArF immersion photoresist to the advanced EUV photoresist will further drive the market growth rate, and the market is expected to expand. Production of some chips is expected to shift from KrF photoresist to ArF.
- Since the 2.5D Package is a high-cost technology, it is mainly applied to high-end computing chips for servers and network communication devices. It is estimated that the demand for server CPU will grow significantly from 2023. By 2025, the estimated sales will be close to 100 times that of 2022.

- e. The SEMI World Fab Forecast report shows a promising capacity of 12-inch wafer. It is expected to increase by 11% and 8% in 2022 and 2023, respectively, while that of the 8-inch wafer is expected to increase by 5% and 3%, respectively.

Among the 28 mass-production wafers to be built in 2022, twenty-three are for 12-inch wafers and five are for 8-inch (and below) wafers.

- f. Continuing to develop the performance of Low Dk, Low Df, and Low CTE while considering the compatibility between various materials in packaging technology is a permanent research and development direction for the construction materials of high-end wafers. It may be an effective solution to maintain industrial competitiveness to continue the development of environmental-friendly and high-value materials.

B. Zero carbon business opportunities in the information/communication industry

The demand for information/communication terminals has declined, and the prosperity indicators have mostly shifted towards conservatism. In 2023, the output value of Taiwan's information/communication industry is expected to grow by 2.1-3.5%. Wherein, the advanced semiconductor manufacturing process leads the industries and the emerging new production capacity will contribute to the output. Applications such as electric vehicles, low-orbit satellites, and the metaverse have become new growth drivers. The application of 5G and AI has driven the growth of high-specification and high-value electronic products, which will replace the existing products. The cross-industry application of AIoT and data empowerment technology is key to achieve the 2050 net zero emissions target as well as a driving force for the next wave of growth in the ICT industry.

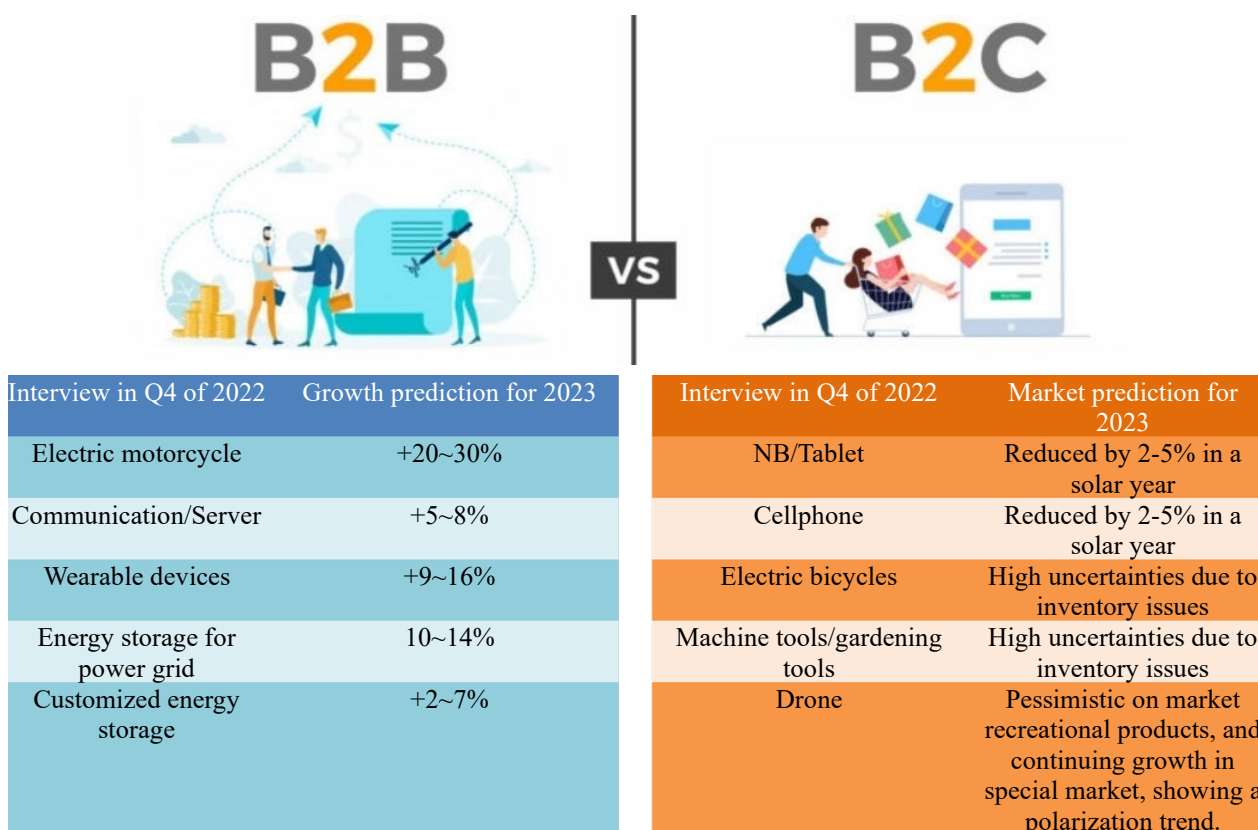
C. Solar optoelectronics in Taiwan

According to IEK's research [August 8, 2022], after 2022, the development direction of the solar photovoltaic industry of Taiwan is as follows:

- a. After the throes period of the solar photovoltaic industry in 2018-2019, and under 2025 20GW Solar Plan of Taiwan, the net zero carbon goals promulgated by countries around the world, and the requirements of the renewable energy use goal of the supply chains of RE100 members, enterprises in Taiwan are also tending to use their own manufactures and warehouses to construct solar photovoltaic field to achieve these goals, which drive the growth of the demand for batteries and modules in Taiwan.
- b. The rising price of upstream polycrystalline silicon, silicon wafers, and raw material silver and copper also impact the profitability of the industry.
- c. Considering potential business opportunities from the trend of overseas solar photovoltaic manufacturing and demand for net zero carbon.

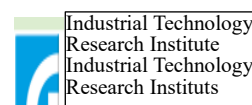
D. Battery applications and development of major end products

According to the analysis report of IEK [January 4, 2022], the 2023 battery application market shows that B2C applications are mostly negative, and only B2B, electric vehicles and wearable devices are stably positive. as shown in the figure below.



Industry, Science and Technology International Strategy Center

Source of data: Industry, Science and Technology International Strategy Center of Industrial Technology Research Institute



- a. The global communications industry market will reach USD2.19 trillion in 2022. The pandemic has catalyzed the digital transformation of enterprises, and the data centers within enterprises have also gradually shifted from local to cloud, or cloud-based new application services will be launched, resulting in the overall market growth of 3.7% in 2022. In terms of communication equipment, such as 5G telecommunication office terminals, cloud high-speed switching equipment, commercial wide area/LAN, wireless LAN, DSL and fiber broadband network, and other application products, we have recorded positive growth in 2022. It

is estimated that in 2023, the annual growth rate of the global communications industry will reach 4.5%, or about USD2.29 trillion, driven by low-orbit satellite communications, 5G private networks, cloud applications, and other issues. Emerging technologies such as 5G, LEO, millimeter wave, and 6G will rapidly enter the domestic/commercial/campus/infrastructure markets. Advanced high-frequency components are critical for the development of new wireless network technology.

- b. Global net zero emissions and carbon neutrality have driven the electrification of transport vehicles, energy and the transformation of the supply chain into international goals.
- c. Strong demand for medium and long-term batteries for electric machine tools and gardening tools
- d. In 2021, the electric locomotive market reached 1.952 million, with Asia, the primary market, accounting for 88.6%. The global locomotive market is expected to reach 57.18 million in 2022, and its market share is expected to increase to 5.2%. It is estimated to increase to 8.8% in 2023, driving a significant increase in battery demand.

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

(1) Competitive advantages

- 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 partners with 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. Established presence in Greater China Region, Southeast Asia, Northeast Asia, Europe, and USA, and valid extension of regional distributorship.
- E. Comprehensive and diversified industry exposure; ability to satisfy customers' one-stop shopping requirements, and balance between business and cyclical risks.

F. 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 gives the Company with the advantage to expand into inland areas of China, 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-around distributor and global resource integrator.

(3) Threats

- A. Like all distributors, the Company has to face 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 relationships and enables proximity to customers.
 - (b) Leverage the Company's local advantages to provide product information, technical support, logistics integration, and maintenance consultation, and develop value-adding services; create competitive advantages that competing suppliers cannot 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 warehousing, and logistics position, to emphasize the Company's added value as a distributor in terms of cash flow, logistics, and operations.
 - (e) Adhere to the integrity and commit to delivering satisfying services; strive to become a critical strategic partner to customers and suppliers.
 - (f) Continue to develop markets, industries and corresponding customers and suppliers that can fully leverage the value of channel providers.
- 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 distributorship and develop new products, technologies, services, and business models quickly through investments and alliances.
 - (c) Expand the end-market demand and create the necessary material advantage.
 - (d) Timely introduce new teams that meet the Company's development and industry needs.
- 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 optimal adjustments to the organization and enhance the employees' competency and contributions.
 - (d) Enhance customer credit risk investigation and control, and exercise proper accounts receivable management.
- D. Impact of significant environmental changes (e.g., pandemic, trade war, or war)

Response measures:

- (a) Pay close attention to the customer's payment situation and supplement it with a complete and timely customer credit analysis to reduce risks.
- (b) Reduce expenses and control operating expenses to use capital appropriately.
- (c) By fully utilizing the function and value of the mutual exchange of assistance of large international distributors globally, we can actively grasp and develop market demand and supply sources. This will not only ensure the supply by existing customers, but also 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
Information and communication and electro mechanical/PCB materials, parts, and equipment	High-performance engineering plastics, thermosetting engineering plastics, general-purpose engineering plastics, plastic thin films & sheets, glass fiber Dry Films, substrates, exposure machines and parts, release liner, other PCB construction materials, chemicals and equipment, high-frequency application materials, appearance inspection machine, rechargeable battery-related business, active and passive electronic components, wide bandgap power supply devices/substrate/epitaxial sheet.	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.	Process photoresist, electronic-grade gas, IC Chemical, Remover, Silicon wafer, advanced packaging materials, slurry, Developer, Spare Parts, Polyimide, target materials, etc.	Semiconductor wafer manufacturing, assembly, and testing
Opto-electronics, optical communication, and flat-panel display materials, equipment, parts, modules, systems, and solutions	Flat-panel display terminal system products, system photoelectric display wafers, materials and equipment, photoelectric equipment/parts, OLED materials and components, glass thinning, optical communication materials, TV motherboard and control wafers, and Mini LED application solutions/semi-finished products.	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,	Solar cell materials, solar cells, solar modules/systems/equipment, solar energy system engineering, energy storage devices, rechargeable battery materials and lithium batteries...	Solar power, energy storage system, LED, wind power, lithium battery manufacturing.

Main Product Categories	Main Products	Applications
modules, systems, and solutions		
Environmental protection and other industrial materials, equipment, parts, modules, systems, and solutions	<u>Environmental protection:</u> wastewater, air pollution, and environment-cleansing equipment and materials such as ammonia-nitrogen treatment, water treatment films, and sludge dryer. <u>Industrial materials:</u> (1) Composite materials - glass fiber, core materials, and compound; (2) Ship engines - diesel engine generator for the 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., graphene, nanomaterial) <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	Main suppliers	Supply status
Information and communication and electro mechanical industry materials (engineering plastics)	SUMIDUREZ SINGAPORE PTE., LTD. MEP Taiwan Limited Sumika Electronic Materials (Shanghai) Corporation Chi Mei Corporation Wanhua Chemical (Yantai) Trading Co., Ltd.	Good

Main product categories	Main suppliers	Supply status
Semiconductor manufacturing, assembly, and testing materials and process chemicals, gas, and equipment	Dupont Electronics Industrial. JSR CORPORATION JSR CORPORATION TAIWAN BRANCH Mitsubishi Chemical Taiwan Co., Ltd. Anhui Zhongke Haohai Gas Technology Co., Ltd.	Good
Opto-electronics, optical communication, and flat-panel display materials, equipment, parts, modules, systems, and solutions	DB HITEK CO., LTD LX SEMICON CO.,LTD Fitipower Integrated Technology Inc. Chi Mei Corporation SHIYUAN (HK) LIMITED Guangzhou Shikun Electronics Co.,ltd	Good
electro mechanical/PCB materials, parts, and equipment	ORC MANUFACTURING CO., LTD. Shangrao Dingxin Metal Chemical Co., Ltd. PANASONIC INDUSTRIAL DEVICES MATERIALS TAIWAN CO., LTD. Asahi Kasei Electronics Materials (Suzhou) Co., Ltd. ASAHI KASEI WAH LEE HI-TECH CORPORATION	Good
Green energy, energy conservation, and energy storage materials, equipment, parts, modules, systems, and solutions.	Jiangsu Highstar Battery Manufacturing Co.,Ltd. TECORP ELECTRONICS CO., LTD. MOTEC INDUSTRIES INC., SCIENCE PARK BRANCH Sunshine Power Co., Ltd. United Renewable Energy Co., Ltd.	Good
Environmental protection and other industrial materials, equipment, parts, modules, systems, and solutions	YANMAR ENGINE (SHANGHAI) CO.,LTD. Dongguan Lijing New Material Technology Co., Ltd. SUMITOMO BAKELITE (NANTONG) Co., Ltd. Zhejiang Ruiteliang Micro Electronics Materials Co., Ltd. Guangzhou Yisheng Environmental Protection Technology Co., Ltd.	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 the causes of any variation:

1. Main suppliers in the last two years:

Unit: NTD thousands

	2021				2022			
Item	Name	Amount	Net purchase value of the year (%)	Relationship with the Issuer	Name	Amount	Net purchase value of the year (%)	Relationship with the Issuer
1	Company A	5,807,071	9.0%	None	Company A	8,502,894	13.0%	None
2	Company B	7,960,022	12.0%	None	Company B	8,371,998	12.0%	None
3	Others	51,204,294	79.0%		Others	51,001,423	75.0%	
4	Net purchases	64,971,387	100.0%		Net purchases	67,876,315	100.0%	

Sales of products for the semiconductors grew. The purchase amount from 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 the 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	2021			2022	
	Purchasing price	Selling price		Purchasing price	Selling price
		Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Information and communication technology	21,596,851	2,259,224	21,051,099	1,820,585	19,901,546
Semiconductors	12,530,147	8,767,311	5,257,647	1,854,202	18,419,652
Flat-panel displays	21,167,273	2,310,708	19,102,424	10,523,084	8,091,484
Green energy	1,884,777	822,509	1,073,044	3,403,176	3,562,577
PCB/motherboard	6,106,641	3,632,217	3,201,102	1,020,892	1,553,244
Others	1,685,698	998,166	2,039,852	897,803	2,522,051
Total	64,971,387	18,790,135	51,725,168	19,519,742	54,050,554

III. Employees:

Year		2021	2022	As of March 31, 2023 of the current year
Number of Employees	Sales personnel	730	823	826
	Administrative personnel	312	276	273
	Total	1,042	1,099	1,099
Average Age		40.19	40.39	40.52
Average Service Year		9.07	9.10	9.20
Academic background (%)	Doctoral Degree	0.10%	0.09%	0.09%
	Master Degree	10.56%	9.19%	9.19%
	Bachelor Degree	76.20%	77.16%	77.16%
	Senior high school	10.27%	11.56%	11.46%
	Below senior high school	2.88%	2.00%	2.09%

IV. Contribution to environmental protection:

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

No.	Item	Amount (NTD)
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	BV annual certification, ISCC PLUS for Biomass Materials	
2-3	Introduction of ISO14064-1 Greenhouse Gas Inventory Management System	
2-4	Ongoing green transformation of the work environment	
2-5	Maintenance of lighting equipment (replacement with T-5 energy-efficient light tubes)	
2-6	Waste sorting, recycling, and reuse	
2-7	Purchase and installation of environment-friendly and energy-saving electrical appliance	
2-8	Purchased electricity to reduce greenhouse gas emission	
2-9	Greenhouse gas emissions reduction on water usage	
2-10	Ongoing promotion of energy conservation, carbon reduction, and waste reduction awareness	
2-11	Elimination and replacement of outdated company vehicles	
2-12	Commissioning of certified service providers for waste treatment	
2-13	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	
2-14	Participate in suppliers' and customers' response to climate change proposals	
2-15	Strengthen the internal standard document and Internet information toward to the goal of an improved paperless environment	
2-16	Introduce and promote E (environment) S (social responsibility) G (corporate governance) activities	

V. Labor-management relations:

(I) Employee Benefit Plans, Continuing Education, Training, and Retirement Systems and the Status of Their Implementation, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests:

1. Appropriate compensation system:

The salary standard of all employees of the Company is not distinguished by gender, race, nationality, age and other conditions. For female and male employees of the same position and grade, the basic salary ratio is 1:1, and the corresponding salary will be adjusted and promoted year by year based on performance, expertise and other conditions.

The Company has participated in and referred to the salary survey of the same industry on a regular basis to provide a reasonable and competitive salary system to maintain overall salary competitiveness, and has been listed in the Taiwan Stock Exchange "Taiwan Top Salary 100 Index" for years so far.

2. Perfect employee welfare:

Chairman Chang is a role-model entrepreneur; having built the Company from scratch, the Chairman has sincere gratitude for the employees who stood by and supported the organization through challenging times. This is why the Chairman and the management team are highly attentive to the 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 the 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 teams.
- (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:

Departments responsible for training formulate and implement annual training and study plans for the grass-roots supervisors, middle supervisors and senior supervisors according to the needs of managers of different levels to perform the duties of corporate governance literacy and various corporate management functions.

(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:

Subject training such as deepening of enterprise core value, international trade practice, information security code of practice, introduction to compliance with the law, labor safety and health, environmental social responsibility, and other general concept or ability of the staff are conducted.

(4) New employee orientation:

Training courses, including company overview and introduction to the management team, personnel and administrative norms and employee welfare, human rights policies and workplace protection are provided for new employees; in addition, according to the functional requirements of different job grades, an explanation of the credit management system, and overview of the international trade process are provided, as well as on-the-job training plan are provided to assist new employees in quickly demonstrating performance.

(5-1)Execution of employee development plan in 2022:

Training classes	Total number of trainees	Training hours
145 classes	3,256 people	4,889 hours

(5-2)Managers' participation in corporate training in 2022:

Training classes	Total number of trainees	Training hours
96 classes	406 people	601 hours

(5-3)Managers' participation in corporate governance-related trainings in 2022:

Title	Name	Training Institution	Course Name	Training Hours
Senior Director	Lin, Jen-Chih	Securities & Futures Institute	2022 Insider Trading Prevention Education Promotion	3
		Taiwan Stock Exchange Corporation	2022 Insider Equity Transaction Law Compliance for TPEs-listed Companies and Companies not Listed at TWSE/TPEX	3
		Taiwan Stock Exchange Corporation Taipei Exchange Taiwan Corporate Governance Association	2022 Independent Directors and Audit Committee to Functions and Powers Execution Guidelines and the Board of Directors Promotion Meeting	3
		Cathay Financial Holdings and its Subsidiaries Taiwan Stock Exchange Corporation	2022 Cathay Sustainable Finance and Climate Change Summit	6
		Wah Lee Industrial Corporation	2022 Sustainable Development and Corporate Governance - International Promotion Courses	1
		Taiwan Corporate Governance Association	Training to Directors and Corporate Governance Officers	3
Director	Tsai, Shu-Fen	Accounting Research and Development Foundation	Training course for accounting supervisors of issuers, securities firms and stock exchanges	14
		Wah Lee Industrial Corporation	2022 Sustainable Development and Corporate Governance - International Promotion Courses	2
Senior Director	Li, Kuo-Ping	Deloitte & Touche	Seminar on Controlled Foreign Company (CFC) Rule for Profit-seeking Enterprises	2.5
		Continuous training for accounting supervisors	Continuous training for accounting supervisors	12
		Wah Lee Industrial Corporation	2022 Sustainable Development and Corporate Governance - International Promotion Courses	2

Title	Name	Training Institution	Course Name	Training Hours
Director	Yang Yu-Kuang	The Institute of Internal Auditors - Chinese Taiwan	Practical operation of internal audit, internal control and personal data protection laws	6
		The Institute of Auditors - Chinese Taiwan	Functions and tasks of corporate governance personnel under the corporate governance blueprint and the latest development of domestic practice for insider trading	6
		Wah Lee Industrial Corporation	2022 Sustainable Development and Corporate Governance - International Promotion Courses	2
Senior Director	Shao, Kuang-Wei	Wah Lee Industrial Corporation	2022 Sustainable Development and Corporate Governance - International Promotion Courses	2
Senior Director	Chang, Jui-Yu			2
Director	Shin, Ching-Hsien			2
Director	Shih, Chia-Sheng			2
Director	Chang, Tzu-Cheng			2

4. Retirement system:

The Company has established an Employee Pension Fund Supervisory Committee in accordance with the Labor Standards Act. The Company currently makes monthly contributions at 8% of the 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 on July 1, 2005, the Company makes monthly contributions of no less than 6% of the 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 the 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 solid 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 an 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 the employees' interests.

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

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

(II) Actual or estimated losses arising as a result of employment dispute in the last year up until the publication date of the 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 the

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 an 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 a diverse range of communication and grievance channels, and assign relevant units to keep track of ongoing issues and solutions, thereby maintain productive employment relations.

VI. Information security management:

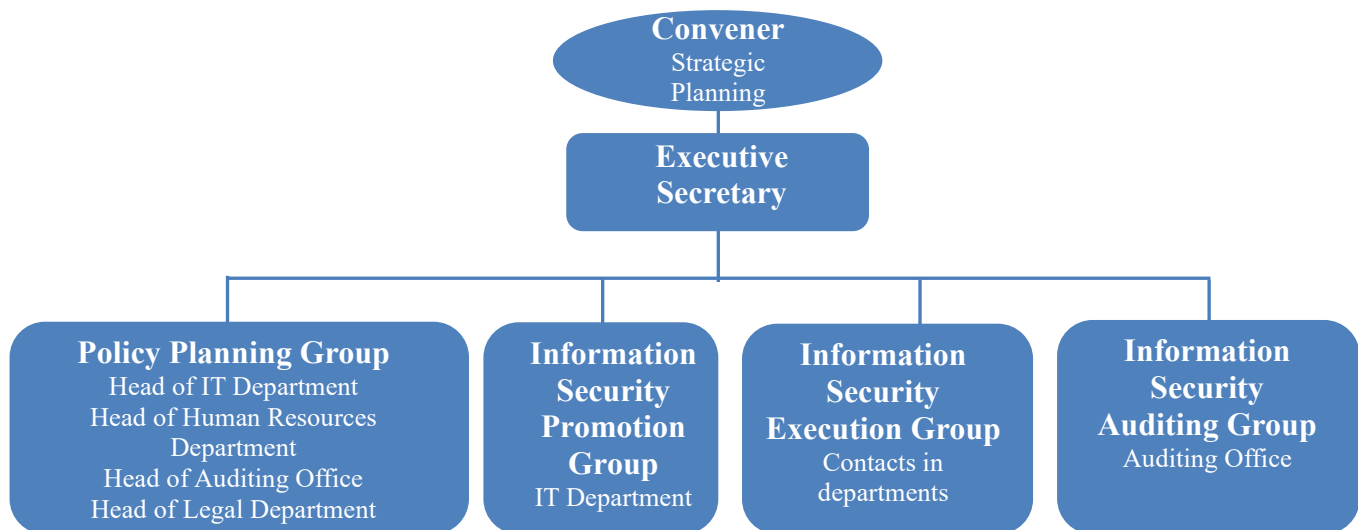
- (I) Describe the information security risk management structure, information security policy, specific management program for information and resources invested in information security management:

1. Information security risk management structure:

To implement the establishment of the 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. 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 president, the highest level manager in the Strategic Planning Division, acts as convener, and the head of the IT department act as executive secretary.

The Information Security Management Committee of Wah Lee Industrial Corp allocated jobs by task. 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 significant information security risk issues biannually, and made corresponding strategies and promoted continuously.

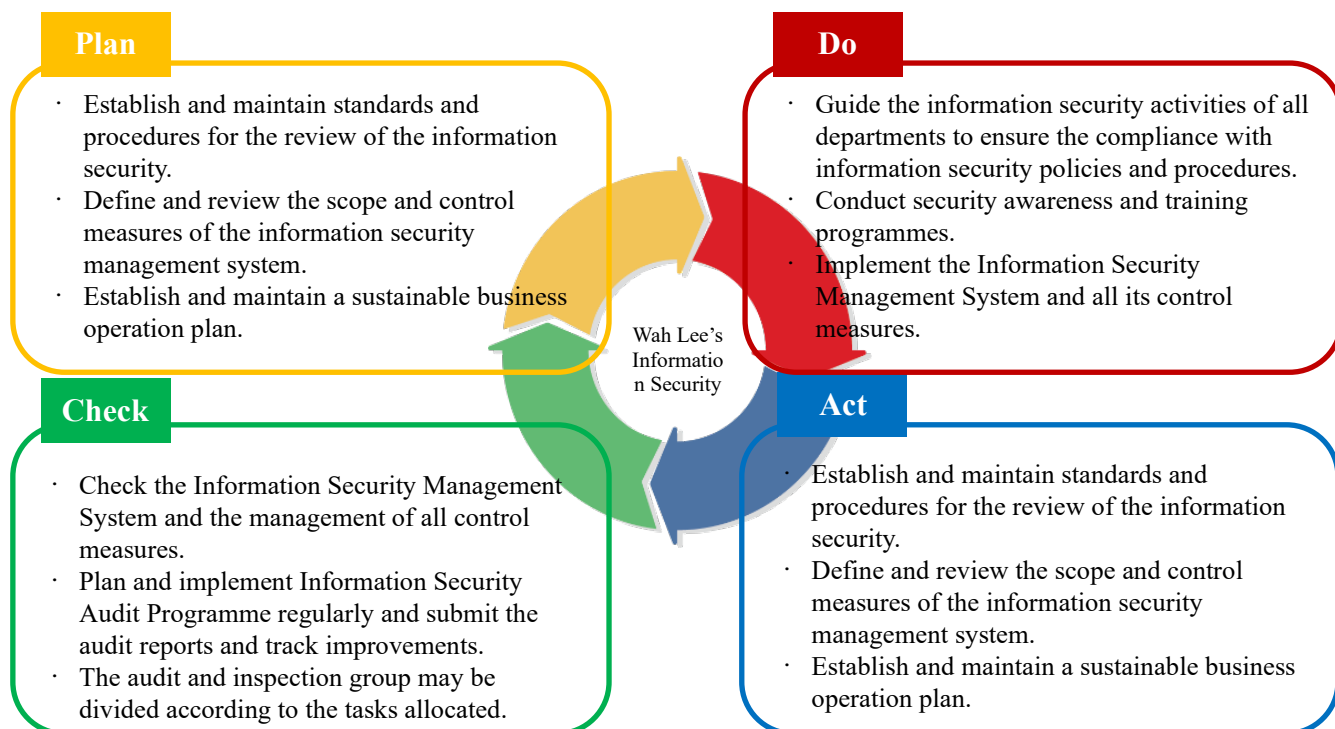
Organizational Chart of Wah Lee Information Security Committee



2. Information security policy

According to Wah Lee's Information Security Management Policy, the groups under the Information Security Committee are operated in the procedures of PDCA (Plan, Do, Check, Act).

Following international information security standards and regulations, “Plan” is to establish a complete risk management system, involving various assessments at the system, technical, procedural and customer levels. “Do” is to maintain operations, monitoring and security prevention to ensure the complete protection of confidential data through the construction of various security technologies, including hardware, network, and application systems and data security. “Check” is to check the management and all controls of the information security management system, and regularly conduct annual information security audit, submit auditing reports and track improvements. “Act” is to implement and follow information security policies, direct the information security activities of the department, assist in the execution of education and training of the department, and assist in the implementation of frontline information security incidents response. (Those who violate information security regulations will be subject to personnel disciplinary action or necessary legal measures depending on the severity of the circumstances.)



3. Specific plan for Internet security risk management and its implementation:

- (1) Internet security: Wah Lee Industrial Corporation, including its offices in Taiwan, mainland China, and Southeast Asia, has set up advanced next-generation firewalls for internal use at each point to prevent viruses from attacking and invading any office and other continuous attacks on other offices. 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 these attacks. In addition to the Internet, Wah Lee has completed the construction of systems such as host monitoring and email filtering at home and abroad. These systems are able to prevent malicious programs such as network Trojans, Worms, Viruses and phishing emails.
- (2) Device security: Terminal antivirus and personal firewall are installed for personal computer systems at home and abroad, and mobile phone protection mechanism is also introduced to strengthen and prevent malicious attack identification capabilities, so as to prevent more mobile devices from hacking into the Company's system.
- (3) Email security: The introduction of the email protection system, sandbox simulation mechanisms can be implemented to prevent the latest spam, phishing emails, and other attack emails, as well as conduct virus monitoring and screening.
- (4) Application security: The Company has safe application development processes, testing, and release procedures. It also plans to purchase a special firewall for the web application system, which is expected to prevent hackers from attacking

through the developed web code or system vulnerabilities, and implanting malicious software.

4. Resources invested for information security management

Despite all these actions, it is still not possible to ensure that the Company's internal network and computers are completely protected, as the world is still suffered from the latest attacks or ransomware viruses. Therefore, Wah Lee has reviewed its current system and listed the relevant information security system to be introduced in the 2022 budget, including "Peer to Peer Computer Software and Connectivity Detection System (MDR)", "MFA Multi Factor Verification System", "Vulnerability Scanning System", "Privileged Account Number Management System" and "Web Application System Firewall (WAF)", etc. It plans to invest about NTD40 million for the above information security improvements. It also plans to invest more funds to upgrade the network equipment that has been used for a long time and cannot be effectively administrated in its offices around the world.

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, two of our staff have completed the training and obtained ISO 27001 Information Security Auditor (Lead Auditor) certificates through external training. In the future, more personnel will be trained with information security courses, and qualified human and system resources will be integrated to establish more complete information security documents and various information security practices comply with international standards for the Company, so as to enhance its information security management capability. The goal is to reduce the operational risks caused by information security through continuous inspection and improvement, and to play an important role in providing cross-industry key equipment, materials, and component suppliers in the Greater China region, while maintaining the best interests of Wah Lee's corporate partners and investment stakeholders.

- (II) List the losses, possible impacts, and countermeasures caused by major information security events 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:

No major information security events in 2022.

VII. Important Contracts:

Nature of Contract	Parties Involved	Contract Start/End Date	Main Contents	Restrictive Clauses
Agency/distribution contract	Sabic Innovative Plastics Hong Kong Limited	2021.9.1~2024.8.31	Agency and distribution of Lexan thin film and sheet materials	Region: Taiwan, Hong Kong, and Mainland China
Agency sales contract	KURARAY Trading Co., Ltd.	January 1, 2002 to December 31, 2002 (automatically renewable)	Agency sale of high-performance nylon	Region: Mainland China, Taiwan, and Hong Kong
Agency sales contract	Nagase & Co., Ltd.	January 1, 1998 to December 31, 2000 (automatically renewable)	Agency sales of engineering plastics and JSW automatic injection machine	Region: Taiwan
Agency sales contract	Sumidurez Singapore Pte. Ltd.	August 20, 1999 to August 19, 2001 (automatically renewable)	Agency sale of phenol formaldehyde compound	Region: Taiwan
Agency sales contract	Teijin Dupont Films Japan Ltd.	January 1, 2000 to December 31, 2000 (automatically renewable)	Agency sale of PET materials	Region: Mainland China, Taiwan, and Hong Kong
Intermediary sales contract	Chi Mei Corporation	January 1, 1999 to December 31, 2001 (automatically renewable)	Agency sale of engineering plastics	Overseas (outside Taiwan)
Distribution Contract	Nagase Wahlee Plastics Corp.	January 1, 2000 to December 31, 2003 (automatically renewable)	Distribution of engineering plastics materials	
Trading contract	Teijin Kasei Taiwan Co., Ltd.	September 10, 2007 to September 9, 2008 (automatically renewable)	Distribution of engineering plastics materials	
Sales contract	SUMIKA Electronic Materials (Shanghai) (Hong Kong) (Wuxi) Corporation	2008 to (automatically renewable)	Polaroid/phase plate Diffuser/LCP, PES, electronic materials	Mainland China
Distribution Contract	Victrex Manufacturing Limited.	June 1, 2020 to May 31, 2021 (automatically renewable)	Distribution of PEEK materials	Taiwan, Southeast Asia
Agency sales contract	Fukuoka Cloth Industry Co., Ltd.	January 1, 1998 to December 31, 2000 (automatically renewable)	Agency sale of waterstop for cables	Region: Taiwan Designated sales customers
Agency sales contract	OG Corporation	January 1, 1998 to December 31, 2000 (automatically renewable)	Agency sale of synthetic rubber	Region: Taiwan
Agency sales contract	Teijin Shoji	February 28, 1992 to February 27, 1993 (automatically renewable)	Agency sale of TeijinConex Fiber, etc.	Region: Taiwan
Distribution Contract	Taiwan Glass Industry Corporation	January 1, 2000 to December 31, 2002 (automatically renewable)	Agency sale of glass fiber	Distributor in Taiwan
Distribution Contract	Daily Polymer Corporation	January 1, 1999 to December 31, 2001 (automatically renewable)	Agency sale of unsaturated polyester compound	One of the distributors in Taiwan

Nature of Contract	Parties Involved	Contract Start/End Date	Main Contents	Restrictive Clauses
Basic trading contract	Mitsubishi Chemical Taiwan Co., Ltd.	June 1, 1999 to (period not designated)	Sale of bulk chemicals	
Distribution contract	JSR Corp	December 1, 2007 to (period not designated)	Agency sale of photoresist, CMP Slurries, and PCMP for semiconductors	
Distribution contract	Sumitomo Seika Chemicals Co., Ltd.	November 1, 2007 to December 31, 2012	Sale of Gases, PVSA Gas Generator, etc.	Automatically renewed for one year if there is no objection six months before the expiration date
Agency sales contract	Asahi Kasei Corporation (Asahi Chemical Industry Co.,Ltd.)	August 1, 1997 to July 31, 2000 (automatically renewable)	Agency sale of dry films	Region: Taiwan, Mainland China
Agency sales contract	Sumitomo Bakelite Company Ltd.	January 1, 2000 to December 31, 2000 (automatically renewable)	Agency sale of release films	Region: Taiwan, Mainland China
Distribution contract	Seho Robot Ind. Co., Ltd.	November 1, 2008 to August 30, 2010 (automatically renewable)	Agency sale of automatic FPC equipment	Region: Taiwan, Mainland China
Agency sales contract	Panasonic Corporation	October 1, 2014 to (automatically renewable)	Agency sale of CCL (copper-clad laminate) and photographic film	Region: Taiwan, Mainland China
Agency/distribution contract	Cambridge GaN Devices	August 15, 2022 to August 14, 2023	Agency sale of high-voltage sealed gallium nitride field-effect power devices	Region: APAC, JAPAN
Agency/distribution contract	Joint Power Exponent Ltd.	April 1, 2022 to March 31, 2025 (automatically renewable)	Agency sale of high-voltage sealed gallium nitride power chip	Region: the Greater China region, Southeast Asia, and India
Agency/distribution contract	Semiware Semiconductor (Shanghai) Inc.	October 11, 2022 to October 10, 2023	Agency sale of protective elements	Region: the Greater China region
Agency certificate	LAN Technical Service Ltd.	January 1, 2002 to (automatically renewable)	Agency sale of OLED equipment	Except for Chi Mei
Distribution contract	Megachips Taiwan Corporation	June 15, 2010 to (automatically renewable)	Agency sale of sequential control IC	
Distribution contract	Mitsubishi Chemical Corporation	January 1, 2011 to (automatically renewable)	Agency sale of color resist products	Region: Taiwan, some region in mainland China
Distribution Contract	Sungrow Power Supply Co., Ltd.	2022.7.1~2025.6.30	Sale of products related to solar power	Region: Taiwan
Distribution Contract	Changs Ascending Enterprise Co., Ltd.	2022.1.1~2023.12.31	Relevant businesses related to Changs' existing products and BESS (battery energy storage system)	
Distribution Contract	EUKA POWER CO., LTD.	2020.3.13~2023.3.12	Energy storage system (commercial /home use)	Region: Taiwan
Distribution Contract	eTreego Co., Ltd.	2022.8.1~2023.7.31	Sale of full range of electric vehicle charging poles	Region: Taiwan, a written notice is

Nature of Contract	Parties Involved	Contract Start/End Date	Main Contents	Restrictive Clauses
				required for overseas sales
Distribution Contract	Rolling Greens Co., Ltd.	April 6, 2022 to April 5, 2023(under renewal)	Sale of rolling greens series products (environmental-friendly auxiliary fertilizer)	Adopt customer report system
Purchaser's authorization letter	Fuji Bussan Co., Ltd.	2022.1.19~2025.1.18	Sales of optical film for vehicles, reprocessed plastics, etc.	
Medium and long-term loan contract	Mega International Commercial Bank, Land Bank of Taiwan, Hua Nan Bank, Taiwan Cooperative Bank, Bank SinoPac, First Commercial Bank	2022.8 ~2027.8	Repayment of liabilities of financial institutions and replenishment of interim operating working capital.	The Company's financial ratios shall meet the following restrictions: 1. Current ratio (Current assets/Current liabilities): $\geq 100\%$. 2. Debt ratio (Total liabilities/Tangible net worth): $\leq 200\%$. 3. Interest cover multiple (net pre-tax profit + interest expense + depreciation + amortization)/interest expense: ≥ 6 times. 4. Total tangible net worth (equity - intangible assets): NTD 10 billion.
Kingstone-Medium and long-term loan contract	Bank SinoPac, Hua Nan Bank, CTBC Bank Co., Ltd. Mega International Commercial Bank, Chang Hwa Commercial Bank	2019.09.06~2024.09.30	To finance the construction of solar power plants and repay existing loans from financial institutions	The Company's financial ratios shall meet the following restrictions: 1. Debt ratio: Loan balance from financial institutions/own funds (shareholders' equity plus loans from affiliated enterprises): $\leq 400\%$. 2. Interest coverage ratio: maintained at 1.1 times.

Chapter 6 Financial Information

I. Name of CPAs and Audit Opinions on Condensed Balance Sheets and Income Statements for the Past Five Fiscal Years

(I) Condensed Balance Sheets

1-1. Adoption of International Financial Reporting Standards - Parent Company Only

Unit: NT\$1,000

Item \ Year		Financial Information for the Past Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		10,597,321	10,496,154	11,918,175	16,185,823	14,813,485
Property, Plant, and Equipment		1,171,401	1,165,900	1,147,658	1,318,180	2,808,584
Intangible Assets		15,576	24,539	23,619	17,020	11,002
Other Assets		11,712,414	12,410,025	13,768,174	16,297,402	18,434,525
Total Assets		23,496,712	24,096,618	26,857,626	33,818,425	36,067,596
Current Liabilities	Before distribution	8,775,118	8,036,523	9,707,477	12,215,212	11,854,605
	After distribution	9,515,566	8,800,110	10,725,594	13,820,134	13,294,314 (Note 2)
Non-current Liabilities		3,655,940	4,615,198	4,272,140	5,904,914	7,457,207
Total Liabilities	Before distribution	12,431,058	12,651,721	13,979,617	18,120,126	19,311,812
	After distribution	13,171,506	13,415,308	14,997,734	19,725,048	20,751,521 (Note 2)
Equity Attributable to Stockholders of the Company		11,065,654	11,444,897	12,878,009	15,698,299	16,755,784
Capital Stock		2,313,901	2,313,901	2,313,901	2,360,179	2,360,179
Capital Surplus		1,331,880	1,318,065	1,331,725	1,690,292	2,036,714
Retained Earnings	Before distribution	8,099,220	8,793,018	9,869,001	11,832,451	12,807,450
	After distribution	7,358,772	8,029,431	8,850,884	10,227,529	11,367,741 (Note 2)
Other Equity		(679,347)	(980,087)	(636,618)	(184,623)	(448,559)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Equity	Before distribution	11,065,654	11,444,897	12,878,009	15,698,299	16,755,784
	After distribution	10,325,206	10,681,310	11,859,892	14,093,377	15,316,075 (Note 2)

Note 1: The financial information for the years 2018 to 2022 has been audited by Deloitte & Touche.

Note 2: It is the amount resolved by the Board of Directors on March 16, 2023.

Unit: NT\$1,000

Item \ Year		Financial Information for the Past Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		24,210,165	24,422,954	27,941,304	32,846,480	34,342,348
Property, Plant, and Equipment		2,000,855	3,800,494	3,785,578	4,740,804	6,356,350
Intangible Assets		117,518	343,275	317,216	319,502	403,880
Other Assets		5,507,174	5,844,151	6,710,871	7,980,184	8,065,979
Total Assets		31,835,712	34,410,874	38,754,969	45,886,970	49,168,557
Current Liabilities	Before distribution	15,396,929	15,114,050	17,658,921	20,407,008	21,021,741
	After distribution	16,137,377	15,877,637	18,677,038	22,011,930	22,461,450 (Note 2)
Non-current Liabilities		4,029,848	6,012,221	6,187,588	7,763,144	9,606,164
Total Liabilities	Before distribution	19,426,777	21,126,271	23,846,509	28,170,152	30,627,905
	After distribution	20,167,225	21,889,858	24,864,626	29,775,074	32,627,614 (Note 2)
Equity Attributable to Stockholders of the Company		11,065,654	11,444,897	12,878,009	15,698,299	16,755,784
Capital Stock		2,313,901	2,313,901	2,313,901	2,360,179	2,360,179
Capital Surplus		1,331,880	1,318,065	1,331,725	1,690,292	2,036,714
Retained Earnings	Before distribution	8,099,220	8,793,018	9,869,001	11,832,451	12,807,450
	After distribution	7,358,772	8,029,431	8,850,884	10,227,529	11,367,741 (Note 2)
Other Equity		(679,347)	(980,087)	(636,618)	(184,623)	(448,559)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		1,343,281	1,839,706	2,030,451	2,018,519	1,784,868
Total Equity	Before distribution	12,408,935	13,284,603	14,908,460	17,716,818	18,540,652
	After distribution	11,668,487	12,521,016	13,890,343	16,111,896	17,100,943 (Note 2)

Note 1: The financial information for the years 2018 to 2022 has been audited by Deloitte & Touche.

Note 2: It is the amount resolved by the Board of Directors on March 16, 2023.

(II) Statements of Comprehensive Income

1-1. Statements of Comprehensive Income - Adoption of International Financial Reporting Standards - Parent Company Only

Unit: NT\$1,000

Item \ Year	Financial Information for the Past Five Fiscal Years (Note)				
	2018	2019	2020	2021	2022
Operating Revenue	29,844,070	29,225,800	33,236,491	42,882,108	44,038,316
Gross Profit	2,046,929	1,976,531	2,269,072	2,981,371	2,800,504
Operating Income	573,758	479,573	640,341	1,134,683	947,881
Non-operating Income and Expenses	1,088,558	1,125,665	1,464,128	2,159,352	1,966,816
Income before Tax	1,662,316	1,605,238	2,104,469	3,294,035	2,914,697
Income from Continuing Operations	1,345,959	1,415,822	1,859,120	2,843,277	2,484,800
Loss from Discontinued Operations	-	-	-	-	-
Net Income (Loss)	1,345,959	1,415,822	1,859,120	2,843,277	2,484,800
Other Comprehensive Income (net of tax)	(194,344)	(274,267)	374,301	720,578	(168,815)
Total Comprehensive Income	1,151,615	1,141,555	2,233,421	3,563,855	2,315,985
Net Income Attributable to Stockholders of the Company	1,345,959	1,415,822	1,859,120	2,843,277	2,484,800
Net Income Attributable to Non-controlling Interests	-	-	-	-	-
Comprehensive Income Attributable to Stockholders of the Company	1,151,615	1,141,555	2,233,421	3,563,855	2,315,985
Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-
Earnings per Share	5.70	6.00	7.88	12.05	10.53

Note: The financial information for the years 2018 to 2022 has been audited by Deloitte & Touche.

Note: The effect the issuance of free allotment was adjusted retrospectively when calculating the earnings per share for the years 2018 to 2020.

1-2. Adoption of International Financial Reporting Standards - Consolidated

Unit: NT\$1,000

Item \ Year	Financial Information for the Past Five Fiscal Years (Note)				
	2018	2019	2020	2021	2022
Operating Revenue	52,935,016	54,681,829	59,080,920	70,515,303	73,570,296
Gross Profit	4,210,352	4,184,691	4,800,690	5,982,686	5,566,609
Operating Income	1,747,290	1,574,435	2,107,915	3,072,710	2,643,435
Non-operating Income and Expenses	282,848	391,729	527,720	943,273	892,154
Income before Tax	2,030,138	1,966,164	2,635,635	4,015,983	3,535,589
Income from Continuing Operations	1,489,361	1,559,081	2,046,116	3,109,172	2,726,272
Loss from Discontinued Operations	-	-	-	-	-
Net Income (Loss)	1,489,361	1,559,081	2,046,116	3,109,172	2,726,272
Other Comprehensive Income (net of tax)	(219,216)	(310,875)	372,397	690,684	(101,052)
Total Comprehensive Income	1,270,145	1,248,206	2,418,513	3,799,856	2,625,220
Net Income Attributable to Stockholders of the Company	1,345,959	1,415,822	1,859,120	2,843,277	2,484,800
Net Income Attributable to Non-controlling Interests	143,402	143,259	186,996	265,895	241,472
Comprehensive Income Attributable to Stockholders of the Company	1,151,615	1,141,555	2,233,421	3,563,855	2,315,985
Comprehensive Income Attributable to Non-controlling Interests	118,530	106,651	185,092	236,001	309,235
Earnings per Share	5.70	6.00	7.88	12.05	10.53

Note: The financial information for the years 2017 to 2021 has been audited by Deloitte & Touche.

Note: The effect the issuance of free allotment was adjusted retrospectively when calculating the earnings per share for the years 2017 to 2020.

(III) Name of CPAs and Audit Opinions for the Past Five Fiscal Years

Year	Name of CPA Firm	Name of CPA	Audit Opinion
2018	Deloitte & Touche	Chen, Chen-Li, Kung, Chun-Chi	Unqualified opinion and other matter paragraph
2019	Deloitte & Touche	Wu, Chiu-Yen, Chen, Chen-Li	Unqualified opinion and other matter paragraph
2020	Deloitte & Touche	Wu, Chiu-Yen, Chen, Chen-Li	Unqualified opinion and other matter paragraph
2021	Deloitte & Touche	Wu, Chiu-Yen, Chen, Chen-Li	Unqualified opinion and other matter paragraph
2022	Deloitte & Touche	Wu, Chiu-Yen, Hsu, Jui-Hsuan	Unqualified opinion and other matter paragraph

II. Financial Analyses for the Past Five Fiscal Years:

1-1. Adoption of International Financial Reporting Standards - Parent Company Only

Analysis Item \ Year		Financial Information for the Past Five Fiscal Years (Note)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	52.91	52.5	52.05	53.58	53.54
	Ratio of long-term capital to property, plant, and equipment	1,256.75	1,377.48	1,494.36	1,638.87	862.11
Solvency (%)	Current ratio	120.77	130.61	122.77	132.51	124.96
	Quick ratio	93.12	99.05	93.51	100.21	86.27
	Interest coverage ratio	15.35	13.79	28.18	47.72	16.03
Operating ability	Accounts receivable turnover rate (times)	4.49	4.31	4.68	4.83	4.79
	Average days for cash receipts	81.3	84.7	78.0	75.6	76.2
	Inventory turnover rate (times)	14.88	13.52	15.97	19.14	13.73
	Accounts payable turnover rate (times)	6.24	6.91	8.40	8.71	8.26
	Average days for sale of goods	24.5	27.0	22.9	19.1	26.6
	Property, plant, and equipment turnover rate (times)	25.55	25.01	28.73	34.78	21.34
	Total assets turnover rate (times)	1.32	1.23	1.30	1.41	1.26
Profitability	Return on total assets (%)	6.36	6.41	7.57	9.57	7.58
	Return on equity (%)	12.32	12.58	15.29	19.90	15.31
	Ratio of income before tax to paid-in capital (%) (Note)	71.84	69.37	90.95	139.57	123.49
	Net profit margin (%)	4.51	4.84	5.59	6.63	5.64
	Earnings Per Share (NT\$)	5.70	6.00	7.88	12.05	10.53
Cash flows	Cash flow ratio (%)	(4.36)	0.82	6.86	(3.61)	20.32
	Cash flow adequacy ratio (%)	37.12	39.83	39.02	1.40	20.73
	Cash reinvestment ratio (%)	(7.53)	(4.06)	(0.55)	(6.57)	3.23
Leverage	Operating leverage	1.55	1.69	1.57	1.39	1.40
	Financial leverage	1.25	1.35	1.14	1.07	1.26

Main reasons for major changes (20% or more) in the last two years:

1. To meet the operation and development needs, we invested in the construction of solar power plants and purchased land for the construction of southern logistics center, resulting in a decrease in the ratio of long-term capital to property, plant, and equipment and the property, plant, and equipment turnover rate.
2. The customers' production demand decreased and the customers picked up less goods due to Chinese New Year holiday in January 2023, resulting in a decrease in inventory turnover rate and an increase in average days for sale of goods.
3. The profits decreased compared with the previous year, resulting in a decrease in interest coverage ratio, return on total assets, and return on equity.
4. The cash inflows from operating activities increased, resulting in an increase in cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio.

Note: The effect the issuance of free allotment was adjusted retrospectively when calculating the earnings per share for the years 2017 to 2020.

1-2. Adoption of International Financial Reporting Standards - Consolidated

<div style="display: flex; align-items: center;"> <div style="flex: 1; text-align: center;">Year</div> <div style="flex: 1; text-align: center;">Financial Information for the Past Five Fiscal Years (Note)</div> </div>		2018	2019	2020	2021	2022
Analysis Item						
Financial structure (%)	Debt ratio	61.02	61.39	61.53	61.39	62.29
	Ratio of long-term capital to property, plant, and equipment	821.59	507.75	557.27	537.46	442.81
Solvency (%)	Current ratio	157.24	161.59	158.23	160.96	163.37
	Quick ratio	117.36	126.85	124.85	123.50	124.04
	Interest coverage ratio	9.63	8.31	14.37	24.70	11.34
Operating ability	Accounts receivable turnover rate (times)	3.81	3.54	3.52	3.83	4.09
	Average days for cash receipts	95.8	103.1	103.7	95.3	89.2
	Inventory turnover rate (times)	10.64	10.81	12.58	12.91	10.8
	Accounts payable turnover rate (times)	7.50	7.83	7.88	7.80	7.79
	Average days for sale of goods	34.3	33.8	29.0	28.3	33.8
	Property, plant, and equipment turnover rate (times)	26.57	18.85	15.58	16.54	13.26
	Total assets turnover rate (times)	1.79	1.65	1.61	1.67	1.55
Profitability	Return on total assets (%)	5.62	5.35	6.01	7.66	6.29
	Return on equity (%)	12.28	12.14	14.52	19.06	15.04
	Ratio of income before tax to paid-in capital (%) (Note)	87.74	84.97	113.90	170.16	149.80
	Net profit margin (%)	2.81	2.85	3.46	4.41	3.71
	Earnings Per Share (NT\$)	5.70	6.00	7.88	12.05	10.53
Cash flows	Cash flow ratio (%)	(12.41)	11.90	6.84	11.35	17.98
	Cash flow adequacy ratio (%)	6.85	37.32	38.33	26.10	54.02
	Cash reinvestment ratio (%)	(15.49)	5.21	2	4.84	7.30
Leverage	Operating leverage	1.28	1.38	1.30	1.21	1.22
	Financial leverage	1.16	1.21	1.10	1.06	1.15

Main reasons for major changes (20% or more) in the last two years:

1. To meet the operation and development needs, we invested in the construction of solar power plants and purchased land for the construction of southern logistics center, resulting in a decrease in the property, plant, and equipment turnover rate
2. The profits decreased compared with the previous year, resulting in a decrease in interest coverage ratio and return on equity.
3. The cash inflows from operating activities increased, resulting in an increase in cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio.

Note: The effect the issuance of free allotment was adjusted retrospectively when calculating the earnings per share for the years 2018 to 2020.

The calculation formulas of the above table are as follows:

1. Financial structure

- (1) Debt ratio = Total liabilities/Total assets.
- (2) Ratio of long-term capital to fixed assets = (Net equity + Long-term liabilities) / Net fixed assets.

2. Solvency

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
- (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.

3. Operating ability

- (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
- (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
- (3) Inventory turnover rate = Cost of goods sold/Average inventories.
- (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
- (5) Average days for sale of goods = 365/Inventory turnover rate.
- (6) Fixed assets turnover rate = Net sales/Net fixed assets.
- (7) Total assets turnover rate = Net sales/Total assets.

4. Profitability

- (1) Return on assets = [Income after tax + Interest expenses x (1 - Tax rate)]/Average total assets.
- (2) Return on equity = Income after tax/Average net equity.
- (3) Net profit margin = Income after tax/Net sales.
- (4) Earnings per share = (Net profit after tax - Preferred stock dividends)/Weighted average number of shares issued.

5. Cash flows

- (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
- (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
- (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of fixed assets + Long term investment + Other assets + Working capital).

6. Leverage:

- (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income.
- (2) Financial leverage = Operating income/(Operating income - Interest expenses).

III. Audit Committee's Audit Report on Financial Statements for the Most Recent Fiscal Year:

Audit Committee's Audit Report

The Board of Directors has prepared, and submitted to the shareholders' meeting, the business report, financial statements, and the proposal for distribution of earnings for 2022. The financial statements have been duly audited by Deloitte & Touche, and an audit report has been issued. The Audit Committee has audited the above-mentioned business report, financial statements and proposal for distribution of earnings and found no discrepancies. Therefore, the relevant contents are reported as above in accordance with the relevant provisions of the Securities Exchange Law and the Company Law.

Wah Lee Industrial Corporation

Convener of the Audit Committee: Hsu, Shou-Te

March 16, 2023

IV. Financial Statements for the Most Recent Fiscal Year: please refer to pages 195 to 284 of this annual report.

V. Parent Company Only Financial Statements for the Most Recent Fiscal Year, Audited by CPAs: please refer to pages 285 to 381 of this annual report.

VI. Effect on the Financial Position of Any Financial Difficulties (If Any) Experienced by the Company and Its Affiliates in the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

VII. Additional Disclosures:

Relevant certificates and trainings obtained by financial, accounting and auditing personnel:

- The personnel related to the transparency of financial information have obtained the relevant certificates as specified by the competent authorities:
2 bookkeepers, 3 Level B technicians for accounting, 13 Level C technicians for accounting, and 1 international internal auditor.

- Education and training for accounting and auditing personnel in 2022:

Finance Department	Title/Name	Training Course	Training Hours
	Director/ Lin, Jen-Chih	Continuing Education for Heads of Corporate Governance of OTC/Listed Companies	18 hours

Accounting Department	Title/Name	Training Course	Training Hours
	Director/ Li, Kuo-Ping	Professional Continuing Education Class for Financial and Accounting Managers of OTC/Listed Public Companies	12 hours
	Accounting Personnel	Attend quarterly seminars on the renewal of tax, securities and accounting audit laws	12 hours
		Attend quarterly tax seminar organized by National Tax Administration	12 hours

Auditing Office	Title/Name	Training Course	Training Hours
	Director/ Yang Yu-Kuang	Practical operation of internal audit, internal control and personal data protection laws	6 hours
		Functions and tasks of corporate governance personnel under the corporate governance blueprint and the latest development of domestic practice for insider trading	6 hours
	Auditor/ Tsai, Kun-Chiao	Labor law knowledge required for supervisors at all levels: recruitment interviews, general and special management of workers on the job, and performance appraisal	6 hours
		Nine Operation Cycles - Audit of Legal Compliance	6 hours

	Auditor/ Lin, Yu-Ta	Analysis of precautions and practices of “Shareholders' Meeting” and “Company Law”	6 hours
		Subsidiary Audit Practice	6 hours
	Auditor/ Wei Li-Chun	Corporate Sustainability ESG Legal Compliance - Renewable Energy and Investment in Green Energy	6 hours
		How to Analyze Key Financial Information to Enhance Crisis Warning Capability	6 hours
		Cross-Strait Tax Audit and Regulatory Analysis Practice	6 hours
		How To Use Digital Technology to Explore and Improve Operating Process and Fraud Detection - A Discussion on Audit Practice	6 hours
		Workshop on Information Business Audit Practice	6 hours
		A Discussion on “Insider Trading” and “Financial Misstatement” Practice and Solutions	6 hours
	Auditor/ Wang Tzu-Jen	Internal Auditor Core Knowledge and Skill Series: The Nature of Internal Audit	18 hours
		Internal Auditor Core Knowledge and Skill Series: Business Knowledge of Internal Audit	24 hours
		Nine Operation Cycles - Audit of Legal Compliance	6 hours
	Auditor/ Chen, Hsin-Ju	Analysis of the provisions and practices of capital lending, endorsement and guarantee, and acquisition and disposal of assets	6 hours
		Exploration of the impact of ESG risks on the internal control system of enterprises in the face of the ESG wave and the countermeasures	6 hours
		Workshop on Practices of Identifying Financial Statement Frauds	6 hours

Chapter 7 Review and Analysis of Financial Position and Financial Performance, and Listing of Risks

I. Financial Position:

Changes of assets, liabilities, and shareholders' equity in the recent two years Unit: NTD thousands

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	32,846,480	34,342,348	1,495,868	5
Property, plant, and equipment	4,740,804	6,356,350	1,615,546	34
Other assets	8,299,686	8,469,859	170,173	2
Total assets	45,886,970	49,168,557	3,281,587	7
Current liabilities	20,407,008	21,021,741	614,733	3
Long-term debts	7,763,144	9,606,164	1,843,020	24
Total liabilities	28,170,152	30,627,905	2,457,753	9
Capital stock	2,360,179	2,360,179	-	-
Capital surplus	1,690,292	2,036,714	346,422	20
Retained earnings	11,832,451	12,807,450	974,999	8
Shareholders' equity	17,716,818	18,540,652	823,834	5
<p>1. Main reasons of deviation (over 20%) in the last two years:</p> <p>(1) The increase in property, plant, and equipment is mainly due to the investment in building solar power stations and the purchase of the land for south logistic center as required by the operation and development.</p> <p>(2) The increase in long-term liabilities is mainly due to the increase of long-term loans to meet operational requirements and to increase working capital.</p> <p>(3) The increase in capital surplus is mainly due to the recognition of capital surplus changes in affiliated companies under the equity method based on the shareholding ratio.</p> <p>2. Effects on material changes in the last two years, and the result thereof and the corresponding measures:</p> <p>To cooperate with the plan of operating development needs, we will continue to pay attention to the markets and customer needs, and timely adjustments.</p>				

II. Financial Performance:

Comparison and analysis of operation results Unit: NTD thousands

Item \ Year	2021	2022	Increase (decrease)	Difference (%)
Net operating revenue	70,515,303	73,570,296	3,054,993	4
Operating cost	64,532,617	68,003,687	3,471,070	5
Gross profit	5,982,686	5,566,609	(416,077)	(7)
Operating expenses	2,909,976	2,923,174	13,198	-
Income from operations	3,072,710	2,643,435	(429,275)	(14)
Non-operating income	1,185,961	1,123,548	(62,413)	(5)
Non-operating expenses	242,688	231,394	(11,294)	(5)
Income before tax from continuing operation	4,015,983	3,535,589	(480,394)	(12)
Income Tax Expense	906,811	809,317	(97,494)	(11)
Income after tax from	3,109,172	2,726,272	(382,900)	(12)

continuing operation				
1. Deviation of the last two years over 20%: None. 2. Sales forecast and the basis, and the effect upon the financial operations with measures to be taken in response: refer to the letter to shareholders and operational overview in this report.				

III. Cash Flow:

(I) Change in cash flow in 2022 and the analysis:

Unit: NTD thousands

Cash at the Beginning of Year	Net Cash Flows from Operating Activities	Annual Cash Inflow (Outflow)	Cash Surplus (Inadequacy)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
1,656,213	2,408,317	(2,351,249)	1,713,281	-	-

1. Analysis of cash flow changes:

- (1) The operating activities of this year's individual financial statements are net inflows.
- (2) The cash outflows mainly include the cash dividends, the solar power equipment acquisition, the acquisition of land for the construction of the southern logistics center and the acquisition of subsidiary equity in conjunction with the business expansion in Southeast Asia.

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

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

(II) Change in consolidated cash flow in 2022 and the analysis:

Unit: NTD thousands

Consolidated Cash at Beginning of Year	Consolidated Net Cash Flows from Operating Activities	Annual Consolidated Cash Inflow (Outflow)	Consolidated Cash Surplus (Inadequacy)	Remedial Measures for Consolidated Cash Inadequacy	
				Investment Plan	Financial Plan
3,275,337	3,778,667	(338,724)	6,715,280	-	-

1. Analysis of cash flow changes:

- (1) The operating activities of this year's consolidated financial statements are net inflows.
- (2) The cash outflows mainly include the cash dividends, the solar power equipment acquisition, and the acquisition of land for the construction of the southern logistics center.

2. Measures to be taken in response to consolidated cash inadequacy: 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 expenditures in the recent year include the investment in the solar power station construction, the acquisition of the land for the southern logistics center construction to meet the needs of operation development, which were financed mainly by its own funds and bank loans and did not have any significant impact on the financial operations.

V. Reinvestment policy for the most recent fiscal year, main reasons for profits/losses generated thereby, plan for improving investment plans for the coming year:

Explanation	Policy	Reasons for Gains or Losses	Improvement Plan	Investment Plan for the Coming Year
Invested Company				
Wah Lee Holding (Including Shanghai Yikang, Shanghai Wah-Chung, Wah Lee Tech (Singapore)) Raycong Industrial (including Dongguan Huagang) and Regent King International Limited	Core business expansion into Mainland China, Hong Kong and Southeast Asia to meet customers' outward migration	As the holding company, the Company recognized the investment income of its subsidiaries and mainly took charge of the material trading business in China and Singapore. Due to proper operation and control, both the Company and its wholly-owned subsidiaries maintained stable profits.	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 reward in dividend earnings.	Mainly responsible for selling synthetic compound, exposure machine, and its parts, and the company continued to maintain stable profits as a whole for proper operation and management.	None	Evaluation pending on further operation needs
Chang Wah Electromaterials Inc.	Long-term investment for dividend earnings	Mainly responsible for the trading of semiconductor sealing and testing materials and equipment. Due to the stability of the semiconductor industry, the company continued to make profits.	None	Evaluation pending on further operation needs

Explanation Invested Company	Policy	Reasons for Gains or Losses	Improvement Plan	Investment Plan for the Coming Year
Wah Hong Industrial Corporation	Long-term investment for dividend earnings	Mainly responsible for the manufacturing and trading of LCD materials, and the Company continued to maintain stable profits for proper operation and management.	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 stable power generation capacity and maintain stable profitability.	None	None
Meditek (Shanghai) Co., Ltd. Guangzhou Xingxian Co., Ltd.	Developing the medical care industry for long-term operation momentum.	After years of development, the medical industry has achieved results. However, due to the impact of the lockdown for COVID-19 in mainland China on business activities and the uneven allocation of resources in the overall medical industry, the Company's performance was adversely affected, resulting in a small loss on the whole.	Continue to develop businesses actively and save costs.	Evaluation pending on further operation needs
Tranceed Logistic Co., Ltd. Cyuan Cheng Logistic Co., Ltd.	Meet customer needs in logistics with shorter circulation hours and lower costs for value-added services.	The continued business expansion has led to significant growth in logistics revenue but also to an increase in personnel and administrative costs due to the expanded business scale, resulting	None	Evaluation pending on further operation needs

Explanation Invested Company	Policy	Reasons for Gains or Losses	Improvement Plan	Investment Plan for the Coming Year
		in a slight increase and decrease in profit compared to the previous year. However, profitability has been significantly improved due to the continuous growth of new business development and substantial increase of revenue, the combination of operating profit and loss by Tranceed and Cyuan Cheng has presented a stable profit.		
Xiamen Huashengda Logistics Co., Ltd. Huaying Supply Chain Management (SZ) Co., Ltd.	Expanding the logistic business in Mainland China based on the Company's strategy.	In 2022, due to the continuous impact of COVID-19, especially in South China, the demand for logistics services in China was not stable, and the revenue could be increased due to the worldwide shortage of containers, resulting in a slight loss of Xiamen Huashengda. But there was still profit after consolidating Shenzhen Huashengda.	The revenue is expected to become stable with the relief of the epidemic. The Company is also actively expanding logistics services in other industries to increase the revenue of the company, which is expected to turn the loss	None

Explanation Invested Company	Policy	Reasons for Gains or Losses	Improvement Plan	Investment Plan for the Coming Year
			into profit this year.	
Wah Tech Industrial Co., Ltd. (Thailand)	Through the operation of Wah Tech's business in Thailand, the Company can actively layout the business development in Southeast Asia.	Mainly responsible for the manufacturing and trading of materials in Thailand, and the company continued to maintain stable profits as a whole for proper operation and management.	None	Evaluation pending on further market indication on overseas needs.
Kingstone Energy Technology Corporation	Investing in solar power stations in Taiwan to make a stable income from power generation, and developing business in the solar energy industry.	As the contracted solar power stations are successively constructed and completed, there are stable income and profit from power generation.	Continue to build contracted solar power stations and develop new cases.	Making associated investments in the field while developing new projects.

VI. Risk management analysis and assessment:

(I) Risk management policy:

The risk management policy of the Company and its subsidiaries is to define various risks in accordance with the overall operating policy of the Company, to prevent possible losses within the range of acceptable risks, to protect the interests of employees, shareholders, partners and customers, to increase the value of the company, and to achieve the principle of the optimal allocation of the Company's resources.

(II) Risk management framework:

The Board of Directors 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. Board of Directors: As the highest unit for risk management in company and with the goal of complying with laws and regulations, it supervises all relevant risk management units to promote and implement the overall risk management of the company, so as to clearly understand the operational risk and ensure the effectiveness of risk management.
2. Corporate governance group: a sustainable development committee is established under the leadership of the Board of Directors, and a risk management team is set under the corporate governance group of the sustainable development committee. The convener of the risk management team is the CEO or someone designated by the CEO. The risk management team is the responsible unit for risk management. It is responsible for coordinating with relevant departments to carry out risk identification, assessment, control and supervision, and regularly reports the implementation status to the corporate governance team. The corporate governance team is responsible for monitoring and ensuring that risk management is carried out in accordance with the policies formulated by the Board of Directors and reporting to the Board of Directors at least once a year on the overall performance of risk management.
3. Auditing Office: an independent department under the Board of Directors, it is responsible for the internal audit of the Company, assisting the Board of Directors and managers to check and review the inadequacy of the internal control system and measure the effectiveness and efficiency of operations, and providing suggestions for improvement when appropriate, to ensure the continuous and effective implementation of the internal control system, and the basis for reviewing and revising the internal control system.
4. Business execution units: the business execution units shall be responsible for first-line risk management in daily operations. The heads of the business execution units shall be responsible for risk management to supervise and control the relevant risks within the unit to ensure that the Company's risk management system can control the relevant risks completely and effectively.

VII. Risk matters analysis and assessment:

- (I) The impact of interest rate, exchange rate fluctuations and inflation on the Company's profit and loss and measures to be taken in response in the future:
 1. Interest rate fluctuation:

Interest rate risk exposure incurred by the Company from loans with fixed or floating rates taken by the consolidated individual entity as well as the fast-rising interest rate. The Company will evaluate the interest rate trend from time to time and manage interest rate risk by maintaining an appropriate mix of fixed and floating interest rates, adjusting the denomination of borrowings, etc.

If the annual interest rate increases/decreases by 1%, with all other variables constant, the Company's pre-tax net income in 2022 and 2021 will decrease/increase by \$75,602,000 and \$45,620,000, respectively, mainly due to the risk exposure of the Company's variable interest rate deposit and loan.
 2. The effect of exchange rate fluctuations upon profits (losses) and measures to be taken in response in the future:

The Company's foreign exchange benefit for 2022 was NTD139,547,000, accounting for 3.95% of pre-tax net income. As the imported goods, which are mainly settled with USD and JPY, account for more than half of the total purchase of our company, and the sales overseas are mainly quoted in USD, JPY and CNY, the Company's foreign-currency-denominated transactions use a sensitivity ratio of 1% when reporting exchange rate risks to the main management level. 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 NTD 16,207,000 and NTD 2,574,000, respectively in 2022 and 2021 if the functional currency as of the currency date depreciated (appreciated) by 1% against USD.

Overall, the Company adopts a natural hedging strategy as it maintains a relatively low level 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 the inflation rate and measures to be taken in response in the future:

In 2022, labor and raw material costs rose sharply due to the shortage of labor and materials and bulk commodities caused by the Russia-Ukraine Conflict, forcing the central banks of various countries to raise interest rates. The excessive inventory on the customer side and the decline in demand due to increased interest rate led to a gradual decline in revenue in each month of 2022.

Although the impact of inflation still exists, the Company is confident that with its unique industrial layout and efficient marketing channel capabilities, it can maintain growth and achieve further success.

- (II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements/guarantees, and derivatives transactions, main reasons for the profit (loss) generated thereby, and future measures to be taken in response:

1. The Company focuses on business and is practical during operation, and does not engage in high-risk or high-leverage investments, and all investments are carefully evaluated and executed.
2. When lending funds to others, providing endorsed guarantees and transacting derivative financial commodities, the Company will follow the "Procedures for Loaning of Funds to Others", "Procedures for Making of Endorsements/Guarantees", and "Procedures for Acquisition or Disposal of Assets." No losses were incurred from the transaction mentioned above.

- (III) Future research and development work and the related expenditures:

The Company plays the role of distributor in the industry chain, and pays close attention to industry and market trends, such as 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 industry/products and new business models can be

developed in time. Not only do all employees perceive new products and new technology introduction is a critical part of their responsibilities, the Company also established a New Businesses Department at the group level and business divisions to support development of new industries and products and to expand alliance with viable business partners to accelerate the development of new products and new technologies. Furthermore, the Company introduces business development rewards and funding to stimulate and support business development activities with better effects throughout the Company. In 2022, the group's unchargeable revenue of new business development exceeded NTD12 billion, with an annual growth rate of more than 40%. This shows that the Company's new business development-related mechanism is effective, and it will accelerate the operation and highly contribute to the revenue.

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. If we treat training expenses, think tank implementation expenses, New Businesses Department expenses, and new business development rewards as a rough estimate of the company's R&D expenses, the Company's expenditure is approximately NTD 60 million in 2022. However, actual amounts incurred on developing new businesses and products far exceeded this sum. In addition to budgeting comparable amounts of the above expenses, additional funds will be allocated in 2023, depending on demand.

2022 development outcomes: only major new product categories are listed, excluding new specifications, new applications and new suppliers.

Industry	Agency or Distribution of New Products
Information and communication and electro mechanical	<ul style="list-style-type: none"> • Products for the automotive and semiconductor industry, such as foamed mPPE and insulating paper • Environmental-protection and recyclable materials, such as PCR and PBS • Automation equipment and solutions, such as hoist and AGV • wide-bandgap semiconductors and power module packaging materials, such as SiC • Materials for 5G high-frequency applications, such as LCP
Semiconductors	<ul style="list-style-type: none"> • New generation semiconductor front-end materials, such as EUV photoresist and PDMAT • Advanced packaging materials, such as Stripper, Cu and Ti Etchant • Circular economy products, such as recycled wafers
Opto-electronics, optical communication, and flat-panel display	<ul style="list-style-type: none"> • Equipment, such as automation equipment • Chips, such as MCU and ASIC ICs • System products, materials, and components, such as PID and electronic paper • Electronic chemistry and optical materials, such as black photosensitive gap materials, and RGB photoresists

Industry	Agency or Distribution of New Products
Green energy, energy conservation, and energy storage	<ul style="list-style-type: none"> • Materials and systems related to batteries and energy storage, such as raw materials for positive electrode materials • Components required for solar power plants, such as inverters • Energy Management Service Plan • Evaluation, design, construction, and maintenance of solar power plants, as well as efficient solar silicon wafers/ • cells/modules, rooftop/ground/surface solar power plants, • Energy storage system/power plant, household small energy storage, slow/fast charging gun, low-temperature cracking furnace.
Environmental protection, biomedicine and others	<ul style="list-style-type: none"> • Thermal management materials, such as carbon nanotubes • Sewage treatment equipment, and sludge dryer • Marine diesel engine, motor and spare parts • Automation equipment and components, such as pneumatic/transmission components • Cell CPC mass production consumables, antibody development, 100% biodegradable materials for medical food packaging • Environmental refrigerant, hemodialysis-related equipment and consumables.

(IV) 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:

The "Labor Occupational Disaster Insurance and Protection Law" was revised and implemented since May 1, 2022. It increased the insured salary of occupational disaster insurance by 0.5%, and the increase of costs accounting for about 0.023% of the overall salary.

(V) Effect of scientific and technological change and industrial change on the financial operations (including information security risk) of Developments and measures to be taken in response: In terms of the Company's operating results in each major industry and market in 2022, the approximate changes in the consolidated unadjusted revenue of each industry compared to 2021 are as follows: information/communication engineering plastics industry is approximately -9.18%; electronic packaging industry +1.73.00%; Semiconductor industry +32.80%; optoelectronics, optical communication, and flat-panel display industry -8.67%; green energy, energy-saving and energy storage +17.31%, and other industries +11.96%. Except for the decline of the information/communication engineering plastics and the optical communications and flat-panel display industries, all industries showed continued growth. The decline of these two industries is mainly due to the recession of the overall economic environment and the industrial chain. Effect of changes of necessary technology and industry trend on the Company and count measures:

In 2022, the epidemic situation slowed down and many countries gradually unsealed their borders; the international monetary policy changed; the Russia-Ukraine war accelerated the global inflation, and due to the shortage of labor and materials as well as commodities caused

by the Russia-Ukraine war, the cost of labor and raw materials rose sharply; central banks around the world have stepped in to raise interest rates, excessive inventories in the industrial chain and the recession in demand caused by higher interest rates have added uncertainties to the global industrial economy. In 2022, some TV panel prices fell to historic lows, and the annual profit performance of Taiwan panel industry is facing losses. IEK estimates that the output value of Taiwan's panel industry will decline by 22.3%. Looking forward to 2023, as customers are still under inventory pressure in the first half of the year and central banks are still adopting tight monetary policies, customers' capital expenditures have been slowing down successively. However, with the relief of COVID-19, all countries are opening their borders, and the demand is expected to recover gradually. However, there are still many uncertainties in the global economy. International institutions forecast that the economic growth momentum in 2023 will slow down compared with that in 2022, with most major economies showing stagnation. The global economy is expected to grow gradually in the second half of 2023, but the momentum is still slow. In 2023, risks and key observation points depend on how well inflation can be controlled and how quickly supply chain inventories can be adjusted. If the economy in the U.S. continues to suffer a severe recession or stagnant inflation, the semiconductor and ICT industries will inevitably suffer another recession. In addition, if the inventory adjustment of upstream and downstream supply chains (including semiconductors) can be effectively completed in the first half of this year, there will still be a chance for the ICT industry to recover in the second half of the year. The main countermeasures adopted by the company are as follows:

1. Developing new businesses, new products, new applications, new regions and new suppliers according to industry trends.
2. Strengthening the transfer and expansion of successful practices within the group.
3. Seeking support from existing/new suppliers to continuously increase market share in the market with declining competitiveness.
4. Optimizing the management of operational assets (strategies and management of accounts receivable, accounts payable, purchasing and inventory) to significantly reduce inventory losses due to environmental risks.
5. Global deployment (South Korea, the USA, Japan, Vietnam, and India).
6. Providing added-value (e.g., gas packaging, purification, warehousing and logistics) and integration solutions.
7. Extending more operating capacity to the upstream and downstream of the industrial chain.
8. In addition, the Company proactively adjusts its product portfolio, and eliminates products with a smaller scale and lower profit. In the future, the Company will cooperate with existing and new suppliers to develop products with more price competitiveness and a larger scale.
9. Actively adjust the cost of management and marketing to maximize the marginal benefit of cost and utilization of manpower.

The Company continued to stay ahead of the emerging sectors and demands, to introduce, timely or in advance, the relevant materials, components, modules, systems and equipment, so the Company's revenue continued to grow. Under our long-term strategy of diversified

business lines, we were able to reduce the impact of the macroeconomy and industry cycles and continue the growing trend.

Information security risk:

Information security problems will seriously damage company interests, causing substantial economic losses, reducing productivity, and losing business opportunities. In addition, the Company has to invest plenty of funds to recover its losses. Security threats to the Company include:

1. Loss of customers and revenue
2. Interruption of the transactions with partners
3. Reduction of the customer satisfaction
4. Undertaking legal responsibilities for fraud

Information security risk prevention:

1. Increasing investment in information security
2. Capacity to respond to advanced sustainable threats
3. Strengthening audit and risk control of the information system
4. Adopting independent and controllable products and technologies
5. Solutions based on big data and cloud calculation

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

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and measures to be taken in response: None.

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

(IX) Risks associated with the 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 purchase accounted for more than 10% of the consolidated revenue in the past two years. 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. In 2022, the purchase from two suppliers exceeded 10% of the total purchase, mainly due to the increase in purchase amount in response to the growth of customer demand. However, since the amount of some individual purchases accounted for 12%, there is no risk of excessive concentration of purchase.

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.

(X) 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.

- (XI) Effect of change of management right on the Company, risks and measures to be taken in response: None.
- (XII) Major litigious, non-litigious or administrative disputes that involve the Company, any director, supervisor, president, 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 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 court and claimed damages of NTD50,363,000 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 and Company A won the lawsuit, Kingstone Energy Technology Corporation appealed against the judgment according to the law and estimated the related losses and reserved liabilities of NTD50,363,000 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 NTD41,704,000 and forfeit 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.
 3. Company C filed a lawsuit with the court and claimed damages of RMB 7,146,000 plus interest for the contract dispute between the parties. In December 2022, after the first instance judgment and Company C won the lawsuit, Kingstone Energy Technology Corporation appealed against the judgment according to the law and estimated the related losses and reserved liabilities of NTD36,793,000 in 2022. 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.
- (XIII) Other important risks, and measures to be taken in response: None.

VIII. Other important matters:

On March 22, 2022, the Company's Board of Directors of the company approved the "Intellectual Property Management Plan". In order to protect the company's intellectual property rights and ensure sustainable operation, the company continues to promote the management of the intellectual property.

(I) Protection measures:

1. Patent

- (1) Periodic maintenance and review: review the use of licensed patents and their relevance to the product to assess the need for continued maintenance.
- (2) Promotion of patent concept: through seminars. To enhance the staff's knowledge and respect of patent rights to understand the legal boundaries of product sales.

2. Trademark

- (1) Trademark application: The Company's trademark application, after years of efforts, involves a variety of important products, which are registered in the main export countries/regions (including Taiwan, mainland China, etc.).
- (2) Periodic maintenance and review: review the use of registered trademarks and assess the need for continued maintenance; and observe the future plan and development of the Company to register and apply for new trademarks.

3. Copyright

- (1) Internal management system: the Company has set up an information team to independently develop the management system for internal use, and its function can be more practical.
- (2) Other application software: obtain legal software authorization.
- (3) Periodic maintenance review: review the use and future use of licensed copyrights to assess the need for continued licensing.

4. Protection of business secret

- (1) Access control security management: An access control system is adopted within the Company, and employees can only enter or leave the Company through fingerprint or face recognition. In particularly important areas, only a few authorized employees have the right to get access, and logging in is required for each entrance and exit; when personnel from outside of the company enters the company, registration is required and their activities should be limited to a certain public space, and accompanied by employees of the company at all times.
- (2) Information security management: All computer equipment in the company is identified by the employee's personal account and password, and the password must be changed regularly.
- (3) Dedicated space of departments: The Company allocates designated physical and virtual file storage spaces for each department, which are independently planned and used by each department. Keys are provided and properly kept for physical spaces; and read-write access permissions are set for virtual spaces.

- (4) Promotion of confidential concept: through seminars. Ensure that all personnel has knowledge of business secrets to effectively promote the establishment of legal awareness.

(II) Implementation Status::

The Company regularly reports matters related to its intellectual property to the Board of Directors in the 4th quarter of each year. The latest report to the Board of Directors is on November 9, 2022.

In March 2022, Intellectual Property Management Plan was promoted.

In 2022, the Intellectual Property Management Plan page on the official website was made.

In 2021, the trademark registration in Mainland China was extended to 2031.

In 2022, 4 patents were paid and extended respectively in Japan and mainland China, a total of 8 cases.

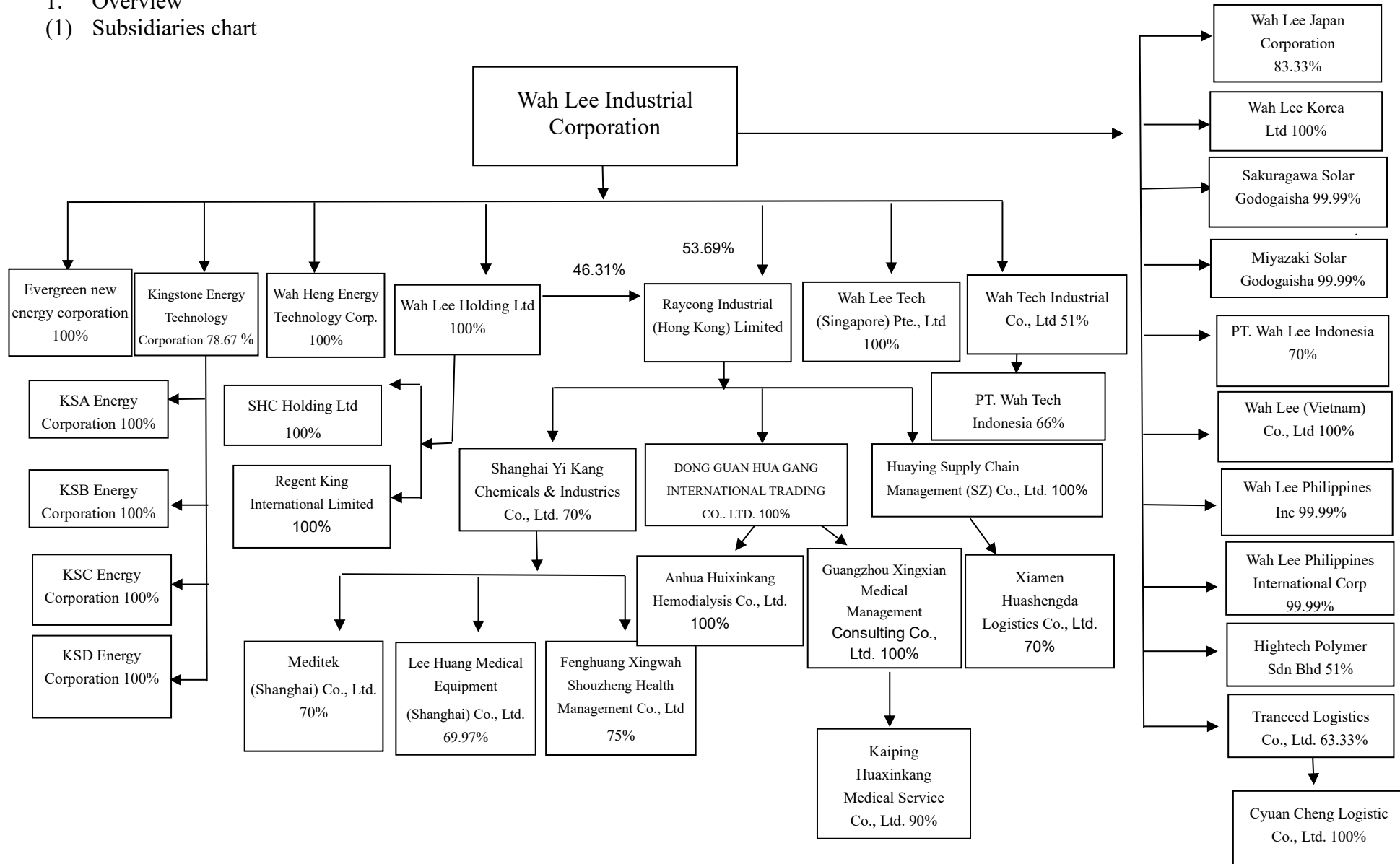
Chapter 8 Special Notes

I. Subsidiary Information:

(1) 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	Rm. 1008-1011, Tower Ii, Metroplaza, 223 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	No. 401-39, Giantcube Ansan Center, 50-3, Gangdeok 2nd Rd., Danwon Gu, Ansan, Korea.	KRW	735,000,000	Selling and distributing engineering plastics, high-performance composite materials, industrial materials and equipment
Sakuragawa Solar Godogaisha	2014.11.7	Kouraiyou4-3-7, Koraibashi, Osaka Shi Chuo Ku, Osaka Fu, 541-0043, Japan	JPY	10,000	Solar power station operation
Miyazaki Solar Godogaisha	2014.11.7	Kouraiyou4-3-7, Koraibashi, Osaka Shi Chuo Ku, Osaka Fu, 541-0043, Japan	JPY	10,000	Solar power station operation
PT. Wah Lee Indonesia	2015.6.11	Jl. Cakung Industri I No. 12 Kawasan Industri Cakung, Jakarta Utara, 14140	USD	2,300,000	International trade
Wah Lee (Vietnam) Co., Ltd	2015.6.24	Level 27, Worc@Q2 Office Building, No. 21, Vo Truong Toan Street, Thao Dien Ward, Thu Duc City, Ho Chi Minh City, Vietnam	USD	500,000	International trade
Wah Tech Industrial Co., Ltd.	1989.8.21	141/21-22 Skulthai Surawongse Tower, 18F, Surawongse Rd., Bangrak, Bangkok 10500	THB	15,000,000	Trading industrial materials
Tranceed Logistics Co., Ltd.	2012.2.22	11f.-2,,No.235 Chung Cheng 4th Road Kaohsiung, Taiwan, R.O.C	NTD	150,000,000	Automobile Cargo Transportation Business, Container Truck Transportation Enterprise, international trade, warehousing
Kingstone Energy Technology Corporation	2010.11.8	8F.-2, No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	352,188,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
Wah Heng Energy Technology Corp.	2020.7.13	8F.-2, No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	90,000,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry

Company	Date of incorporation	Address	Currency	Paid-in capital	Core business or product
WL Philippines International Corp	2019.9.28	122 East Science Drive, Laguna Technopark - SEZ, Binan(Poblacion), CITY OF BlnAN, REGION IV-A, LAGUNA, Philippines	PHP	12,750,000	Trading industrial materials
WL 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
Hightech Polymer Sdn Bhd	1990.06.23	9--1,9th Floor, Wisma Penang Garden,42, Jalan Sultan Ahmad Shah, Georgetown Pulau Pinang	RM	15,000,000	Trading industrial materials
Wah Lee Japan Corporation	2001.05.01	825-7, Kamonomiya, Odawara Shi, Kanagawa Ken, 250-0874, Japan	JPY	90,000,000	Selling and distributing engineering plastics, high-performance composite materials, industrial materials and equipment
Cyuan Cheng Logistic Co., Ltd.	2017.08.31	11f.-2,,No.235 Chung Cheng 4th Road Kaohsiung, Taiwan, R.O.C	NTD	55,000,000	Automobile Cargo Transportation Business, Container Truck Transportation Enterprise, international trade, warehousing
KSA Energy Corporation	2016.12.26	8F.-2, No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	61,300,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
KSB Energy Corporation	2015.11.17	8F.-2, No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	51,130,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
Evergreen New Energy corporation	2021.12.30	8F.-2, No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	50,000,000	Solar power station operation
KSC Energy Corporation	2020.06.30	8F.-2, No. 55, Dongguang Rd., East Dist., Hsinchu City	NTD	54,000,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
KSD Energy Corporation	2020.11.03	No. 11, Ln. 666, Sec. 2, Zhongzheng Rd., Changhua City, Changhua County	NTD	127,000,000	Manufacture of Batteries and Accumulators, self-usage power generation equipment utilizing renewable energy industry
Wah Lee Tech (Singapore) Pte., Ltd.	2003.10.04	60 Paya Lebar Road, #07-17, Paya Lebar Square, Singapore 409051	SGD	1,600,000	Selling and distributing semiconductor materials and equipment

Company	Date of incorporation	Address	Currency	Paid-in capital	Core business or product
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 Limited	2013.5.10	Room 803, Tung Hip Commercial Building, 248 Des Voeux Road Central, Hong Kong	HKD	10,000	Selling and distributing engineering plastics, high-performance composite materials, industrial materials and equipment
PT. Wah Tech Indonesia	2015.11.6	Jl. Cakung Industri I No. 12 Kawasan Industri Cakung, Jakarta Utara, 14140	RP	2,750,000,000	Trading industrial materials
Shanghai Yi Kang Chemicals & Industries Co., Ltd.	1993.10.09	Rm 204C, 2F, Part 4, Building 1, No. 2001 Yanggao North Rd., China (Shanghai) Pilot Free Trade Zone	USD	30,200,000	Trade and regional trade agents between enterprises in the international trade and trade advisory bonded zone
Dong Guan Hua Gang International Trading Co., Ltd.	2007.01.31	23rd Floor, Office Building King's Plaza, Chang-Ching Road, Chang-An Township, Dong Guan City, China.	HKD	300,000,000	Selling and distributing engineering plastics, high-performance composite materials, industrial materials and equipment
Huaying Supply Chain Management (SZ) Co., Ltd.	2015.2.9	Room 201, Building A, No. 1 Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen City	HKD	7,000,000	Supply chain management, selling & distributing engineering plastics, high performance composite materials, industrial materials and equipment
Meditek (Shanghai) Co., Ltd.	2013.8.1	Room 203, 2nd Floor, Building 5, No.350, Yuanqu Road, Anting Town, Jiading District, Shanghai	CNY	3,000,000	Good and technology trading and medical and biotech equipment service
Lee Huang Medical Equipment (Shanghai) Co., Ltd.	2014.1.22	Room 205, 2nd Floor, Building 5, No.350, Yuanqu Road, Anting Town, Jiading District, Shanghai	CNY	3,330,000	Selling medical equipment
Fenghuang Xingwah Shouzheng Health Management Co., Ltd	2020.7.14	Group 2, Dutian Village, Tuojiang Town, Fenghuang County, Xiangxi Tujia and Miao Autonomous Prefecture, Hunan Province	CNY	3,750,000	Medical device manufacturing technology development and consulting business
Xiamen Huashengda Logistics Co., Ltd.	2018.3.2	Unit 21-2, third floor, Bonded Market Building, No. 88 XiangYu Road, Xiamen Area of Fujian Free Trade Pilot Zone (Free Trade Zone).	CNY	3,000,000	Warehousing and logistics
Guangzhou Xingxian Medical Management Consulting Co., Ltd.	2019.8.1	Room 1808, No. 180, Jiangnan Avenue Central, Haizhu District, Guangzhou City	CNY	5,000,000	Hospital management, medical equipment service and supplies selling and distribution
Kaiping Huaxinkang Medical Service Co., Ltd.	2021.3.24	2nd and 3rd floors, No. 15, Xinchangtan Jiangxi Road, Sanbu Street Office, Kaiping City	CNY	100	Medical service industry

Company	Date of incorporation	Address	Currency	Paid-in capital	Core business or product
Anhua Huixinkang Hemodialysis Co., Ltd.	2022.07.06	3rd floor, Building 1, Chaxiang Community, Chengnan District, Dongping Town, Anhua County, Yiyang City, Hunan Province	CNY	1,000,000	Medical service industry

- (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 health industry, etc.
- B. If there is mutual relation between businesses operated by the affiliated enterprises, the division of labor shall be explained.
- (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.
- (B) As customers move out to Southeast Asia and Mainland China, the sales and production bases are extended overseas and enter the Mainland China market through the third countries, so Raycong Industrial (Hong Kong) Limited, Shanghai Yi Kang Chemicals & Industries Co.,Ltd., Wah Lee Holding Limited, SHC Holding Limited, Dong Guan Hua Gang International Trading Co., Ltd. and Regent King International Limited are established. Moreover, with the government's new southward policy, the overseas investment is transferring to Southeast Asia, and the Company has also established Wah Lee Tech (Singapore) Pte., Ltd., Wah Tech Industrial Co., Ltd., PT. Wah Tech Indonesia, Wah Lee (Vietnam) Co., Ltd., WL Philippines, Hightech Polymer Sdn Bhd and other companies in Singapore, Thailand, Indonesia, Vietnam, Philippines and Malaysia.
- (C) In order to make a contribution for the sustainable environment and in response to the government's goal of non-nuclear homes by 2025, the Company have successively invested in solar power plants in Japan, including Sakuragawa Solar Godogaisha and Miyazaki Solar Godogaisha; the Company also invested in Kingstone Energy Technology Corporation and its subsidiaries, Wah Heng Energy Technology Corp. and Evergreen new energy corporation, so as to maintain the competitive advantage of the current business and expand the solar energy market.

- (D) In order to increase added value and enhance the Company's competitiveness, the Company invested in logistics and warehousing companies such as Transceed Logistics Co., Ltd., Cyuan Cheng Logistic Co., Ltd., Huaying Supply Chain Management (SZ) Co., Ltd. and Xiamen Huashengda Logistics Co., Ltd.
- (E) The Company also expanded new business and focused on the health and medical industry, investing in Meditek (Shanghai) Co.,Ltd., Guangzhou Xingxian Medical Management Consulting Co., Ltd., Fenghuang Xingwah Shouzheng Health Management Co., Ltd. and Anhua Huixinkang Hemodialysis Co., Ltd.

(5) Directors, Supervisors, and Presidents of Subsidiaries

Company	Title	Name	Shareholding	
			Shares	Shareholding percentage
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 Godogaisha	Director	Yuichiro Yasuda	-	99.99% owned by Wah Lee
Miyazaki Solar Godogaisha	Director	Yuichiro Yasuda	-	99.99% owned by Wah Lee
Wah Lee Tech (Singapore) Pte., Ltd.	Chairman	Chang, Tsuen-Hsien	Wah Lee: 1,600,000 shares	100%
	Director	Chang, Chih-An		
PT. Wah Lee Indonesia	Director	Chang Chun-Wei	Wah Lee: 1,610,000 shares	70%
Wah Lee Vietnam Co., Ltd.	Director	Yeh, Ching-Wen	-	100% owned by Wah Lee
	Supervisor	Chan Sheng-Wen		
Wah Tech Industrial Co., Ltd.	Director	Chang, Tsuen-Hsien	Wah Lee: 7,650 shares	51%
	Director	Yeh, Ching-Wen		
Transceed Logistics Co., Ltd.	Chairman	Shih Chia-Sheng (representing Wah Lee)	Wah Lee: 9,500,000 shares	63.33%
	Supervisor	Tsai, Chung-Min		
Cyuan Cheng Logistic Co., Ltd.	Chairman	Chou, Tien-Hsing (representing TRANCEED LOGISTICS CO., LTD.)	Wah Lee: 5,500,000 shares	100%
	Supervisor	Tsai, Chung-Min (representing TRANCEED LOGISTICS CO., LTD.)		
Kingstone Energy Technology Corporation	Chairman	Wang, Yi-Wen (representing Wah Lee)	Wah Lee: 27,708,077 shares	78.67%
	Director	Shao, Kuang-Wei (representing Wah Lee)		
	Director	Kao Hsu-Ke (representing Wah Lee)		
	Supervisor	Hsiao Han-Yueh		
Wah Heng Energy Technology Corp.	Chairman	Wang, Yi-Wen (representing Wah Lee)	Wah Lee: 9,000,000 shares	100%

Company	Title	Name	Shareholding	
			Shares	Shareholding percentage
	Supervisor	Hsiao Han-Yueh (representing Wah Lee)		
WL Philippines International Corp	Chairman	Yeh, Ching-Wen	Wah Lee: 127,495 shares	99.99%
	Director	Wang, Yi-Wen		
	Director	Lin, Chen-Chuan		
	Director	Li, Ju-En		
	Director	Yannawit Chanpirom		
WL Philippines Inc.	Chairman	Yeh, Ching-Wen	Wah Lee: 126,997 shares	99.99%
	Director	Wang, Yi-Wen		
	Director	Yannawit Chanpirom		
Hightech Polymer Sdn. Bhd.	Director	Lin, Li-I	Wah Lee: 7,650,000 shares	51%
	Director	Li, Ming-Han		
	Director	Yeh, Ching-Wen		
Wah Lee Japan Corporation	Chairman	Yeh, Yi-Lin	Wah Lee: 1,500 shares	83.33%
	Director	Lin, Chen-Chuan		
	Director	Kao Hsu-Ke		
	Supervisor	Wang, Yi-Wen		
KSA Energy Corporation	Chairman	Wang, Yi-Wen (representing Kingstone Energy Technology Corporation)	Kingstone Energy Technology Corporation: 6,130,000 shares	100%
	Supervisor	Hsiao Han-Yueh (representing Kingstone Energy Technology Corporation)		
KSB Energy Corporation	Chairman	Wang, Yi-Wen (representing Kingstone Energy Technology Corporation)	Kingstone Energy Technology Corporation: 5,113,000 shares	100%
	Supervisor	Hsiao Han-Yueh (representing Kingstone Energy Technology Corporation)		
Evergreen new energy corporation	Chairman	Chien Pai-I (representing Wah Lee)	Wah Lee: 5,000,000 shares	100%
KSC Energy Corporation	Chairman	Wang, Yi-Wen (representing Kingstone Energy Technology Corporation)	Kingstone Energy Technology Corporation: 5,400,000 shares	100%
	Supervisor	Hsiao Han-Yueh (representing Kingstone Energy Technology Corporation)		
KSD Energy Corporation	Chairman	Wang, Yi-Wen (representing Kingstone Energy Technology Corporation)	Kingstone Energy Technology Corporation: 12,700,000 shares	100%

Company	Title	Name	Shareholding	
			Shares	Shareholding percentage
	Supervisor	Hsiao Han-Yueh (representing Kingstone Energy Technology Corporation)		
SHC Holding Limited(Mauritius)	Chairman	Chang, Ray-Ching	Wah Lee Holding: 1,290,000 shares	100%
Regent King International Limited	Director	Chang, Ray-Ching	Wah Lee Holding: 10,000 shares	100%
PT. Wah Tech Indonesia	Director	Chang Chun-Wei	Wah Lee: 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	Lin, Jen-Chih		
	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, Hsiang-Yu		
Huaying Supply Chain Management (SZ) Co., Ltd.	Chairman	Lu, Jui-Ming	-	100% owned by Raycong (Hong Kong)
	Director	Chang, Tsuen-Hsien		
	Director	Shih, Chia-Sheng		
	Supervisor	Tsai, Hsiang-Yu		
Meditek (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) Co., Ltd.	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		

Company	Title	Name	Shareholding	
			Shares	Shareholding percentage
Fenghuang Xingwah Shouzheng Health Management Co., Ltd	Director and general manager	Ren, You-Ming	-	75% owned by Shanghai Yikang
	Supervisor	Chen, Jan		
Xiamen Huashengda Logistics Co., Ltd.	Executive director and general manager	Shih, Chia-Sheng	-	70% owned by Hua Ying Supply Chain 10% owned by Li Ping
	Supervisor	Li Ping		
Guangzhou Xingxian Medical Management Consulting Co., Ltd.	Executive director and general manager	Lu, Jui-Ming	-	100 % owned by Dongguan Huagang
	Supervisor	Lin, Lung-Pang		
Kaiping Huaxinkang Medical Service Co., Ltd.	Director (legal representative)	Ren, You-Ming		90% owned by Guangzhou Xingxian Ma, Tung-Mei: 10%
	Supervisor	Hsueh, Wei		
Anhua Huixinkang Hemodialysis Co., Ltd.	Director (legal representative)	Ren, You-Ming		100 % owned by Dongguan Huagang
	Supervisor	Lin, Tzu-Chu		

2. Operation overview of affiliated enterprises

December 31, 2022 Unit: NT\$

Company	Capital amount	Total assets	Total Liabilities	Net value	Operating Revenue	Operating income	Current profit and loss	Earnings per share (NT\$) (after-tax)
							(After-tax)	
Wah Lee Holding Limited	430,666	5,401,215	0	5,401,215	0	-95	481,793	36.86
Raycong Industrial (Hong Kong) Limited	410,720	9,193,745	842,815	8,350,930	4,168,702	106,402	723,613	6.94
Wah Lee Korea Ltd.	18,059	6,029	2,491	3,538	0	-390	1,191	8.10
Sakuragawa Solar Gogogaisha	40,076	142,099	53,740	88,360	19,575	8,452	8,050	Note 1
Miyazaki Solar Godogaisha	70,184	223,760	184,215	39,546	23,073	7,482	4,179	Note 1
PT. Wah Lee Indonesia	60,136	63,541	16,263	47,278	94,367	-2,966	-4,235	-1.84
Wah Lee Vietnam Co.,Ltd.	14,435	260,969	219,575	41,394	652,951	-5,795	-22,267	Note 1
Wah Tech Industrial Co., Ltd.	13,412	660,136	187,089	473,047	1,592,650	96,271	78,397	5,226.49
Tranceed Logistics Co., Ltd.	150,000	524,121	267,197	256,924	591,435	49,964	37,374	2.49
Cyuan Cheng Logistic Co., Ltd.	55,000	114,019	73,920	40,099	84,894	1,082	42	0.01
Kingstone Energy Technology Corporation	352,188	2,443,123	1,803,966	639,158	198,680	30,776	10,288	0.29
Wah Heng Energy Technology Corp.	90,000	137,941	45,460	92,480	11,902	3,677	2,154	0.24
Evergreen new energy corporation	50,000	48,381	619	47,762	0	-2,843	-2,238	-0.45
Wah Lee Philippines International Corp.	6,940	6,231	122	6,109	0	-326	-259	-2.03
Wah Lee Philippines Inc.	6,913	30,600	25,405	5,195	65,226	3,184	1,409	11.09
Hightech Polymer Sdn Bhd	100,485	459,052	239,989	219,063	294,731	-5,021	-6,211	-0.41

Company	Capital amount	Total assets	Total Liabilities	Net value	Operating Revenue	Operating income	Current profit and loss	Earnings per share (NT\$) (after-tax)
							(After-tax)	
Wah Lee Japan Corporation	20,916	4,914	1	4,913	0	-57	-56	-31.22
KSA Energy Corporation	61,300	572,654	500,709	71,945	28,572	9,259	3,869	0.63
KSB Energy Corporation	51,130	68,666	16,812	51,854	2,713	849	367	0.07
KSC Energy Corporation	54,000	50,434	170	50,264	0	-151	-3,307	-0.61
KSD Energy Corporation	127,000	656,329	521,647	134,683	53,199	20,316	8,903	0.70
Wah Lee Tech (Singapore) Pte., Ltd.	31,067	912,695	483,648	429,047	1,804,182	45,518	33,785	21.12
SHC Holding Limited(Mauritius)	35,727	754,343	0	754,343	0	-116	102,142	79.18
Regent King International Limited	36	4,602	1,080	3,523	813	68	347	34.67
PT. Wah Tech Indonesia	5,445	41,048	34,832	6,216	96,854	270	383	13.93
Shanghai Yi Kang Chemicals & Industries Co.,Ltd.	1,010,547	7,522,192	3,772,173	3,750,018	14,109,964	866,171	690,669	Note 1
Dong Guan Hua Gang International Trading Co., Ltd.	1,159,932	5,566,206	2,960,474	2,605,732	9,374,094	327,614	247,457	Note 1
Huaying Supply Chain Management (SZ) Co., Ltd.	24,566	251,889	26,470	225,420	76,013	2,022	7,827	Note 1
Meditek (Shanghai) Co.,Ltd.	13,347	140,213	102,239	37,974	77,494	814	-3,492	Note 1
Fenghuang Xingwah Shouzheng Health Management Co., Ltd	22,245	32,510	16,646	15,864	0	-4,493	-4,628	Note 1
Lee Huang Medical Equipment (Shanghai) Co., Ltd.	14,815	6,260	8,734	-2,474	3,073	-5,298	-5,366	Note 1
Xiamen Huashengda Logistics Co., Ltd.	13,347	32,525	23,554	8,971	62,474	63	-145	Note 1

Company	Capital amount	Total assets	Total Liabilities	Net value	Operating Revenue	Operating income	Current profit and loss	Earnings per share (NT\$) (after-tax)
							(After-tax)	
Guangzhou Xingxian Medical Management Consulting Co., Ltd.	22,245	160,812	105,944	54,868	96,411	5,585	2,699	Note 1
Kaiping Huaxinkang Medical Service Co., Ltd.	0	0	0	0	0	0	0	Note 1
Anhua Huixinkang Hemodialysis Co., Ltd.	4,449	11,843	8,013	3,830	0	-573	-611	Note 1

Note:

1. Not applicable. It is a limited company; no shares were issued.
2. Exchange rates used in reports are as follows: 1USD = NT\$30.71; 1RMB=NT\$4.4489; 1 JPY = NT\$ 0.2324; 1 HKD 1 = NT\$3.938; 1 SGD = NT\$22.88; 1 KRW = NT\$ 0.02457; 1 IDR = NT\$ 0.00198; 1 VND = NT\$ 0.00129; 1 THB = NT\$ 0.8941.
3. Par value per share is 50,000 JPY for Wah Lee Japan, 5,000 KRW for Wah Lee Korea, 1,000 Peso for Wah Lee Philippines, THB 1,000 for Wah Lee Thailand and IDR 10,000 for Wah Lee Indonesia.

II. Private placements of securities in 2021 and 2022 and as of the date of report publication: None.

III. The Company's stock held or disposed of by subsidiaries in the most recent year and as of the date of the annual report publication: None.

IV. Other supplementary information and notes: None.

Chapter 9 Events with Material Impacts on Equity or Stock Price

Any events in 2022 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, 2022 under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements 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

Ray-Ching Chang
Chairman

March 16, 2023

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, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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, 2022. 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, 2022 is described as follows:

Occurrence of revenue from specific customers

The operating revenue and gross profit from specific customers of the Group for the year ended December 31, 2022 showed significant growth over the past year. In addition, based on the Standards on Auditing of the Republic of China, 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 obtained detailed information on the sales revenue of specific customers. We selected samples and checked the shipping and collection documents. We also verified the occurrence of recorded revenue from specific customers against the supporting documents and confirmed that the payer is the same as the buyer.

Other Matter

The financial statements of some investees accounted for using the equity method in the Group's consolidated financial statements for the years ended December 31, 2022 and 2021 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, 2022 and 2021 were NT\$735,824 thousand and NT\$811,217 thousand, respectively, representing 1% and 2% of total consolidated assets; the amounts of the share of profit of associates for the years ended December 31, 2022 and 2021 were NT\$83,373 thousand and NT\$188,987 thousand, representing 2% and 5% 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, 2022 and 2021 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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, 2022 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 Jui-Hsuan Hsu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2023

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, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 6,715,280	14	\$ 3,275,337	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	623,022	1	163,804	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	148,500	-	209,000	1
Notes receivable (Notes 9, 28 and 30)	2,240,943	5	1,787,044	4
Accounts receivable, net (Notes 5 and 9)	14,497,896	30	16,754,286	37
Accounts receivable - related parties (Notes 5, 9 and 29)	97,642	-	117,195	-
Other receivables	66,041	-	140,043	-
Other receivables - related parties (Note 29)	149,529	-	86,298	-
Current tax assets (Note 24)	-	-	7	-
Merchandise (Notes 4, 5 and 10)	6,428,237	13	5,194,090	11
Prepayments for purchases	1,643,719	3	2,289,881	5
Other financial assets - current (Notes 11 and 30)	1,537,457	3	2,668,676	6
Other current assets	194,082	1	160,819	-
Total current assets	34,342,348	70	32,846,480	72
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	43,479	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	594,342	1	735,329	2
Investments accounted for using the equity method (Notes 4 and 13)	6,125,003	12	5,956,734	13
Property, plant and equipment (Notes 4, 14, 29 and 30)	6,356,350	13	4,740,804	10
Right-of-use assets (Notes 4 and 15)	564,165	1	657,852	1
Goodwill (Notes 4 and 26)	177,057	-	111,203	-
Other intangible assets	226,823	1	208,299	-
Deferred tax assets (Notes 4 and 24)	430,175	1	348,894	1
Prepayments for equipment	10,212	-	30,727	-
Other financial assets - non-current (Notes 11 and 30)	268,762	1	217,564	1
Other non-current assets	29,841	-	33,084	-
Total non-current assets	14,826,209	30	13,040,490	28
TOTAL	\$ 49,168,557	100	\$ 45,886,970	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 9,767,290	20	\$ 8,286,959	18
Short-term bills payable (Note 16)	29,970	-	59,822	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	3,672	-	127	-
Contract liabilities - current (Note 22)	350,115	1	562,914	1
Notes payable (Note 18)	511,712	1	390,681	1
Accounts payable (Note 18)	7,507,703	15	8,045,912	18
Accounts payable - related parties (Notes 18 and 29)	430,025	1	567,881	1
Other payables (Note 19)	1,376,972	3	1,361,035	3
Other payables - related parties (Note 29)	138	-	2,877	-
Current tax liabilities (Note 24)	337,138	1	371,005	1
Provisions - current (Notes 4 and 31)	87,157	-	80,450	-
Lease liabilities - current (Notes 4 and 15)	98,005	-	95,358	-
Current portion of long-term borrowings (Note 16)	193,522	-	376,940	1
Refund liabilities - current	298,028	1	178,776	-
Other current liabilities	30,294	-	26,271	-
Total current liabilities	21,021,741	43	20,407,008	44
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	1,994,084	4	1,972,752	4
Long-term borrowings (Note 16)	5,429,566	11	3,562,794	8
Provision for employee benefits - non-current (Note 4)	66,223	-	52,007	-
Lease liabilities - non-current (Notes 4 and 15)	500,877	1	595,710	1
Net defined benefit liabilities - non-current (Notes 4 and 20)	266,512	-	295,578	1
Guarantee deposits received	2,803	-	2,634	-
Deferred tax liabilities (Notes 4 and 24)	1,346,099	3	1,281,669	3
Total non-current liabilities	9,606,164	19	7,763,144	17
Total liabilities	30,627,905	62	28,170,152	61
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Share capital	2,360,179	5	2,360,179	5
Capital surplus	2,036,714	4	1,690,292	4
Retained earnings				
Legal reserve	2,710,197	6	2,412,040	5
Special reserve	184,623	-	636,618	2
Unappropriated earnings	9,912,630	20	8,783,793	19
Total retained earnings	12,807,450	26	11,832,451	26
	(1)		(1)	
Other equity	(448,559))	(184,623))
Total equity attributable to owners of the Company	16,755,784	34	15,698,299	34
NON-CONTROLLING INTERESTS (Note 21)	1,784,868	4	2,018,519	5
Total equity	18,540,652	38	17,716,818	39
TOTAL	\$ 49,168,557	100	\$ 45,886,970	100

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

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			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 29)	\$ 73,570,296	100	\$ 70,515,303	100
OPERATING COSTS (Notes 10, 23 and 29)	<u>68,003,687</u>	<u>92</u>	<u>64,532,617</u>	<u>92</u>
GROSS PROFIT	<u>5,566,609</u>	<u>8</u>	<u>5,982,686</u>	<u>8</u>
OPERATING EXPENSES (Notes 9, 23 and 29)				
Selling and marketing expenses	2,341,164	3	2,272,525	3
General and administrative expenses	617,524	1	591,317	1
Expected credit loss recognized (reversed)	<u>(35,514)</u>	<u>-</u>	<u>46,134</u>	<u>-</u>
Total operating expenses	<u>2,923,174</u>	<u>4</u>	<u>2,909,976</u>	<u>4</u>
OPERATING INCOME	<u>2,643,435</u>	<u>4</u>	<u>3,072,710</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 29)				
Interest income	110,130	-	49,554	-
Other income	133,274	-	155,584	-
Other gains and losses	110,511	-	(73,245)	-
Finance costs	(341,905)	-	(169,443)	-
Share of profit of associates and joint ventures	<u>880,144</u>	<u>1</u>	<u>980,823</u>	<u>1</u>
Total non-operating income and expenses	<u>892,154</u>	<u>1</u>	<u>943,273</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	3,535,589	5	4,015,983	5
INCOME TAX EXPENSE (Notes 4 and 24)	<u>809,317</u>	<u>1</u>	<u>906,811</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>2,726,272</u>	<u>4</u>	<u>3,109,172</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (Notes 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	21,868	-	8,080	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	(200,999)	-	135,795	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	(322,129)	(1)	677,658	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,127)	-	(2,131)	-

(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			
	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ 360,124	1	\$ (130,195)	-
Share of other comprehensive gain (loss) of associates accounted for using the equity method	83,095	-	(18,985)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(40,884)</u>	<u>-</u>	<u>20,462</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(101,052)</u>	<u>-</u>	<u>690,684</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,625,220</u>	<u>4</u>	<u>\$ 3,799,856</u>	<u>5</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,484,800	4	\$ 2,843,277	4
Non-controlling interests	<u>241,472</u>	<u>-</u>	<u>265,895</u>	<u>-</u>
	<u>\$ 2,726,272</u>	<u>4</u>	<u>\$ 3,109,172</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,315,985	3	\$ 3,563,855	5
Non-controlling interests	<u>309,235</u>	<u>1</u>	<u>236,001</u>	<u>-</u>
	<u>\$ 2,625,220</u>	<u>4</u>	<u>\$ 3,799,856</u>	<u>5</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 10.53</u>		<u>\$ 12.05</u>	
Diluted	<u>\$ 9.62</u>		<u>\$ 11.64</u>	

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity	Subtotal	Total	Non-Controlling Interests	Total Equity
	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				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2021	\$ 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)	-	-	-	-	-	-
Reversal of 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 (Note 17)	-	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
Appropriation of 2021 earnings											
Legal reserve	-	-	298,157	-	(298,157)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(451,995)	451,995	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,604,922)	-	-	-	(1,604,922)	-	(1,604,922)
	-	-	298,157	(451,995)	(1,451,084)	-	-	-	(1,604,922)	-	(1,604,922)
Changes in capital surplus from investments in associates accounted for using the equity method	-	346,422	-	-	-	-	-	-	346,422	-	346,422
Net profit for the year ended December 31, 2022	-	-	-	-	2,484,800	-	-	-	2,484,800	241,472	2,726,272
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	18,662	334,572	(522,049)	(187,477)	(168,815)	67,763	(101,052)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	2,503,462	334,572	(522,049)	(187,477)	2,315,985	309,235	2,625,220
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	(678,721)	(678,721)
Disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	76,459	-	(76,459)	(76,459)	-	-	-
Increase in non-controlling interests (Note 26)	-	-	-	-	-	-	-	-	-	135,835	135,835
BALANCE AT DECEMBER 31, 2022	\$ 2,360,179	\$ 2,036,714	\$ 2,710,197	\$ 184,623	\$ 9,912,630	\$ (344,057)	\$ (104,502)	\$ (448,559)	\$ 16,755,784	\$ 1,784,868	\$ 18,540,652

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,535,589	\$ 4,015,983
Adjustments for:		
Depreciation expense	407,807	320,581
Amortization expense	47,444	43,168
Expected credit loss recognized (reversed)	(35,514)	46,134
Net gain of financial instruments at fair value through profit or loss	(2,614)	(980)
Finance costs	341,905	169,443
Interest income	(110,130)	(49,554)
Dividend income	(12,956)	(23,888)
Share of profit of associates and joint ventures accounted for using the equity method	(880,144)	(980,823)
Loss on disposal of property, plant and equipment	17,184	1,389
Gain on disposal of investments accounted for using the equity method	(4,590)	(20,810)
Impairment loss on inventories	342,699	153,553
Net unrealized loss (gain) on foreign currency exchange	(60,274)	1,058
Loss provision recognized	19,711	80,450
Others	(13,706)	(102)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	26,415	1,811
Notes receivable	(453,876)	612,703
Notes receivable - related parties	-	6,925
Accounts receivable	2,498,932	(1,686,879)
Accounts receivable - related parties	20,694	(2,885)
Other receivables	12,584	6,359
Other receivables - related parties	8,226	(2,241)
Merchandise	(1,430,175)	(1,059,294)
Prepayments for purchases	646,369	(891,791)
Other current assets	(32,045)	48,677
Financial liabilities held for trading	(23,726)	(9,537)
Contract liabilities	(212,799)	217,563
Notes payable	121,031	288,507
Notes payable - related parties	-	(1,261)
Accounts payable	(588,253)	979,704
Accounts payable - related parties	(145,782)	189,877
Other payables	(18,582)	97,138
Other payables - related parties	(2,739)	(5,476)
Provisions	(13,004)	-
Refund liabilities	119,252	4,501
Other current liabilities	3,988	(2,782)
Net defined benefit liabilities	(8,498)	(10,100)
Cash generated from operations	4,120,423	2,537,121
Interest received	115,752	35,838
Dividends received	721,213	578,130
Interest paid	(281,891)	(166,721)
Income tax paid	(896,830)	(668,330)
Net cash generated from operating activities	3,778,667	2,316,038

(Continued)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (5,000)	\$ (59,836)
Proceeds from disposal of financial assets at fair value through other comprehensive income	488	-
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	5,000	15,000
Purchase of financial assets at fair value through profit or loss	(1,080,596)	(408,641)
Proceeds from disposal of financial assets at fair value through profit or loss	629,294	466,128
Purchase of investments accounted for using the equity method	(191)	(44,926)
Proceeds from disposal of investments accounted for using the equity method	-	195,680
Net cash outflow on acquisition of subsidiaries	(120,694)	-
Payments for property, plant and equipment	(1,891,339)	(1,169,347)
Proceeds from disposal of property, plant and equipment	59,012	7,701
Payments for intangible assets	(5,385)	(37,667)
Decrease (increase) in other financial assets	<u>1,154,553</u>	<u>(1,851,625)</u>
Net cash used in investing activities	<u>(1,254,858)</u>	<u>(2,887,533)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,199,864	901,982
Decrease in short-term bills payable	(30,000)	-
Proceeds from issuance of convertible bonds	-	1,999,693
Proceeds from long-term borrowings	3,862,555	1,372,954
Repayment of long-term borrowings	(2,174,931)	(2,039,534)
Increase (decrease) in guarantee deposits received	(158)	1,018
Repayment of the principal portion of lease liabilities	(102,056)	(75,770)
Cash dividends	(1,604,922)	(1,018,117)
Change in non-controlling interests	<u>(678,721)</u>	<u>(208,629)</u>
Net cash generated from financing activities	<u>471,631</u>	<u>933,597</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>444,503</u>	<u>(139,947)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>3,439,943</u>	<u>222,155</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,275,337</u>	<u>3,053,182</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,715,280</u>	<u>\$ 3,275,337</u>

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (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 by the board of directors on March 16, 2023.

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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the 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 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

As of the date the consolidated financial statements were approved, 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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were approved, the Group is continuously assessing the possible impact of the application of the above standards and interpretations 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 Non-current 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 non-current.

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 8 and 9.

e. Business Combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts

of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

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

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.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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.

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 the 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.

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 and associates, 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 on 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 and volatility in markets 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. Furthermore, the estimate of the probability of default is subject to greater uncertainties due to the impact on credit risk of financial assets arising from the uncertain impact and volatility in markets caused by the COVID-19 pandemic.

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	
	2022	2021
Cash on hand	\$ 1,239	\$ 1,291
Demand deposits	3,876,747	2,946,410
Checking accounts	37,808	10,359
Cash equivalents investments with original maturities of 3 months or less		
Time deposits	2,799,486	178,853
Repurchase agreement collateralized by bonds	-	138,424
	<u>\$ 6,715,280</u>	<u>\$ 3,275,337</u>

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

	December 31	
	2022	2021
Time deposits (%)	0.10-4.30	0.10-2.03

- 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

	December 31	
	2022	2021
Financial assets - current		
Mandatorily classified as at FVTPL		
Hybrid instruments - structured deposits (a)	\$ 549,458	\$ 86,867
Non-derivative financial assets - mutual funds	73,564	75,401
Derivative instruments (not designated for hedge) (b)		
Foreign exchange forward contracts	-	336
Redemption of convertible bonds	-	1,200
	<u>\$ 623,022</u>	<u>\$ 163,804</u>
Financial assets - non-current		
Mandatorily classified as at FVTPL		
Non-derivative financial assets - domestic unlisted shares	<u>\$ 43,479</u>	<u>\$ -</u>
Financial liabilities		
Held for trading		
Derivative instruments (not designated for hedge) (b)		
Foreign exchange forward contracts	<u>\$ 3,672</u>	<u>\$ 127</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, 2022

Currency	Maturity Date	Notional Amount (In Thousands)
Buy USD/Sell RMB	2023.01-2023.03	USD1,500/RMB10,596
Buy USD/Sell THB	2023.01	USD300/THB10,659
Buy USD/Sell MYR	2023.01-2023.03	USD2,200/MYR10,061

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

8. FINANCIAL ASSETS AT FVTOCI

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Domestic investments in equity instruments		
Listed shares	<u>\$ 148,500</u>	<u>\$ 209,000</u>
<u>Non-current</u>		
Domestic investments in equity instruments		
Listed shares	\$ 87,318	\$ 119,445
Unlisted shares	<u>418,212</u>	<u>515,838</u>
	<u>505,530</u>	<u>635,283</u>
Foreign investments in equity instruments		
Listed shares	20,128	23,477
Unlisted shares	<u>68,684</u>	<u>76,569</u>
	<u>88,812</u>	<u>100,046</u>
	<u>\$ 594,342</u>	<u>\$ 735,329</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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Notes receivable - unrelated parties		
Notes receivable - operating	\$ 2,240,943	\$ 1,787,067
Less: Allowance for impairment loss	<u>-</u>	<u>23</u>
	<u>\$ 2,240,943</u>	<u>\$ 1,787,044</u>

(Continued)

	December 31	
	2022	2021
Accounts receivable - unrelated parties		
At amortized cost		
Gross carrying amount	\$ 14,679,062	\$ 16,986,827
Less: Allowance for impairment loss	<u>181,166</u>	<u>232,541</u>
	<u>\$ 14,497,896</u>	<u>\$ 16,754,286</u>
Accounts receivable - related parties		
At amortized cost		
Gross carrying amount	\$ 98,185	\$ 117,333
Less: Allowance for impairment loss	<u>543</u>	<u>138</u>
	<u>\$ 97,642</u>	<u>\$ 117,195</u>
		(Concluded)

For the information on factored notes receivable pledged as collateral for borrowings, refer to Notes 28 and 30.

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

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on receivables are estimated using a provision matrix prepared by reference to the past default 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 loss allowance of receivables based on the Group's provision matrix:

December 31, 2022

	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 (%)	0.02-1	0.35-20	1-40	40-50	100	
Gross carrying amount	\$ 15,339,454	\$ 1,317,685	\$ 240,273	\$ 37,472	\$ 83,306	\$ 17,018,190
Loss allowance (Lifetime ECLs)	<u>(17,094)</u>	<u>(35,396)</u>	<u>(33,546)</u>	<u>(12,367)</u>	<u>(83,306)</u>	<u>(181,709)</u>
Amortized cost	<u>\$ 15,322,360</u>	<u>\$ 1,282,289</u>	<u>\$ 206,727</u>	<u>\$ 25,105</u>	<u>\$ -</u>	<u>\$ 16,836,481</u>

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>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 232,702	\$ 216,973
Acquired by acquisition of subsidiaries	985	-
Impairment losses recognized (reversed)	(35,514)	46,134
Amounts written off	(23,004)	(27,780)
Foreign exchange translation differences	<u>6,540</u>	<u>(2,625)</u>
Balance at December 31	<u>\$ 181,709</u>	<u>\$ 232,702</u>

10. MERCHANDISE

The costs of inventories recognized in cost of goods sold for the years ended December 31, 2022 and 2021 were \$66,896,953 thousand and \$63,614,582 thousand respectively, which included the following items:

	For the Year Ended December 31	
	2022	2021
Write-downs of inventories	<u>\$ 342,699</u>	<u>\$ 153,553</u>

11. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
Current		
Time deposits with original maturities of more than 3 months	\$ 483,893	\$ 234,015
Structured deposits	969,878	2,423,574
Pledged deposits	81,355	2,000
Refundable deposits	<u>2,331</u>	<u>9,087</u>
	<u>\$ 1,537,457</u>	<u>\$ 2,668,676</u>
Non-current		
Pledged deposits	\$ 151,646	\$ 109,392
Refundable deposits	<u>117,116</u>	<u>108,172</u>
	<u>\$ 268,762</u>	<u>\$ 217,564</u>

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

	December 31	
	2022	2021
Time deposits (%)	0.19-4.50	0.09-3.55

- 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 30 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, 2022	December 31, 2021	
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	
	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. (WT Industrial)	Trading business of industrial materials	51.00	51.00	
	Kingstone Energy Technology Corporation (KS Corp.)	Solar power generation business	78.67	78.67	Note 1
	Wahlee Green Energy Corporation (WL Green Corp.)	Renewable energy self-use power generation equipment business	-	-	Note 2
	Wah Heng Energy Technology Corp. (WH Energy)	Solar power generation business	100.00	100.00	
	Evergreen New Energy Corporation	Solar power generation business	100.00	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	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership		Remark
			December 31, 2022	December 31, 2021	
Wah Lee Holding Ltd.	Hightech Polymer SDN. BHD. (Hightech)	Trading business of industrial materials	51.00	-	Note 26
	Wah Lee Tech (Singapore) Pte. Ltd. (WL Singapore)	Agency of semiconductor materials and equipment	100.00	-	Note 3
	SHC Holding Ltd. WL Singapore	International investment	100.00	100.00	Note 3
		Agency of semiconductor materials and equipment	-	100.00	
	Raycong H.K.	Trading business of engineering plastic, composite materials and equipment	46.31	46.31	
Raycong H.K.	Regent King International Limited (Regent King)	Trading business of engineering plastic composite materials and equipment	100.00	100.00	
	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	
	Yadi International Trading Co., (Shanghai) Ltd. (Shanghai Yadi)	Import and export business of goods and techniques	70.00	70.00	
Shanghai Yikang	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	75.00	Established in January 2021
	Guang Jou Shing Shian Medical Management Consulting Co., Ltd. (Guangjou Shing Shian)	Medical consulting	100.00	100.00	
	Anhua Huixinkang Hemodialysis Co., Ltd (Anhua Huixinkang)	Medical Service	100.00	-	Established in July 2022
	Kaiping Huaxinkang Medical Service Co., Ltd. (Kaiping Huaxinkang)	Medical Service	90.00	90.00	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	-	-	Note 2
	KSC Energy Corporation (KSC Corp.)	Solar power generation business	100.00	100.00	
	KSD Energy Corporation (KSD Corp.)	Solar power generation business	100.00	100.00	
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	

(Concluded)

- Note 1: 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 2: 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. completed liquidation in April 2021.
- Note 3: In order to develop operation, the board of directors of the Company resolved to acquire 100% shares of WL Singapore from Wah Lee Holding Ltd. in November 2022, which was accounted for as a restructuring transaction under common control.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in associates		
Material associates		
Chang Wah Electromaterials Inc.	\$ 3,445,921	\$ 3,194,774
Associates that are not individually material	<u>2,640,236</u>	<u>2,746,022</u>
	<u>6,086,157</u>	<u>5,940,796</u>
Investments in joint ventures		
Joint ventures that are not individually material	<u>38,846</u>	<u>15,938</u>
	<u>\$ 6,125,003</u>	<u>\$ 5,956,734</u>

Refer to Tables 8 and 9 for the main business and location of the investments accounted for using the equity method.

a. Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2022	2021
Chang Wah Electromaterials Inc. (CWE Inc.)	29.17%	28.71%

In 2021, 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	
	2022	2021
CWE Inc.	\$ 5,996,436	\$ 7,698,395

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

	December 31	
	2022	2021
Current assets	\$ 15,826,129	\$ 14,718,903
Non-current assets	17,295,137	15,589,692
Current liabilities	(9,299,580)	(8,323,087)
Non-current liabilities	<u>(7,434,740)</u>	<u>(7,264,541)</u>
Equity	16,386,946	14,720,967
Non-controlling interests	<u>(4,805,267)</u>	<u>(3,826,423)</u>
	<u>\$ 11,581,679</u>	<u>\$ 10,894,544</u>
Percentage of ownership held by the Company (%)	29.17	28.71
Equity attributable to the Company	\$ 3,378,494	\$ 3,127,347
Goodwill	<u>67,427</u>	<u>67,427</u>
Carrying amount	<u>\$ 3,445,921</u>	<u>\$ 3,194,774</u>

	For the Year Ended December 31	
	2022	2021
Operating revenue	\$ 21,858,509	\$ 20,670,509
Net profit for the year	\$ 3,572,984	\$ 2,488,063
Other comprehensive (loss) income for the year	<u>(861,497)</u>	<u>2,309,626</u>
Total comprehensive income for the year	<u>\$ 2,711,487</u>	<u>\$ 4,797,689</u>
Cash dividends received	<u>\$ 395,805</u>	<u>\$ 252,785</u>

As of December 31, 2022 and 2021, the Company's dividends receivable from CWE Inc. were \$144,469 thousand and \$75,203 thousand, respectively, recognized as other receivables - related parties.

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

	For the Year Ended December 31	
	2022	2021
The Group's share of		
Net profit for the year	\$ 255,748	\$ 477,954
Other comprehensive income (loss) for the year	<u>15,578</u>	<u>(4,952)</u>
Total comprehensive income for the year	<u>\$ 271,326</u>	<u>\$ 473,002</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 in HGE Co. However, since the Group does not have control over HGE Co., the Group accounts for it as an associate. Furthermore, KS Corp.'s ownership percentage in HGE Co. reduced to 5.71% as KS Corp. did not subscribe to additional new shares of HGE Co. at the existing shareholding proportion in 2022, and in October 2022, KS Corp. lost its significant influence and discontinues the use of the equity method. Therefore the investment was reclassified to financial assets at FVTPL - non-current and the gain on disposal of investments of \$4,590 thousand was recognized.
- 2) The Company sold all of its equity in 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 in 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'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 7 thousand and 4 thousand shares of Wah Hong Corp. from the open market in the amount of \$191 thousand and \$106 thousand in cash in 2022 and 2021, respectively, and the ownership percentage increased to 26.52% on December 31, 2022.

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2022

	Freehold Land	Buildings	Power Generation Equipment	Other Equipment	Property under Construction and Equipment to be Inspected	Total
Cost						
Balance at January 1, 2022	\$ 840,140	\$ 1,068,002	\$ 2,186,906	\$ 1,054,623	\$ 943,161	\$ 6,092,832
Acquisitions through business combinations	-	-	-	3,322	-	3,322
Additions	1,245,739	-	35,375	90,774	544,602	1,916,490
Disposals	-	-	(30,677)	(15,764)	(16,891)	(63,332)
Reclassified	-	-	836,330	(9,893)	(826,437)	-
Effect of foreign currency exchange differences	(1,832)	23,243	(10,714)	7,753	714	19,164
Balance at December 31, 2022	<u>\$ 2,084,047</u>	<u>\$ 1,091,245</u>	<u>\$ 3,017,220</u>	<u>\$ 1,130,815</u>	<u>\$ 645,149</u>	<u>\$ 7,968,476</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, 2022	\$ -	\$ 358,728	\$ 296,830	\$ 696,470	\$ -	\$ 1,352,028
Acquisitions through business combinations	-	-	-	2,759	-	2,759
Depreciation expense	-	30,907	155,362	105,299	-	291,568
Disposals	-	-	(29,399)	(13,862)	-	(43,261)
Reclassified	-	-	4,808	(4,808)	-	-
Effect of foreign currency exchange differences	-	6,357	(2,026)	4,701	-	9,032
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 395,992</u>	<u>\$ 425,575</u>	<u>\$ 790,559</u>	<u>\$ -</u>	<u>\$ 1,612,126</u>
Carrying amount at December 31, 2022	<u>\$ 2,084,047</u>	<u>\$ 695,253</u>	<u>\$ 2,591,645</u>	<u>\$ 340,256</u>	<u>\$ 645,149</u>	<u>\$ 6,356,350</u>

(Concluded)

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>
<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>

- 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>2022</u>	<u>2021</u>
Additions to property, plant and equipment	\$ 1,916,490	\$ 1,231,541
Capitalization of interest and depreciation expense	(8,945)	(13,306)
Increase (decrease) in prepayments for equipment	(20,515)	10,064
Decrease (increase) in payables for equipment	18,525	(48,820)
Increase in provisions	<u>(14,216)</u>	<u>(10,132)</u>
Cash paid	<u>\$ 1,891,339</u>	<u>\$ 1,169,347</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 years
Power generation equipment	7-20 years
Others	2-15 years

- c. In January 2022, the board of directors approved the proposal to purchase the land located in the Zilong section of Jiali District, Tainan City from an unrelated party for \$1.2 billion to build the Southern Logistics Center. The transfer of land rights registration was completed in May 2022. Due to the statutory prohibition, the registration of agricultural land rights was registered in the name of Tsun-Hsien Chang, the related party who signed an agreement with the Group. As stipulated in the agreement, the related party will fully cooperate with the Group to transfer the agricultural land right to the Group or a specific person in the future free of charge. The agricultural land has been mortgaged to the Group with a maximum limit of \$200 million.
- d. Refer to Note 30 for the carrying amount of property, plant and equipment pledged as collateral for borrowings.

15. LEASE ARRANGEMENTS

- a. Right-of-use assets

For the year ended December 31, 2022

	Land	Buildings	Other Equipment	Total
Balance at January 1, 2022	\$ 41,098	\$ 599,828	\$ 16,926	\$ 657,852
Additions	24,311	102,749	19,075	146,135
Depreciation expense	(2,261)	(103,528)	(11,980)	(117,769)
Lease modification	-	(123,512)	(449)	(123,961)
Effects of foreign currency exchange differences	<u>20</u>	<u>1,748</u>	<u>140</u>	<u>1,908</u>
Balance at December 31, 2022	<u>\$ 63,168</u>	<u>\$ 477,285</u>	<u>\$ 23,712</u>	<u>\$ 564,165</u>

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>

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	\$ 98,005	\$ 95,358
Non-current	\$ 500,877	\$ 595,710

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

	December 31	
	2022	2021
Land	1.85	1.85
Buildings	1.10-5.67	1.10-4.80
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 February 2023 to May 2042. 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	
	2022	2021
Expenses relating to short-term leases	\$ 138,293	\$ 123,234
Expenses relating to low-value asset leases	\$ 3,419	\$ 2,906
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 7,428	\$ 6,786
Total cash outflow for leases	\$ 265,036	\$ 224,025

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	
	2022	2021
Secured bank borrowings (Note 30)	\$ 1,269,351	\$ 996,221
Unsecured bank borrowings	8,497,939	7,290,738
	<u>\$ 9,767,290</u>	<u>\$ 8,286,959</u>
Annual interest rate (%)	0.59-11.5	0.53-3.85

b. Short-term bills payable

	December 31	
	2022	2021
Short-term bills payable		
China Bills Finance Corporation	\$ 30,000	\$ 30,000
Mega Bills Finance Corporation	<u>-</u>	<u>30,000</u>
	30,000	60,000
Less: Discount on short-term bills payable	<u>30</u>	<u>178</u>
	<u>\$ 29,970</u>	<u>\$ 59,822</u>
Annual interest rate (%)	2.21	1.64-1.79

c. Long-term borrowings

	December 31	
	2022	2021
Unsecured borrowings		
Syndicated bank loans (Note 1)	\$ 2,000,000	\$ 1,298,149
Less: Syndicated loan fee	<u>4,583</u>	<u>2,880</u>
	1,995,417	1,295,269
Bank loans (Note 2)	<u>700,000</u>	<u>1,071,676</u>
	<u>2,695,417</u>	<u>2,366,945</u>
Secured borrowings (Note 30)		
Syndicated bank loans (Note 3)	1,582,420	1,205,724
Bank loans	1,349,369	373,316
Less: Syndicated loan fee	<u>4,118</u>	<u>6,251</u>
	<u>2,927,671</u>	<u>1,572,789</u>
Less: Current portion	<u>193,522</u>	<u>376,940</u>
	<u>\$ 5,429,566</u>	<u>\$ 3,562,794</u>
Annual interest rate (%)		
Syndicated bank loans	1.80-2.34	0.62-1.85
Bank loans	1.05-2.58	0.88-1.69
Expiration period		
Syndicated bank loans	2024.10-2027.08	2024.01-2024.10
Bank loans	2024.06-2037.06	2022.06-2037.06

Note 1: The Company signed a syndicated loan agreement with eleven banks led by the Bank of Taiwan in December 2018, and it prepaid all the loans in August 2022. The Company signed a syndicated loan agreement with seven banks led by Mega International Commercial Bank Co., Ltd. in August 2022. The main contents of the syndicated loan agreement are as follows:

- 1) The total amount of syndicated bank loans is \$5 billion, divided into credit limit A, credit limit B, credit limit C and credit limit D. The term of credit limit A, credit limit B and credit limit C is 5 years from the initial drawdown date (August 2022) and the fractional reserve and debt recycling is available within the total amount of syndicated loans, and the maximum term of credit limit D is from the date of receipt of corporate bond payments in full, and the drawdown of credit limit D may be made one or multiple times. However, it

shall not be drawn on a revolving basis.

- 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.

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, 2022 and 2021.

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. In April 2022, the bank consented to cancel part of the credit line, and the main contents of the syndicated loan agreement before and after the amendment are as follows:

- 1) The total amount of syndicated bank loans decreased from \$4 billion to \$3.023 billion, divided into credit limit A, credit limit B and credit limit C, which are nonrevolving credits.
 - a) The total amount of credit limit A decreased from \$2.628 billion to \$1.308 billion, which has to be fully paid off in 36 months after the initial drawdown date.
 - b) The total amount of credit limit B decreased from \$2.628 billion to \$1.308 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 periods 1 through 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 periods 1 through 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, 2022 and 2021.

17. BONDS PAYABLE

	December 31	
	2022	2021
3rd domestic unsecured convertible bonds	<u>\$ 1,994,084</u>	<u>\$ 1,972,752</u>

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, 2022, the conversion price was \$91.7 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 for the year ended December 31, 2021	<u>7,059</u>
Liability component at December 31, 2021	1,972,752
Interest charged at an effective interest rate for the year ended December 31, 2022	<u>21,332</u>
Liability component at December 31, 2022	<u>\$ 1,994,084</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	
	2022	2021
Payable for salaries or bonuses	\$ 662,772	\$ 587,407
Payable for employees' compensation and remuneration of directors	329,262	372,114
Interest payable	55,944	15,425
Payable for commission	38,211	98,082
Payable for equipment	37,166	55,691
Others	<u>253,617</u>	<u>232,316</u>
	<u>\$ 1,376,972</u>	<u>\$ 1,361,035</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	
	2022	2021
Present value of defined benefit obligation	\$ 346,115	\$ 383,468
Fair value of plan assets	<u>(79,603)</u>	<u>(87,890)</u>
Net defined benefit liabilities	<u>\$ 266,512</u>	<u>\$ 295,578</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, 2021	<u>\$ 414,688</u>	<u>\$ (99,848)</u>	<u>\$ 314,840</u>
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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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 loss	<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>
Service cost			
Current service cost	2,026	-	2,026
Past service cost	(813)	-	(813)
Net interest expense (income)	<u>2,492</u>	<u>(520)</u>	<u>1,972</u>
Recognized in profit or loss	<u>3,705</u>	<u>(520)</u>	<u>3,185</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,228)	(7,228)
Actuarial gain - changes in financial assumptions	(14,278)	-	(14,278)
Actuarial gain - experience adjustments	<u>(362)</u>	<u>-</u>	<u>(362)</u>
Recognized in other comprehensive loss	<u>(14,640)</u>	<u>(7,228)</u>	<u>(21,868)</u>
Contributions from the employer	<u>-</u>	<u>(10,815)</u>	<u>(10,815)</u>
Benefits paid	<u>(27,718)</u>	<u>26,850</u>	<u>(868)</u>
Exchange differences on foreign plans	<u>1,300</u>	<u>-</u>	<u>1,300</u>
Balance at December 31, 2022	<u>\$ 346,115</u>	<u>\$ (79,603)</u>	<u>\$ 266,512</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	
	2022	2021
Discount rate (%)	1.25	0.70
Expected rate of salary increase (%)	2.00	2.00

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (6,139)</u>	<u>\$ (7,393)</u>
0.25% decrease	<u>\$ 6,328</u>	<u>\$ 7,634</u>
Expected rate of salary		
0.25% increase	<u>\$ 6,265</u>	<u>\$ 7,517</u>
0.25% decrease	<u>\$ (6,110)</u>	<u>\$ (7,318)</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	
	2022	2021
Expected contributions to the plan for the next year	<u>\$ 27,551</u>	<u>\$ 27,107</u>
Average duration of the defined benefit obligation	7 years	8 years

21. EQUITY

a. Share capital

	December 31	
	2022	2021
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>236,018</u>
Amount of issued and fully paid shares	<u>\$ 2,360,179</u>	<u>\$ 2,360,179</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	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of share capital	\$ 1,114,241	\$ 1,114,241
Difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	37,924	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	403,129	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	412,979	467,878
May not be used for any purpose		
Share warrants	<u>34,200</u>	<u>34,200</u>
	<u>\$ 2,036,714</u>	<u>\$ 1,690,292</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 before the amendment, 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 amendments to the Articles which have been resolved in the meeting of shareholders held on May 27, 2022 provide that distributable dividends, bonuses, capital reserve and legal reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholders' meeting. However, the aforementioned distribution to be paid by issuing new shares shall be resolved by the meeting of shareholders.

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 are 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 2021 and 2020 had been approved in the shareholders' meetings on May 27, 2022 and July 28, 2021, 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	
	2021	2020	2021	2020
Legal reserve	\$ 298,157	\$ 183,957		
Reversal of special reserve	\$ (451,995)	\$ (343,469)		
Cash dividends to shareholders	\$ 1,604,922	\$ 1,018,117	\$ 6.8	\$ 4.4

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 2022 had been proposed by the Company's board of directors on March 16, 2023. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 257,992	
Special reserve	\$ 263,936	
Cash dividends to shareholders	\$ 1,439,709	\$ 6.1

The appropriations of earnings for 2022 are subject to the resolution of the shareholders in their meeting to be held on May 30, 2023.

d. Other equity items

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (678,629)	\$ (583,633)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	292,361	(100,301)
Share from associates accounted for using the equity method	83,095	(18,985)
Income tax	(40,884)	20,462
Reclassification adjustment		
Share from the disposal of associates accounted for using the equity method	<u>-</u>	<u>3,828</u>
Balance at December 31	<u>\$ (344,057)</u>	<u>\$ (678,629)</u>

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 494,006	\$ (52,985)
Recognized for the year		
Unrealized (loss) gain - equity instruments	(200,999)	135,795
Share from associates accounted for using the equity method	(323,297)	677,681
Income tax	2,247	(515)
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		
Investments in equity instruments at FVTOCI	(82)	-
Share from associates accounted for using the equity method	<u>(76,377)</u>	<u>(230,939)</u>
Balance at December 31	<u>\$ (104,502)</u>	<u>\$ 494,006</u>

e. Non-Controlling interests

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 2,018,519	\$ 2,030,451
Other comprehensive income (loss) during the year		
Net profit for the year	241,472	265,895
Exchange differences on translating the financial statements of foreign operations	67,763	(29,894)

(Continued)

	For the Year Ended December 31	
	2022	2021
Non-controlling interests arising from acquisition of subsidiaries	\$ 135,835	\$ 5,430
Acquisition of non-controlling interests in subsidiaries	-	(232,104)
Disposals of investments in equity method	-	(3,189)
Cash dividends distributed to non-controlling interests	<u>(678,721)</u>	<u>(18,070)</u>
Balance at December 31	<u>\$ 1,784,868</u>	<u>\$ 2,018,519</u> (Concluded)

22. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	\$ 72,192,578	\$ 69,338,021
Other operating revenue	<u>1,377,718</u>	<u>1,177,282</u>
	<u>\$ 73,570,296</u>	<u>\$ 70,515,303</u>

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable (including related parties)	\$ 2,240,943	\$ 1,787,044	\$ 2,406,695
Accounts receivable, net (including related parties)	<u>14,595,538</u>	<u>16,871,481</u>	<u>15,225,203</u>
	<u>\$ 16,836,481</u>	<u>\$ 18,658,525</u>	<u>\$ 17,631,898</u>
Contract liabilities			
Sale of goods	<u>\$ 350,115</u>	<u>\$ 562,914</u>	<u>\$ 345,351</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, 2022 and 2021.

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	
	2022	2021
Sale of goods	<u>\$ 511,115</u>	<u>\$ 316,660</u>

b. Disaggregation of revenue

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

23. NET PROFIT

The details of net profit were as follows:

a. Other income (Note 29)

	For the Year Ended December 31	
	2022	2021
Rental income	\$ 17,946	\$ 23,444
Dividend income	12,956	23,888
Consulting service income	15,209	18,323
Government grants	47,328	44,688
Others	<u>39,835</u>	<u>45,241</u>
	<u>\$ 133,274</u>	<u>\$ 155,584</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net gain of financial instruments at FVTPL	\$ 2,614	\$ 980
Net foreign exchange gains	139,547	14,288
Loss on disposal of property, plant and equipment	(17,184)	(1,389)
Gains on disposal of associates (Note 13)	4,590	20,810
Loss provision recognized (Note 31)	(19,711)	(80,450)
Others	<u>655</u>	<u>(27,484)</u>
	<u>\$ 110,511</u>	<u>\$ (73,245)</u>

c. Financial costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 308,718	\$ 150,914
Syndicated loan fee amortization	5,430	3,581
Interest on lease liabilities	13,840	15,329
Interest on convertible bonds	21,332	7,059
Less: Amount included in cost of qualifying assets	<u>(7,415)</u>	<u>(7,440)</u>
	<u>\$ 341,905</u>	<u>\$ 169,443</u>
Capitalized rate (%)	1.43-2.34	1.43-1.85

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 291,568	\$ 224,819
Right-of-use assets	117,769	101,628
Intangible assets	45,338	40,791
Other non-current assets	2,106	2,377

(Continued)

	For the Year Ended December 31	
	2022	2021
Less: Amount included in cost of qualifying assets	\$ (1,530)	\$ (5,866)
	<u>\$ 455,251</u>	<u>\$ 363,749</u>
An analysis of depreciation by function		
Operating costs	\$ 272,054	\$ 204,562
Operating expenses	<u>135,753</u>	<u>116,019</u>
	<u>\$ 407,807</u>	<u>\$ 320,581</u>
An analysis of amortization by function		
Operating costs	\$ 13,157	\$ 9,579
Operating expenses	<u>34,287</u>	<u>33,589</u>
	<u>\$ 47,444</u>	<u>\$ 43,168</u>
		(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 1,666,375	\$ 1,632,599
Post-employment benefits (Note 20)		
Defined contribution plans	69,578	52,732
Defined benefit plans	<u>3,185</u>	<u>1,190</u>
	<u>72,763</u>	<u>53,922</u>
	<u>\$ 1,739,138</u>	<u>\$ 1,686,521</u>
An analysis by function		
Operating costs	\$ 130,571	\$ 119,969
Operating expenses	<u>1,608,567</u>	<u>1,566,552</u>
	<u>\$ 1,739,138</u>	<u>\$ 1,686,521</u>

f. Compensation of employees and remuneration to 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, 2022 and 2021 which have been approved by the Company's board of directors on March 16, 2023 and March 22, 2022, were as follows:

	For the Year Ended December 31			
	2022		2021	
	Withdrawal Rate (%)	Amount	Withdrawal Rate (%)	Amount
Compensation of employees paid in cash	9	\$ 291,956	9	\$ 329,953
Remuneration of directors paid in cash	1.15	37,306	1.15	42,161

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, 2021 and 2020.

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	
	2022	2021
Current tax		
In respect of the current year	\$ 786,045	\$ 704,116
Income tax on unappropriated earnings	81,479	51,567
Adjustments for prior years	<u>(3,806)</u>	<u>10,791</u>
	<u>863,718</u>	<u>766,474</u>
Deferred tax		
In respect of the current year	<u>(54,401)</u>	<u>140,337</u>
	<u>\$ 809,317</u>	<u>\$ 906,811</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax	<u>\$ 3,535,589</u>	<u>\$ 4,015,983</u>
Income tax expense calculated at the statutory rate	\$ 746,945	\$ 853,166
Nondeductible expenses in determining taxable income	9,241	6,997
Domestic investment income	(163,135)	(178,928)
Deferred tax effect of earnings of subsidiaries	112,260	145,240
Other adjustments	6,948	(1,202)
Income tax on unappropriated earnings	81,479	51,567
Adjustments for prior years	(3,806)	10,791
Nondeductible withholding tax	<u>19,385</u>	<u>19,180</u>
	<u>\$ 809,317</u>	<u>\$ 906,811</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%, the tax rate applicable to subsidiaries in Malaysia is 24%, and tax rates applicable to other entities in the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax benefit (expense) recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<hr/>		
Deferred tax		
In respect of the current year		
Unrealized (loss) gain on financial assets at FVTOCI	\$ 2,247	\$ (515)
Remeasurement on defined benefit plan	(4,374)	(1,616)
Exchange differences on translation of foreign operations	<u>(40,884)</u>	<u>20,462</u>
	<u>\$ (43,011)</u>	<u>\$ 18,331</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
<hr/>		
Current tax assets	\$ -	\$ 7
Income tax payable	<u>\$ 337,138</u>	<u>\$ 371,005</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income and Loss	Acquisitions through business combinations	Exchange Differences	Closing Balance
<hr/>						
Deferred tax assets						
Temporary differences						
Provision for loss on inventories	\$ 63,381	\$ 61,542	\$ -	\$ 333	\$ 772	\$ 126,028
Unpaid bonuses	67,064	1,046	-	-	494	68,604
Refund liabilities	35,000	23,872	-	-	-	58,872
Unrealized consulting expenses	13,616	(6,887)	-	-	332	7,061
Defined benefit plan	56,347	(1,788)	(4,374)	-	-	50,185
Foreign operations loss and exchange differences	36,094	7,282	(6,465)	-	-	36,911
Others	<u>76,981</u>	<u>1,443</u>	<u>-</u>	<u>2,106</u>	<u>1,424</u>	<u>81,954</u>
	348,483	86,510	(10,839)	2,439	3,022	429,615
Loss carryforwards	<u>411</u>	<u>149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>560</u>
	<u>\$ 348,894</u>	<u>\$ 86,659</u>	<u>\$ (10,839)</u>	<u>\$ 2,439</u>	<u>\$ 3,022</u>	<u>\$ 430,175</u>
<hr/>						
Deferred tax liabilities						
Temporary differences						
Foreign operations income and exchange differences	\$ 1,268,816	\$ 19,372	\$ 32,172	\$ -	\$ -	\$ 1,320,360
Others	<u>12,853</u>	<u>12,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,739</u>
	<u>\$ 1,281,669</u>	<u>\$ 32,258</u>	<u>\$ 32,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,346,099</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income and Loss	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	62,835	15,027	-	(881)	76,981
	345,038	(83)	4,076	(548)	348,483
Loss carryforwards	93	318	-	-	411
	<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	9,744	3,109	-	-	12,853
	<u>\$ 1,155,352</u>	<u>\$ 140,572</u>	<u>\$ (14,255)</u>	<u>\$ -</u>	<u>\$ 1,281,669</u>

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

	<u>December 31</u>	
	2022	2021
Evaluation loss of foreign investments	<u>\$ 116,383</u>	<u>\$ 116,383</u>
Loss carryforwards		
Expiry in 2030	\$ 104	\$ -
Expiry in 2031	432	-
Expiry in 2032	<u>3,200</u>	<u>-</u>
	<u>\$ 3,736</u>	<u>\$ -</u>

- f. Information about unused loss carryforwards

Loss carryforwards of subsidiaries as of December 31, 2022 comprise:

Unused Amount	Expiry Year
\$ 104	2030
432	2031
<u>5,998</u>	2032
<u>\$ 6,534</u>	

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

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$2,090,992 thousand and \$1,679,101 thousand.

h. Income tax assessments

The income tax returns of the Company and the domestic subsidiaries through 2020 have been assessed by the tax authorities.

Shanghai Yikang and Dongguan Hua Gang had completed the filing of their tax returns through 2021 with the tax authorities.

25. EARNINGS PER SHARE (EPS)

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

a. Net profit for the year

	For the Year Ended December 31	
	2022	2021
Profit for the year attributable to owners of the Company	\$ 2,484,800	\$ 2,843,277
Convertible bonds	<u>22,532</u>	<u>967</u>
Net profit used in computation of diluted EPS	<u>\$ 2,507,332</u>	<u>\$ 2,844,244</u>

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of shares outstanding used in computation of basic EPS	236,018	236,018
Effect of potentially dilutive shares		
Employees' compensation	4,153	3,658
Convertible bonds	<u>20,387</u>	<u>4,760</u>
Weighted average number of shares outstanding used in computation of diluted EPS	<u>260,558</u>	<u>244,436</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 will be 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. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Hightech	Trading business of industrial materials	September 01, 2022	51	<u>\$ 205,335</u>

In order to expand the distribution channels, the Company acquired 51% of the ordinary shares of Hightech from an unrelated party for \$205,335 thousand on September 1, 2022.

b. Assets acquired and liabilities assumed at the date of acquisition

	Amount
Current assets	
Cash and cash equivalents	\$ 84,641
Financial assets at fair value through profit or loss - current	43
Accounts receivable, net	213,186
Accounts receivable - related parties	1,546
Other receivables	329
Other receivables - related parties	48
Current tax assets	748
Merchandise	154,915
Prepayments for purchases	207
Other financial assets - current	72,663
Other current assets	1,218
Non-current assets	
Property, plant and equipment	563
Intangible assets	57,367
Deferred tax assets	2,439
Other financial assets - non-current	1,869
Current liabilities	
Short-term borrowings	(243,710)
Accounts payable	(50,044)
Accounts payable - related parties	(7,926)
Other payables	(12,525)
Other current liabilities	(35)
Non-current liabilities	
Guarantee deposits received	<u>(327)</u>
	<u>\$ 277,215</u>

c. Non-controlling interests

The non-controlling interest of Hightech was measured at the proportionate share of the recognized identifiable net assets.

d. Goodwill recognized on acquisitions

	Amount
Consideration transferred	\$ 205,335
Add: non-controlling interests (49% of the ownership interest)	135,835
Less: fair value of identifiable net assets acquired	<u>(277,215)</u>
Goodwill recognized on acquisitions	<u>\$ 63,955</u>

The goodwill recognized in the acquisitions mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on the acquisition of subsidiaries

	Amount
Consideration paid in cash	\$ 205,335
Less: Cash and cash equivalent balances acquired	<u>(84,641)</u>
	<u>\$ 120,694</u>

f. Impact of acquisitions on the results of the Group

The financial results of the acquirees from Hightech since the acquisition dates were as follows:

	Amount
Operating Revenue	<u>\$ 294,731</u>
Net loss for the period	<u>\$ (6,211)</u>

Had the company concluded the acquisition at the beginning of 2022, the Group's revenue would have been \$74,259,576 thousand, and the profit would have been \$2,744,436 thousand for the year ended December 31, 2022. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the acquisition year, 2022, nor is it intended to be a projection of future results.

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt and equity.

The key management personnel of the Group periodically reviews the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements, except those discussed in Note 16.

28. FINANCIAL INSTRUMENTS

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

The 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 were as follows:

	December 31	
	2022	2021
Carrying amount	<u>\$ 1,994,084</u>	<u>\$ 1,972,752</u>
Fair value	<u>\$ 1,973,400</u>	<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, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 73,564	\$ -	\$ -	\$ 73,564
Structured deposits	-	549,458	-	549,458
Investments in equity instruments				
Unlisted shares	-	-	43,479	43,479
	<u>\$ 73,564</u>	<u>\$ 549,458</u>	<u>\$ 43,479</u>	<u>\$ 666,501</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 180,949	\$ 54,869	\$ -	\$ 235,818
Unlisted shares	-	-	486,896	486,896
Foreign listed shares	20,128	-	-	20,128
	<u>\$ 201,077</u>	<u>\$ 54,869</u>	<u>\$ 486,896</u>	<u>\$ 742,842</u>
<u>Financial liabilities at FVTPL</u>				
Foreign exchange forward contracts	\$ -	\$ 3,672	\$ -	\$ 3,672

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>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2022 and 2021.

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance at January 1	\$ 593,607	\$ 504,180
Reclassified from investments accounted for using the equity method	44,378	-
Purchases	5,000	60,000
Reduction of capital	(5,000)	(15,000)
Recognized in profit or loss	(2,099)	1,200
Recognized in other comprehensive income (loss)	<u>(105,511)</u>	<u>43,227</u>
Balance at December 31	<u>\$ 530,375</u>	<u>\$ 593,607</u>

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

Financial Instruments	Valuation Techniques and Inputs
Structured deposits	Based on the financial product information provided by financial institutions, the 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.
Emerging market shares	The 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 Group 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	
	2022	2021
Financial assets		
FVTPL		
Mandatorily classified at FVTPL	\$ 666,501	\$ 163,804
FVTOCI		
Equity instruments	742,842	944,329
Measured at amortized cost (Note 1)	25,573,550	25,046,443
Financial liabilities		
FVTPL		
Held for trading	3,672	127
Measured at amortized cost (Note 2)	27,243,785	24,630,287

Note 1: Including cash and cash equivalents, notes receivable, 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, accounts payable (including related parties), other payables (including related parties), 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 32.

Sensitivity analysis

The Group was mainly exposed to the USD.

The sensitivity rate used when reporting foreign currency risk internally to key management personnel is 1%. The sensitivity analysis included only the outstanding foreign currency denominated monetary items at the balance sheet date. Had the functional currency weakened (strengthened) by 1% against the USD, the pre-tax profit for the years ended December 31, 2022 and 2021 would have been higher (lower) by \$16,207 thousand and \$2,574 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	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 4,363,071	\$ 2,912,045
Financial liabilities	6,453,132	7,267,678
Cash flow interest rate risk		
Financial assets	3,999,934	3,120,623
Financial liabilities	11,560,182	7,682,657

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, 2022 and 2021 would have been lower/higher by \$75,602 thousand and \$45,620 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 shows the exposure to equity price risk at the end of the reporting period. If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2022 and 2021 would have been higher/lower by \$1,170 thousand and \$754 thousand, respectively, 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, 2022 and 2021 would have been higher/lower by \$7,428 thousand and \$9,443 thousand, respectively, 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.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, liabilities with a repayment on demand clause were included in the earliest time band regardless of the probability of the counterparties choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the year.

	Less than 1 Year	1-5 Years	5-10 Years	10-20 Years	Total
<u>December 31, 2022</u>					
Non-interest bearing liabilities	\$ 9,826,550	\$ 2,803	\$ -	\$ -	\$ 9,829,353
Lease liabilities	111,321	249,893	140,612	160,188	662,014
Variable interest rate liabilities	6,484,782	5,227,365	144,286	24,028	11,880,461
Fixed interest rate liabilities	3,652,815	2,334,828	-	-	5,987,643
Financial guarantee contracts	<u>905,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>905,691</u>
	<u>\$ 20,981,159</u>	<u>\$ 7,814,889</u>	<u>\$ 284,898</u>	<u>\$ 184,216</u>	<u>\$ 29,265,162</u>
<u>December 31, 2021</u>					
Non-interest bearing liabilities	\$ 10,368,386	\$ 2,634	\$ -	\$ -	\$ 10,371,020
Lease liabilities	107,058	262,270	170,891	241,940	782,159
Variable interest rate liabilities	5,758,191	1,890,859	149,835	43,138	7,842,023
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>

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.

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Discounted to banks	<u>\$ 1,006,841</u>	<u>\$ 846,749</u>
Endorsement transfer to suppliers	<u>\$ 181,986</u>	<u>\$ 182,199</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, 2022 and 2021, the face amount of these unsettled bills receivable was \$39,894 thousand and \$39,167 thousand, respectively. The unsettled bills receivable will be due in 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, 2022 and 2021, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

29. RELATED PARTY TRANSACTIONS

Except those discussed in Note 14, transactions between the Group and related parties were disclosed as follows:

a. Name of related parties and relationship with the Group

<u>Related Party</u>	<u>Relationship with the Group</u>
CWE Inc.	Associate
Nagase Wahlee Plastics Corp.	Associate
Wah Hong Corp.	Associate
ORC Technology Corp.	Associate
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)
HGE Co.	Associate (became an unrelated party after loss of significant influence in October 2022)
ORC Electrical Machinery Corp. (ORC Corp.)	Associate (Joint Venture)
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
Wah Ma Chemical Sdn. Bhd.	Associate's subsidiary
PT Wah Hong Indonesia	Associate's subsidiary
Bao Guang Investment Co., Ltd.	Key management personnel (Director of the Company)

(Continued)

Related Party	Relationship with the Group
Open sky Technology Corp.	Other related party (became an unrelated party after September 2021)
Welo-tech Corp.	Other related party (use 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
Forcera Materials Co., Ltd.	Other related party
Tien Li Offshore Wind Technology 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
Chih-Yuan, Chen	Other related party
	(Concluded)

b. Operating transactions

1) Operating revenues

Related Party Category	For the Year Ended December 31	
	2022	2021
Sale of goods		
Associates and their subsidiaries	\$ 405,609	\$ 437,222
Other related parties	<u>7,483</u>	<u>15,475</u>
	<u>\$ 413,092</u>	<u>\$ 452,697</u>
Other operating revenues		
Associates and their subsidiaries	\$ 29,169	\$ 26,638
Other related parties	<u>9,344</u>	<u>30,016</u>
	<u>\$ 38,513</u>	<u>\$ 56,654</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	
	2022	2021
Associates and their subsidiaries	\$ 631,083	\$ 724,793
Other related parties	<u>1,429,940</u>	<u>1,473,180</u>
	<u>\$ 2,061,023</u>	<u>\$ 2,197,973</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	
	2022	2021
Commission		
Associates	\$ -	\$ 1,418
Other related parties	<u>75</u>	<u>155</u>
	<u>\$ 75</u>	<u>\$ 1,573</u>
Service expense		
Other related parties	<u>\$ 10,695</u>	<u>\$ 10,100</u>

4) Receivables from related parties

	December 31	
	2022	2021
<u>Accounts receivable - related parties</u>		
Associates and their subsidiaries	\$ 93,792	\$ 114,154
Other related parties	<u>4,393</u>	<u>3,179</u>
	98,185	117,333
Less: Allowance for losses	<u>543</u>	<u>138</u>
	<u>\$ 97,642</u>	<u>\$ 117,195</u>
<u>Other receivables - related parties</u>		
Associates and their subsidiaries		
CWE Inc.	\$ 144,499	\$ 75,203
Others	<u>4,405</u>	<u>10,399</u>
	<u>148,904</u>	<u>85,602</u>
Other related parties	<u>625</u>	<u>696</u>
	<u>\$ 149,529</u>	<u>\$ 86,298</u>

The outstanding receivables from related parties are unsecured.

5) Payables to related parties

	December 31	
	2022	2021
<u>Accounts payable - related parties</u>		
Associates and their subsidiaries	\$ 116,594	\$ 144,638
Other related parties	<u>313,431</u>	<u>423,243</u>
	<u>\$ 430,025</u>	<u>\$ 567,881</u>

(Continued)

	December 31	
	2022	2021
Other payables - related parties		
Associates and their subsidiaries	\$ 113	\$ 2,432
Other related parties	<u>25</u>	<u>445</u>
	<u>\$ 138</u>	<u>\$ 2,877</u>
		(Concluded)

The outstanding payables to related parties are unsecured.

c. Acquisitions of property, plant and equipment

	For The Year Ended December 31	
Related Party Category	2022	2021
Associates	\$ <u>-</u>	\$ <u>147,028</u>

d. Disposals of property, plant and equipment

	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Other related parties	\$ <u>-</u>	\$ <u>100</u>	\$ <u>-</u>	\$ <u>100</u>

e. Disposals of investment under the equity method by a subsidiary, KS Corp., please refer to Note 13.

f. Other income

	For the Year Ended December 31	
Related Party Category/Name	2022	2021
Associates and their subsidiaries		
Wah Hong Corp.	\$ 8,233	\$ 13,492
Others	<u>8,546</u>	<u>3,249</u>
	16,779	16,741
Other related parties	10,237	3,627
Key management personnel	<u>24</u>	<u>24</u>
	<u>\$ 27,040</u>	<u>\$ 20,392</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	
	2022	2021
Lease expense		
Associated	\$ 91	\$ -
Other related parties	<u>294</u>	<u>247</u>
	<u>\$ 385</u>	<u>\$ 247</u>

h. Endorsements and guarantees

Related Party Category	December 31	
	2022	2021
Associates		
Amount endorsed	<u>\$ 1,763,507</u>	<u>\$ 1,422,096</u>
Amount utilized	<u>\$ 865,797</u>	<u>\$ 1,044,320</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	
	2022	2021
Short-term employee benefits	\$ 129,371	\$ 160,036
Post-employment benefits	<u>714</u>	<u>802</u>
	<u>\$ 130,085</u>	<u>\$ 160,838</u>

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

30. ASSETS PLEDGED AS COLLATERAL

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

	December 31	
	2022	2021
Notes receivable	\$ 1,188,827	\$ 1,028,948
Other financial assets - current	81,355	2,000
Other financial assets - non-current	151,646	109,392
Property, plant and equipment		
Freehold land	1,755,309	457,022
Buildings	396,034	396,944

(Continued)

	December 31	
	2022	2021
Power generation equipment	\$ 2,472,625	\$ 1,613,580
Other equipment	<u>54,903</u>	<u>-</u>
	<u>\$ 6,100,699</u>	<u>\$ 3,607,886</u>
		(Concluded)

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.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2022 were as follows:

- a. The Group's unused letters of credit for the purchase of merchandise amounted to \$649,985 thousand.
- b. The unrecognized commitments for acquisition of property, plant and equipment were \$741,558 thousand.
- c. Company A filed a lawsuit with the 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 approved, 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.
- e. Company C filed a lawsuit with the court against the Company for the contract dispute and demanded compensation of RMB 7,146 thousand and interest payment. In December 2022, a judgment entered in the first instance was announced that Company C won the case; the Company appealed and recognized the related loss provision of \$36,793 thousand in 2022. As of the date the consolidated financial statements were approved, the case is still under trial, and the outcome of the final trial is highly uncertain.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency Amount	Exchange Rate		Carrying Amount
<hr/> December 31, 2022 <hr/>				
Monetary financial assets				
USD	\$ 226,216	30.71	(USD:NTD)	\$ 6,947,104
USD	95,757	7.798	(USD:HKD)	2,940,704
USD	17,245	6.903	(USD:RMB)	529,596
USD	1,552	23,806	(USD:VND)	47,667
USD	1,201	34.35	(USD:THB)	36,882
USD	1,630	4.584	(USD:MYR)	50,044
Nonmonetary financial assets				
Investments accounted for using the equity method				
USD	13,971	30.71	(USD:NTD)	429,047
RMB	170,346	4.449	(RMB:NTD)	757,866
RMB	1,226,385	1.1298	(RMB:HKD)	5,456,165
JPY	567,984	0.2324	(JPY:NTD)	131,999
HKD	2,120,602	3.938	(HKD:NTD)	8,350,930
THB	269,829	0.8941	(THB:NTD)	241,254
MYR	16,677	6.699	(MYR:NTD)	111,722
Monetary financial liabilities				
USD	252,673	30.71	(USD:NTD)	7,759,576
USD	8,123	7.798	(USD:HKD)	249,472
USD	20,472	6.903	(USD:RMB)	628,697
USD	4,530	23,806	(USD:VND)	139,110
USD	1,141	34.35	(USD:THB)	35,031
USD	3,889	4.584	(USD:MYR)	119,446
<hr/> December 31, 2021 <hr/>				
Monetary financial assets				
USD	292,094	27.68	(USD:NTD)	8,085,151
USD	36,294	7.799	(USD:HKD)	1,004,607
USD	22,031	6.373	(USD:RMB)	609,806
USD	1,593	23,066	(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	3.549	(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	7.799 (USD:HKD)	541,991
USD	23,049	6.373 (USD:RMB)	638,007
USD	9,090	23,066 (USD:VND)	251,602
USD	1,940	33.16 (USD:THB)	53,705
			(Concluded)

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains were \$139,547 thousand and \$14,288 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

33. ADDITIONAL DISCLOSURES

a. Information about significant transactions

- 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: Table 4
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 5
- 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 6
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 7
- 9) Trading in derivative instruments: Note 7, in addition, the Group incurred a net loss of \$1,127 thousand on foreign exchange forward contracts for the year ended December 31, 2022.
- 10) Intercompany relationships and significant intercompany transactions: Table 11

b. Information on investees: Table 8

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 9

- 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 10
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 10
 - 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, 2022 were as follows:

Counterparty	Line Item	Amount
Shanghai Yikang	Other income	\$ 28,972
Shanghai Yikang	Commission expense	159,913
Shanghai Yikang	Other receivables	29,063
Shanghai Yikang	Other payables	63,598

- 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 12

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is distinguished by operating area and categories of merchandise and service. The Group's reportable segments were as follows:

- Wah Lee Industrial Corporation ("Wah Lee") is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, and computer related manufacturing materials and equipment.
- Raycong H.K., Dongguan Hua Gang and its subsidiary ("Raycong") are mainly engaged in the trade of engineering plastic, composite materials and equipment.
- Shanghai Yikang and its subsidiary ("Yikang") are 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, 2022						
Revenue from external customers	\$ 41,398,923	\$ 12,977,953	\$ 13,834,520	\$ 5,358,900	\$ -	\$ 73,570,296
Inter-segment revenue	<u>2,639,393</u>	<u>98,974</u>	<u>354,790</u>	<u>112,471</u>	<u>(3,205,628)</u>	<u>-</u>
Segment revenue	<u>\$ 44,038,316</u>	<u>\$ 13,076,927</u>	<u>\$ 14,189,310</u>	<u>\$ 5,471,371</u>	<u>\$ (3,205,628)</u>	<u>\$ 73,570,296</u>
Segment income	\$ 947,881	\$ 441,113	\$ 857,194	\$ 259,409	\$ 137,838	\$ 2,643,435
Interest income	3,012	22,679	76,177	8,283	(21)	110,130
Other income	219,026	6,150	60,556	8,567	(161,025)	133,274
Other gains and losses	139,331	(11,067)	(19,713)	(24)	1,984	110,511
Financial costs	<u>(193,940)</u>	<u>(27,959)</u>	<u>(48,765)</u>	<u>(72,636)</u>	<u>1,395</u>	<u>(341,905)</u>
Profit before income tax	1,115,310	430,916	925,449	203,599	(19,829)	2,655,445
Income tax expense	<u>(429,897)</u>	<u>(199,663)</u>	<u>(238,241)</u>	<u>(41,800)</u>	<u>100,284</u>	<u>(809,317)</u>
Net profit after tax	<u>\$ 685,413</u>	<u>\$ 231,253</u>	<u>\$ 687,208</u>	<u>\$ 161,799</u>	<u>\$ 80,455</u>	1,846,128
Share of profit or loss of associates under the equity method						<u>880,144</u>
Consolidated net profit						<u>\$ 2,726,272</u>
December 31, 2022						
Identifiable assets	<u>\$ 18,615,940</u>	<u>\$ 9,563,306</u>	<u>\$ 7,574,658</u>	<u>\$ 7,885,434</u>	<u>\$ (772,841)</u>	\$ 42,866,497
Goodwill						177,057
Investment accounted for using the equity method						<u>6,125,003</u>
Total assets						<u>\$ 49,168,557</u>
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>
December 31, 2021						
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>

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	
	2022	2021
IT industry	\$ 21,722,131	\$ 23,310,323
FPD industry	20,273,854	21,413,132
Semiconductor industry	18,614,568	14,024,958
PCB industry	6,965,753	6,833,319
Opto-electronics	2,574,136	1,895,553
Others	<u>3,419,854</u>	<u>3,038,018</u>
	<u>\$ 73,570,296</u>	<u>\$ 70,515,303</u>

c. Geographical information

The Group's revenue from external customers by location of customers and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Taiwan	\$ 19,519,742	\$ 18,790,135	\$ 6,204,922	\$ 4,702,715
China	36,432,429	36,221,219	498,768	504,609
Others	<u>17,618,125</u>	<u>15,503,949</u>	<u>483,701</u>	<u>463,442</u>
	<u>\$ 73,570,296</u>	<u>\$ 70,515,303</u>	<u>\$ 7,187,391</u>	<u>\$ 5,670,766</u>

Non-current 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, 2022 and 2021.

TABLE 1

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS FOR THE YEAR ENDED DECEMBER 31, 2022 (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 (Notes 2 and 3)	Aggregate Financing Limit (Notes 2 and 3)	Note
													Item	Value			
0	The Company	KS Corp.	Other receivables - related parties	Yes	\$ 150,000	\$ 150,000	\$ -	-	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 255,663	\$ 1,675,578	
1	Shanghai Yikang	Fenghuang Xingwah Shouzheng	Other receivables - related parties	Yes	28,919	28,919	15,572	5.61	Short-term financing	-	Operating capital	-	-	-	1,125,006	1,125,006	
1	Shanghai Yikang	Shanghai Yadi	Other receivables - related parties	Yes	111,520	111,225	60,062	5.10	Short-term financing	-	Operating capital	-	-	-	1,125,006	1,125,006	
2	Shenzhen Huaying	Xiamen Hua Chen Da	Other receivables - related parties	Yes	9,030	8,898	-	-	Short-term financing	-	Operating capital	-	-	-	67,626	67,626	
3	Dongguan Hua Gang	Guangjou Shing Shian	Other receivables - related parties	Yes	22,575	22,245	22,245	4.00	Short-term financing	-	Operating capital	-	-	-	781,720	781,720	
3	Dongguan Hua Gang	Anhua Huixinkang	Other receivables - related parties	Yes	22,291	22,245	-	-	Short-term financing	-	Operating capital	-	-	-	781,720	781,720	
4	KS Crop.	KSD Corp.	Other receivables - related parties	Yes	48,000	48,000	26,000	2.20	Short-term financing	-	Operating capital	-	-	-	191,747	191,747	

Note 1: RMB is converted by the spot exchange RMB1=NT\$4.4489.

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, 2022 (In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement /Guarantee Given on Benefit of Each Party (Notes 1-5)	Maximum Amount Endorsed /Guaranteed During the Year	Outstanding Endorsement /Guarantee at The End of the Year (Note 6)	Actual Borrowing Amount (Note 6)	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 1-5)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Relationship											
0	The Company	WL Singapore	Subsidiary of the Company	\$ 5,026,735	\$ 812,950	\$ 414,585	\$ 168,905	\$ -	2.47	\$ 16,755,784	Y	N	N	
0	The Company	Regent King	Subsidiary of the Company	5,026,735	61,780	61,420	-	-	0.37	16,755,784	Y	N	N	
0	The Company	WL Vietnam	Subsidiary of the Company	5,026,735	505,775	417,656	177,000	-	2.49	16,755,784	Y	N	N	
0	The Company	WL Philippines Inc.	Subsidiary of the Company	3,351,157	123,560	122,840	7,114	-	0.73	16,755,784	Y	N	N	
0	The Company	WL Philippines Corp.	Subsidiary of the Company	3,351,157	61,780	61,420	-	-	0.37	16,755,784	Y	N	N	
0	The Company	Sakuragawa Solar Ltd.	Subsidiary of the Company	3,351,157	70,683	67,544	52,901	-	0.40	16,755,784	Y	N	N	
0	The Company	Miyazaki Solar Ltd.	Subsidiary of the Company	3,351,157	210,261	200,924	183,245	-	1.20	16,755,784	Y	N	N	
0	The Company	KS Corp.	Subsidiary of the Company	3,351,157	277,081	277,081	277,081	277,081	1.65	16,755,784	Y	N	N	
0	The Company	Raycong H.K., Shanghai Yikang and Dongguan Hua Gang	Subsidiary of the Company	3,351,157	120,000	120,000	113,214	-	0.72	16,755,784	Y	N	Y	
0	The Company	WL Indonesia	Subsidiary of the Company	3,351,157	191,518	190,402	10,550	-	1.14	16,755,784	Y	N	N	
0	The Company	Shanghai Yikang	Subsidiary of the Company	3,351,157	147,375	-	-	-	-	16,755,784	Y	N	Y	
0	The Company	WT Industrial	Subsidiary of the Company	3,351,157	839,613	452,490	86,938	-	2.70	16,755,784	Y	N	N	
0	The Company	Nagase Wahlee Plastics Corp.	Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage	3,351,157	1,390,000	790,000	304,506	-	4.71	16,755,784	N	N	N	
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	3,351,157	1,720,735	973,507	561,291	-	5.81	16,755,784	N	N	Y	
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	3,351,157	50,388	25,194	-	-	0.15	16,755,784	N	N	N	
1	Shanghai Yikang	Shanghai Yadi	Subsidiary of the Company	750,004	126,420	124,572	35,537	-	3.32	1,875,009	Y	N	Y	
2	KS Corp.	KSA Corp.	Subsidiary of the Company	2,113,128	500,000	500,000	155,698	61,300	78.23	3,521,880	Y	N	N	
2	KS Corp.	KSA Corp.	Subsidiary of the Company	176,094	1,382	1,382	918	-	0.22	352,188	Y	N	N	
2	KS Corp.	KSB Corp.	Subsidiary of the Company	2,113,128	200,000	200,000	15,968	11,130	31.29	3,521,880	Y	N	N	
2	KS Corp.	KSC Corp.	Subsidiary of the Company	2,113,128	1,500,000	1,500,000	-	54,000	234.68	3,521,880	Y	N	N	
2	KS Corp.	KSD Corp.	Subsidiary of the Company	2,113,128	500,000	500,000	438,251	127,000	78.23	3,521,880	Y	N	N	
3	Dongguan Hua Gang	Guangjou Shing Shian	Subsidiary of the Company	781,720	189,269	185,559	72,750	-	7.12	1,302,866	Y	N	Y	
4	Raycong H.K.	Xiamen Hua Chen Da	Subsidiary of the Company	1,670,186	32,215	30,710	10,604	-	0.37	4,175,465	Y	N	Y	

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.

(Continued)

- 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: USD is converted by spot exchange USD1=NT\$30.71; JPY is converted by spot exchange JPY1=NT\$0.2324; RMB is converted by spot exchange RMB=NT\$4.4489; THB is converted by spot exchange THB1=NT\$0.8941; HKD is converted by spot exchange HKD1=NT\$3.938.

(Concluded)

TABLE 3**WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2022****(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, 2022				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	5,000,000	<u>\$ 148,500</u>	-	<u>\$ 148,500</u>	
	Daily Polymer Corp.	The Company is the director of the company	Financial assets at FVTOCI - non-current	2,467,564	\$ 32,449	2.96	\$ 32,449	
	Wah Yuen Technology Holding Limited	-	Financial assets at FVTOCI - non-current	1,968,180	68,684	0.75	68,684	
	JingYi Technology Co.	The Company is the director of the company	Financial assets at FVTOCI - non-current	2,066,432	73,769	16.94	73,769	
	High Power Optoelectronics Inc.	-	Financial assets at FVTOCI - non-current	67,991	-	0.12	-	
	Asahi Kasei Wah Lee Hi-tech Corp.	The Company is the director of the company	Financial assets at FVTOCI - non-current	9,497	75,773	19.38	75,773	
	Forcera Materials Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - non-current	2,102,476	36,678	8.83	36,678	
	Univision Technology Holdings	-	Financial assets at FVTOCI - non-current	38,794,190	-	9.10	-	
	Minima Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - non-current	3,600,000	58,442	9.17	58,442	
	TaiGene Biotechnology Co., Ltd.	The Company is the supervisor of the company	Financial assets at FVTOCI - non-current	2,300,000	10,981	6.57	10,981	
	Shilian Fine Chemicals Co., Ltd.	-	Financial assets at FVTOCI - non-current	11,871,585	44,843	4.57	44,843	
	CDIB Capital Group.	-	Financial assets at FVTOCI - non-current	3,000,000	55,529	2.86	55,529	
	Darco Water Technologies Ltd.	-	Financial assets at FVTOCI - non-current	7,649,782	20,128	8.15	20,128	
	Eleocom Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,500,000	-	10.71	-	
	Tien Li Offshore Wind Technology Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - non-current	946,344	54,869	1.35	54,869	
	Locus Cell Co., Ltd.	-	Financial assets at FVTOCI - non-current	5,000,000	47,852	2.50	47,852	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with The Holding Company	Financial Statement Account	December 31, 2022				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 - non-current	1,000,000	\$ 9,955	2.34	\$ 9,955	
	Hong Yi Industrial Corp.	-	Financial assets at FVTOCI - non-current	500,000	4,390	16.67	4,390	
					<u> </u>		<u> </u>	
					<u>\$ 594,342</u>		<u>\$ 594,342</u>	
SHC Holding Ltd.	Guangzhou Yonguang Optoelectronics Co., Ltd.	-	Financial assets at FVTOCI - non-current	-	<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	\$ 47,144	-	\$ 47,144	
	JPMorgan Funds-Income Fund A (dist) - USD	-	Financial assets at FVTPL - current	29,965	26,420	-	26,420	
					<u> </u>		<u> </u>	
					<u>\$ 73,564</u>		<u>\$ 73,564</u>	
KS Corp.	HGE Co.	-	Financial assets at FVTPL - non-current	4,482,000	<u>\$ 43,479</u>	5.71	<u>\$ 43,479</u>	

(Concluded)

TABLE 4

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Company	WL Singapore	Investments accounted for using the equity method	WL Holding Ltd	Subsidiary	-	\$ -	1,600,000	\$ 435,145	-	\$ -	\$ -	\$ -	1,600,000	\$ 440,609
WL Holding Ltd.	WL Singapore	Investments accounted for using the equity method	The Company	Parent Company	1,600,000	366,416	-	-	1,600,000	435,145	456,976	-	-	-

Note: The difference between the sale price of WL Holding Ltd. of \$435,145 thousand and the carrying amount of \$21,831 thousand, which was accounted for as a restructuring transaction under common control, was recognized as exchange differences on translation of \$16,471 thousand and the capital surplus of \$5,360 thousand.

TABLE 5

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	13 parcels of lands in Jiali District	January 25, 2022	\$ 1,200,000	Fully paid	Natural person	Unrelated party	Not applicable	Not applicable	Not applicable	\$ -	Based on an expert appraiser’s appraisal report reviewed by a Certified Public Accountant	Land for construction of southern logistics center for operational needs	None

TABLE 6

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, 2022
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Raycong H.K.	Subsidiary	Sales	\$ 558,902	1	30 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	\$ 64,651	1	Note
	Shanghai Yikang	Subsidiary	Sales	850,489	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	101,656	1	Note
	KS Corp.	Subsidiary	Sales	126,633	-	14 to 60 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	34,249	-	Note
	Dongguan Hua Gang	Subsidiary	Sales	554,600	1	30 to 120 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	49,755	1	Note
	WT Industrial	Subsidiary	Sales	122,251	-	30 to 60 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	10,274	-	Note
	WL Singapore	Subsidiary	Sales	132,427	-	30 to 60 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	6,515	-	Note
	WL Vietnam	Subsidiary	Sales	129,999	-	30 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	11,661	-	Note
	CWE Inc.	Associate accounted for using the equity method	Sales	258,489	1	90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	57,095	1	
	Nagase Wahlee Plastics Corp.	Associate accounted for using the equity method	Purchase	(228,584)	(1)	60 to 90 days after monthly closing	No comparable transactions with third party	The terms with related parties are not significantly different from those with third parties	(42,100)	-	

(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		
Raycong H.K.	Asahi Kasei Wah Lee Hi-Tech Corp.	The Company is the director of the Company	Purchase	\$ (1,269,475)	(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	\$ (286,204)	(1)		
	Forcera Materials Co., Ltd.	The Company is the director of the Company	Purchase	(102,068)	-	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	(14,175)	-		
	Dongguan Hua Gang	Subsidiary	Sales	603,597	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	65,773	6	Note	
	Shanghai Yikang	Shanghai Hua Chang Trading Co., Ltd.	Associated	Purchase	(148,174)	(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	(18,520)	(1)	
	Dongguan Hua Gang	Brother Company	Sales	137,931	1	30 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	15,609	-	Note	

(Concluded)

Note: It was eliminated on consolidation.

TABLE 7

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, 2022
(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 CWE Inc.	Subsidiary	\$ 130,719	4.98	\$ -	-	\$ 73,262	\$ -
		Associate accounted for using the equity method	201,594	1.49	-	-	81,651	-
KS Corp.	KSA Crop.	Subsidiary	176,007	-	-	-	-	-

Note 1: Including accounts receivable and other receivables. Other receivables are mainly service revenue, proceeds from disposal of property, plant and equipment and dividends from related parties.

Note 2: Receivables from subsidiary were eliminated on consolidation.

TABLE 8

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022	December 31, 2021						
The Company	Wah Lee Holding Ltd.	BVI	International investment business	\$ 430,666	\$ 430,666	13,070,000	100.00	\$ 5,446,260	\$ 481,793	\$ 528,232	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	4,537,436	723,613	442,375	Subsidiary
The Company	CWE Inc.	Taiwan	Agency of IC packaging material and equipment	449,349	449,349	197,902,180	29.17	3,445,921	2,163,818	624,396	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	735,824	203,762	83,373	Associate
The Company	Wah Hong Corp.	Taiwan	Manufacturing of LCD material, BMC (bulk molding compound) material and molded product	943,223	943,032	26,129,978	26.52	1,089,305	276,315	73,279	Associate
The Company	ORC Technology Corp.	Taiwan	Trading business and service of exposure machine and parts	6,000	6,000	600,000	35.00	72,577	(11,802)	(4,013)	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	4,093	(56)	(47)	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	3,538	1,191	1,191	Subsidiary
The Company	Sakuragawa Solar Ltd.	Japan	Solar power generation business	46,008	46,008	-	99.99	88,360	8,050	8,050	Subsidiary
The Company	Miyazaki Solar Ltd.	Japan	Solar power generation business	82,103	82,103	-	99.99	39,546	4,179	4,179	Subsidiary
The Company	WL Indonesia	Indonesia	Trading business of industrial materials	48,261	48,261	1,610,000	70.00	33,094	(4,235)	(2,965)	Subsidiary
The Company	WL Vietnam	Vietnam	Trading business of industrial materials	16,293	16,293	-	100.00	41,394	(22,267)	(22,267)	Subsidiary
The Company	Tranceed Logistics	Taiwan	Freight forwarders and leasing business	95,000	95,000	9,500,000	63.33	162,719	37,374	23,670	Subsidiary
The Company	WT Industrial	Thailand	Trading business of industrial materials	200,000	200,000	7,650	51.00	245,107	78,397	32,278	Subsidiary
The Company	KS Corp.	Taiwan	Solar power generation business	661,053	661,053	27,708,077	78.67	672,498	10,288	2,553	Subsidiary
The Company	WL Philippines Corp.	Philippines	Trading business of industrial materials	7,755	7,755	127,495	99.99	6,108	(259)	(259)	Subsidiary
The Company	WL Philippines Inc.	Philippines	Trading business of industrial materials	7,747	7,747	126,997	99.99	5,195	1,409	1,409	Subsidiary
The Company	WH Energy	Taiwan	Solar power generation business	90,000	90,000	9,000,000	100.00	92,480	2,154	2,154	Subsidiary
The Company	ORC Corp.	Taiwan	Trading business of industrial materials	4,000	4,000	400,000	40.00	38,846	60,625	22,908	Joint Venture
The Company	ENE Corp.	Taiwan	Solar power generation business	50,000	500	5,000,000	100.00	47,762	(2,238)	(2,238)	Subsidiary
The Company	Hightech	Malaysia	Trading business of industrial materials	205,335	-	7,650,000	51.00	202,984	(6,211)	(5,118)	Subsidiary
The Company	WL Singapore	Singapore	Agency of semiconductor materials and equipment	435,145	-	1,600,000	100.00	440,609	33,785	(13,753)	Subsidiary
Tranceed Logistics	Cyuancheng Logistics	Taiwan	Freight forwarders and leasing business	42,947	42,947	5,500,000	100.00	40,555	42	(154)	Subsidiary
KS Corp.	KSA Corp.	Taiwan	Solar power generation business	55,000	55,000	6,130,000	100.00	68,895	3,869	3,869	Subsidiary
KS Corp.	KSB Corp.	Taiwan	Solar power generation business	51,130	11,130	5,113,000	100.00	51,854	367	367	Subsidiary
KS Corp.	KSC Corp.	Taiwan	Solar power generation business	54,000	1,000	5,400,000	100.00	50,264	(3,307)	(3,307)	Subsidiary
KS Corp.	KSD Corp.	Taiwan	Solar power generation business	127,000	67,000	12,700,000	100.00	134,683	8,903	8,903	Subsidiary
KS Corp.	HGE Co.	Taiwan	Solar power generation business	-	44,820	-	-	-	(4,502)	(2,926)	Note 4

(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, 2022	December 31, 2021						
Wah Lee Holding Ltd.	SHC Holding Ltd.	Mauritius	International investment business	\$ 43,892	\$ 43,892	1,290,000	100.00	\$ 754,343	\$ 102,142	\$ 102,142	Subsidiary
Wah Lee Holding Ltd.	WL Singapore	Singapore	Agency of semiconductor materials and equipment	-	51,639	-	-	-	33,785	47,538	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	3,867,065	723,613	335,084	Subsidiary
Wah Lee Holding Ltd.	Regent King	Hong Kong	Trading business of engineering plastic, composite materials and equipment	39	39	10,000	100.00	3,523	347	347	Subsidiary
WT Industrial	WT Indonesia	Indonesia	Trading business of industrial materials	3,953	3,953	18,150	66.00	4,102	383	253	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, 2022 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 9 for information on investments in mainland China.

Note 4: The ownership percentage decreased due to non-proportionate subscriptions for additional new shares in 2022, and KS Corp. lost its significant influence in October 2022. Therefore, the investment was reclassified to financial assets at FVTPL- non-current. Refer to Note 12 and Table 3.

TABLE 9

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2022 (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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Dongguan Hua Gang	Trading business of industrial materials	\$ 1,159,932	Invested through the third region, Raycong H.K.	\$ -	\$ -	\$ -	\$ -	\$ 247,457	100.00	\$ 247,457	\$ 2,600,298	\$ -	
Shanghai Yikang	Trading business of industrial materials	1,010,547	Invested through the third region, Raycong H.K.	340,629	-	-	340,629	690,669	70.00	483,468	2,644,120	-	
Shenzhen Huaying	Supply chain management and consultancy service	24,566	Invested through the third region, Raycong H.K.	-	-	-	-	7,827	100.00	7,827	225,420	-	
Shanghai Wah Chang Trading Co., Ltd.	International trading and trading consulting; trading agent and commercial simple processing within enterprises in the bonded area	73,704	Invested through the third region, SHC Holding Ltd.	43,714	-	-	43,714	271,193	30.00	81,358	728,184	-	
Shanghai Yadi	Import and export of goods and technology	13,347	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	(3,492)	49.00	(1,711)	18,607	-	
Shanghai Lihuang	Medical devices and equipment	14,815	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	(5,366)	48.98	(4,601)	1,762	-	
Fenghuang Xinwah Shouzheng	Medical devices manufacturing technology developing and consulting	22,245	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	(4,628)	52.50	(2,430)	8,329	-	
Guangjou Shing Shian	Hospital management, medical equipment repair, wholesale of medical supplies	22,245	Invested through Chinese corporation, Dongguan Hua Gang	-	-	-	-	2,699	100.00	2,699	54,868	-	
Anhua Huixinkang	Medical service	4,449	Invested through Chinese corporation, Dongguan Hua Gang	-	-	-	-	(611)	100.00	(611)	3,830	-	
Kaiping Huaxinkang	Medical service	1	Invested through Chinese corporation, Guangjou Shing Shian	-	-	-	-	-	90.00	-	-	-	
Xiamen Hua Chen Da	Warehouse logistics	13,347	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(145)	70.00	(102)	6,280	-	
Xiamen Jian Yuan Rong Logistics Ltd.	Warehouse logistics	35,592	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	5,497	30.00	1,649	11,194	-	
Xiamen Jia Cheng Yuan Trading and Development Co. Ltd.	Warehouse logistics	8,898	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	400	30.00	120	3,152	-	

(Continued)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022 (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 10

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, 2022
(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	\$ 850,489	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	\$ 101,656	1	\$ 582	Note
	Shanghai Yikang	Purchase	(51,906)	-	Normal trade terms	120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	(5,187)	-	-	Note
	Dongguan Hua Gang	Sales	554,600	1	Normal trade terms	30 to 120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	49,755	1	267	Note
	Dongguan Hua Gang	Purchase	(5,043)	-	Normal trade terms	120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	(10)	-	-	Note
	Shanghai Hua Chang Trading Co., Ltd.	Sales	2,972	-	Normal trade terms	120 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	603,597	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	65,773	6	-	Note

(Continued)

TABLE 11

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(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	Other income	\$ 28,972	According to the contract	-
0	The Company	Shanghai Yikang	Parent to subsidiary	Other receivables	29,063	According to the contract	-
0	The Company	Shanghai Yikang	Parent to subsidiary	Operating revenue	850,489	According to the contract	1.00
0	The Company	Shanghai Yikang	Parent to subsidiary	Accounts receivable, net	101,656	According to the contract	-
0	The Company	Raycong H.K.	Parent to subsidiary	Other income	59,155	According to the contract	-
0	The Company	Raycong H.K.	Parent to subsidiary	Other receivables	29,060	According to the contract	-
0	The Company	Raycong H.K.	Parent to subsidiary	Operating revenue	558,902	According to the contract	1.00
0	The Company	Raycong H.K.	Parent to subsidiary	Accounts receivable, net	64,651	According to the contract	-
0	The Company	Dongguan Hua Gang	Parent to subsidiary	Operating revenue	554,600	According to the contract	1.00
0	The Company	Dongguan Hua Gang	Parent to subsidiary	Accounts receivable, net	49,755	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Other receivables	740	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Contract liabilities	41,905	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Operating revenue	126,633	According to the contract	-
0	The Company	KS Corp.	Parent to subsidiary	Accounts receivable, net	57,607	According to the contract	-
0	The Company	KSA Corp.	Parent to subsidiary	Contract liabilities	13,075	According to the contract	-
0	The Company	KSA Corp.	Parent to subsidiary	Operating revenue	55,961	According to the contract	-
0	The Company	KSA Corp.	Parent to subsidiary	Accounts receivable, net	34,025	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Other income	19,751	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Other receivables	12,421	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Operating revenue	122,251	According to the contract	-
0	The Company	WT Industrial	Parent to subsidiary	Accounts receivable, net	10,274	According to the contract	-
0	The Company	WL Singapore	Parent to subsidiary	Operating revenue	132,427	According to the contract	-
0	The Company	WL Singapore	Parent to subsidiary	Accounts receivable, net	6,515	According to the contract	-
0	The Company	WL Vietnam	Parent to subsidiary	Operating revenue	129,999	According to the contract	-
0	The Company	WL Vietnam	Parent to subsidiary	Accounts receivable, net	11,661	According to the contract	-
0	The Company	WL Philippines Inc	Parent to subsidiary	Operating revenue	41,101	According to the contract	-
0	The Company	WL Philippines Inc	Parent to subsidiary	Accounts receivable, net	2,660	According to the contract	-
0	The Company	Hightech	Parent to subsidiary	Operating revenue	61,261	According to the contract	-
0	The Company	Hightech	Parent to subsidiary	Accounts receivable, net	28,798	According to the contract	-
0	The Company	Tranceed Logistics	Parent to subsidiary	Other income	29,248	According to the contract	-
1	Shanghai Yikang	The Company	Subsidiary to parent	Operating revenue	211,819	According to the contract	-
1	Shanghai Yikang	The Company	Subsidiary to parent	Accounts receivable, net	68,785	According to the contract	-
1	Shanghai Yikang	Dongguan Hua Gang	Subsidiary to subsidiary	Operating revenue	137,931	According to the contract	-
1	Shanghai Yikang	Dongguan Hua Gang	Subsidiary to subsidiary	Accounts receivable, net	15,609	According to the contract	-
1	Shanghai Yikang	Xingwah Shouzheng	Parent to subsidiary	Other receivables	15,615	According to the contract	-
1	Shanghai Yikang	Shanghai Yadi	Parent to subsidiary	Other receivables	62,637	According to the contract	-
2	Raycong H.K.	Dongguan Hua Gang	Parent to subsidiary	Operating revenue	603,597	According to the contract	1.00

(Continued)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
2	Raycong H.K.	Dongguan Hua Gang	Parent to subsidiary	Accounts receivable, net	\$ 65,773	According to the contract	-
3	Dongguan Hua Gang	Shanghai Yikang	Subsidiary to subsidiary	Operating revenue	62,951	According to the contract	-
3	Dongguan Hua Gang	Shanghai Yikang	Subsidiary to subsidiary	Accounts receivable, net	13,800	According to the contract	-
3	Dongguan Hua Gang	Raycong H.K.	Subsidiary to Parent	Operating revenue	44,841	According to the contract	-
3	Dongguan Hua Gang	Raycong H.K.	Subsidiary to Parent	Accounts receivable, net	11,015	According to the contract	-
3	Dongguan Hua Gang	Guangjou Shing Shian	Parent to subsidiary	Other receivables	22,497	According to the contract	-
4	Tranceed Logistics	The Company	Subsidiary to Parent	Operating revenue	107,587	According to the contract	-
4	Tranceed Logistics	The Company	Subsidiary to Parent	Accounts receivable, net	40,742	According to the contract	-
4	Tranceed Logistics	Cyuancheng Logistic	Parent to subsidiary	Operating revenue	11,449	According to the contract	-
4	Tranceed Logistics	Cyuancheng Logistic	Parent to subsidiary	Accounts receivable, net	1,668	According to the contract	-
5	Shenzhen Huaying	Shanghai Yikang	Subsidiary to subsidiary	Operating revenue	16,167	According to the contract	-
5	Shenzhen Huaying	Shanghai Yikang	Subsidiary to subsidiary	Accounts receivable, net	4,112	According to the contract	-
5	Shenzhen Huaying	Dongguan Hua Gang	Subsidiary to subsidiary	Operating revenue	46,215	According to the contract	-
5	Shenzhen Huaying	Dongguan Hua Gang	Subsidiary to subsidiary	Accounts receivable, net	3,332	According to the contract	-
6	KS Corp.	KSA Corp.	Parent to subsidiary	Disposal of property, plant and equipment	173,443	According to the contract	-
6	KS Corp.	KSA Corp.	Parent to subsidiary	Other receivables	176,007	According to the contract	-
6	KS Corp.	KSD Corp.	Parent to subsidiary	Other receivables	41,282	According to the contract	-
7	WL Indonesia	WT Indonesia	Subsidiary to subsidiary	Operating revenue	94,367	According to the contract	-
7	WL Indonesia	WT Indonesia	Subsidiary to subsidiary	Accounts receivable, net	23,534	According to the contract	-
8	WT Industrial	WL Vietnam	Subsidiary to subsidiary	Operating revenue	22,667	According to the contract	-

(Concluded)

TABLE 12

WAH LEE INDUSTRIAL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2022[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, 2022 and 2021, 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 (collectively referred to as the "financial statements").

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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2022. 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, 2022 is described as follows:

Occurrence of revenue from specific customers

The operating revenue and gross profit from specific customers of the Company for the year ended December 31, 2022 showed significant growth over the past year. In addition, based on the Standards on Auditing of the Republic of China, 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 obtained detailed information on the sales revenue of specific customers. We selected samples and checked the shipping and collection documents. We also verified the occurrence of recorded revenue from specific customers against the supporting documents and confirmed that the payer is the same as the buyer.

Other Matter

The financial statements of some investees accounted for using the equity method in the Company's parent company only financial statements for the years ended December 31, 2022 and 2021 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, 2022 and 2021 were NT\$735,824 thousand and NT\$811,217 thousand, respectively, both representing 2% of total parent company only assets; the amounts of the share of profit of associates for the years ended December 31, 2022 and 2021 were NT\$83,373 thousand and NT\$188,987 thousand, representing 3% and 6% 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2023

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, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 1,713,281	5	\$ 1,656,213	5
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)	148,500	-	209,000	1
Notes receivable (Notes 4 and 9)	106,006	-	173,345	-
Accounts receivable, net (Notes 4, 5 and 9)	7,572,241	21	9,019,030	27
Accounts receivable - related parties (Notes 4, 5, 9 and 27)	435,034	1	955,337	3
Other receivables	23,148	-	39,869	-
Other receivables - related parties (Note 27)	229,100	1	187,351	1
Merchandise (Notes 4, 5 and 10)	3,455,972	10	2,090,639	6
Prepayments for purchases	1,093,884	3	1,841,991	5
Other current assets	<u>36,319</u>	-	<u>11,848</u>	-
Total current assets	<u>14,813,485</u>	<u>41</u>	<u>16,185,823</u>	<u>48</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	594,342	2	735,329	2
Investments accounted for using the equity method (Notes 4, 11 and 28)	17,451,656	48	15,263,525	45
Property, plant and equipment (Notes 4, 12, 27 and 28)	2,379,243	7	885,210	3
Right-of-use assets (Notes 4 and 13)	60,505	-	19,348	-
Investment properties (Notes 4, 14 and 28)	429,341	1	432,970	1
Other intangible assets	11,002	-	17,020	-
Deferred tax assets (Notes 4 and 23)	274,434	1	226,916	1
Refundable deposits	<u>53,588</u>	-	<u>52,284</u>	-
Total non-current assets	<u>21,254,111</u>	<u>59</u>	<u>17,632,602</u>	<u>52</u>
TOTAL	<u>\$ 36,067,596</u>	<u>100</u>	<u>\$ 33,818,425</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 5,288,387	15	\$ 5,206,357	15
Contract liabilities - current (Notes 21 and 27)	295,004	1	356,220	1
Notes payable (Note 17)	23,079	-	37,996	-
Accounts payable (Note 17)	4,335,276	12	4,731,417	14
Accounts payable - related parties (Notes 17 and 27)	366,352	1	488,737	1
Other payables (Notes 18 and 27)	823,816	2	851,900	3
Other payables - related parties (Note 27)	105,336	-	76,982	-
Current tax liabilities (Note 23)	228,842	1	207,672	1
Provisions - current (Notes 4 and 29)	36,793	-	30,086	-
Lease liabilities - current (Notes 4 and 13)	17,742	-	11,110	-
Current portion of long-term borrowings (Note 15)	21,003	-	21,203	-
Refund liabilities - current	294,362	1	175,002	1
Other current liabilities	<u>18,613</u>	-	<u>20,530</u>	-
Total current liabilities	<u>11,854,605</u>	<u>33</u>	<u>12,215,212</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 16)	1,994,084	6	1,972,752	6
Long-term borrowings (Note 15)	3,699,765	10	2,342,319	7
Provision - non-current	15,311	-	14,760	-
Deferred tax liabilities (Notes 4 and 23)	1,446,269	4	1,281,669	4
Lease liabilities - non-current (Notes 4 and 13)	47,880	-	8,569	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	250,925	1	281,736	1
Guarantee deposits received	<u>2,973</u>	-	<u>3,109</u>	-
Total non-current liabilities	<u>7,457,207</u>	<u>21</u>	<u>5,904,914</u>	<u>18</u>
Total liabilities	<u>19,311,812</u>	<u>54</u>	<u>18,120,126</u>	<u>54</u>
EQUITY (Note 20)				
Share capital	<u>2,360,179</u>	<u>6</u>	<u>2,360,179</u>	<u>7</u>
Capital surplus	<u>2,036,714</u>	<u>6</u>	<u>1,690,292</u>	<u>5</u>
Retained earnings				
Legal reserve	2,710,197	8	2,412,040	7
Special reserve	184,623	-	636,618	2
Unappropriated earnings	<u>9,912,630</u>	<u>27</u>	<u>8,783,793</u>	<u>26</u>
Total retained earnings	<u>12,807,450</u>	<u>35</u>	<u>11,832,451</u>	<u>35</u>
	<u>(1)</u>		<u>(1)</u>	
Other equity	<u>(448,559)</u>	<u>)</u>	<u>(184,623)</u>	<u>)</u>
Total equity	<u>16,755,784</u>	<u>46</u>	<u>15,698,299</u>	<u>46</u>
TOTAL	<u>\$ 36,067,596</u>	<u>100</u>	<u>\$ 33,818,425</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 16, 2023)

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			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 27)	\$ 44,038,316	100	\$ 42,882,108	100
OPERATING COSTS (Notes 10, 22 and 27)	<u>41,237,812</u>	<u>94</u>	<u>39,900,737</u>	<u>93</u>
GROSS PROFIT	2,800,504	6	2,981,371	7
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(2,867)	-	(6,949)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>6,949</u>	<u>-</u>	<u>2,234</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,804,586</u>	<u>6</u>	<u>2,976,656</u>	<u>7</u>
OPERATING EXPENSES (Notes 9, 22 and 27)				
Selling and marketing expenses	1,473,177	3	1,406,309	4
General and administrative expenses	416,753	1	407,557	1
Expected credit loss recognized (reversed)	<u>(33,225)</u>	<u>-</u>	<u>28,107</u>	<u>-</u>
Total operating expenses	<u>1,856,705</u>	<u>4</u>	<u>1,841,973</u>	<u>5</u>
OPERATING INCOME	<u>947,881</u>	<u>2</u>	<u>1,134,683</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 22 and 27)				
Interest income	3,012	-	602	-
Other income	219,026	1	196,524	-
Other gains and losses	139,331	-	(45,560)	-
Finance costs	(193,940)	-	(70,499)	-
Share of profit of subsidiaries, associates and joint ventures	<u>1,799,387</u>	<u>4</u>	<u>2,078,285</u>	<u>5</u>
Total non-operating income and expenses	<u>1,966,816</u>	<u>5</u>	<u>2,159,352</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	2,914,697	7	3,294,035	7
INCOME TAX EXPENSE (Notes 4 and 23)	<u>429,897</u>	<u>1</u>	<u>450,758</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>2,484,800</u>	<u>6</u>	<u>2,843,277</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			
	2022		2021	
	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	\$ 21,868	-	\$ 8,080	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	(200,999)	-	135,795	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(322,129)	(1)	677,658	2
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,127)	-	(2,131)	-
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	375,456	-	(119,286)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(40,884)</u>	<u>-</u>	<u>20,462</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(168,815)</u>	<u>(1)</u>	<u>720,578</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,315,985</u>	<u>5</u>	<u>\$ 3,563,855</u>	<u>8</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 10.53</u>		<u>\$ 12.05</u>	
Diluted	<u>\$ 9.62</u>		<u>\$ 11.64</u>	

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

			Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity	Subtotal	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2021	\$ 2,313,901	\$ 1,331,725	\$ 2,228,083	\$ 980,087	\$ 6,660,831	\$ (583,633)	\$ (52,985)	\$ (636,618)	\$ 12,878,009
Appropriation of 2020 earnings									
Legal reserve	-	-	183,957	-	(183,957)	-	-	-	-
Reversal of special reserve	-	-	-	(343,469)	343,469	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,018,117)	-	-	-	(1,018,117)
	-	-	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
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	2,849,718	(98,824)	812,961	714,137	3,563,855
Disposals of investments accounted for using the equity method	-	(26,711)	-	-	-	-	-	-	(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)	-
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
Appropriation of 2021 earnings									
Legal reserve	-	-	298,157	-	(298,157)	-	-	-	-
Reversal of special reserve	-	-	-	(451,995)	451,995	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,604,922)	-	-	-	(1,604,922)
	-	-	298,157	(451,995)	(1,451,084)	-	-	-	(1,604,922)
Changes in capital surplus from investments in associates accounted for using the equity method	-	346,422	-	-	-	-	-	-	346,422
Net profit for the year ended December 31, 2022	-	-	-	-	2,484,800	-	-	-	2,484,800
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	18,662	334,572	(522,049)	(187,477)	(168,815)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	2,503,462	334,572	(522,049)	(187,477)	2,315,985
Disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	76,459	-	(76,459)	(76,459)	-
BALANCE AT DECEMBER 31, 2022	\$ 2,360,179	\$ 2,036,714	\$ 2,710,197	\$ 184,623	\$ 9,912,630	\$ (344,057)	\$ (104,502)	\$ (448,559)	\$ 16,755,784

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

WAH LEE INDUSTRIAL CORPORATION

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

	For the Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,914,697	\$ 3,294,035
Adjustments for:		
Depreciation expense	76,544	58,199
Amortization expense	6,118	6,977
Expected credit loss recognized (reversed)	(33,225)	28,107
Net loss (gain) of financial assets at fair value through profit or loss	1,200	(1,000)
Finance costs	193,940	70,499
Interest income	(3,012)	(602)
Dividend income	(12,956)	(23,888)
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(1,799,387)	(2,078,285)
Gain on disposal of investments accounted for using the equity method	-	(8,491)
Impairment loss on inventories	190,518	55,979
Unrealized gain on transactions with subsidiaries	2,867	6,949
Realized gain on transactions with subsidiaries	(6,949)	(2,234)
Net loss (gain) on foreign currency exchange	(67,122)	1,066
Loss provision recognized	19,711	30,086
Others	(33)	(30)
Changes in operating assets and liabilities		
Notes receivable	67,339	(41,731)
Accounts receivable	1,480,575	(2,513,322)
Accounts receivable - related parties	519,742	(153,775)
Other receivables	16,721	2,553
Other receivables - related parties	29,660	90,220
Merchandise	(1,555,851)	(321,717)
Prepayments for purchases	748,107	(837,836)
Other current assets	(24,471)	288
Contract liabilities	(61,216)	51,116
Notes payable	(14,917)	7,839
Accounts payable	(396,141)	1,129,001
Accounts payable - related parties	(122,385)	217,074
Other payables	(50,925)	120,349
Other payables - related parties	27,926	23,977
Provisions	(13,004)	-
Refund liabilities	119,360	1,046
Other current liabilities	(1,917)	5,172
Net defined benefit liabilities	(8,943)	(10,193)
Cash generated from (used in) operations	2,242,571	(792,572)
Interest received	3,012	602
Dividends received	646,805	583,655
Interest paid	(149,415)	(61,313)
Income tax paid	(334,656)	(171,220)
Net cash generated from (used in) operating activities	2,408,317	(440,848)

(Continued)

WAH LEE INDUSTRIAL CORPORATION

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

	For the Years Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (5,000)	\$ (59,836)
Proceeds from disposal of financial assets at fair value through other comprehensive income	488	-
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	5,000	15,000
Purchase of investments accounted for using the equity method	(191)	(106)
Proceeds from disposal of investments accounted for using the equity method	-	97,840
Acquisition of a subsidiary	(205,335)	(500)
Proceeds from the capital reduction of investments accounted for using equity method	-	700
Payments for property, plant and equipment	(1,538,742)	(204,362)
Proceeds from disposal of property, plant and equipment	-	30
Decrease (increase) in refundable deposits	(1,304)	1,830
Increase in other intangible assets	<u>(100)</u>	<u>(378)</u>
Net cash used in investing activities	<u>(1,745,184)</u>	<u>(149,782)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	149,152	1,191,797
Proceeds from issuance of convertible bonds	-	1,999,693
Proceeds from long-term borrowings	3,377,029	1,000,000
Repayment of long-term borrowings	(2,023,080)	(1,856,743)
Decrease in guarantee deposits received	(136)	-
Repayment of the principal portion of lease liabilities	(19,463)	(11,822)
Cash dividends	(1,604,922)	(1,018,117)
Acquisition of additional interests in subsidiaries	<u>(484,645)</u>	<u>(252,669)</u>
Net cash generated from (used in) financing activities	<u>(606,065)</u>	<u>1,052,139</u>
NET INCREASE IN CASH	57,068	461,509
CASH AT THE BEGINNING OF THE YEAR	<u>1,656,213</u>	<u>1,194,704</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,713,281</u>	<u>\$ 1,656,213</u>

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

(Concluded)

WAH LEE INDUSTRIAL CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (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 by the board of directors on March 16, 2023.

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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the 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 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

As of the date the parent company only financial statements were approved, 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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the parent company only financial statements were approved, the Company is continuously assessing the possible impact of the application of the above standards and interpretations 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 Non-current 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 non-current.

d. Business Combinations

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

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

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

e. 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.

f. 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.

g. 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.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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.

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.

h. 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 the equity of associates and joint venture.

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.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

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.

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. 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.

k. 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.

1. 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 at 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 the 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.

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.

m. 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.

n. 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.

o. 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.

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. 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.

r. 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 and associates, 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 on 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 and volatility in markets 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. Furthermore, the estimate of the probability of default is subject to greater uncertainties due to the impact on credit risk of financial assets arising from the uncertain impact and volatility in markets caused by the COVID-19 pandemic.

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	
	2022	2021
Cash on hand	\$ 254	\$ 392
Demand deposits	1,711,129	1,653,944
Checking accounts	<u>1,898</u>	<u>1,877</u>
	<u>\$ 1,713,281</u>	<u>\$ 1,656,213</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	
	2022	2021
Mandatorily classified as at FVTPL		
Derivative instruments (not designated for hedge)		
Redemption of convertible bonds	<u>\$ -</u>	<u>\$ 1,200</u>

8. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2022	2021
<hr/>		
Current		
Domestic investments in equity instruments		
Listed shares	\$ <u>148,500</u>	\$ <u>209,000</u>
<hr/>		
Non-current		
Domestic investments in equity instruments		
Listed shares	\$ 87,318	\$ 119,445
Unlisted shares	<u>418,212</u>	<u>515,838</u>
	<u>505,530</u>	<u>635,283</u>
Foreign investments in equity instruments		
Listed shares	20,128	23,477
Unlisted shares	<u>68,684</u>	<u>76,569</u>
	<u>88,812</u>	<u>100,046</u>
	<u>\$ 594,342</u>	<u>\$ 735,329</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	
	2022	2021
Notes receivable		
Notes receivable - operating	\$ <u>106,006</u>	\$ <u>173,345</u>
Accounts receivable - unrelated parties		
At amortized cost		
Gross carrying amount	\$ 7,603,037	\$ 9,087,145
Less: Allowance for impairment loss	<u>30,796</u>	<u>68,115</u>
	<u>\$ 7,572,241</u>	<u>\$ 9,019,030</u>
Accounts receivable - related parties		
At amortized cost		
Gross carrying amount	\$ 435,733	\$ 955,475
Less: Allowance for impairment loss	<u>699</u>	<u>138</u>
	<u>\$ 435,034</u>	<u>\$ 955,337</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 loss allowance of receivables based on the Company's provision matrix:

December 31, 2022

	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	0.5-3	12-30	50	100	
Gross carrying amount	\$ 7,374,281	\$ 652,254	\$ 116,381	\$ 1,012	\$ 848	\$ 8,144,776
Loss allowance (Lifetime ECLs)	(9,532)	(5,474)	(15,135)	(506)	(848)	(31,495)
Amortized cost	<u>\$ 7,364,749</u>	<u>\$ 646,780</u>	<u>\$ 101,246</u>	<u>\$ 506</u>	<u>\$ -</u>	<u>\$ 8,113,281</u>

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)	(10,529)	(15,596)	(9,007)	(31,726)	(1,395)	(68,253)
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>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 68,253	\$ 43,780
Impairment losses recognized (reversal)	(33,225)	28,107
Amounts written off	<u>(3,533)</u>	<u>(3,634)</u>
Balance at December 31	<u>\$ 31,495</u>	<u>\$ 68,253</u>

10. MERCHANDISE

The costs of inventories recognized in cost of goods sold for the years ended December 31, 2022 and 2021 were \$41,229,214 thousand and \$39,884,548 thousand respectively, which included the following items:

	For the Year Ended December 31	
	2022	2021
Write-downs of inventories	\$ 190,518	\$ 55,979
Others	<u>(8,030)</u>	<u>(2,573)</u>
	<u>\$ 182,488</u>	<u>\$ 53,406</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	\$ 12,069,183	\$ 10,068,477
Investments in associates	5,343,627	5,179,110
Investment in joint ventures	<u>38,846</u>	<u>15,938</u>
	<u>\$ 17,451,656</u>	<u>\$ 15,263,525</u>

See Tables 8 and 9 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

	December 31			
	2022		2021	
Unlisted Company	Book Value	Percentage of Ownership	Book Value	Percentage of Ownership
Wah Lee Holding Ltd.	\$ 5,446,260	100.00	\$ 4,769,943	100.00
Raycong Industrial (H.K.) Ltd. (Raycong H.K.)	4,537,436	53.69	3,966,512	53.69
Wah Lee Japan Corp. (WL Japan)	4,093	83.33	4,285	83.33
Wah Lee Korea Ltd. (WL Korea)	3,538	100.00	2,214	100.00
Sakuragawa Solar Ltd.	88,360	99.99	82,913	99.99
Miyazaki Solar Ltd.	39,546	99.99	36,475	99.99
PT. Wah Lee Indonesia (WL Indonesia)	33,094	70.00	36,017	70.00
Wah Lee Vietnam Co., Ltd. (WL Vietnam)	41,394	100.00	59,395	100.00
Tranceed Logistics Co., Ltd. (Tranceed Logistics)	162,719	63.33	139,048	63.33
Wah Tech Industrial Co., Ltd. (WT Industrial)	245,107	51.00	198,042	51.00
Kingstone Energy Technology Corporation (KS Corp.)	672,498	78.67	669,945	78.67
Wah Heng Energy Technology Corp. (WH Energy)	92,480	100.00	93,206	100.00
Evergreen New Energy Corporation (ENE Corp.)	47,762	100.00	500	100.00

(Continued)

Unlisted Company	December 31			
	2022		2021	
	Book Value	Percentage of Ownership	Book Value	Percentage of Ownership
Wah Lee Philippines International Corp. (WL Philippines Corp.)	\$ 6,108	99.99	\$ 6,263	99.99
Wah Lee Philippines Inc. (WL Philippines Inc.)	5,195	99.99	3,719	99.99
Hightech Polymer SDN. BHD. (Hightech)	202,984	51.00	-	-
Wah Lee Tech (Singapore) Pte. Ltd. (WL Singapore)	<u>440,609</u>	100.00	<u>-</u>	-
	<u>\$ 12,069,183</u>		<u>\$ 10,068,477</u>	

(Concluded)

Note 1: In order to develop operation, the board of directors of the Company resolved to acquire 100% shares of WL Singapore from Wah Lee Holding Ltd. for \$435,145 thousand in November 2022, which was accounted for as a restructuring transaction under common control.

Note 2: In order to expand the distribution channels, the Company acquired 51% of the ordinary shares of Hightech from an unrelated party for \$205,335 thousand in September 2022. For the description of the acquisition of Hightech, refer to Note 26 to the consolidated financial statements for the year ended December 31, 2022.

Note 3: In December 2021, the Company invested \$500 thousand in ENE Corp., which was established in Taiwan. The Company subscribed for additional new shares of ENE Corp. at the existing shareholding proportion in June 2022 for \$49,500 thousand.

Note 4: 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 5: In April 2021, WL Green Corp. had completed liquidation, and returned cash capital of \$700 thousand.

Note 6: 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	
	2022	2021
Investments in associates		
Material associates		
Chang Wah Electromaterials Inc.	\$ 3,445,921	\$ 3,194,774
Associates that are not individually material	<u>1,897,706</u>	<u>1,984,336</u>
	<u>5,343,627</u>	<u>5,179,110</u>

(Continued)

	December 31	
	2022	2021
<hr/>		
Investments in joint ventures		
Joint ventures that are not individually material	\$ 38,846	\$ 15,938
	<u>\$ 5,382,473</u>	<u>\$ 5,195,048</u>
		(Concluded)

Refer to Tables 8 and 9 for the main business and location of the investments accounted for using the equity method.

1) Material associates

	Proportion of Ownership and Voting Rights December 31	
Name of Associate	2022	2021
Chang Wah Electromaterials Inc. (CWE Inc.)	29.17%	28.71%

In 2021, 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:

	December 31	
Name of Associate	2022	2021
CWE Inc.	<u>\$ 5,996,436</u>	<u>\$ 7,698,395</u>

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

	December 31	
	2022	2021
Current assets	\$ 15,826,129	\$ 14,718,903
Non-current assets	17,295,137	15,589,692
Current liabilities	(9,299,580)	(8,323,087)
Non-current liabilities	<u>(7,434,740)</u>	<u>(7,264,541)</u>
Equity	16,386,946	14,720,967
Non-controlling interests	<u>(4,805,267)</u>	<u>(3,826,423)</u>
	<u>\$ 11,581,679</u>	<u>\$ 10,894,544</u>
Percentage of ownership held by the Company (%)	29.17	28.71

(Continued)

	December 31	
	2022	2021
Equity attributable to the Company	\$ 3,378,494	\$ 3,127,347
Goodwill	<u>67,427</u>	<u>67,427</u>
Carrying amount	<u>\$ 3,445,921</u>	<u>\$ 3,194,774</u> (Concluded)

	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 21,858,509</u>	<u>\$ 20,670,509</u>
Net profit for the year	\$ 3,572,984	\$ 2,488,063
Other comprehensive (loss) income for the year	<u>(861,497)</u>	<u>2,309,626</u>
Total comprehensive income for the year	<u>\$ 2,711,487</u>	<u>\$ 4,797,689</u>
Cash dividends received	<u>\$ 395,805</u>	<u>\$ 252,785</u>

As of December 31, 2022 and 2021, the Company's dividends receivable from CWE Inc. were \$144,469 thousand and \$75,203 thousand, respectively, recognized as other receivables - related parties.

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

	For the Year Ended December 31	
	2022	2021
The Company's share of		
Net profit for the year	\$ 175,547	\$ 346,300
Other comprehensive loss for the year	<u>(2,142)</u>	<u>(2,251)</u>
Total comprehensive income for the year	<u>\$ 173,405</u>	<u>\$ 344,049</u>

c. Changes in investment in associates and joint ventures

- 1) The Company sold all of its equity in 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'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 7 thousand and 4 thousand shares of Wah Hong Corp. from the open market in the amount of \$191 thousand and \$106 thousand in cash in 2022 and 2021, respectively, and the ownership percentage increased to 26.52% on December 31, 2022.

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2022

	Freehold Land	Buildings	Power Generation Equipment	Office and Miscellaneous Equipment	Other Equipment	Property under Construction and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 517,348	\$ 311,978	\$ -	\$ 518,535	\$ 49,799	\$ 77,246	\$ 1,474,906
Additions	1,245,739	-	15,658	28,669	-	252,600	1,542,666
Disposals	-	-	-	(7,790)	(504)	-	(8,294)
Reclassified	-	-	88,807	(9,893)	-	(78,914)	-
Balance at December 31, 2022	<u>\$ 1,763,087</u>	<u>\$ 311,978</u>	<u>\$ 104,465</u>	<u>\$ 529,521</u>	<u>\$ 49,295</u>	<u>\$ 250,932</u>	<u>\$3,009,278</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 142,237	\$ -	\$ 400,894	\$ 46,565	\$ -	\$ 589,696
Depreciation expense	-	5,552	3,452	38,719	910	-	48,633
Disposals	-	-	-	(7,790)	(504)	-	(8,294)
Reclassified	-	-	4,808	(4,808)	-	-	-
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 147,789</u>	<u>\$ 8,260</u>	<u>\$ 427,015</u>	<u>\$ 46,971</u>	<u>\$ -</u>	<u>\$ 630,035</u>
Carrying amount at December 31, 2022	<u>\$ 1,763,087</u>	<u>\$ 164,189</u>	<u>\$ 96,205</u>	<u>\$ 102,506</u>	<u>\$ 2,324</u>	<u>\$ 250,932</u>	<u>\$ 2,379,243</u>

For the year ended December 31, 2021

	Freehold Land	Buildings	Office and Miscellaneous 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>

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

	For the Year Ended December 31	
	2022	2021
Additions to property, plant and equipment	\$ 1,542,666	\$ 216,847
Capitalization of interest	(4,577)	(182)
Decrease (increase) in payables for equipment	1,204	(12,303)
Increase in provisions	<u>(551)</u>	<u>-</u>
Cash paid	<u>\$ 1,538,742</u>	<u>\$ 204,362</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	7-20 years
Office and miscellaneous equipment	
Cylinder	5-9 years
Warehouse	8 years
Other	2-8 years
Others	6-11 years

- c. In January 2022, the board of directors approved the proposal to purchase the land located in the Zilong section of Jiali District, Tainan City from an unrelated party for \$1.2 billion to build the Southern Logistics Center. The transfer of land rights registration was completed in May 2022. Due to the statutory prohibition, the registration of agricultural land rights was registered in the name of Tsun-Hsien Chang, the related party who signed an agreement with the Company. As stipulated in the agreement, the related party will fully cooperate with the Company to transfer the agricultural land right to the Company or a specific person in the future free of charge. The agricultural land has been mortgaged to the Company with a maximum limit of \$200 million.
- d. 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, 2022

	Buildings	Other Equipment	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 33,530	\$ 9,392	\$ 42,922
Additions	54,104	17,600	71,704
Lease modification	<u>(5,815)</u>	<u>(450)</u>	<u>(6,265)</u>
Balance at December 31, 2022	<u>\$ 81,819</u>	<u>\$ 26,542</u>	<u>\$ 108,361</u>

(Continued)

	Buildings	Other Equipment	Total
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ 18,393	\$ 5,181	\$ 23,574
Depreciation expense	<u>18,240</u>	<u>6,042</u>	<u>24,282</u>
Balance at December 31, 2022	<u>\$ 36,633</u>	<u>\$ 11,223</u>	<u>\$ 47,856</u>
Carrying amount at December 31, 2022	<u>\$ 45,186</u>	<u>\$ 15,319</u>	<u>\$ 60,505</u> (Concluded)

For the year ended December 31, 2021

	Buildings	Other 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>

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	<u>\$ 17,742</u>	<u>\$ 11,110</u>
Non-current	<u>\$ 47,880</u>	<u>\$ 8,569</u>

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

	December 31	
	2022	2021
Buildings	1.43-1.80	1.43-1.80
Other equipment	0.98-1.80	0.98-1.80

c. Material leasing activities and terms

The Company leases abovementioned subjects for the use of office and warehouse, for installation of power generation equipment, and transportation equipment, which will expire from February 2024 to December 2029. 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	
	2022	2021
Expenses relating to short-term leases	\$ 72,096	\$ 67,302
Expenses relating to low-value asset leases	\$ 2,094	\$ 882
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 1,093	\$ -
Total cash outflow for leases	\$ 95,901	\$ 80,406

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, 2022

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and December 31, 2022	\$ 268,412	\$ 185,076	\$ 453,488
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ 20,518	\$ 20,518
Depreciation expense	-	3,629	3,629
Balance at December 31, 2022	\$ -	\$ 24,147	\$ 24,147
Carrying amount at December 31, 2022	\$ 268,412	\$ 160,929	\$ 429,341

For the year ended December 31, 2021

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

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 2023 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	
	2022	2021
Within 1 year	\$ 8,632	\$ 8,496
More than 1 year but not more than 5 years	<u>1,511</u>	<u>2,325</u>
	<u>\$ 10,143</u>	<u>\$ 10,821</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, 2022 and 2021. 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	
	2022	2021
Unsecured borrowings	<u>\$ 5,288,387</u>	<u>\$ 5,206,357</u>
Annual interest rate (%)	0.59-6.01	0.53-0.91

b. Long-term borrowings

	December 31	
	2022	2021
Unsecured borrowings		
Syndicated bank loans (Note 1)	\$ 2,000,000	\$ 1,298,149
Less: Syndicated loan fee	<u>4,583</u>	<u>2,880</u>
	1,995,417	1,295,269
Bank loans (Note 2)	<u>700,000</u>	<u>800,000</u>
	2,695,417	2,095,269
Secured borrowings (Note 28)		
Bank loans	<u>1,025,351</u>	<u>268,253</u>
	3,720,768	2,363,522
Less: Current portion	<u>21,003</u>	<u>21,203</u>
	<u>\$ 3,699,765</u>	<u>\$ 2,342,319</u>

(Continued)

	December 31	
	2022	2021
Annual interest rate (%)		
Syndicated bank loans	1.80	0.62
Bank loans	1.05-1.96	0.88-1.43
Expiration period		
Syndicated bank loans	2027.08	2024.01
Bank loans	2024.06-2037.06	2023.04-2037.06 (Concluded)

Note 1: The Company signed a syndicated loan agreement with eleven banks led by the Bank of Taiwan in December 2018, and it prepaid all the loans in August 2022. The Company signed a syndicated loan agreement with seven banks led by Mega International Commercial Bank Co., Ltd. in August 2022. The main contents of the syndicated loan agreement are as follows:

- 1) The total amount of syndicated bank loans is \$5 billion, divided into credit limit A, credit limit B, credit limit C and credit limit D. The term of credit limit A, credit limit B and credit limit C is 5 years from the initial drawdown date (August 2022) and the fractional reserve and debt recycling is available within the total amount of syndicated loans, and the maximum term of credit limit D is from the date of receipt of corporate bond payments in full, and the drawdown of credit limit D may be made one or multiple times. However, it shall not be drawn on a revolving basis.
- 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.

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, 2022 and 2021.

16. BONDS PAYABLE

	December 31	
	2022	2021
3rd domestic unsecured convertible bonds	<u>\$ 1,994,084</u>	<u>\$ 1,972,752</u>

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, 2022, the conversion price was \$91.7 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 for the year ended December 31, 2021	<u>7,059</u>
Liability component at December 31, 2021	1,972,752
Interest charged at an effective interest rate for or the year ended December 31, 2022	<u>21,332</u>
Liability component at December 31, 2022	<u>\$ 1,994,084</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	
	2022	2021
Payable for salaries or bonuses	\$ 306,102	\$ 265,165
Payable for employees' compensation and remuneration of directors	329,262	372,114
Payable for commission	37,457	93,481
Interest payable	30,896	6,423
Others	<u>120,099</u>	<u>114,717</u>
	<u>\$ 823,816</u>	<u>\$ 851,900</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	
	2022	2021
Present value of defined benefit obligation	\$ 330,528	\$ 369,626
Fair value of plan assets	<u>(79,603)</u>	<u>(87,890)</u>
Net defined benefit liabilities	<u>\$ 250,925</u>	<u>\$ 281,736</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, 2021	<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 loss	<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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Service cost			
Current service cost	\$ 1,363	\$ -	\$ 1,363
Past service cost	(813)	-	(813)
Net interest expense (income)	<u>2,492</u>	<u>(520)</u>	<u>1,972</u>
Recognized in profit or loss	<u>3,042</u>	<u>(520)</u>	<u>2,522</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,228)	(7,228)
Actuarial gain - changes in financial assumptions	(14,278)	-	(14,278)
Actuarial gain - experience adjustments	<u>(362)</u>	<u>-</u>	<u>(362)</u>
Recognized in other comprehensive loss	<u>(14,640)</u>	<u>(7,228)</u>	<u>(21,868)</u>
Contributions from the employer	<u>-</u>	<u>(10,815)</u>	<u>(10,815)</u>
Benefits paid	<u>(27,500)</u>	<u>26,850</u>	<u>(650)</u>
Balance at December 31, 2022	<u>\$ 330,528</u>	<u>\$ (79,603)</u>	<u>\$ 250,925</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	
	2022	2021
Discount rate (%)	1.25	0.70
Expected rate of salary increase (%)	2.00	2.00

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (6,139)</u>	<u>\$ (7,393)</u>
0.25% decrease	<u>\$ 6,328</u>	<u>\$ 7,634</u>
Expected rate of salary		
0.25% increase	<u>\$ 6,265</u>	<u>\$ 7,517</u>
0.25% decrease	<u>\$ (6,110)</u>	<u>\$ (7,318)</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	
	2022	2021
Expected contributions to the plan for the next year	<u>\$ 27,551</u>	<u>\$ 27,107</u>
Average duration of the defined benefit obligation	7 years	8 years

20. EQUITY

a. Share capital

	December 31	
	2022	2021
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>236,018</u>
Amount of issued and fully paid shares	<u>\$ 2,360,179</u>	<u>\$ 2,360,179</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	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Issuance of share capital	\$ 1,114,241	\$ 1,114,241
Difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	37,924	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	403,129	1,808
Expired share options	22,374	22,374
Donations	11,867	11,867
<u>May be used only to offset a deficit</u>		
Share of changes in capital surplus of associates	412,979	467,878
<u>May not be used for any purpose</u>		
Share warrants	<u>34,200</u>	<u>34,200</u>
	<u>\$ 2,036,714</u>	<u>\$ 1,690,292</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 before the amendment, 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 amendments to the Articles which have been resolved in the meeting of shareholders held on May 27, 2022 provide that distributable dividends, bonuses, capital reserve and legal reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholders' meeting. However, the aforementioned distribution to be paid by issuing new shares shall be resolved by the meeting of shareholders.

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 are 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 2021 and 2020 had been approved in the shareholders' meetings on May 27, 2022 and July 28, 2021, respectively; the amounts were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Legal reserve	\$ 298,157	\$ 183,957		
Reversal of special reserve	\$ (451,995)	\$ (343,469)		
Cash dividends to shareholders	\$ 1,604,922	\$ 1,018,117	\$ 6.8	\$ 4.4

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 2022 had been proposed by the Company's board of directors on March 16, 2023. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 257,992	
Special reserve	\$ 263,936	
Cash dividends to shareholders	\$ 1,439,709	\$ 6.1

The appropriations of earnings for 2022 are subject to the resolution of the shareholders in their meeting to be held on May 30, 2023.

d. Other equity items

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (678,629)	\$ (583,633)
Recognized for the year		
Share from subsidiaries and associates accounted for using the equity method	375,456	(119,286)
Income tax	(40,884)	20,462

(Continued)

	For the Year Ended December 31	
	2022	2021
Reclassification adjustment		
Share from the disposal of subsidiaries and associates accounted for using the equity method	\$ -	\$ 3,828
Balance at December 31	<u>\$ (344,057)</u>	<u>\$ (678,629)</u> (Concluded)

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 494,006	\$ (52,985)
Recognized for the year		
Unrealized (loss) gain - equity instruments	(200,999)	135,795
Share from associates accounted for using the equity method	(323,297)	677,681
Income tax	2,247	(515)
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		
Investments in equity instruments at FVTOCI	(82)	-
Share from associates accounted for using the equity method	<u>(76,377)</u>	<u>(230,939)</u>
Balance at December 31	<u>\$ (104,502)</u>	<u>\$ 494,006</u>

21. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	\$ 43,960,927	\$ 42,798,007
Other operating revenue	<u>77,389</u>	<u>84,101</u>
	<u>\$ 44,038,316</u>	<u>\$ 42,882,108</u>

Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 106,006	\$ 173,345	\$ 131,614
Accounts receivable, net (including related parties)	<u>8,007,275</u>	<u>9,974,367</u>	<u>7,335,377</u>
	<u>\$ 8,113,281</u>	<u>\$ 10,147,712</u>	<u>\$ 7,466,991</u> (Continued)

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities			
Sale of goods	<u>\$ 295,004</u>	<u>\$ 356,220</u>	<u>\$ 305,104</u> (Concluded)

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, 2022 and 2021.

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	
	2022	2021
Sale of goods	<u>\$ 326,776</u>	<u>\$ 277,082</u>

22. NET PROFIT

The details of net profit were as follows:

a. Other income (Note 27)

	For the Year Ended December 31	
	2022	2021
Rental income	\$ 33,677	\$ 38,257
Dividend income	12,956	23,888
Consulting service income	151,490	108,878
Others	<u>20,903</u>	<u>25,501</u>
	<u>\$ 219,026</u>	<u>\$ 196,524</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net gain (loss) of financial assets at FVTPL	\$ (1,200)	\$ 1,000
Gain on disposals of associates (Note 11)	-	8,491
Net foreign exchange gain (loss)	162,966	(6,703)
Loss provision recognized	(19,711)	(30,086)
Others	<u>(2,724)</u>	<u>(18,262)</u>
	<u>\$ 139,331</u>	<u>\$ (45,560)</u>

c. Financial costs

	For the Year Ended December 31	
	2022	2021
Interest on loans	\$ 172,733	\$ 61,782
Syndicated loan fee amortization	3,297	1,440
Interest on lease liabilities	1,155	400
Interest on convertible bonds	21,332	7,059
Less: Amount included in cost of qualifying assets	<u>(4,577)</u>	<u>(182)</u>
	<u>\$ 193,940</u>	<u>\$ 70,499</u>
Capitalized rate (%)	1.43-1.81	1.43

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 48,633	\$ 42,696
Right-of-use assets	24,282	11,874
Investment property	3,629	3,629
Intangible assets	<u>6,118</u>	<u>6,977</u>
	<u>\$ 82,662</u>	<u>\$ 65,176</u>
An analysis of depreciation by function		
Operating costs	\$ 3,452	\$ 632
Operating expenses	69,463	53,938
Non-operating income and expenses	<u>3,629</u>	<u>3,629</u>
	<u>\$ 76,544</u>	<u>\$ 58,199</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 6,118</u>	<u>\$ 6,977</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	<u>\$ 900,400</u>	<u>\$ 895,101</u>
Post-employment benefits (Note 19)		
Defined contribution plans	18,713	18,519
Defined benefit plans	<u>2,522</u>	<u>1,097</u>
	<u>21,235</u>	<u>19,616</u>
	<u>\$ 921,635</u>	<u>\$ 914,717</u>
An analysis by function		
Operating expenses	<u>\$ 921,635</u>	<u>\$ 914,717</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, 2022 and 2021 which have been approved by the Company's board of directors on March 16, 2023 and March 22, 2022, were as follows:

	For the Year Ended December 31			
	2022		2021	
	Withdrawal Rate (%)	Amount	Withdrawal Rate (%)	Amount
Compensation of employees paid in cash	9	\$ 291,956	9	\$ 329,953
Remuneration of directors paid in cash	1.15	37,306	1.15	42,161

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, 2021 and 2020.

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	
	2022	2021
Current tax		
In respect of the current year	\$ 274,213	\$ 244,496
Income tax on unappropriated earnings	81,479	51,567
Adjustments for prior years	134	508
	<u>355,826</u>	<u>296,571</u>
Deferred tax		
In respect of the current year	74,071	154,584
Adjustments for prior years	-	(397)
	<u>74,071</u>	<u>154,187</u>
	<u>\$ 429,897</u>	<u>\$ 450,758</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax	<u>\$ 2,914,697</u>	<u>\$ 3,294,035</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate 20%	\$ 582,939	\$ 658,807
Nondeductible expenses in determining taxable income	3,897	2,097
Domestic investment income	(167,808)	(176,652)
Unrecognize the taxable temporary differences associated with investments in subsidiaries	(82,401)	(101,036)
Income tax on unappropriated earnings	81,479	51,567
Adjustments for prior years	134	111
Nondeductible withholding tax	<u>11,657</u>	<u>15,864</u>
	<u>\$ 429,897</u>	<u>\$ 450,758</u>
		(Concluded)

b. Income tax benefit (expense) recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<hr/>		
Deferred tax		
In respect of the current year		
Unrealized (loss) gain on financial assets at FVTOCI	\$ 2,247	\$ (515)
Remeasurement on defined benefit plan	(4,374)	(1,616)
Exchange differences on translation of foreign operations	<u>(40,884)</u>	<u>20,462</u>
	<u>\$ (43,011)</u>	<u>\$ 18,331</u>

c. Current tax liabilities

	December 31	
	2022	2021
Income tax payable	<u>\$ 228,842</u>	<u>\$ 207,672</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income and Loss	Closing Balance
<hr/>				
Deferred tax assets				
Temporary differences				
Provision for loss on inventories	\$ 30,187	\$ 31,226	\$ -	\$ 61,413
Unpaid bonuses	41,878	(3,557)	-	38,321
Refund liabilities	35,000	23,872	-	58,872
Defined benefit plan	56,347	(1,788)	(4,374)	50,185
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income and Loss	Closing Balance
Foreign operations loss and exchange differences	\$ 36,094	\$ 7,282	\$ (6,465)	\$ 36,911
Others	<u>27,410</u>	<u>1,322</u>	<u>-</u>	<u>28,732</u>
	<u>\$ 226,916</u>	<u>\$ 58,357</u>	<u>\$ (10,839)</u>	<u>\$ 274,434</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign operations income and exchange differences	\$ 1,268,816	\$ 119,542	\$ 32,172	\$ 1,420,530
Others	<u>12,853</u>	<u>12,886</u>	<u>-</u>	<u>25,739</u>
	<u>\$ 1,281,669</u>	<u>\$ 132,428</u>	<u>\$ 32,172</u>	<u>\$ 1,446,269</u> (Concluded)

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income and Loss	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
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>
<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>12,853</u>
	<u>\$ 1,155,352</u>	<u>\$ 140,572</u>	<u>\$ (14,255)</u>	<u>\$ 1,281,669</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
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, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$2,090,992 thousand and \$1,679,101 thousand.

- g. Income tax assessments

The income tax returns of the Company through 2020 have been assessed by the tax authorities.

24. EARNINGS PER SHARE (EPS)

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

- a. Net profit for the year

	For the Year Ended December 31	
	2022	2021
Net profit used in the computation of basic EPS	\$ 2,484,800	\$ 2,843,277
Convertible bonds	<u>22,532</u>	<u>967</u>
Net profit used in computation of diluted EPS	<u>\$ 2,507,332</u>	<u>\$ 2,844,244</u>

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of shares outstanding used in computation of basic EPS	236,018	236,018
Effect of potentially dilutive shares		
Employees' compensation	4,153	3,658
Convertible bonds	<u>20,387</u>	<u>4,760</u>
Weighted average number of shares outstanding used in computation of diluted EPS	<u>260,558</u>	<u>244,436</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 will be 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 were as follows:

	December 31	
	2022	2021
Carrying amount	<u>\$ 1,994,084</u>	<u>\$ 1,972,752</u>
Fair value	<u>\$ 1,973,400</u>	<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, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 180,949	\$ 54,869	\$ -	\$ 235,818
Unlisted shares	-	-	486,896	486,896
Foreign listed shares	<u>20,128</u>	<u>-</u>	<u>-</u>	<u>20,128</u>
	<u>\$ 201,077</u>	<u>\$ 54,869</u>	<u>\$ 486,896</u>	<u>\$ 742,842</u>

December 31, 2021

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

(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)

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2022 and 2021.

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance at January 1	\$ 593,607	\$ 504,180
Purchases	5,000	60,000
Reduction of capital	(5,000)	(15,000)
Recognized in profit or loss	(1,200)	1,200
Recognized in other comprehensive (loss) income	<u>(105,511)</u>	<u>43,227</u>
Balance at December 31	<u>\$ 486,896</u>	<u>\$ 593,607</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	
	2022	2021
<hr/> Financial assets <hr/>		
FVTPL		
Mandatorily classified at FVTPL	\$ -	\$ 1,200
FVTOCI		
Equity instruments	742,842	944,329
Measured at amortized cost (Note 1)	10,132,398	12,083,429
<hr/> Financial liabilities <hr/>		
Measured at amortized cost (Note 2)	16,660,071	15,732,772
Note 1: Including cash, notes receivable, accounts receivable (including related parties), other receivables (including related parties), and refundable deposits, etc.		
Note 2: Including short-term borrowings, notes payable, accounts payable (including related parties), other payables (including related parties), long-term borrowings (including current portion), bonds payable, 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 by 1% against the USD, the pre-tax profit for the years ended December 31, 2022 and 2021 would have been lower by \$8,444 thousand and higher by \$306 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	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 3,748,034	\$ 4,826,943
Cash flow interest rate risk		
Financial assets	1,711,129	1,653,944
Financial liabilities	7,320,827	4,735,367

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, 2022 and 2021 would have been lower/higher by \$56,097 thousand and \$30,814 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 at the end of the reporting period. If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have been higher/lower by \$7,428 thousand and \$9,443 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.

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, 2022</u>					
Non-interest bearing liabilities	\$ 5,653,859	\$ 2,973	\$ -	\$ -	\$ 5,656,832
Lease liabilities	18,570	42,594	6,720	-	67,884
Variable interest rate liabilities	3,983,811	3,345,590	122,897	24,028	7,476,326
Fixed interest rate liabilities	1,400,867	2,334,828	-	-	3,735,695
Financial guarantee contracts	<u>1,942,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,942,745</u>
	<u>\$ 12,999,852</u>	<u>\$ 5,725,985</u>	<u>\$ 129,617</u>	<u>\$ 24,028</u>	<u>\$ 18,879,482</u>
<u>December 31, 2021</u>					
Non-interest bearing liabilities	\$ 6,187,032	\$ 3,109	\$ -	\$ -	\$ 6,190,141
Lease liabilities	11,331	8,656	-	-	19,987
Variable interest rate liabilities	3,998,590	608,062	124,501	43,138	4,774,291
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>

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

Except those discussed in Note 12, the transactions between the Company and related parties were disclosed as follows:

a. Name of related parties and relationships with the Company

<u>Related Party</u>	<u>Relationship with the Company</u>
Raycong H.K.	Subsidiary
Shanghai Yikang Co. Ltd. (Shanghai Yikang)	Subsidiary
Dongguan Huagang Co. Ltd. (Dongguan Huagang)	Subsidiary
Tranceed Logistics	Subsidiary
WL Indonesia	Subsidiary
WL Vietnam	Subsidiary
WT Industrial	Subsidiary
WL Singapore	Subsidiary
WL Korea	Subsidiary
Regent King International Limited (Regent King)	Subsidiary
Shanghai Yadi Co. Ltd. (Shanghai Yadi)	Subsidiary
Shanghai Lihuang Co. Ltd. (Shanghai Lihuang)	Subsidiary
Xiamen Hua Chen Da Logistics Co. Ltd. (Xiamen Hua Chen Da)	Subsidiary
KS Corp.	Subsidiary
KSA Energy Corporation (KSA Crop.)	Subsidiary
KSD Energy Corporation (KSD Crop.)	Subsidiary
Sakuragawa Solar Ltd.	Subsidiary
Miyazaki Solar Ltd.	Subsidiary
Cyuan Cheng Logistics Co., Ltd.	Subsidiary
WL Philippines Inc.	Subsidiary
Hightech	Subsidiary
ENE Corp.	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)
HGE Co.	Associate (became an unrelated party after loss of significant influence in October 2022)
ORC Electrical Machinery Corp. (ORC Crop.)	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
Wah Ma Chemical Sdn. Bhd.	Associate's subsidiary
PT. Wah Hong Indonesia	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
Minima Co., Ltd.	Other related party
Forcera Materials Co., Ltd.	Other related party
Tien Li Offshore Wind Technology 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
Chih-Yuan, Chen	Other related party
	(Concluded)

b. Operating transactions

1) Operating revenues

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Sale of goods		
Subsidiaries	\$ 2,633,628	\$ 3,978,489
Associates and their subsidiaries	298,855	341,200
Other related parties	<u>7,483</u>	<u>15,475</u>
	<u>\$ 2,939,966</u>	<u>\$ 4,335,164</u>
Other operating revenues		
Subsidiaries	<u>\$ 5,765</u>	<u>\$ 9,294</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>2022</u>	<u>2021</u>
Subsidiaries	\$ 60,775	\$ 71,679
Associates	253,806	241,054
Other related parties	<u>1,418,607</u>	<u>1,467,170</u>
	<u>\$ 1,733,188</u>	<u>\$ 1,779,903</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/Name	For the Year Ended December 31	
	2022	2021
Commission expense		
Subsidiaries		
Shanghai Yikang	\$ 159,913	\$ 139,854
Others	242	337
Associates	-	1,418
Other related parties	<u>75</u>	<u>155</u>
	<u>\$ 160,230</u>	<u>\$ 141,764</u>
Freight Fee		
Subsidiaries		
Tranceed Logistics	\$ 61,818	\$ 46,091
Others	<u>-</u>	<u>173</u>
	<u>\$ 61,818</u>	<u>\$ 46,264</u>
Service fee		
Other related parties	<u>\$ 10,695</u>	<u>\$ 10,100</u>

4) Receivables from related parties

	December 31	
	2022	2021
<u>Accounts receivable - related parties</u>		
Subsidiaries	\$ 367,602	\$ 860,516
Associates and their subsidiaries	65,177	93,624
Other related parties	<u>2,954</u>	<u>1,335</u>
	435,733	955,475
Less: Allowance for losses	<u>699</u>	<u>138</u>
	<u>\$ 435,034</u>	<u>\$ 955,337</u>
<u>Other receivables - related parties</u>		
Subsidiaries		
Raycong H.K.	\$ 29,060	\$ 24,569
Shanghai Yikang	29,063	52,394
Others	<u>21,448</u>	<u>24,124</u>
	<u>79,571</u>	<u>101,087</u>
Associates and their subsidiaries		
CWE Inc.	144,499	75,203
Others	<u>4,405</u>	<u>10,368</u>
	<u>148,904</u>	<u>85,571</u>
Other related parties	<u>625</u>	<u>693</u>
	<u>\$ 229,100</u>	<u>\$ 187,351</u>

The outstanding receivables from related parties are unsecured.

5) Payables to related parties

	December 31	
	2022	2021
Accounts payable - related parties		
Subsidiaries	\$ 5,273	\$ 2,476
Associates	49,372	63,446
Other related parties	<u>311,707</u>	<u>422,815</u>
	<u>\$ 366,352</u>	<u>\$ 488,737</u>
Other payables		
Subsidiaries		
Shanghai Yikang	\$ 63,598	\$ 46,212
Others	<u>41,738</u>	<u>29,127</u>
	105,336	75,339
Associates	-	1,198
Other related parties	<u>-</u>	<u>445</u>
	<u>\$ 105,336</u>	<u>\$ 76,982</u>

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

6) Contract liabilities

	December 31	
Related Party Category/Name	2022	2021
Subsidiaries	<u>\$ 54,980</u>	<u>\$ 24,446</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. Other income

	For the Year Ended December 31	
Related Party Category/Name	2022	2021
Subsidiaries		
Raycong H.K.	\$ 59,155	\$ 37,378
Shanghai Yikang	28,972	28,030
Tranceed Logistics	29,248	18,896
Others	<u>42,755</u>	<u>33,418</u>
	<u>160,130</u>	<u>117,722</u>
Associates and their subsidiaries	16,779	16,711

(Continued)

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Other related parties	\$ 10,237	\$ 3,627
Key management personnel	<u>24</u>	<u>24</u>
	<u>\$ 187,170</u>	<u>\$ 138,084</u> (Concluded)

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

e. Lease arrangements

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Lease expense		
Subsidiaries		
Tranceed Logistics	\$ 45,769	\$ 35,570
Associates	39	-
Other related parties	<u>222</u>	<u>175</u>
	<u>\$ 46,030</u>	<u>\$ 35,745</u>

f. 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%.

g. Endorsements and guarantees

Related Party Category	December 31	
	2022	2021
Subsidiaries		
Amount endorsed	<u>\$ 2,386,362</u>	<u>\$ 2,192,121</u>
Amount utilized	<u>\$ 1,076,948</u>	<u>\$ 1,265,385</u>
Associates		
Amount endorsed	<u>\$ 1,763,507</u>	<u>\$ 1,422,096</u>
Amount utilized	<u>\$ 865,797</u>	<u>\$ 1,044,320</u>
Other related parties		
Amount endorsed	<u>\$ 25,194</u>	<u>\$ 25,194</u>
Amount utilized	<u>\$ -</u>	<u>\$ -</u>

h. 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	
	2022	2021
Short-term employee benefits	\$ 115,753	\$ 139,764
Post-employment benefits	<u>507</u>	<u>607</u>
	<u>\$ 116,260</u>	<u>\$ 140,371</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 borrowings and performance guarantee:

	December 31	
	2022	2021
Property, plant and equipment		
Freehold land	\$ 1,434,349	\$ 188,610
Buildings	<u>133,440</u>	<u>138,181</u>
	<u>\$ 1,567,789</u>	<u>\$ 326,791</u>
Investment property		
Land	\$ 268,412	\$ 268,412
Buildings	<u>160,929</u>	<u>164,558</u>
	<u>\$ 429,341</u>	<u>\$ 432,970</u>
Investments accounted for using the equity method	<u>\$ 672,498</u>	<u>\$ 669,945</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Company as of December 31, 2022 were as follows:

- The Company's unused letters of credit for purchase of merchandise were \$49,135 thousand.
- The unrecognized commitments for acquisition of property, plant and equipment were \$186,492 thousand.
- Company A filed a lawsuit with the court against the Company for the contract dispute and demanded compensation of RMB 7,146 thousand and interest payment. In December 2022, a judgment entered in the first instance was announced that Company A won the case; the Company appealed and recognized the related loss provision of \$36,793 thousand in 2022. As of the date the parent company only financial statements were approved, the case is still under trial, and the outcome of the final trial is highly uncertain.

- d. For details of the litigation of KS Corp., a subsidiary of the Company, refer to Note 31 to the consolidated financial statements for the year ended December 31, 2022.

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
<hr/> December 31, 2022 <hr/>				
Monetary financial assets USD	\$ 225,176	30.71	(USD:NTD)	\$ 6,915,153
Nonmonetary financial assets Investments accounted for using the equity method HKD	1,138,615	3.938	(HKD:NTD)	4,483,865
Monetary financial liabilities USD	252,673	30.71	(USD:NTD)	7,759,576
<hr/> December 31, 2021 <hr/>				
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

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange profit and loss were net gain \$162,966 thousand and net loss \$6,703 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: Table 4
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 5
 - 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 6
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 7
 - 9) Trading in derivative instruments: None
- b. Information on investees: Table 8
- 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 9
 - 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 10
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 10
 - 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, 2022 were as follows:

Counterparty	Line Item	Amount
Shanghai Yikang	Other income	\$ 28,972
Shanghai Yikang	Commission expense	159,913
		(Continued)

Counterparty	Line Item	Amount
Shanghai Yikang	Other receivables	\$ 29,063
Shanghai Yikang	Other payables	63,598
		(Concluded)

- 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 11.

TABLE 1

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS FOR THE YEAR ENDED DECEMBER 31, 2022 (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 (Note 1)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-Term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 2 and 3)	Aggregate Financing Limit (Notes 2 and 3)	Note
													Item	Value			
0	The Company	KS Corp.	Other receivables - related parties	Yes	\$ 150,000	\$ 150,000	\$ -	-	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 255,663	\$ 1,675,578	
1	Shanghai Yikang	Fenghuang Xingwah Shouzheng	Other receivables - related parties	Yes	28,919	28,919	15,572	5.61	Short-term financing	-	Operating capital	-	-	-	1,125,006	1,125,006	
1	Shanghai Yikang	Shanghai Yadi	Other receivables - related parties	Yes	111,520	111,225	60,062	5.10	Short-term financing	-	Operating capital	-	-	-	1,125,006	1,125,006	
2	Shenzhen Huaying	Xiamen Hua Chen Da	Other receivables - related parties	Yes	9,030	8,898	-	-	Short-term financing	-	Operating capital	-	-	-	67,626	67,626	
3	Dongguan Hua Gang	Guangjou Shing Shian	Other receivables - related parties	Yes	22,575	22,245	22,245	4.00	Short-term financing	-	Operating capital	-	-	-	781,720	781,720	
3	Dongguan Hua Gang	Anhua Huixinkang	Other receivables - related parties	Yes	22,291	22,245	-	-	Short-term financing	-	Operating capital	-	-	-	781,720	781,720	
4	KS Crop.	KSD Corp.	Other receivables - related parties	Yes	48,000	48,000	26,000	2.20	Short-term financing	-	Operating capital	-	-	-	191,747	191,747	

Note 1: RMB is converted by the spot exchange RMB1=NT\$4.4489.

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.

TABLE 2

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2022 (In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement /Guarantee Given on Benefit of Each Party (Notes 1-5)	Maximum Amount Endorsed /Guaranteed During the Year	Outstanding Endorsement /Guarantee at The End of the Year (Note 6)	Actual Borrowing Amount (Note 6)	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 1-5)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Relationship											
0	The Company	WL Singapore	Subsidiary of the Company	\$ 5,026,735	\$ 812,950	\$ 414,585	\$ 168,905	\$ -	2.47	\$ 16,755,784	Y	N	N	
0	The Company	Regent King	Subsidiary of the Company	5,026,735	61,780	61,420	-	-	0.37	16,755,784	Y	N	N	
0	The Company	WL Vietnam	Subsidiary of the Company	5,026,735	505,775	417,656	177,000	-	2.49	16,755,784	Y	N	N	
0	The Company	WL Philippines Inc.	Subsidiary of the Company	3,351,157	123,560	122,840	7,114	-	0.73	16,755,784	Y	N	N	
0	The Company	WL Philippines Corp.	Subsidiary of the Company	3,351,157	61,780	61,420	-	-	0.37	16,755,784	Y	N	N	
0	The Company	Sakuragawa Solar Ltd.	Subsidiary of the Company	3,351,157	70,683	67,544	52,901	-	0.40	16,755,784	Y	N	N	
0	The Company	Miyazaki Solar Ltd.	Subsidiary of the Company	3,351,157	210,261	200,924	183,245	-	1.20	16,755,784	Y	N	N	
0	The Company	KS Corp.	Subsidiary of the Company	3,351,157	277,081	277,081	277,081	277,081	1.65	16,755,784	Y	N	N	
0	The Company	Raycong H.K., Shanghai Yikang and Dongguan Hua Gang	Subsidiary of the Company	3,351,157	120,000	120,000	113,214	-	0.72	16,755,784	Y	N	Y	
0	The Company	WL Indonesia	Subsidiary of the Company	3,351,157	191,518	190,402	10,550	-	1.14	16,755,784	Y	N	N	
0	The Company	Shanghai Yikang	Subsidiary of the Company	3,351,157	147,375	-	-	-	-	16,755,784	Y	N	Y	
0	The Company	WT Industrial	Subsidiary of the Company	3,351,157	839,613	452,490	86,938	-	2.70	16,755,784	Y	N	N	
0	The Company	Nagase Wahlee Plastics Corp.	Shareholder of an investee provides endorsements/guarantees to the company in proportion to the shareholding percentage	3,351,157	1,390,000	790,000	304,506	-	4.71	16,755,784	N	N	N	
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	3,351,157	1,720,735	973,507	561,291	-	5.81	16,755,784	N	N	Y	
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	3,351,157	50,388	25,194	-	-	0.15	16,755,784	N	N	N	
1	Shanghai Yikang	Shanghai Yadi	Subsidiary of the Company	750,004	126,420	124,572	35,537	-	3.32	1,875,009	Y	N	Y	
2	KS Corp.	KSA Corp.	Subsidiary of the Company	2,113,128	500,000	500,000	155,698	61,300	78.23	3,521,880	Y	N	N	
2	KS Corp.	KSA Corp.	Subsidiary of the Company	176,094	1,382	1,382	918	-	0.22	352,188	Y	N	N	
2	KS Corp.	KSB Corp.	Subsidiary of the Company	2,113,128	200,000	200,000	15,968	11,130	31.29	3,521,880	Y	N	N	
2	KS Corp.	KSC Corp.	Subsidiary of the Company	2,113,128	1,500,000	1,500,000	-	54,000	234.68	3,521,880	Y	N	N	
2	KS Corp.	KSD Corp.	Subsidiary of the Company	2,113,128	500,000	500,000	438,251	127,000	78.23	3,521,880	Y	N	N	
3	Dongguan Hua Gang	Guangjou Shing Shian	Subsidiary of the Company	781,720	189,269	185,559	72,750	-	7.12	1,302,866	Y	N	Y	
4	Raycong H.K.	Xiamen Hua Chen Da	Subsidiary of the Company	1,670,186	32,215	30,710	10,604	-	0.37	4,175,465	Y	N	Y	

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.

(Continued)

- 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: USD is converted by spot exchange USD1=NT\$30.71; JPY is converted by spot exchange JPY1=NT\$0.2324; RMB is converted by spot exchange RMB=NT\$4.4489; THB is converted by spot exchange THB1=NT\$0.8941; HKD is converted by spot exchange HKD1=NT\$3.938.

(Concluded)

TABLE 3**WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES**

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(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, 2022				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	5,000,000	<u>\$ 148,500</u>	-	<u>\$ 148,500</u>	
	Daily Polymer Corp.	The Company is the director of the company	Financial assets at FVTOCI - non-current	2,467,564	\$ 32,449	2.96	\$ 32,449	
	Wah Yuen Technology Holding Limited	-	Financial assets at FVTOCI - non-current	1,968,180	68,684	0.75	68,684	
	JingYi Technology Co.	The Company is the director of the company	Financial assets at FVTOCI - non-current	2,066,432	73,769	16.94	73,769	
	High Power Optoelectronics Inc.	-	Financial assets at FVTOCI - non-current	67,991	-	0.12	-	
	Asahi Kasei Wah Lee Hi-tech Corp.	The Company is the director of the company	Financial assets at FVTOCI - non-current	9,497	75,773	19.38	75,773	
	Forcera Materials Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - non-current	2,102,476	36,678	8.83	36,678	
	Univision Technology Holdings	-	Financial assets at FVTOCI - non-current	38,794,190	-	9.10	-	
	Minima Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - non-current	3,600,000	58,442	9.17	58,442	
	TaiGene Biotechnology Co., Ltd.	The Company is the supervisor of the company	Financial assets at FVTOCI - non-current	2,300,000	10,981	6.57	10,981	
	Shilian Fine Chemicals Co., Ltd.	-	Financial assets at FVTOCI - non-current	11,871,585	44,843	4.57	44,843	
	CDIB Capital Group.	-	Financial assets at FVTOCI - non-current	3,000,000	55,529	2.86	55,529	
	Darco Water Technologies Ltd.	-	Financial assets at FVTOCI - non-current	7,649,782	20,128	8.15	20,128	
	Eleocom Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,500,000	-	10.71	-	
	Tien Li Offshore Wind Technology Co., Ltd.	The Company is the director of the company	Financial assets at FVTOCI - non-current	946,344	54,869	1.35	54,869	
	Locus Cell Co., Ltd.	-	Financial assets at FVTOCI - non-current	5,000,000	47,852	2.50	47,852	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with The Holding Company	Financial Statement Account	December 31, 2022				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 - non-current	1,000,000	\$ 9,955	2.34	\$ 9,955	
	Hong Yi Industrial Corp.	-	Financial assets at FVTOCI - non-current	500,000	4,390	16.67	4,390	
					<u>\$ 594,342</u>		<u>\$ 594,342</u>	
	Guangzhou Yonguang Optoelectronics Co., Ltd.	-	Financial assets at FVTOCI - non-current	-	<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	\$ 47,144	-	\$ 47,144	
	JPMorgan Funds-Income Fund A (dist) - USD	-	Financial assets at FVTPL - current	29,965	26,420	-	26,420	
					-		-	
					<u>\$ 73,564</u>		<u>\$ 73,564</u>	
KS Corp.	HGE Co.	-	Financial assets at FVTPL - non-current	4,482,000	<u>\$ 43,479</u>	5.71	<u>\$ 43,479</u>	

(Concluded)

TABLE 4

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Company	WL Singapore	Investments accounted for using the equity method	WL Holding Ltd	Subsidiary	-	\$ -	1,600,000	\$ 435,145	-	\$ -	\$ -	\$ -	1,600,000	\$ 440,609
WL Holding Ltd.	WL Singapore	Investments accounted for using the equity method	The Company	Parent Company	1,600,000	366,416	-	-	1,600,000	435,145	456,976	-	-	-

Note: The difference between the sale price of WL Holding Ltd. of \$435,145 thousand and the carrying amount of \$21,831 thousand which was accounted for as a restructuring transaction under common control, was recognized as exchange differences on translation of \$16,471 thousand and the capital surplus of \$5,360 thousand.

TABLE 5

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	13 parcels of lands in Jiali District	January 25, 2022	\$ 1,200,000	Fully paid	Natural person	Unrelated party	Not applicable	Not applicable	Not applicable		Based on an expert appraiser’s appraisal report reviewed by a Certified Public Accountant	Land for construction of southern logistics center for operational needs	None

TABLE 6

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, 2022
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Raycong H.K.	Subsidiary	Sales	\$ 558,902	1	30 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	\$ 64,651	1	
	Shanghai Yikang	Subsidiary	Sales	850,489	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	101,656	1	
	KS Corp.	Subsidiary	Sales	126,633	-	14 to 60 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	34,249	-	
	Dongguan Hua Gang	Subsidiary	Sales	554,600	1	30 to 120 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	49,755	1	
	WT Industrial	Subsidiary	Sales	122,251	-	30 to 60 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	10,274	-	
	WL Singapore	Subsidiary	Sales	132,427	-	30 to 60 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	6,515	-	
	WL Vietnam	Subsidiary	Sales	129,999	-	30 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	11,661	-	
	CWE Inc.	Associate accounted for using the equity method	Sales	258,489	1	90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	57,095	1	
	Nagase Wahlee Plastics Corp.	Associate accounted for using the equity method	Purchase	(228,584)	(1)	60 to 90 days after monthly closing	No comparable transactions with third party	The terms with related parties are not significantly different from those with third parties	(42,100)	-	

(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	
Raycong H.K.	Asahi Kasei Wah Lee Hi-Tech Corp.	The Company is the director of the Company	Purchase	\$ (1,269,475)	(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	\$ (286,204)	(1)	
	Forcera Materials Co., Ltd.	The Company is the director of the Company	Purchase	(102,068)	-	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	(14,175)	-	
	Dongguan Hua Gang	Subsidiary	Sales	603,597	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	65,773	6	
	Shanghai Yikang	Associated	Purchase	(148,174)	(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	(18,520)	(1)	
	Dongguan Hua Gang	Brother Company	Sales	137,931	1	30 to 90 days after monthly closing	Normal trade terms	The terms with related parties are not significantly different from those with third parties	15,609	-	

(Concluded)

TABLE 7

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, 2022
(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 CWE Inc.	Subsidiary	\$ 130,719	4.98	\$ -	-	\$ 73,262	\$ -
		Associate accounted for using the equity method	201,594	1.49	-	-	81,651	-
KS Corp.	KSA Crop.	Subsidiary	176,007	-	-	-	-	-

Note : Including accounts receivable and other receivables. Other receivables are mainly service revenue, proceeds from disposal of property, plant and equipment and dividends from related parties.

TABLE 8

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022	December 31, 2021						
The Company	Wah Lee Holding Ltd.	BVI	International investment business	\$ 430,666	\$ 430,666	13,070,000	100.00	\$ 5,446,260	\$ 481,793	\$ 528,232	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	4,537,436	723,613	442,375	Subsidiary
The Company	CWE Inc.	Taiwan	Agency of IC packaging material and equipment	449,349	449,349	197,902,180	29.17	3,445,921	2,163,818	624,396	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	735,824	203,762	83,373	Associate
The Company	Wah Hong Corp.	Taiwan	Manufacturing of LCD material, BMC (bulk molding compound) material and molded product	943,223	943,032	26,129,978	26.52	1,089,305	276,315	73,279	Associate
The Company	ORC Technology Corp.	Taiwan	Trading business and service of exposure machine and parts	6,000	6,000	600,000	35.00	72,577	(11,802)	(4,013)	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	4,093	(56)	(47)	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	3,538	1,191	1,191	Subsidiary
The Company	Sakuragawa Solar Ltd.	Japan	Solar power generation business	46,008	46,008	-	99.99	88,360	8,050	8,050	Subsidiary
The Company	Miyazaki Solar Ltd.	Japan	Solar power generation business	82,103	82,103	-	99.99	39,546	4,179	4,179	Subsidiary
The Company	WL Indonesia	Indonesia	Trading business of industrial materials	48,261	48,261	1,610,000	70.00	33,094	(4,235)	(2,965)	Subsidiary
The Company	WL Vietnam	Vietnam	Trading business of industrial materials	16,293	16,293	-	100.00	41,394	(22,267)	(22,267)	Subsidiary
The Company	Tranceed Logistics	Taiwan	Freight forwarders and leasing business	95,000	95,000	9,500,000	63.33	162,719	37,374	23,670	Subsidiary
The Company	WT Industrial	Thailand	Trading business of industrial materials	200,000	200,000	7,650	51.00	245,107	78,397	32,278	Subsidiary
The Company	KS Corp.	Taiwan	Solar power generation business	661,053	661,053	27,708,077	78.67	672,498	10,288	2,553	Subsidiary
The Company	WL Philippines Corp.	Philippines	Trading business of industrial materials	7,755	7,755	127,495	99.99	6,108	(259)	(259)	Subsidiary
The Company	WL Philippines Inc.	Philippines	Trading business of industrial materials	7,747	7,747	126,997	99.99	5,195	1,409	1,409	Subsidiary
The Company	WH Energy	Taiwan	Solar power generation business	90,000	90,000	9,000,000	100.00	92,480	2,154	2,154	Subsidiary
The Company	ORC Corp.	Taiwan	Trading business of industrial materials	4,000	4,000	400,000	40.00	38,846	60,625	22,908	Joint Venture
The Company	ENE Corp.	Taiwan	Solar power generation business	50,000	500	5,000,000	100.00	47,762	(2,238)	(2,238)	Subsidiary
The Company	Hightech	Malaysia	Trading business of industrial materials	205,335	-	7,650,000	51.00	202,984	(6,211)	(5,118)	Subsidiary
The Company	WL Singapore	Singapore	Agency of semiconductor materials and equipment	435,145	-	1,600,000	100.00	440,609	33,785	(13,753)	Subsidiary
Tranceed Logistics	Cyuancheng Logistics	Taiwan	Freight forwarders and leasing business	42,947	42,947	5,500,000	100.00	40,555	42	(154)	Subsidiary
KS Corp.	KSA Corp.	Taiwan	Solar power generation business	55,000	55,000	6,130,000	100.00	68,895	3,869	3,869	Subsidiary
KS Corp.	KSB Corp.	Taiwan	Solar power generation business	51,130	11,130	5,113,000	100.00	51,854	367	367	Subsidiary
KS Corp.	KSC Corp.	Taiwan	Solar power generation business	54,000	1,000	5,400,000	100.00	50,264	(3,307)	(3,307)	Subsidiary
KS Corp.	KSD Corp.	Taiwan	Solar power generation business	127,000	67,000	12,700,000	100.00	134,683	8,903	8,903	Subsidiary
KS Corp.	HGE Co.	Taiwan	Solar power generation business	-	44,820	-	-	-	(4,502)	(2,926)	Note 4

(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, 2022	December 31, 2021						
Wah Lee Holding Ltd.	SHC Holding Ltd.	Mauritius	International investment business	\$ 43,892	\$ 43,892	1,290,000	100.00	\$ 754,343	\$ 102,142	\$ 102,142	Subsidiary
Wah Lee Holding Ltd.	WL Singapore	Singapore	Agency of semiconductor materials and equipment	-	51,639	-	-	-	33,785	47,538	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	3,867,065	723,613	335,084	Subsidiary
Wah Lee Holding Ltd.	Regent King	Hong Kong	Trading business of engineering plastic, composite materials and equipment	39	39	10,000	100.00	3,523	347	347	Subsidiary
WT Industrial	WT Indonesia	Indonesia	Trading business of industrial materials	3,953	3,953	18,150	66.00	4,102	383	253	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, 2022 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 9 for information on investments in mainland China.

Note 4: The ownership percentage decreased due to non-proportionate subscriptions for additional new shares in 2022, and KS Corp. lost its significant influence in October 2022. Therefore the investment was reclassified to financial assets at FVTPL-non-current. Refer to Note 12 and Table 3.

TABLE 9

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2022 (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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Dongguan Hua Gang	Trading business of industrial materials	\$ 1,159,932	Invested through the third region, Raycong H.K.	\$ -	\$ -	\$ -	\$ -	\$ 247,457	100.00	\$ 247,457	\$ 2,600,298	\$ -	
Shanghai Yikang	Trading business of industrial materials	1,010,547	Invested through the third region, Raycong H.K.	340,629	-	-	340,629	690,669	70.00	483,468	2,644,120	-	
Shenzhen Huaying	Supply chain management and consultancy service	24,566	Invested through the third region, Raycong H.K.	-	-	-	-	7,827	100.00	7,827	225,420	-	
Shanghai Wah Chang Trading Co., Ltd.	International trading and trading consulting; trading agent and commercial simple processing within enterprises in the bonded area	73,704	Invested through the third region, SHC Holding Ltd.	43,714	-	-	43,714	271,193	30.00	81,358	728,184	-	
Shanghai Yadi	Import and export of goods and technology	13,347	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	(3,492)	49.00	(1,711)	18,607	-	
Shanghai Lihuang	Medical devices and equipment	14,815	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	(5,366)	48.98	(4,601)	1,762	-	
Fenghuang Xinwah Shouzheng	Medical devices manufacturing technology developing and consulting	22,245	Invested through Chinese corporation, Shanghai Yikang	-	-	-	-	(4,628)	52.50	(2,430)	8,329	-	
Guangjou Shing Shian	Hospital management, medical equipment repair, wholesale of medical supplies	22,245	Invested through Chinese corporation, Dongguan Hua Gang	-	-	-	-	2,699	100.00	2,699	54,868	-	
Anhua Huixinkang	Medical service	4,449	Invested through Chinese corporation, Dongguan Hua Gang	-	-	-	-	(611)	100.00	(611)	3,830	-	
Kaiping Huaxinkang	Medical service	1	Invested through Chinese corporation, Guangjou Shing Shian	-	-	-	-	-	90.00	-	-	-	
Xiamen Hua Chen Da	Warehouse logistics	13,347	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	(145)	70.00	(102)	6,280	-	
Xiamen Jian Yuan Rong Logistics Ltd.	Warehouse logistics	35,592	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	5,497	30.00	1,649	11,194	-	
Xiamen Jia Cheng Yuan Trading and Development Co. Ltd.	Warehouse logistics	8,898	Invested through Chinese corporation, Shenzhen Huaying	-	-	-	-	400	30.00	120	3,152	-	

(Continued)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022 (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 10

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, 2022
(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	\$ 850,489	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	\$ 101,656	1	\$ 582	
	Shanghai Yikang	Purchase	(51,906)	-	Normal trade terms	120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	(5,187)	-	-	
	Dongguan Hua Gang	Sales	554,600	1	Normal trade terms	30 to 120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	49,755	1	267	
	Dongguan Hua Gang	Purchase	(5,043)	-	Normal trade terms	120 days after monthly closing	The terms with related parties are not significantly different from those to third parties	(10)	-	-	
	Shanghai Hua Chang Trading Co., Ltd.	Sales	2,972	-	Normal trade terms	120 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	603,597	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	65,773	6	-	

(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	%		
	Dongguan Hua Gang	Purchase	\$ (44,841)	-	Normal trade terms	30 to 180 days after monthly closing	The terms with related parties are not significantly different from those to third parties	\$ (11,015)	(1)	\$ -	
	Shanghai Yikang	Purchase	(5,042)	-	Normal trade terms	30 to 180 days after monthly closing	The terms with related parties are not significantly different from those to third parties	-	-	-	

(Concluded)

TABLE 11

WAH LEE INDUSTRIAL CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2022[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.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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STATEMENT 1**WAH LEE INDUSTRIAL CORPORATION****STATEMENT OF CASH****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Amount
Cash on hand	
	\$ 254
Cash in banks	
Checking accounts	1,898
Demand deposits	874,599
Foreign currency deposits	
Demand deposits	
USD25,491 thousand	782,835
JPY166,438 thousand	38,680
RMB954 thousand	4,246
EUR329 thousand	10,768
HKD0.4 thousand	<u>1</u>
	<u>\$ 1,713,281</u>

Note: Exchange rate:

USD1=NTD30.71

JPY1=NTD0.2324

RMB1=NTD4.4489

EUR1=NTD32.72

HKD1=NTD3.938

STATEMENT 2

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
We Ye Enterprise Ltd.	\$ 6,178
Others (Note)	<u>99,828</u>
	<u>\$ 106,006</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, 2022****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Related parties (Note)	\$ 435,733
Less: Allowance for impairment loss	<u>699</u>
	<u>435,034</u>
Unrelated parties	
Taiwan Semiconductor Manufacturing Co., Ltd.	638,380
Others (Note)	<u>6,964,657</u>
	7,603,037
Less: Allowance for impairment loss	<u>30,796</u>
	<u>7,572,241</u>
	<u>\$ 8,007,275</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, 2022****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Related parties	
Consulting service income	\$ 74,526
Dividends receivable	147,969
Others (Note)	<u>6,605</u>
	<u>229,100</u>
Non-related parties	
Tax refund receivable	12,798
Others (Note)	<u>10,350</u>
	<u>23,148</u>
	<u>\$ 252,248</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, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Carrying Amount	Net Realizable Value
Merchandise	<u>\$ 3,455,972</u>	<u>\$ 3,899,752</u>

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollar)

Investees	Balance, January 1, 2022		Additions in Investment (Note)		Decrease in Investment (Note)		Balance, December 31, 2022		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Stock									
Daily Polymer Corp.	2,154,410	\$ 32,532	313,154	\$ -	-	\$ 83	2,467,564	\$ 32,449	None
Wah Yuen Technology Holding Limited	1,968,180	76,569	-	-	-	7,885	1,968,180	68,684	None
Jing Yi Technology Co.,	2,066,432	106,833	-	-	-	33,064	2,066,432	73,769	None
High Power Optoelectronics Inc.	67,991	-	-	-	-	-	67,991	-	None
Asahi Kasei Wah Lee Hi-tech Corp.	9,497	90,752	-	-	-	14,979	9,497	75,773	None
Forcera Materials Co., Ltd.	2,102,476	56,557	-	-	-	19,879	2,102,476	36,678	None
Univision Technology Holdings	38,794,190	-	-	-	-	-	38,794,190	-	None
Minima Technology Co., Ltd.	3,600,000	66,223	-	-	-	7,781	3,600,000	58,442	None
Taigene Biotechnology Co., Ltd.	2,300,000	11,883	-	-	-	902	2,300,000	10,981	None
Shilian Fine Chemicals Co., Ltd.	11,871,585	79,046	-	-	-	34,203	11,871,585	44,843	None
CDIB Capital Group.	3,500,000	44,544	-	15,985	500,000	5,000	3,000,000	55,529	None
Darco Water Technologies Ltd.	7,649,782	23,477	-	-	-	3,349	7,649,782	20,128	None
Eleocom Co., Ltd.	1,500,000	-	-	-	-	-	1,500,000	-	None
Tien Li Offshore Wind Technology Co., Ltd.	956,344	86,913	-	-	10,000	32,044	946,344	54,869	None
Locus Cell Co., Ltd.	5,000,000	50,000	-	-	-	2,148	5,000,000	47,852	None
Phoenix II Venture Capital Innovation Co., Ltd.	1,000,000	10,000	-	-	-	45	1,000,000	9,955	None
Hong Yi Industrial Corp.	-	-	500,000	5,000	-	610	500,000	4,390	None
		<u>\$ 735,329</u>		<u>\$ 20,985</u>		<u>\$ 161,972</u>		<u>\$ 594,342</u>	

Note: Including increase in investment, proceeds from the capital reduction, sale of shares of Tien Li Offshore Wind Technology Co., Ltd. and adjusted for fair value, etc..

WAH LEE INDUSTRIAL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollar, Except Unit Price)

Name	Balance, January 1, 2022		Additions in Investment (Note 1)		Decrease in Investment (Note 1)		Balance, December 31, 2022			Market Value or Net Assets Value (Note 2)		
							% of					
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership	Amount	Unit Price (NT\$)	Total Amount	Collateral
Wah Lee Holding Ltd.	13,070,000	\$ 4,769,943	-	\$ 1,133,293	-	\$ 456,976	13,070,000	100.00	\$ 5,446,260	413.25	\$ 5,401,215	None
Raycong H.K.	56,000,000	3,966,512	-	570,924	-	-	56,000,000	53.69	4,537,436	80.07	4,483,865	None
CWE Inc.	197,902,180	3,194,774	-	251,147	-	-	197,902,180	29.17	3,445,921	30.30	5,996,436	None
Nagase Wahlee Plastics Corp.	4,000,000	811,217	-	-	-	75,393	4,000,000	40.00	735,824	183.96	735,824	None
Wah Hong Corp.	26,122,978	1,096,529	7,000	191	-	7,415	26,129,978	26.52	1,089,305	28.80	752,543	None
ORC Technology Corp.	600,000	76,590	-	-	-	4,013	600,000	35.00	72,577	127.63	76,577	None
WL Japan	1,500	4,285	-	-	-	192	1,500	83.33	4,093	2,729.33	4,093	None
WL Korea	147,000	2,214	-	1,324	-	-	147,000	100.00	3,538	24.07	3,538	None
Sakuragawa Solar Ltd.	-	82,913	-	5,447	-	-	-	99.99	88,360	-	88,360	None
Miyazaki Solar Ltd.	-	36,475	-	3,071	-	-	-	99.99	39,546	-	39,546	None
WL Indonesia	1,610,000	36,017	-	-	-	2,923	1,610,000	70.00	33,094	20.56	33,094	None
WL Vietnam	-	59,395	-	-	-	18,001	-	100.00	41,394	-	41,394	None
Tranceed Logistics	9,500,000	139,048	-	23,671	-	-	9,500,000	63.33	162,719	17.13	162,719	None
WT Industrial	7,650	198,042	-	47,065	-	-	7,650	51.00	245,107	31,536.47	241,254	None
KS Corp.	27,708,077	669,945	-	2,553	-	-	27,708,077	78.67	672,498	18.15	502,852	Note 3
WL Philippines Corp.	127,495	6,263	-	-	-	155	127,495	99.99	6,108	47.91	6,108	None
WL Philippines Inc.	126,977	3,719	-	1,476	-	-	126,977	99.99	5,195	40.91	5,195	None
WH Energy	9,000,000	93,206	-	-	-	726	9,000,000	100.00	92,480	10.28	92,480	None
ORC Corp.	400,000	15,938	-	22,908	-	-	400,000	40.00	38,846	97.12	38,846	None
ENE Corp.	50,000	500	4,950,000	49,500	-	2,238	5,000,000	100.00	47,762	9.55	47,762	None
Hightech	-	-	7,650,000	205,335	-	2,351	7,650,000	51.00	202,984	14.60	111,722	None
WL Singapore	-	-	1,600,000	456,976	-	16,367	1,600,000	100.00	440,609	268.15	429,047	None
		<u>\$ 15,263,525</u>		<u>\$ 2,774,881</u>		<u>\$ 586,750</u>			<u>\$ 17,451,656</u>		<u>\$ 19,294,471</u>	

Note 1: Changes in this year include acquisition or disposal investments, cash dividends received, 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, 2022

(In Thousands of New Taiwan Dollars)

Type/Bank Name	Contract Period	Interest Rate (%)	Balance, December 31, 2022	Loan Commitments	Collateral
Unsecured Borrowings					
The Shanghai Commercial & Savings Bank, Ltd.	2022.10-2023.03	5.43	\$ 511,565	\$ 921,300	None
CTBC Bank	2022.09-2023.06	5.13-5.31	521,254	800,000	None
Sumitomo Mitsui Banking Corporation	2022.11-2023.05	5.27-5.31	36,668	614,200	None
MUFG	2022.12-2023.01	5.34	30,260	500,000	None
Mizuho Bank	2022.09-2023.06	5.41	1,138,899	1,535,500	None
Fubon Bank	2022.10-2023.03	5.26-5.32	165,769	300,000	None
Taishin Bank	2022.10-2023.01	5.02-5.19	50,383	100,000	None
E. SUN Commercial Bank	2022.10-2023.03	0.6-5.39	199,380	500,000	None
Mega Bank	2022.10-2023.03	5.55	406,201	800,000	None
HSBC Hong Kong Bank	2022.09-2023.04	1.55-5.32	487,514	859,880	None
Cathay United Bank	2022.10-2023.01	4.98-5.12	139,807	500,000	None
First Commercial Bank	2022.09-2023.03	5.01-5.78	289,506	600,000	None
United Overseas Bank	2022.12-2023.01	5.29-5.31	118,791	307,100	None
Land Bank of Taiwan	2022.10-2023.03	0.59-6.01	550,206	1,000,000	None
Taiwan Business Bank	2022.11-2023.03	5.72-5.93	281,581	522,070	None
Bank of Taiwan	2022.02-2023.04	5.16-5.93	260,603	500,000	None
Export-Import Bank of the Republic of China	2022.03-2023.07	1.44	<u>100,000</u>	200,000	None
			<u>\$ 5,288,387</u>		

STATEMENT 9**WAH LEE INDUSTRIAL CORPORATION****STATEMENT OF CONTRACT LIABILITIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Related parties	
KS Corp.	\$ 41,905
KSA Corp.	<u>13,075</u>
	<u>54,980</u>
Unrelated parties	
Eco Energy Corporation	27,872
Taiwan Semiconductor Manufacturing Co., Ltd.	27,477
Mirle Automation Corporation	25,789
United Microelectronics Corporation	22,067
Teinco Technology Co., Ltd.	20,707
Fewm Co., Ltd.	19,312
Wouarf Sarl Company	17,725
Clevertouch B.V.	17,456
Others (Note)	<u>61,619</u>
	<u>240,024</u>
	<u>\$ 295,004</u>

Note: The amount of individual vendor included in others did not exceed 5% of the account balance.

WAH LEE INDUSTRIAL CORPORATION**STATEMENT OF NOTES PAYABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Unrelated parties	
Shinkong Synthetic Fibers Corp.	\$ 13,991
Gheng Yang Transportation Co., Ltd.	4,164
Sheng Yang Auto Freight Co., Ltd.	2,503
Nan Ya Plastics Corporation	1,961
Others (Note)	<u>460</u>
	<u>\$ 23,079</u>

Note: The amount of individual vendor included in others did not exceed 5% of the account balance.

WAH LEE INDUSTRIAL CORPORATION**STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Related parties	
Asahi Kasei Wah Lee Hi-tech Corp.	\$ 286,204
Others (Note)	<u>80,148</u>
	<u>366,352</u>
Unrelated parties	
JSR Corp.	1,053,530
Mitsubishi Chemical Taiwan Co., Ltd.	738,557
Chi Mei Corporation	519,821
Others (Note)	<u>2,023,368</u>
	<u>4,335,276</u>
	<u>\$ 4,701,628</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, 2022
 (In Thousands of New Taiwan Dollars)

Bank Name	Contract Period and Repayment Terms	Interest Rate (%)	Balance, December 31, 2022			Collateral
			Current	Non-current	Total	
Syndicated Bank Loans						
Mega Bank	Revolving until August 2027	1.80	\$ -	\$ 2,000,000	\$ 2,000,000	None
Less: Syndicated loan free			-	4,583	4,583	
			-	1,995,417	1,995,417	
Unsecured Borrowing						
HSBC Bank	Revolving until October 2024 and repayable	1.55	-	200,000	200,000	None
MUFG Bank	Repayable in June 2024	1.05	-	300,000	300,000	None
Taipei Fubon Bank	Repayable in December 2024	1.91	-	200,000	200,000	None
			-	700,000	700,000	
Collate raised Borrowing						
Land Bank of Taiwan	Repayable monthly to June 2037	1.93	4,073	63,414	67,487	Land and Buildings
Land Bank of Taiwan	Repayable monthly to September 2032	1.93	16,930	162,934	179,864	Land and Buildings
Land Bank of Taiwan	Repayable in May 2027	1.96	-	778,000	778,000	Land and Buildings
			21,003	1,004,348	1,025,351	
			\$ 21,003	\$ 3,699,765	\$ 3,720,768	

WAH LEE INDUSTRIAL CORPORATION**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item (Note 1)	Quantities	Amount
FPD (Flat Panel Display) Industry	Note 2	\$ 17,282,629
Semiconductor Industry	Note 2	15,034,212
Information and Communication Technology Industry	Note 2	6,133,787
Other (Note 3)		<u>5,587,688</u>
		<u>\$ 44,038,316</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, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Cost of goods sold	
Inventories, beginning of year	\$ 2,090,639
Add: Purchases	42,639,927
Less: Transfer to operating expenses	(37,296)
Transfer to other loss	(54)
Write-down of inventories	(190,518)
Inventories, end of year	<u>(3,455,972)</u>
	41,046,726
Write-down of inventories	190,518
Others	<u>(8,030)</u>
Cost of goods sold	<u>41,229,214</u>
Other operating costs	<u>8,598</u>
	<u>\$ 41,237,812</u>

WAH LEE INDUSTRIAL CORPORATION**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Marketing Expense	General and Administrative Expense	Total
Employee benefits	\$ 678,561	\$ 243,074	\$ 921,635
Commission expense	253,476	-	253,476
Import/export expense	132,998	-	132,998
Freight Fee	123,216	129	123,345
Miscellaneous purchases	1,535	83,262	84,797
Depreciation and amortization	49,849	25,732	75,581
Rent expense	72,896	1,288	74,184
Others	<u>160,646</u>	<u>63,268</u>	<u>223,914</u>
	<u>\$ 1,473,177</u>	<u>\$ 416,753</u>	1,889,930
Reversal of impairment loss			<u>(33,225)</u>
			<u>\$ 1,856,705</u>

WAH LEE INDUSTRIAL CORPORATION

**STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31							
	2022				2021			
	Operating Cost	Operating Expense	Non-operating Expenses	Total	Operating Cost	Operating Expense	Non-operating Expenses	Total
Employee benefit								
Salaries	\$ -	\$ 776,798	\$ -	\$ 776,798	\$ -	\$ 767,396	\$ -	\$ 767,396
Labor and health insurance	-	43,704	-	43,704	-	42,862	-	42,862
Pension	-	21,235	-	21,235	-	19,616	-	19,616
Remuneration of directors	-	37,306	-	37,306	-	42,161	-	42,161
Others	-	42,592	-	42,592	-	42,682	-	42,682
	<u>\$ -</u>	<u>\$ 921,635</u>	<u>\$ -</u>	<u>\$ 921,635</u>	<u>\$ -</u>	<u>\$ 914,717</u>	<u>\$ -</u>	<u>\$ 914,717</u>
Depreciation	\$ 3,452	\$ 69,463	\$ 3,629	\$ 76,544	\$ 632	\$ 53,938	\$ 3,629	\$ 58,199
Amortization	-	6,118	-	6,118	-	6,977	-	6,977

Note 1: The average number of the Company's employees was 412 and 421, including 5 and 4 non-employee directors in 2022 and 2021, 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, 2022 and 2021 were \$2,173 thousand and \$2,092 thousand, respectively.
- b. The average salaries for the years ended December 31, 2022 and 2021 were \$1,909 thousand and \$1,840 thousand, respectively.
- c. The average salaries increased by 4% 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 Corporation

Chairman: Chang, Ray-Ching