

**Chang Wah Electromaterials Inc. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of affiliates of Chang Wah Electromaterials Inc. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Chang Wah Electromaterials Inc. and its subsidiaries did not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

Chang Wah Electromaterials Inc.

By

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Canon Huang  
Chairman

March 17, 2022

## INDEPENDENT AUDITORS' REPORT

Chang Wah Electromaterials Inc.

### Opinion

We have audited the accompanying consolidated financial statements of Chang Wah Electromaterials Inc. (the "Corporation") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2021 and 2020, and their consolidated financial performance and their 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 (FSC) of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation and its subsidiaries 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2021 is described as follows:

#### Revenue Recognition of Specific Customers

Due to the fact that the management may be under the pressure of achieving certain goals and meeting market expectations, the possibility of overstating sales may arise; where in some cases the sales revenue from a specific customer increases significantly and the amount is considered significant to the overall revenue.

Therefore, revenue recognition of specific customers whose revenue had increased significantly is deemed as a key audit matter.

The audit procedures we performed in response to the above-mentioned key audit matter are as follows:

1. We understood the design of the internal controls and tested the effectiveness of the implementation of the internal controls on the recognition of revenue.
2. We selected appropriate samples from the sales revenue record of specific customers whose revenue had increased significantly, and examined the customer purchase order, proof of delivery, and proof of payment pertaining to the same transaction counterparty.
3. We obtained details of sales returns and allowances for the year and after the reporting period and verified that the sales transactions actually occurred before the balance sheet date.

### **Other Matter**

Certain investments accounted for using the equity method in the Corporation's financial statements had been audited by other independent auditors, and our opinion, insofar as it relates to the amounts included in the Corporation and its subsidiaries' financial statements for such investments, is based solely on the reports of other auditors. The aforementioned equity-method investments amounted to NT\$788,930 thousand, representing 2.6% of the Corporation and its subsidiaries' total assets as of December 31, 2021, and the share of the profit of such associates amounted to NT\$34,637 thousand, representing 1.1% of the Corporation and its subsidiaries' profit before income tax for the year ended December 31, 2021.

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion with other matter paragraph and an unmodified opinion with emphasis of matter paragraph, respectively.

### **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 FSC 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 Corporation and its subsidiaries' 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 Corporation and its subsidiaries 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 Corporation and its subsidiaries' financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation and its subsidiaries' 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 Corporation and its subsidiaries' 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 Corporation and its subsidiaries 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 Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Corporation and its subsidiaries' audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lee-Yuan Kuo and Hung-Ju Liao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 17, 2022

Notice to Readers

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

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

## Chang Wah Electromaterials Inc. and Subsidiaries

### CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,799,437	16	\$ 3,195,751	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	136,876	1	115,440	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	956,206	3	767,426	3
Notes and accounts receivable, net (Notes 4, 5 and 9)	4,775,289	16	3,645,658	16
Accounts receivable - related parties (Notes 4, 5, 9 and 33)	25,061	-	33,556	-
Other receivables (Note 33)	185,675	1	55,416	-
Current tax assets (Note 27)	-	-	3,268	-
Inventories (Notes 4, 5 and 10)	2,510,541	8	1,866,973	8
Other financial assets - current (Notes 11 and 34)	1,166,986	4	1,293,618	6
Other current assets	162,832	-	140,880	1
<b>Total current assets</b>	<b>14,718,903</b>	<b>49</b>	<b>11,117,986</b>	<b>48</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	189,942	1	188,944	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	7,542,449	25	4,414,533	19
Investments accounted for using the equity method (Notes 4 and 13)	3,436,042	11	3,087,780	13
Property, plant and equipment (Notes 4 and 14)	2,766,908	9	2,513,424	11
Right-of-use assets (Notes 4 and 15)	475,384	1	496,562	2
Investment properties (Notes 4, 16 and 33)	24,343	-	33,102	-
Goodwill (Notes 4, 5 and 17)	653,659	2	661,696	3
Other intangible assets (Notes 4 and 18)	34,953	-	30,079	-
Deferred tax assets (Notes 4 and 27)	185,948	1	182,968	1
Refundable deposits	6,139	-	5,145	-
Other financial assets - non-current (Notes 11 and 34)	151,997	1	437,373	2
Other non-current assets (Note 23)	121,928	-	150,079	-
<b>Total non-current assets</b>	<b>15,589,692</b>	<b>51</b>	<b>12,201,685</b>	<b>52</b>
<b>TOTAL</b>	<b>\$ 30,308,595</b>	<b>100</b>	<b>\$ 23,319,671</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 19 and 34)	\$ 2,956,026	10	\$ 2,425,093	10
Contract liabilities - current (Notes 4 and 25)	203,035	1	105,695	1
Accounts payable (Note 21)	2,551,281	8	2,202,325	10
Accounts payable - related parties (Notes 21 and 33)	125,967	-	93,758	-
Dividends payable	372,982	1	230,534	1
Other payables (Notes 22 and 23)	1,353,850	5	1,029,422	4
Current tax liabilities (Note 27)	349,822	1	106,503	1
Lease liabilities - current (Notes 4 and 15)	15,446	-	16,028	-
Current portion of bonds payable (Note 20)	215,168	1	-	-
Other current liabilities	179,510	-	72,725	-
<b>Total current liabilities</b>	<b>8,323,087</b>	<b>27</b>	<b>6,282,083</b>	<b>27</b>
<b>NON-CURRENT LIABILITIES</b>				
Contract liabilities - non-current (Notes 4 and 25)	47,178	-	15,481	-
Bonds payable (Notes 4 and 20)	-	-	1,133,142	5
Long-term borrowings (Notes 19 and 34)	6,748,473	23	6,579,112	28
Deferred tax liabilities (Notes 4 and 27)	359,169	1	268,583	1
Lease liabilities - non-current (Notes 4 and 15)	77,442	-	89,568	1
Net defined benefit liabilities (Notes 4 and 23)	18,618	-	18,349	-
Guarantee deposits	7,567	-	11,051	-
Other non-current liabilities	6,094	-	6,762	-
<b>Total non-current liabilities</b>	<b>7,264,541</b>	<b>24</b>	<b>8,122,048</b>	<b>35</b>
<b>Total liabilities</b>	<b>15,587,628</b>	<b>51</b>	<b>14,404,131</b>	<b>62</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 24)</b>				
Ordinary shares	689,419	2	638,799	3
Capital surplus	3,903,361	13	2,112,872	9
Retained earnings				
Legal reserve	1,208,656	4	1,069,492	5
Special reserve	1,277	-	1,277	-
Unappropriated earnings	2,826,933	9	1,870,292	8
Total retained earnings	4,036,866	13	2,941,061	13
Other equity	2,264,898	8	804,423	3
<b>Total equity attributable to owners of the Corporation</b>	<b>10,894,544</b>	<b>36</b>	<b>6,497,155</b>	<b>28</b>
<b>NON-CONTROLLING INTERESTS (Notes 12 and 24)</b>	<b>3,826,423</b>	<b>13</b>	<b>2,418,385</b>	<b>10</b>
<b>Total equity</b>	<b>14,720,967</b>	<b>49</b>	<b>8,915,540</b>	<b>38</b>
<b>TOTAL</b>	<b>\$ 30,308,595</b>	<b>100</b>	<b>\$ 23,319,671</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 17, 2022)

## Chang Wah Electromaterials Inc. and Subsidiaries

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

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 33)	\$ 20,670,509	100	\$ 16,424,018	100
OPERATING COSTS (Notes 10, 14, 23, 26 and 33)	<u>16,522,546</u>	<u>80</u>	<u>13,977,042</u>	<u>85</u>
GROSS PROFIT	<u>4,147,963</u>	<u>20</u>	<u>2,446,976</u>	<u>15</u>
OPERATING EXPENSES (Notes 9, 23, 26 and 33)				
Selling and marketing expenses	356,537	2	308,664	2
General and administrative expenses	761,891	4	589,252	4
Research and development expenses	461,324	2	228,725	1
Expected credit loss (reversal of credit loss)	<u>8,943</u>	<u>-</u>	<u>(742)</u>	<u>-</u>
Total operating expenses	<u>1,588,695</u>	<u>8</u>	<u>1,125,899</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>2,559,268</u>	<u>12</u>	<u>1,321,077</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Note 26)				
Interest income	20,789	-	36,125	-
Other income	383,025	2	321,134	2
Other gains and losses	(101,422)	(1)	(174,255)	(1)
Finance costs	(97,860)	-	(82,946)	-
Share of the profit of associates	<u>315,074</u>	<u>2</u>	<u>192,231</u>	<u>1</u>
Total non-operating income and expenses	<u>519,606</u>	<u>3</u>	<u>292,289</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	3,078,874	15	1,613,366	10
INCOME TAX EXPENSE (Notes 4 and 27)	<u>590,811</u>	<u>3</u>	<u>251,246</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,488,063</u>	<u>12</u>	<u>1,362,120</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	631	-	3,558	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	2,313,759	11	714,419	4

(Continued)



## Chang Wah Electromaterials Inc. and Subsidiaries

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

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Share of the other comprehensive income of associates	\$ 121,037	-	\$ 96,856	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	(71,949)	-	1,579	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(63,443)	-	(102,989)	-
Share of the other comprehensive income (loss) of associates	(3,724)	-	13,400	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>13,315</u>	<u>-</u>	<u>17,741</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>2,309,626</u>	<u>11</u>	<u>744,564</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,797,689</u>	<u>23</u>	<u>\$ 2,106,684</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,725,500		\$ 997,299	
Non-controlling interests	<u>762,563</u>		<u>364,821</u>	
	<u>\$ 2,488,063</u>		<u>\$ 1,362,120</u>	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,975,612		\$ 1,731,074	
Non-controlling interests	<u>822,077</u>		<u>375,610</u>	
	<u>\$ 4,797,689</u>		<u>\$ 2,106,684</u>	
EARNINGS PER SHARE (Note 28)				
Basic	\$ 2.54		\$ 1.56	
Diluted	\$ 2.53		1.56	

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 17, 2022)

# Chang Wah Electromaterials Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation					Other Equity			Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains and Losses on Financial Assets At Fair Value Through Other Comprehensive Income	Total Other Equity			
			Legal Reserve	Special Reserve							
BALANCE AT JANUARY 1, 2020	\$ 638,799	\$ 2,066,051	\$ 974,269	\$ 1,277	\$ 1,790,605	\$ (103,297)	\$ 223,251	\$ 119,954	\$ 5,590,955	\$ 2,455,979	\$ 8,046,934
Appropriation of earnings (Note 24)	-	-	95,223	-	(95,223)	-	-	-	-	-	-
Legal reserve	-	-	-	-	(709,067)	-	-	-	(709,067)	-	(709,067)
Cash dividends	-	-	-	-	(804,290)	-	-	-	(709,067)	-	(709,067)
Equity component of convertible bond issued by the Corporation (Note 20)	-	66,659	-	-	-	-	-	-	66,659	-	66,659
Share of changes in capital surplus of associates accounted for using the equity method	-	(1,939)	-	-	-	-	-	-	(1,939)	-	(1,939)
Net profit for the year ended December 31, 2020	-	-	-	-	997,299	-	-	-	997,299	364,821	1,362,120
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	2,203	(30,254)	761,826	731,572	733,775	10,789	744,564
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	999,502	(30,254)	761,826	731,572	1,731,074	375,610	2,106,684
Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 29)	-	(48,557)	-	-	(162,628)	-	-	-	(211,185)	-	(211,185)
Share of changes in equity of subsidiaries (Note 29)	-	30,658	-	-	-	-	-	-	30,658	-	30,658
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(413,204)	(413,204)
Disposal of investments in equity instruments at fair value through other comprehensive income (Note 24)	-	-	-	-	47,103	-	(47,103)	(47,103)	-	-	-
BALANCE AT DECEMBER 31, 2020	638,799	2,112,872	1,069,492	1,277	1,870,292	(133,551)	937,974	804,423	6,497,155	2,418,385	8,915,540
Appropriation of earnings (Note 24)	-	-	139,164	-	(139,164)	-	-	-	-	-	-
Legal reserve	-	-	-	-	(963,340)	-	-	-	(963,340)	-	(963,340)
Cash dividends	-	-	139,164	-	(1,102,504)	-	-	-	(963,340)	-	(963,340)
Share of changes in capital surplus of associates accounted for using the equity method	-	(8,712)	-	-	-	-	-	-	(8,712)	-	(8,712)
Net profit for the year ended December 31, 2021	-	-	-	-	1,725,500	-	-	-	1,725,500	762,563	2,488,063
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(81)	(23,979)	2,274,172	2,250,193	2,250,112	59,514	2,309,626
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,725,419	(23,979)	2,274,172	2,250,193	3,975,612	822,077	4,797,689
Convertible bonds converted to ordinary shares (Note 20)	50,620	1,077,171	-	-	-	-	-	-	1,127,791	-	1,127,791
Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 29)	-	-	-	-	(455,992)	-	-	-	(455,992)	-	(455,992)
Share of changes in equity of subsidiaries (Note 29)	-	722,030	-	-	-	-	-	-	722,030	-	722,030
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	585,961	585,961
Disposal of investments in equity instruments at fair value through other comprehensive income (Note 24)	-	-	-	-	789,718	-	(789,718)	(789,718)	-	-	-
BALANCE AT DECEMBER 31, 2021	\$ 689,419	\$ 3,903,361	\$ 1,208,656	\$ 1,277	\$ 2,826,933	\$ (157,530)	\$ 2,422,428	\$ 2,264,898	\$ 10,894,544	\$ 3,826,423	\$ 14,720,967

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

(With Deloitte & Touche auditors' report dated March 17, 2022)

## Chang Wah Electromaterials Inc. and Subsidiaries

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 3,078,874	\$ 1,613,366
Adjustments for:		
Depreciation expense	642,194	615,595
Amortization expense	11,732	12,481
Expected credit loss (reversal of credit loss)	8,943	(742)
Gain on financial assets at fair value through profit or loss	(55,647)	(20,154)
Finance costs	97,860	82,946
Interest income	(20,789)	(36,125)
Dividend income	(323,343)	(207,886)
Compensation costs of share-based payments	51,176	23,065
Share of the profit of associates	(315,074)	(192,231)
Loss (gain) on disposal of property, plant and equipment	(4,873)	18,458
Loss on disposal of investments accounted for using the equity method	-	15,995
Impairment loss recognized (reversed) on non-financial assets	(5,512)	27,776
Others	(8,267)	8,245
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	25,485	(17,881)
Notes and accounts receivable, net	(1,138,496)	(155,845)
Accounts receivable - related parties	8,495	(13,216)
Other receivables	(115,409)	5,645
Inventories	(637,112)	(236,928)
Other current assets	(21,994)	(27,092)
Contract liabilities	129,037	(54,071)
Accounts payable	348,956	349,120
Accounts payable - related parties	32,209	(342,089)
Other payables	333,473	40,513
Other current liabilities	109,742	13,434
Net defined benefit liabilities	253	(20,285)
Other non-current liabilities	(668)	401
Cash generated from operations	2,231,245	1,502,495
Interest received	20,341	38,201
Dividends received	454,254	383,810
Interest paid	(74,927)	(69,796)
Income taxes paid	(315,871)	(382,796)
Net cash generated from operating activities	<u>2,315,042</u>	<u>1,471,914</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(3,131,806)	(3,336,680)

(Continued)

## Chang Wah Electromaterials Inc. and Subsidiaries

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 2,113,199	\$ 458,513
Acquisition of investments accounted for using the equity method	(55,498)	(295,152)
Proceeds from disposal of investments accounted for using the equity method	-	137,788
Proceeds from capital reduction of investments accounted for using the equity method	-	71,145
Acquisition of property, plant and equipment	(755,001)	(443,596)
Proceeds from disposal of property, plant and equipment	9,374	2,452
Decrease (increase) in refundable deposits	(1,051)	242
Acquisition of intangible assets	(7,854)	(2,611)
Decrease (increase) in other financial assets	412,000	(1,647,656)
Increase in other non-current assets	<u>(104,172)</u>	<u>(219,201)</u>
Net cash used in investing activities	<u>(1,520,809)</u>	<u>(5,274,756)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,312,173	625,432
Repayment of short-term borrowings	(775,855)	(69,293)
Repayment of short-term bills payable	-	(200,000)
Proceeds from issuance of convertible bonds	1,803,020	1,200,741
Redemption of convertible bonds	(300)	-
Proceeds from long-term borrowings	6,152,314	4,624,217
Repayment of long-term borrowings	(5,988,000)	(1,527,000)
Proceeds from (refund of) guarantee deposits	(3,443)	3,398
Repayment of the principal portion of lease liabilities	(16,528)	(15,904)
Dividends paid	(867,449)	(804,887)
Decrease in non-controlling interests	<u>(765,316)</u>	<u>(588,228)</u>
Net cash generated from financing activities	<u>850,616</u>	<u>3,248,476</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS</b>	<u>(41,163)</u>	<u>(70,242)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,603,686	(624,608)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,195,751</u>	<u>3,820,359</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,799,437</u>	<u>\$ 3,195,751</u>

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 17, 2022)

# Chang Wah Electromaterials Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Chang Wah Electromaterials Inc. (the “Corporation”) was incorporated in May 1989. The Corporation trades electrical, telecommunication, and semiconductor materials and parts, and engages in import and export trading, leasing, manufacturing and selling of electrical appliances, telecommunications equipment, and mechanical parts, and retailing of synthetic resin, electronic materials and components.

In October 2003, the Corporation’s shares were listed on the Taipei Exchange. On December 31, 2007, the Corporation listed its shares on the Taiwan Stock Exchange. As of December 31, 2021 and 2020, Wah Lee Industrial Corp., the main shareholder of the Corporation, owned 28.70% and 30.98% of the Corporation’s issued ordinary shares, respectively.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors and authorized for issue on March 17, 2022.

### 3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Corporation and its subsidiaries’ accounting policies.

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

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

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the

fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

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

As of the date the consolidated financial statements were reported to the board of directors for issue, the Corporation and its subsidiaries have assessed that the application of the standards and interpretations will not have a material impact on the Corporation and its subsidiaries’ financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

As of the date the consolidated financial statements were reported to the board of directors for issue, the Corporation and its subsidiaries are in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on its financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been 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 that 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 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, which 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 expected to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Corporation and its subsidiaries do 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 Corporation and the entities controlled by the Corporation (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. 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 Corporation and to the non-controlling interests.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation'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 Corporation.

When the Corporation and its subsidiaries lose control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Corporation and its subsidiaries account for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation and its subsidiaries had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

The detailed information of subsidiaries (including the percentage of ownership and main business) is as follows:

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%)		Remark
			December 31, 2021	December 31, 2020	
The Corporation	CWE Holding Co., Ltd. (CWE Holding)	International investment activities	100	100	-
	Chang Wah Technology Co., Ltd. (CWTC)	Manufacturing of plastic products and electronic components for industrial use; retailing and wholesaling of electronic components and machinery	54	54	-
	Chang Wah Energy Technology Co., Ltd. (CWEC)	Power generation of non-public business and renewable energy for equipment; leasing business; installing and retailing of electrical equipment, machinery and computer equipment	100	100	-
	Shanghai Chang Wah Electromaterials Inc. (CWES)	Acting as an agent for IC packaging materials and equipment	31	31	-
Chang Wah Technology Co., Ltd.	CWTC (Shanghai) Inc. (CWTS)	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	100	100	-
	SH Asia Pacific Pte. Ltd. (SHAP)	Trading of electronic components and equipment; investing activities	100	100	-
	SH Electronics Taiwan Co., Ltd. (SHT)	Manufacturing of electronic components and tools; international trade	100	100	Note
SH Asia Pacific Pte. Ltd.	SH Electronics Chengdu Co., Ltd. (SHEC)	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	70	70	-
	SH Precision Chengdu Co., Ltd. (SHPC)	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	70	70	-

(Continued)



Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%)		Remark
			December 31, 2021	December 31, 2020	
WSP Electromaterials Ltd.	SH Electronics Suzhou Co., Ltd. (SHS)	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	100	100	-
	Malaysian SH Electronics Sdn. Bhd. (MSHE)	Manufacturing and selling of leadframe and semiconductor materials	100	100	-
	WSP Electromaterials Ltd. (WSP)	International investment activities	100	100	-
	Shanghai Chang Wah Electromaterials Inc. (CWES)	Acting as an agent for IC packaging materials and equipment	69	69	-
	SH Electronics Chengdu Co., Ltd. (SHEC)	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	30	30	-
	SH Precision Chengdu Co., Ltd. (SHPC)	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	30	30	-

(Concluded)

Note: The board of directors of the Corporation's subsidiary, CWTC, had approved the merger with its subsidiary, SH Electronics Taiwan Co., Ltd. in August 2021, and the date of the merger was set as January 1, 2022.

e. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity 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 and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss.

When a business combination is achieved in stages, the Corporation and its subsidiaries' previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Corporation and its subsidiaries.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation and its subsidiaries report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Business combinations involving entities under common control are not accounted for using the acquisition method but are accounted for at the carrying amounts of the entities.

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 closing rates at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange difference in transactions entered into in order to hedge certain foreign currency.

Non-monetary items denominated in foreign currencies that are measured at fair value 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 is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the financial statements of foreign operations (including subsidiaries and associates in other countries that use currencies different from the currency of the Corporation) that are prepared using functional currencies which are different from the currency of the Corporation are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated 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 (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Corporation and its subsidiaries' entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

g. Inventories

Inventories consist of raw materials, work in progress, finished goods, merchandise and consumable supplies. Inventories are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

#### h. Investments in associates

An associate is an entity over which the Corporation and its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Corporation and its subsidiaries use the equity method to account for their investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation and its subsidiaries' share of the profit or loss and other comprehensive income of the associate. The Corporation and its subsidiaries also recognize the changes in the share of equity of associates.

When the Corporation and its subsidiaries subscribe for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation and its subsidiaries' proportionate interest in the associate. The Corporation and its subsidiaries record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in equity of investment accounted for using equity method of the associates and investments accounted for using equity method. If the Corporation and its subsidiaries' ownership interest is reduced due to non-subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be a deduction to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is deducted from retained earnings.

Any excess of the cost of acquisition over the Corporation and its subsidiaries' share of the net fair value of the identifiable assets and liabilities of an associate 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 Corporation and its subsidiaries' 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 impairment loss is evaluated, the entire carrying amount of the 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 has subsequently increased.

The Corporation and its subsidiaries discontinue the use of the equity method from the date on which the investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation and its subsidiaries account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Corporation and its subsidiaries transact with their associates, profits and losses on these transactions are recognized in the consolidated financial statements only to the extent of interests in the associates that are not related to the Corporation and its subsidiaries.

#### i. Property, plant, and equipment

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

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

Except land that is not depreciated, depreciation of property, plant and equipment is recognized using the straight-line method. Each significant component is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on prospective basis.

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

j. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets that meet the definition of investment properties.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation.

Investment properties acquired through leases are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made on or before the commencement date, plus initial direct costs incurred and an estimate of costs needed to restore the underlying assets, less any lease incentives received. These investment properties are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities.

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. 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 Corporation and its subsidiaries' cash-generating units or groups of cash-generating units (referred to as "cash-generating units") 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. Any 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.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

m. Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets other than goodwill

At the end of each reporting period, the Corporation and its subsidiaries review the carrying amounts of their property, plant and equipment, right-of-use assets, investment properties and intangible assets, excluding goodwill, 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 Corporation and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units 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. The impairment loss is 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 for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

n. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation and its subsidiaries become 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) 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 or issuance of financial assets or financial liabilities at fair value through profit or loss 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 categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

#### i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value. Any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32.

#### 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, including cash and cash equivalents, notes and accounts receivable at amortized cost (including related parties), other receivables, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit-impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

### iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation and its subsidiaries 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 Corporation and its subsidiaries' 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 Corporation and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Corporation and its subsidiaries always recognize lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Corporation and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation and its subsidiaries measure the loss allowance for that financial instrument 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 Corporation and its subsidiaries consider the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Corporation and its subsidiaries):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 30 days past due unless the Corporation and its subsidiaries have reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial instruments is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Corporation and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer 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 that had been recognized in other comprehensive income will not be reclassified to profit or loss; instead, it will be transferred to retained earnings.

2) Equity instruments

Equity instruments issued by the Corporation and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

Repurchased equity instruments of the Corporation or its subsidiaries are recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's and its subsidiaries' equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a 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 Corporation and its subsidiaries 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 - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - others.

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.

o. Revenue recognition

The Corporation and its subsidiaries identify contracts with customers, allocate the transaction price to the performance obligations, and recognize revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Corporation and its subsidiaries to customers and performance obligations are satisfied. Unearned sales revenue is recognized as contract liabilities until performance obligations are satisfied.

Revenue is measured at fair value, which is the transaction price (net of commercial discounts and quantity discounts) agreed to by the Corporation and its subsidiaries with customers. Estimated discount or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Corporation and its subsidiaries transfer a promised good to a customer and the date the customer pays for that good is one year or less, the Corporation and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

The Corporation and its subsidiaries do not recognize sales revenue on materials delivered to subcontractors because the delivery does not involve a transfer of ownership.

2) Revenue from the rendering of services

Commissions are charged according to the basis of calculation as stated in the contract. Since the period between the date of service transferred and the date of collection is less than one year, the Corporation and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

p. Leases

At the inception of a contract, the Corporation and its subsidiaries assess whether the contract is, or contains, a lease.

1) The Corporation and its subsidiaries 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.

When the Corporation and its subsidiaries sublease a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Corporation and its subsidiaries, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Corporation and its subsidiaries as lessee

The Corporation and its subsidiaries recognize 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 by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to the accounting policies for investment properties.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used. 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 Corporation and its subsidiaries remeasure 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.

The Corporation and its subsidiaries negotiate with the lessor for rent concessions as a direct consequence of the Covid-19 and there is no substantive change to other terms and conditions. The Corporation and its subsidiaries elect to apply the practical expedient to all of these rent concessions and, therefore, do not assess whether the rent concessions are lease modifications. Instead, the Corporation and its subsidiaries recognize the reduction in lease payment in profit or loss as other operating income, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

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

q. Government grants

Government grants are not recognized until there is reasonable assurance that the subsidiaries 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 subsidiaries recognize as expenses the related costs that the grants intend to compensate.

Specifically, government grants whose primary condition is that the subsidiaries should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the subsidiaries with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan that the subsidiaries received at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

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 an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost as well as gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. 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 (assets) represent the actual deficit (surplus) in the defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

s. Share-based payment arrangements

Employee share options granted by subsidiaries to the employees are recognized as expenses on a straight-line basis within the vested period based on the fair value of the equity instruments on the date of the grant and the best estimated number of shares expected to be acquired; in addition, capital surplus - employee share options is adjusted correspondingly. The expense is recognized in full at the grant date if the grants are vested immediately. Subsidiaries transferred the treasury shares to the employees on the grant date when the number of shares that the employees purchased is confirmed.

t. Taxation

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

1) Current tax

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

According to the Income Tax Act of the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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 and unused loss carryforward, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only 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 such temporary differences 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 Corporation 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 Corporation and its subsidiaries' accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation and its subsidiaries review the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Significant influence over associates

As stated in Note 13, the Corporation and its subsidiaries collectively owned 43%, 25%, 37% and 30% of the voting rights of JMC Electronics Co., Ltd., How Weih Holding (Cayman) Co., Ltd., Wellstech Optical Co., Ltd. and Silver Connection Co., Ltd., respectively. The combined ownership represents the single largest shareholding. However, considering the size of the Corporation and its subsidiaries' holding of voting rights relative to the size and dispersion of holdings of the other shareholders and the voting patterns at previous shareholders' meetings, which indicate that other shareholders are not passive, the Corporation and its subsidiaries are not able to hold more than half of the members of the above companies' governing bodies. Therefore, the Corporation and its subsidiaries cannot direct the relevant activities of and do not have control over the companies. Consequently, the Corporation and its subsidiaries considered and classified the above companies as associates by virtue of the Corporation and its subsidiaries' ability to exercise significant influence over the invested companies.

### Key Sources of Estimation Uncertainty

#### a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions on probability of default and loss given default. The Corporation and its subsidiaries use judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation and its subsidiaries' 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. For details of the key assumptions and inputs used, see Note 9.

#### b. Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Company and its subsidiaries use judgment and estimates to determine the net realizable value of inventory at the end of the reporting period. The net realizable value of inventories is mainly evaluated based on estimation of future sales price. Changes in market conditions may significantly affect the results of these estimates.

#### c. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

## **6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 376	\$ 372
Checking accounts and demand deposits	3,822,393	2,622,372
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	672,182	389,026
Repurchase agreements collateralized by bonds	<u>304,486</u>	<u>183,981</u>
	<u>\$ 4,799,437</u>	<u>\$ 3,195,751</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 99,960	\$ 87,430
Domestic convertible bonds	35,500	23,570
Derivative financial assets (not under hedge accounting)		
Convertible bonds with redemption rights and sell-back rights (Note 20)	<u>1,416</u>	<u>4,440</u>
	<u>\$ 136,876</u>	<u>\$ 115,440</u>
<u>Non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets - foreign private equity funds	<u>\$ 189,942</u>	<u>\$ 188,944</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Equity instruments		
Domestic listed shares	<u>\$ 956,206</u>	<u>\$ 767,426</u>
<u>Non-current</u>		
Equity instruments		
Domestic listed shares	\$ 5,459,586	\$ 3,931,488
Domestic unlisted shares	1,898,085	242,721
Foreign unlisted shares	-	83,962
Domestic preferred shares of listed companies sold to specific group	<u>184,778</u>	<u>156,362</u>
	<u>\$ 7,542,449</u>	<u>\$ 4,414,533</u>

These investments in equity instruments are not held for trading; instead, they 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 believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation and its subsidiaries' strategy of holding these investments for long-term purposes.

The Corporation and its subsidiaries entered into a security-lending agreement with SinoPac Securities. During the lending period, the Corporation and its subsidiaries retain the risks and the returns of these financial assets; therefore, they were not excluded. As of December 31, 2021, the carrying amount of the securities lent out was NT\$595,992 thousand.

## 9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Notes and accounts receivable		
Measured at amortized cost	\$ 4,816,943	\$ 3,689,113
Less: Allowance for impairment loss	<u>41,654</u>	<u>43,455</u>
	<u>\$ 4,775,289</u>	<u>\$ 3,645,658</u>
Accounts receivable - related parties		
Measured at amortized cost	<u>\$ 25,061</u>	<u>\$ 33,556</u>

### a. Notes and accounts receivable

The notes and accounts receivable of the Corporation and its subsidiaries are measured at amortized cost. For the related credit management policies, refer to Note 32.

The loss allowance of the Corporation and its subsidiaries' accounts receivable is recognized by using lifetime expected credit losses. The lifetime expected credit losses on accounts receivable are estimated by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of the current direction of the economic conditions at the reporting date. The Corporation and its subsidiaries write off an account receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery after carrying out follow-up procedures. For accounts receivable that have been written off, the Corporation and its subsidiaries continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivable of the Corporation and its subsidiaries:

#### December 31, 2021

	Not Past Due	Past Due 0 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Expected credit loss rate (%)	-	0-1	1-50	10-100	10-100	
Gross carrying amount	\$ 4,620,475	\$ 160,455	\$ 38,805	\$ 19,601	\$ 2,668	\$ 4,842,004
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(7)</u>	<u>(19,403)</u>	<u>(19,577)</u>	<u>(2,667)</u>	<u>(41,654)</u>
Amortized cost	<u>\$ 4,620,475</u>	<u>\$ 160,448</u>	<u>\$ 19,402</u>	<u>\$ 24</u>	<u>\$ 1</u>	<u>\$ 4,800,350</u>

#### December 31, 2020

	Not Past Due	Past Due 0 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Expected credit loss rate (%)	-	0-1	1-50	10-100	10-100	
Gross carrying amount	\$ 3,506,265	\$ 154,159	\$ 35,292	\$ 18,314	\$ 8,639	\$ 3,722,669
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(4)</u>	<u>(17,329)</u>	<u>(17,530)</u>	<u>(8,592)</u>	<u>(43,455)</u>
Amortized cost	<u>\$ 3,506,265</u>	<u>\$ 154,155</u>	<u>\$ 17,963</u>	<u>\$ 784</u>	<u>\$ 47</u>	<u>\$ 3,679,214</u>

The movements of the loss allowance for notes and accounts receivable were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of the year	\$ 43,455	\$ 44,606
Recognition (reversal)	8,943	(742)
Amounts written off	(10,666)	(316)
Effect of foreign currency exchange difference	<u>(78)</u>	<u>(93)</u>
Balance, end of the year	<u>\$ 41,654</u>	<u>\$ 43,455</u>

- b. For the years ended December 31, 2021 and 2020, the Corporation had credit line against sale of accounts receivable for NT\$1,050,000 thousand in both years. As of December 31, 2021 and 2020, the Corporation had not drawn from the credit line.

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 663,297	\$ 470,099
Work in progress	684,566	472,827
Finished goods	692,141	385,980
Merchandise	334,420	442,444
Consumable supplies	<u>136,117</u>	<u>95,623</u>
	<u>\$ 2,510,541</u>	<u>\$ 1,866,973</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2021 and 2020 was NT\$16,489,353 thousand and NT\$13,934,493 thousand, respectively, which included the following items:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss on disposal of inventories	\$ -	\$ 13,400
Write-down (reversal) of inventories	(5,512)	14,394
Revenue from sale of scraps	(822,800)	(507,139)

Inventory write-downs were reversed due to the increase in the net realizable value of inventories as a result of the rise in global raw material prices and the sale of inventory that was previously written down due to obsolescence.

## 11. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current		
Restricted deposits for projects	\$ 1,006,266	\$ 832,808
Time deposits pledged (Note 34)	<u>160,720</u>	<u>460,810</u>
	<u>\$ 1,166,986</u>	<u>\$ 1,293,618</u>

(Continued)



	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Non-current		
Restricted deposits for projects	\$ 99,623	\$ 404,035
Time deposits pledged (Note 34)	52,374	28,382
Deposits for reserve account (Note 34)	<u>-</u>	<u>4,956</u>
	<u>\$ 151,997</u>	<u>\$ 437,373</u>
		(Concluded)

Since the Corporation and its subsidiary, CWTC, applied “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”, the earnings remitted from overseas subsidiary or investments accounted for using the equity method were recognized as restricted deposits for projects and determined whether they were current or non-current based on the expected time of use of funds.

## 12. SUBSIDIARIES

Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	<b>Proportion of Ownership and Voting Rights Held by Non-controlling Interests (%)</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Chang Wah Technology Co., Ltd. (CWTC)	46	46

The information on the places of incorporation and principal places of business is provided in Table 7.

Name of Subsidiary	<b>Profit Allocated to Non-controlling Interests</b>		<b>Non-controlling Interests</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
CWTC	\$ 762,563	\$ 357,071	\$ 3,826,423	\$ 2,418,385
Others	<u>-</u>	<u>7,750</u>	<u>-</u>	<u>-</u>
	<u>\$ 762,563</u>	<u>\$ 364,821</u>	<u>\$ 3,826,423</u>	<u>\$ 2,418,385</u>

The summarized financial information below represents amounts before intragroup eliminations:

### CWTC

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 10,080,244	\$ 7,413,573
Non-current assets	4,761,819	4,750,589
Current liabilities	(4,335,495)	(3,215,572)
Non-current liabilities	<u>(2,094,836)</u>	<u>(3,522,331)</u>
Equity	<u>\$ 8,411,732</u>	<u>\$ 5,426,259</u>
		(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Equity attributable to:		
Owners of the Corporation	\$ 4,585,309	\$ 3,007,874
Non-controlling interests of CWTC	<u>3,826,423</u>	<u>2,418,385</u>
	<u>\$ 8,411,732</u>	<u>\$ 5,426,259</u>

(Concluded)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue	<u>\$ 12,792,169</u>	<u>\$ 9,678,146</u>
Net profit for the year	\$ 1,738,645	\$ 790,618
Other comprehensive income for the year	<u>141,737</u>	<u>31,568</u>
Total comprehensive income for the year	<u>\$ 1,880,382</u>	<u>\$ 822,186</u>
Net profit attributable to:		
Owners of the Corporation	\$ 976,082	\$ 425,797
Non-controlling interests of CWTC	762,563	357,071
Non-controlling interests of CWTC's subsidiaries	<u>-</u>	<u>7,750</u>
	<u>\$ 1,738,645</u>	<u>\$ 790,618</u>
Total comprehensive income attributable to:		
Owners of the Corporation	\$ 1,058,305	\$ 446,576
Non-controlling interests of CWTC	822,077	370,151
Non-controlling interests of CWTC's subsidiaries	<u>-</u>	<u>5,459</u>
	<u>\$ 1,880,382</u>	<u>\$ 822,186</u>
Cash flow from:		
Operating activities	\$ 1,654,316	\$ 987,280
Investing activities	(398,534)	(2,346,371)
Financing activities	(30,784)	855,041
Effects of changes in exchange rate	<u>(41,163)</u>	<u>(70,242)</u>
Net cash inflow (outflow)	<u>\$ 1,183,835</u>	<u>\$ (574,292)</u>

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD - INVESTMENTS IN ASSOCIATES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates that are individually material		
JMC Electronics Co., Ltd.	\$ 1,831,477	\$ 1,578,571
How Weih Holding (Cayman) Co., Ltd.	788,930	756,416
Wellstech Optical Co., Ltd.	478,859	429,951
Silver Connection Co., Ltd.	<u>336,776</u>	<u>322,842</u>
	<u>\$ 3,436,042</u>	<u>\$ 3,087,780</u>

a. Associates that are individually material

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights (%)	
			December 31, 2021	December 31, 2020
JMC Electronics Co., Ltd.	Manufacturing, processing, and selling of COF substrates	Taiwan	43	42
How Weih Holding (Cayman) Co., Ltd.	International investment activities	Cayman	25	25
Wellstech Optical Co., Ltd.	Manufacturing and retailing of electronic components, computers and peripherals, and precision instruments	Taiwan	37	37
Silver Connection Co., Ltd.	Manufacturing and selling of electrical contact materials such as silver contact and metal shaped materials, etc.	Seychelles	30	30

The summarized financial information below represents amounts shown in JMC Electronics Co., Ltd.'s financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

	December 31	
	2021	2020
Current assets	\$ 1,416,795	\$ 1,576,722
Non-current assets	3,478,453	2,680,568
Current liabilities	(574,922)	(910,711)
Non-current liabilities	<u>(1,516,652)</u>	<u>(1,079,588)</u>
Equity	<u>\$ 2,803,674</u>	<u>\$ 2,266,991</u>
Proportion of the Corporation's ownership (%)	43	42
Equity attributable to the Corporation	\$ 1,200,222	\$ 948,733
Unrealized gains resulting from transactions	(8,911)	(10,328)
Goodwill	<u>640,166</u>	<u>640,166</u>
Carrying amount of the investment	<u>\$ 1,831,477</u>	<u>\$ 1,578,571</u>

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

Name of Associate	December 31	
	2021	2020
JMC Electronics Co., Ltd.	<u>\$ 2,007,524</u>	<u>\$ 1,900,026</u>

The summarized financial information below represents amounts shown in How Weih Holding (Cayman) Co., Ltd.'s financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 14,213	\$ 15,505
Non-current assets	2,253,133	2,119,442
Current liabilities	(2,590)	(85)
Non-current liabilities	<u>(92)</u>	<u>(181)</u>
Equity	<u>\$ 2,264,664</u>	<u>\$ 2,134,681</u>
Proportion of the Corporation and its subsidiaries' ownership (%)	25	25
Equity attributable to the Corporation and its subsidiaries	\$ 566,498	\$ 533,984
Goodwill	<u>222,432</u>	<u>222,432</u>
Carrying amount of the investment	<u>\$ 788,930</u>	<u>\$ 756,416</u>

The summarized financial information below represents amounts shown in Wellstech Optical Co., Ltd.'s financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 174,530	\$ 225,282
Non-current assets	1,218,556	1,097,801
Current liabilities	(78,264)	(156,925)
Non-current liabilities	<u>(36,030)</u>	<u>(15,714)</u>
Equity	<u>\$ 1,278,792</u>	<u>\$ 1,150,444</u>
Proportion of the Corporation's ownership (%)	37	37
Equity attributable to the Corporation	<u>\$ 478,859</u>	<u>\$ 429,951</u>
Carrying amount of the investment	<u>\$ 478,859</u>	<u>\$ 429,951</u>

In accordance with the Corporation's future strategic development plan, in April 2020, the Corporation paid NT\$295,152 thousand (RMB66,000 thousand) in cash to purchase 30% of the shares of Silver Connection Co., Ltd. from a non-related party and obtained a material influence on Silver Connection Co., Ltd.

The summarized financial information below represents amounts shown in Silver Connection Co., Ltd.'s financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 186,097	\$ 172,449
Non-current assets	631,530	612,113
Current liabilities	<u>(73,251)</u>	<u>(77,013)</u>
Equity	<u>\$ 744,376</u>	<u>\$ 707,549</u>
Proportion of the Corporation's ownership (%)	30	30

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Equity attributable to the Corporation	\$ 226,193	\$ 212,259
Goodwill	<u>110,583</u>	<u>110,583</u>
Carrying amount of the investment	<u>\$ 336,776</u>	<u>\$ 322,842</u> (Concluded)

b. Associates that are not individually material

	<b>For the Year Ended December 31, 2020</b>
Subsidiaries' share of	
Net loss for the year	\$ (654)
Other comprehensive income (loss) for the year	<u>-</u>
Total comprehensive income (loss) for the year	<u>\$ (654)</u>

Since Ohkuchi Materials Co., Ltd. (OM) will terminate its leadframe manufacturing business, the subsidiary CWTC disposed of 44% of its ownership in OM for NT\$137,788 thousand (JPY490,000 thousand) and lost significant influence over OM in April 2020; hence, CWTC recognized a loss on disposal of investment of NT\$15,995 thousand. The remaining 5% interest held by CWTC was recognized at the fair value of the shares of NT\$15,658 thousand at the date of disposal, and transferred to financial assets at FVTOCI - non-current. As of December 31, 2020, the impairment loss was fully recognized.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of the investments for the years ended December 31, 2021 and 2020 were based on the associates' audited financial statements for the same years.

#### 14. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Assets used by the Corporation and its subsidiaries	\$ 2,706,819	\$ 2,447,844
Assets leased under operating leases	<u>60,089</u>	<u>65,580</u>
	<u>\$ 2,766,908</u>	<u>\$ 2,513,424</u>

a. Assets used by the Corporation and its subsidiaries

For the Year Ended December 31, 2021

	Land	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2021	\$ 55,498	\$ 2,035,880	\$ 4,827,287	\$ 3,490,808	\$ 29,814	\$ 90,396	\$ 323,158	\$ 275,618	\$ 11,128,459
Additions	-	20,641	399,403	243,444	5,956	10,136	40,890	163,328	883,798
Disposals	-	(193)	(28,737)	(105,519)	(5,465)	(3,342)	(3,295)	-	(146,551)
Reclassification	-	-	-	-	-	-	-	(1,926)	(1,926)
Effect of foreign currency exchange difference	-	(16,780)	(32,685)	(32,525)	(350)	(1,477)	(377)	(1,217)	(85,411)
Balance at December 31, 2021	<u>55,498</u>	<u>2,039,548</u>	<u>5,165,268</u>	<u>3,596,208</u>	<u>29,955</u>	<u>95,713</u>	<u>360,376</u>	<u>435,803</u>	<u>11,778,369</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2021	-	(1,386,555)	(3,715,593)	(3,046,798)	(25,933)	(73,640)	(251,163)	-	(8,499,682)
Depreciation	-	(74,494)	(253,341)	(237,611)	(2,163)	(9,273)	(28,094)	-	(604,976)
Disposals	-	193	23,672	104,007	5,318	3,340	3,274	-	139,804
Effect of foreign currency exchange difference	-	13,660	26,521	29,943	327	1,183	344	-	71,978
Balance at December 31, 2021	-	<u>(1,447,196)</u>	<u>(3,918,741)</u>	<u>(3,150,459)</u>	<u>(22,451)</u>	<u>(78,390)</u>	<u>(275,639)</u>	-	<u>(8,892,876)</u>
<u>Accumulated impairment</u>									
Balance at January 1, 2021	-	(45,116)	(15,296)	(120,226)	-	-	(295)	-	(180,933)
Disposals	-	-	2,225	-	-	-	21	-	2,246
Effect of foreign currency exchange difference	-	-	12	-	-	-	1	-	13
Balance at December 31, 2021	-	<u>(45,116)</u>	<u>(13,059)</u>	<u>(120,226)</u>	-	-	<u>(273)</u>	-	<u>(178,674)</u>
Carrying amount at December 31, 2021	<u>\$ 55,498</u>	<u>\$ 547,236</u>	<u>\$ 1,233,468</u>	<u>\$ 325,523</u>	<u>\$ 7,504</u>	<u>\$ 17,323</u>	<u>\$ 84,464</u>	<u>\$ 435,803</u>	<u>\$ 2,706,819</u>

For the Year Ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2020	\$ 55,498	\$ 2,090,325	\$ 4,734,859	\$ 3,352,542	\$ 32,106	\$ 98,337	\$ 318,183	\$ 156,222	\$ 10,838,072
Additions	-	18,336	207,035	228,810	-	6,437	12,341	122,746	595,705
Disposals	-	(56,080)	(89,205)	(55,650)	(1,722)	(12,821)	(8,409)	-	(223,887)
Reclassification	-	-	-	-	-	712	-	(4,577)	(3,865)
Effect of foreign currency exchange difference	-	(16,701)	(25,402)	(34,894)	(570)	(2,269)	1,043	1,227	(77,566)
Balance at December 31, 2020	<u>55,498</u>	<u>2,035,880</u>	<u>4,827,287</u>	<u>3,490,808</u>	<u>29,814</u>	<u>90,396</u>	<u>323,158</u>	<u>275,618</u>	<u>11,128,459</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2020	-	(1,350,919)	(3,591,251)	(2,903,878)	(24,917)	(79,007)	(229,574)	-	(8,179,546)
Depreciation	-	(76,003)	(228,634)	(232,748)	(3,283)	(8,682)	(29,032)	-	(578,382)
Disposals	-	26,109	85,089	55,628	1,722	12,805	8,409	-	189,762
Reclassification	-	-	-	-	-	(534)	-	-	(534)
Effect of foreign currency exchange difference	-	14,258	19,203	34,200	545	1,778	(966)	-	69,018
Balance at December 31, 2020	-	<u>(1,386,555)</u>	<u>(3,715,593)</u>	<u>(3,046,798)</u>	<u>(25,933)</u>	<u>(73,640)</u>	<u>(251,163)</u>	-	<u>(8,499,682)</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Accumulated impairment									
Balance at January 1, 2020	\$ -	\$ (55,963)	\$ (17,636)	\$ (120,226)	\$ -	\$ -	\$ (291)	\$ -	\$ (194,116)
Reversal of impairment loss	-	-	18	-	-	-	-	-	18
Disposals	-	10,847	2,368	-	-	-	-	-	13,215
Effect of foreign currency exchange difference	-	-	(46)	-	-	-	(4)	-	(50)
Balance at December 31, 2020	-	(45,116)	(15,296)	(120,226)	-	-	(295)	-	(180,933)
Carrying amount at December 31, 2020	<u>\$ 55,498</u>	<u>\$ 604,209</u>	<u>\$ 1,096,398</u>	<u>\$ 323,784</u>	<u>\$ 3,881</u>	<u>\$ 16,756</u>	<u>\$ 71,700</u>	<u>\$ 275,618</u>	<u>\$ 2,447,844</u>

(Concluded)

b. Assets leased under operating leases

For the Year Ended December 31, 2021

**Rental Assets**

Cost	
Balance at January 1 and at December 31, 2021	<u>\$ 112,007</u>
Accumulated depreciation	
Balance at January 1, 2021	46,427
Depreciation	<u>5,491</u>
Balance at December 31, 2021	<u>51,918</u>
Carrying amount at December 31, 2021	<u>\$ 60,089</u>

For the Year Ended December 31, 2020

**Rental Assets**

Cost	
Balance at January 1 and at December 31, 2020	<u>\$ 112,007</u>
Accumulated depreciation	
Balance at January 1, 2020	40,797
Depreciation	<u>5,630</u>
Balance at December 31, 2020	<u>46,427</u>
Carrying amount at December 31, 2020	<u>\$ 65,580</u>

The subsidiary, Chang Wah Energy Technology Co., Ltd., leases solar energy equipment as operating leases with lease term of 20 years. The lessees do not have purchase options to acquire the assets at the end of the lease periods.

The above lease contracts stipulated that the lessees shall pay on a monthly basis the variable lease payment according to the specific percentage of the monthly Taipower wholesale purchase rate, which is different from the index or the rate.

Some of the lease contracts between the subsidiary and the lessees included the terms related to general risk management to reduce the risk on the remaining assets of the leased solar equipment at the end of the lease period.

- c. The above items of property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

Buildings	
Main buildings	15-50 years
Renovation	2-25 years
Machinery and equipment	
Solar energy equipment	7-20 years
Other	2-10 years
Tooling equipment	2-5 years
Transportation equipment	3-6 years
Office equipment	2-5 years
Other equipment	2-10years
Rental equipment	
Solar energy equipment	7-20 years

## 15. LEASE ARRANGEMENTS

- a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Carrying amount		
Land	\$ 435,336	\$ 447,724
Buildings	39,991	47,817
Transportation equipment	-	908
Other equipment	<u>57</u>	<u>113</u>
	<u>\$ 475,384</u>	<u>\$ 496,562</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 2,734</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 10,353	\$ 10,404
Buildings	11,654	11,120
Transportation equipment	904	1,240
Other equipment	<u>57</u>	<u>57</u>
	<u>\$ 22,968</u>	<u>\$ 22,821</u>

Except for the aforementioned addition and recognized depreciation of right-of-use assets, the Corporation and its subsidiaries did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2021 and 2020.



b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Carrying amount		
Current	<u>\$ 15,446</u>	<u>\$ 16,028</u>
Non-current	<u>\$ 77,442</u>	<u>\$ 89,568</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	0.6922-2.171	0.6922-2.171
Buildings	0.35-5.0932	1.4066-5.0932
Transportation equipment	1.01-4.4694	1.01-4.4694
Other equipment	1.52	1.52

c. Material lease activities and terms

The Corporation and its subsidiaries leased land from the government. The lease term will expire in August 2024, and the Corporation and its subsidiaries have the option to renew or terminate the contract. The Corporation and its subsidiaries do not have a purchase option to acquire the leased land at the expiration of the lease period. The government has the option to adjust the lease payments based on the changes in announced land value.

The Corporation's subsidiary, CWTC, leases buildings from its associate, JMC Electronics Co., Ltd. The lease term will expire in August 2023, and under certain conditions, CWTC has the option to renew or terminate the contract. CWTC does not have bargain purchase options to acquire the leasehold buildings at the end of the lease term.

The main lease agreements of the subsidiaries SH Electronics Chengdu Co., Ltd., SH Electronics Suzhou Co., Ltd., and MSHE are right-of-use agreements for the lease of land with lease terms of 50-97 years, which will successively expire by February 2054.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 9,421</u>	<u>\$ 9,904</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 4,153</u>	<u>\$ 3,851</u>
Total cash outflow for leases	<u>\$ 33,773</u>	<u>\$ 32,364</u>

For the leases of staff dormitory, office and transportation equipment that qualify as short-term leases and other equipment that qualify as low-value asset leases, the Corporation and its subsidiaries have elected to apply the recognition exemption; thus, the Corporation and its subsidiaries did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INVESTMENT PROPERTIES

	<b>December 31</b>		
	<b>2021</b>	<b>2020</b>	
Buildings	\$ 22,346	\$ 29,261	
Right-of-use assets	<u>1,997</u>	<u>3,841</u>	
	<u>\$ 24,343</u>	<u>\$ 33,102</u>	
 <u>For the Year Ended December 31, 2021</u>			
	<b>Buildings</b>	<b>Right-of-use Assets</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1 and at December 31, 2021	\$ <u>135,864</u>	\$ <u>7,571</u>	\$ <u>143,435</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	106,603	3,730	110,333
Depreciation expense	<u>6,915</u>	<u>1,844</u>	<u>8,759</u>
Balance at December 31, 2021	<u>113,518</u>	<u>5,574</u>	<u>119,092</u>
Carrying amount at December 31, 2021	<u>\$ 22,346</u>	<u>\$ 1,997</u>	<u>\$ 24,343</u>
 <u>For the Year Ended December 31, 2020</u>			
	<b>Buildings</b>	<b>Right-of-use Assets</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2020	\$ 135,864	\$ 7,691	\$ 143,555
Remeasurement of lease liabilities	<u>-</u>	<u>(120)</u>	<u>(120)</u>
Balance at December 31, 2020	<u>135,864</u>	<u>7,571</u>	<u>143,435</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	99,688	1,883	101,571
Depreciation expense	<u>6,915</u>	<u>1,847</u>	<u>8,762</u>
Balance at December 31, 2020	<u>106,603</u>	<u>3,730</u>	<u>110,333</u>
Carrying amount at December 31, 2020	<u>\$ 29,261</u>	<u>\$ 3,841</u>	<u>\$ 33,102</u>

Investment properties are depreciated on a straight-line basis over their useful lives as follows:

Buildings	
Main buildings	10-35 years
Renovation	10 years
Right-of-use assets	4 years

The Corporation and its subsidiaries' management were unable to reliably measure the fair value of investment property located at the Nanzih Technology Industrial Park because the land belongs to the government, and the Corporation and its subsidiaries only hold the building's ownership. The market

transactions are not frequent and comparable properties in active market and alternative reliable measurements of fair value are not available; therefore, the Corporation and its subsidiaries determined that the fair value of the investment property is not reliably measurable.

Right-of-use assets included in investment properties are units of office space located in Nanzih Technology Industrial Park and subleased under operating leases to its invested company using equity method, JMC Electronics Co., Ltd. The abovementioned investment properties are leased out until March 2027. The lease contracts contain market review clauses in the event that the lessee exercised its option to extend. The lessee does not have purchase options to acquire the investment properties at the expiry of the lease period. To reduce the residual asset risk related to the investment properties, the Corporation prepared the lease contract according to its general risk management strategy.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 21,425	\$ 21,425
Year 2	19,115	21,425
Year 3	18,905	19,115
Year 4	18,905	18,905
Year 5	18,905	18,905
Year 6 onwards	<u>4,725</u>	<u>23,630</u>
	<u>\$ 101,980</u>	<u>\$ 123,405</u>

## 17. GOODWILL

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of the year	\$ 661,696	\$ 676,767
Effect of foreign currency exchange difference	<u>(8,037)</u>	<u>(15,071)</u>
Balance, end of the year	<u>\$ 653,659</u>	<u>\$ 661,696</u>

The Corporation and its subsidiaries' goodwill carried out impairment testing on the recoverable amount of goodwill at the end of the annual reporting period. The recoverable amount was determined based on the value in use. The value in use was calculated based on the cash flow projections from the financial budgets covering a five-year period, using annual discount rates of 15.48% and 13.70% as of December 31, 2021 and 2020, respectively. Based on the assessment result, the recoverable amount exceeded the carrying amount; hence, the Corporation and its subsidiaries need not recognize any impairment loss on goodwill.

Detail of the Corporation and its subsidiaries' goodwill generated from the merger and acquisition of other companies is as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition of SHAP's ownership	\$ 679,064	\$ 679,064
Acquisition of other company's ownership	488	488
Effect of foreign currency exchange difference	<u>(25,893)</u>	<u>(17,856)</u>
	<u>\$ 653,659</u>	<u>\$ 661,696</u>

## 18. OTHER INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Computer software	\$ 30,190	\$ 25,233
Patent	<u>4,763</u>	<u>4,846</u>
	<u>\$ 34,953</u>	<u>\$ 30,079</u>

Intangible assets are amortized on a straight-line basis over their useful lives as follows:

Computer software	3-10 years
Patent	10-20 years

## 19. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank credit loans	\$ 2,856,026	\$ 2,071,093
Bank secured loans (Note 34)	<u>100,000</u>	<u>354,000</u>
	<u>\$ 2,956,026</u>	<u>\$ 2,425,093</u>
Interest rate range (%)	0-3.85	0.35-3.85

### b. Long-term borrowings

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Syndicated bank loans (hosted by Bank of Taiwan) - subsidiary CWTC		
Loan B - Interest rate at 1.797% p.a.	\$ -	\$ 550,000
Less: Syndicated loan fee	<u>-</u>	<u>2,167</u>
	<u>-</u>	<u>547,833</u>
Syndicated bank loans (hosted by Taishin International Bank) - the Corporation		
Loan B - Interest rate at 0.988% and 1.174% p.a.	2,000,000	1,800,000
Less: Syndicated loan fee	<u>8,400</u>	<u>11,280</u>
	<u>1,991,600</u>	<u>1,788,720</u>
Bank credit loans		
Maturities before June 2030, interest rates at 0%-1.1319% and 0%-1.19 % p.a.	<u>4,756,873</u>	<u>4,242,559</u>
	<u>\$ 6,748,473</u>	<u>\$ 6,579,112</u>

d. Facility agreements and financial covenants

- 1) Under the syndicated loan agreements, the Corporation and its subsidiaries should meet certain percentages and amounts for the current ratio, debt ratio, interest coverage ratio and total equity, which are reviewed at least once every six months. If the Corporation and its subsidiaries are not in compliance with the aforementioned restrictions on the financial ratios and amounts, the Corporation and its subsidiaries should make improvements after the end of the year or the end of the second quarter of the next year. If the restrictions are met, the Corporation and its subsidiaries will be deemed as not in violation of the restrictions, however, the interest rate will be raised. The Corporation and its subsidiaries were in compliance with the syndicated loan agreements based on the audited annual consolidated financial statements for the years ended December 31, 2021 and 2020.
- 2) The Corporation entered into a syndicated loan agreement of NT\$7,200,000 thousand with thirteen banks led by Taishin International Bank in March 2019 and the initial drawdown was in December 2019. The credit line can be used for loan A and loan B. The credit line of loan A is NT\$7,200,000 thousand (or equivalent amount in USD, RMB or JPY), and the joint credit line with loan B cannot exceed NT\$7,200,000 thousand. The credit line of loan B is NT\$4,320,000 thousand, which can be used on a revolving basis during the loan period (5 years from the initial drawdown date), and is used for the purpose of repaying the loans of financial institutions and enriching medium-term working capital.
- 3) The Corporation's subsidiary, CWTC, entered into a syndicated loan agreement of NT\$7,200,000 thousand with seven banks led by First Commercial Bank in December 2021. The credit line can be used for loan A and loan B. The credit line of loan A is NT\$7,200,000 thousand (or equivalent amount in USD, RMB or JPY), and the joint credit line with loan B cannot exceed NT\$7,200,000 thousand. The credit line of loan B is NT\$5,760,000 thousand, which can be used on a revolving basis during the loan period (5 years from the initial drawdown date), and is used for the purpose of repaying the loans of financial institutions and enriching medium-term working capital. In addition, CWTC may extend the loan period by 2 years after obtaining the consent of the seven banks, within the period of six months starting from 4 years after the initial drawdown date.
- 4) The Corporation's subsidiary, CWTC, entered into a syndicated loan agreement of NT\$4,000,000 thousand with six banks led by Bank of Taiwan in January 2017 and the initial drawdown was in February 2017. The credit line can be used for loan A and loan B. The credit line of loan A is JPY7,350,000 thousand (or equivalent amount in NTD or USD), and cannot be used on a revolving basis. The loan is to be used only for the purpose of acquiring the shares of SHAP and its subsidiaries. The credit line of loan B is NT\$1,500,000 thousand (or equivalent amount in foreign currencies), and can be used on a revolving basis within the loan period (5 years from the initial drawdown date), and the purpose of the loan is to enrich medium-term working capital. The Corporation issued a letter of support and committed that during the borrowing period, the Corporation's ownership (whether direct or indirect) of its subsidiary, CWTC should not be less than 30%. Moreover, the Corporation should maintain its status as the largest shareholder and have substantial control over its subsidiary, CWTC.

In addition, during the extension of the credit line, the Corporation and its subsidiary, CWTC, should directly or indirectly hold all the issued shares of SHAP, and hold 2/3 or more of the seats in the board of directors; SHAP should directly or indirectly hold all the issued shares of its subsidiaries, MSHE, SHS, SHEC, SHPC and SHT, and hold 2/3 or more of the seats in the board of directors of the subsidiaries. The collateral of the syndicated loan is the entire equity of SHAP that is held by the Corporation's subsidiary, CWTC.

The Corporation's subsidiary, CWTC, had fully paid off the syndicated loan agreement in January 2021 and terminated the syndicated loan agreement in June 2021.

- 5) The Corporation's subsidiary, CWTC, obtained the business qualification verification letter from the "Action Plan for Welcoming Taiwanese Businessmen to Invest in Taiwan" hosted by the Ministry of Economic Affairs in September 2019. As stated in the regulations, CWTC should invest within three years starting from the date it received the letter.

## 20. BONDS PAYABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Secured domestic convertible bonds	\$ 215,168	\$ -
Unsecured domestic convertible bonds	<u>-</u>	<u>1,133,142</u>
	<u>\$ 215,168</u>	<u>\$ 1,133,142</u>

### a. Secured domestic convertible bonds

The Corporation's subsidiary, CWTC, issued 15 thousand secured convertible bonds at 120.56% of the par value with zero coupon rate on July 19, 2021, with an aggregate principal amount of NT\$1,500,000 thousand; the total amount raised was NT\$1,808,462 thousand.

From October 20, 2021 to July 19, 2026, bondholders may request the conversion of bonds into ordinary shares of the Company in accordance with regulations (except for the relevant period of suspension of transfer as stipulated). The conversion price at the time of issuance is NT\$75 per share. In case of ex-rights or ex-dividend, it should be adjusted according to the conversion price adjustment formula. As of December 31, 2021, the conversion price was adjusted to NT\$74.5 per share. If the bonds are not converted, they will be redeemed on July 19, 2026 in cash. If certain criteria are met, the Corporation's subsidiary, CWTC is entitled to redeem the convertible bonds at par value of the bond.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options and the liability component was presented in liabilities under financial assets at FVTPL - derivative financial assets and non-derivative financial liabilities at amortized cost of NT\$1,416 thousand and NT\$215,168 thousand, respectively. The effective interest rate of the liability component was 0.6034% per annum.

### b. Unsecured domestic convertible bonds

On November 25, 2020, the Corporation issued 12 thousand with nil coupon rate unsecured convertible bonds in Taipei Exchange (TPEX), with an aggregate principal amount of NT\$1,200,000 thousand and was issued at 100.5% of the par value, the total amount raised was NT\$1,206,000 thousand.

Each holder of the bonds has the right to convert the bonds into ordinary shares of the Corporation at the conversion price of NT\$24 per share. In the case of ex-right or ex-dividend, the convertible price shall be adjusted according to the conversion price adjustment formula. As of December 31, 2020, the conversion price was NT\$23.7 per share. Conversion may occur at any time between February 26, 2021 and November 25, 2025. If the bonds are not converted, they will be redeemed on November 25, 2025 in cash. If certain criteria are met, the Corporation is entitled to redeem the convertible bonds at par value of the bond.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The liability component contains derivative financial instruments and non-derivative financial instruments. As of December 31, 2020, assets for derivative financial instruments were NT\$4,440 thousand and liabilities for non-derivative instruments at amortized cost were NT\$1,133,142 thousand. The effective interest rate of the liability component was 1.1665% per annum on initial recognition.

The convertible bonds had been converted or redeemed and was taken off in the market in July 2021. The convertible bonds were converted to 50,620 thousand ordinary shares, and when the converted amount exceeded the par value of the ordinary shares, the excess was accounted for as capital surplus - share premium of NT\$1,143,830 thousand; in addition, due to the exercise of conversion rights of the bonds, the capital surplus - options recognized in the original issuance decreased by NT\$66,659 thousand.

## 21. ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Accounts payable	\$ <u>2,551,281</u>	\$ <u>2,202,325</u>
Accounts payable - related parties	\$ <u>125,967</u>	\$ <u>93,758</u>

The Corporation and its subsidiaries have established financial risk management policies to ensure that all payments are made on the agreed due date.

## 22. OTHER PAYABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Payables for salaries and bonuses	\$ 804,228	\$ 594,787
Payables for equipment	113,387	109,871
Payables for compensation of employees and remuneration of directors	109,495	51,802
Others (business VAT, insurance expense and tooling usage fees, etc.)	<u>326,740</u>	<u>272,962</u>
	<u>\$ 1,353,850</u>	<u>\$ 1,029,422</u>

## 23. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Based on the LPA, the Corporation and its subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The subsidiaries in foreign countries contribute monthly to pension funds based on a certain percentage of employees' monthly salaries and wages according to local laws and regulations.

### b. Defined benefit plans

The Corporation and its subsidiary, SH Electronics Taiwan Co., Ltd., adopted a defined benefit plan under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation and its subsidiary, SH Electronics Taiwan Co., Ltd. make contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund

monitoring committee. Before the end of each year, the Corporation and its subsidiary, SH Electronics Taiwan Co., Ltd., 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 Corporation and its subsidiary, SH Electronics Taiwan Co., Ltd., are 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 Corporation and its subsidiary, SH Electronics Taiwan Co., Ltd. have no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Corporation and its subsidiaries’ defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 18,577	\$ 21,849
Fair value of plan assets	(6,635)	(9,410)
Present value of other long-term employee benefit obligation	<u>11,892</u>	<u>8,554</u>
	23,834	20,993
Recorded under other payables	<u>(6,683)</u>	<u>(3,463)</u>
Net defined benefit liabilities	<u>\$ 17,151</u>	<u>\$ 17,530</u>

Net defined benefit liabilities were recorded under other non-current assets of NT\$1,467 thousand and NT\$819 thousand, respectively; net defined benefit liabilities of NT\$18,618 thousand and NT\$18,349 thousand, respectively for the year ended December 31, 2021 and 2020.

Movements of net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Present Value of Other Long-term Employee Benefit Obligation</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 173,658</u>	<u>\$ (137,808)</u>	<u>\$ 9,451</u>	<u>\$ 45,301</u>
Service cost				
Current service cost	222	-	914	1,136
Gains on settlements	(9,115)	-	-	(9,115)
Interest expense (income)	<u>1,462</u>	<u>(1,207)</u>	<u>70</u>	<u>325</u>
Recognized in profit or loss	<u>(7,431)</u>	<u>(1,207)</u>	<u>984</u>	<u>(7,654)</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(2,932)	-	(2,932)
Actuarial loss - changes in financial assumptions	6,645	-	182	6,827
Actuarial gain - experience adjustments	<u>(7,271)</u>	<u>-</u>	<u>(591)</u>	<u>(7,862)</u>
Recognized in other comprehensive income (other long-term employee benefit recognized in profit or loss)	<u>(626)</u>	<u>(2,932)</u>	<u>(409)</u>	<u>(3,967)</u>

(Continued)



	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Present Value of Other Long-term Employee Benefit Obligation</b>	<b>Net Defined Benefit Liabilities</b>
Contributions from the employer	\$ -	\$ (12,563)	\$ -	\$ (12,563)
Liabilities extinguished on settlement	(113,406)	113,406	-	-
Plan assets claimed (paid)	(30,229)	31,694	-	1,465
Benefits paid	<u>(117)</u>	<u>-</u>	<u>(1,472)</u>	<u>(1,589)</u>
	<u>(143,752)</u>	<u>132,537</u>	<u>(1,472)</u>	<u>(12,687)</u>
Balance at December 31, 2020	<u>21,849</u>	<u>(9,410)</u>	<u>8,554</u>	<u>20,993</u>
Service cost				
Current service cost	226	-	973	1,199
Past service cost	-	-	3,141	3,141
Interest expense (income)	<u>92</u>	<u>(48)</u>	<u>33</u>	<u>77</u>
Recognized in profit or loss	<u>318</u>	<u>(48)</u>	<u>4,147</u>	<u>4,417</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(1,310)	-	(1,310)
Actuarial loss - changes in demographic assumptions	334	-	37	371
Actuarial loss - changes in financial assumptions	-	-	24	24
Actuarial loss - experience adjustments	<u>345</u>	<u>-</u>	<u>810</u>	<u>1,155</u>
Recognized in other comprehensive income (other long-term employee benefit recognized in profit or loss)	<u>679</u>	<u>(1,310)</u>	<u>871</u>	<u>240</u>
Contributions from the employer	-	(136)	-	(136)
Plan assets claimed (paid)	(4,269)	4,269	-	-
Benefits paid	<u>-</u>	<u>-</u>	<u>(1,680)</u>	<u>(1,680)</u>
	<u>(4,269)</u>	<u>4,133</u>	<u>(1,680)</u>	<u>(1,816)</u>
Balance at December 31, 2021	<u>\$ 18,577</u>	<u>\$ (6,635)</u>	<u>\$ 11,892</u>	<u>\$ 23,834</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 3,356	\$ (6,177)
Selling and marketing expenses	441	(532)
General and administrative expenses	<u>1,491</u>	<u>(1,354)</u>
	<u>\$ 5,288</u>	<u>\$ (8,063)</u>

Through the defined benefit plans under the Labor Standards Act, the Corporation and its subsidiary, SH Electronics Taiwan Co., Ltd., are exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor 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 and corporate 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 salary 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 of the Corporation and its subsidiary, SH Electronics Taiwan Co, Ltd., were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate (%)	0.375-0.50	0.375-0.50
Expected rate of salary increase (%)	2-2.25	2-2.25
Turnover rate (%)	0-11	0-11
Voluntary retirement rate (%)	3-100	3-100

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.25% increase	<u>\$ (297)</u>	<u>\$ (378)</u>
0.25% decrease	<u>\$ 309</u>	<u>\$ 391</u>
Expected rate of salary increase/decrease		
0.25% increase	<u>\$ 299</u>	<u>\$ 378</u>
0.25% decrease	<u>\$ (290)</u>	<u>\$ (368)</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.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plan for the next year	<u>\$ 96</u>	<u>\$ 180</u>
Average duration of the defined benefit obligation	2.8-16.1 years	3.7-12.3 years

## 24. EQUITY

### a. Share capital

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number of shares authorized (in thousands)	<u>1,200,000</u>	<u>1,200,000</u>
Shares authorized	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>689,419</u>	<u>638,799</u>
Shares issued	<u>\$ 689,419</u>	<u>\$ 638,799</u>

The Corporation had passed the revision of its articles of incorporation regarding par value per share through its shareholders' meeting in June 2020. The par value per share had been changed from NT\$10 to NT\$1 and the reissuance of stocks was completed in August 2020.

Preferred shares can be issued within authorized number of shares. A 1/10 portion of the total authorized shares should be used in employee share options, restricted stock awards, preferred shares with options and bonds with options.

### b. Capital surplus

For the adjustments of all types of capital surplus balance, refer to Table 11.

### c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation stipulates that the proposal for profit distribution or offsetting of losses should be made at the end of the six months of the fiscal year. If the Corporation made a profit in the six months of a fiscal year, the profit shall be first utilized for offsetting losses of previous years, estimating and reserving for taxes, compensation of employees and remuneration of directors to be paid, then setting aside as legal reserve 10% of the remaining profit until the accumulated legal reserve equals the Corporation's paid-in 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 Corporation's board of directors as the basis for proposing a distribution plan. If the distribution is in the form of issuing new shares, it should be resolved in the shareholders' meeting; if the distribution is in the form of cash, it should be resolved in the board of director's meeting.

If the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit until the accumulated legal capital reserve equals the Corporation's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit after distribution of dividends from the preferred shares in accordance with Rule No.4-1, together with any undistributed retained earnings should be used by the Corporation's board of directors as the basis for proposing a distribution plan and reported to the shareholders' meeting. If the distribution is in the form of issuing new shares, it should be resolved in the shareholders' meeting.

Remuneration of directors is set aside within a fixed annual budget of NT\$8 million. When the Corporation's annual net income (calculated as pre-tax profit prior to deducting compensation of employees and remuneration of directors) is over NT\$800 million, and the surplus is from NT\$800 million to NT\$1 billion, and over NT\$1 billion, the budget for remuneration of directors will be increased to 2% and 4% of net income, respectively, and will be reported to the shareholders' meeting. Remuneration of directors is determined by reference to the views of the remuneration committee authorized by the board of directors, and paid in accordance with the degree of involvement of the

Corporation's operations and contribution to the industry in general.

The Corporation shall undertake aggressive business plan to keep the Corporation operating as a going concern and in stable prosperity in view of the economic environment and the trend of industry growth. Dividend policy is mainly based on a residual dividend concept, i.e. the Corporation shall measure its annual cash requirement in accordance with its capital budget and regular operational cash requirement to determine the amounts of dividends in cash and/or in stock, but cash dividend shall not be less than 10% of the total amount of dividends.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should appropriate or reverse a special reserve.

The appropriations of earnings for 2021, which had been approved by the Corporation's board of directors and will be reported in the shareholder's meeting in June 2022, are as follows:

	<b>2nd Half of the Year 2021</b>	<b>1st half of the Year 2021</b>
Date of the board of directors' meeting	March 17, 2022	November 5, 2021
Legal reserve	\$ 118,697	\$ 87,218
Cash dividends	<u>1,116,860</u>	<u>261,979</u>
Dividend per share (NT\$)	<u>\$ 1,235,557</u>	<u>\$ 349,197</u>
	<u>\$ 1.62</u>	<u>\$ 0.38</u>

The appropriations of earnings for 2020, which had been approved by the Corporation's board of directors and were reported in the shareholders' meeting in July 2021, were as follows:

	<b>2nd half of the year 2020</b>	<b>1st half of the year 2020</b>
Date of the board of directors' meeting	March 17, 2021	November 9, 2020
Legal reserve	\$ 51,946	\$ 36,452
Cash dividends	<u>701,361</u>	<u>166,088</u>
	<u>\$ 753,307</u>	<u>\$ 202,540</u>
Dividend per share (NT\$)	<u>\$ 1.04</u>	<u>\$ 0.26</u>

The appropriations of earnings for 2019, which had been approved by the Corporation's board of directors and were reported in the shareholders' meeting to be held in June 2020, were as follows:

	<b>2nd half of the year 2019</b>	<b>1st half of the year 2019</b>
Date of the board of directors' meeting	March 18, 2020	November 7, 2019
Legal reserve	\$ 58,771	\$ 58,199
Cash dividends	<u>542,979</u>	<u>261,908</u>
	<u>\$ 601,750</u>	<u>\$ 320,107</u>
Dividend per share (NT\$)	<u>\$ 8.5</u>	<u>\$ 4.1</u>

d. Special reserve

On first-time adoption of IFRSs, the amount of the cumulative translation differences transferred to retained earnings was NT\$1,277 thousand, and the same amount was appropriated as the special reserve.

e. Other equity items

1) Exchange differences on translation of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of the year	\$ (133,551)	\$ (103,297)
Recognized during the year		
Exchange differences on translation of foreign operations	(20,957)	(40,475)
Share of exchange differences of associates accounted for using the equity method	(3,724)	13,400
Related income tax	<u>702</u>	<u>(3,179)</u>
Balance, end of the year	<u>\$ (157,530)</u>	<u>\$ (133,551)</u>

2) Unrealized gains and losses on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of the year	<u>\$ 937,974</u>	<u>\$ 223,251</u>
Recognized for the year		
Unrealized gains and losses - equity instruments	2,225,040	665,091
Share of associates accounted for using the equity method	121,359	96,735
Related income tax	<u>(72,227)</u>	<u>-</u>
Other comprehensive income recognized for the year	2,274,172	761,826
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>(789,718)</u>	<u>(47,103)</u>
Balance, end of the year	<u>\$ 2,422,428</u>	<u>\$ 937,974</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of the year	\$ 2,418,385	\$ 2,455,979
Share of net profit for the year	762,563	364,821
Other comprehensive income during the year		
Exchange differences on translation of foreign operations	(42,486)	(62,514)
Income tax related to exchange differences on translation of foreign operations	12,613	20,920
Unrealized gains and losses on financial assets at FVTOCI	88,719	49,328
Income tax related to unrealized gains and losses on financial assets at FVTOCI	404	2,290
Remeasurement of defined benefit plans	410	1,184
Income tax related to remeasurement on defined benefit plans	(146)	(419)
Equity component of convertible bond issued by subsidiaries	914,591	-
Transfer of treasury shares by subsidiaries	48,024	-
Decrease in non-controlling interests (Note 29)	(120,641)	(200,239)
Cash dividends paid	<u>(256,013)</u>	<u>(212,965)</u>
Balance, end of the year	<u>\$ 3,826,423</u>	<u>\$ 2,418,385</u>

**25. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 20,511,105	\$ 16,298,601
Revenue from rendering of services	<u>77,943</u>	<u>66,159</u>
	20,589,048	16,364,760
Rental revenue	31,634	31,833
Other operating revenue	<u>49,827</u>	<u>27,425</u>
	<u>\$ 20,670,509</u>	<u>\$ 16,424,018</u>

a. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes and accounts receivable	<u>\$ 4,800,350</u>	<u>\$ 3,679,214</u>	<u>\$ 3,509,318</u>
Contract liabilities (including current and non-current)			
Sale of goods	<u>\$ 250,213</u>	<u>\$ 121,176</u>	<u>\$ 175,247</u>

The changes in the balance of contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment, there were no other significant changes in 2021 and 2020.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year and from the performance obligations satisfied in the previous periods was summarized as follows:

	<u>For the Year Ended December 31</u>	
	<b>2021</b>	<b>2020</b>
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 99,127</u>	<u>\$ 146,464</u>

b. Disaggregation of revenue

	IC Leadframe	LED Leadframe	EME	Substrate	Others	Total
<u>For the year ended December 31, 2021</u>						
Type of revenue						
Sale of goods	\$ 10,413,924	\$ 943,464	\$ 5,563,858	\$ 1,361,364	\$ 2,228,495	\$ 20,511,105
Rendering of services	1,155	-	23,195	-	53,593	77,943
Rental revenue	-	-	-	-	31,634	31,634
Others	<u>10,562</u>	<u>672</u>	<u>24,943</u>	<u>638</u>	<u>13,012</u>	<u>49,827</u>
	<u>\$ 10,425,641</u>	<u>\$ 944,136</u>	<u>\$ 5,611,996</u>	<u>\$ 1,362,002</u>	<u>\$ 2,326,734</u>	<u>\$ 20,670,509</u>
<u>For the year ended December 31, 2020</u>						
Type of revenue						
Sale of goods	\$ 7,817,102	\$ 717,555	\$ 4,503,845	\$ 1,208,035	\$ 2,052,064	\$ 16,298,601
Rendering of services	1,457	-	14,772	-	49,930	66,159
Rental revenue	-	-	-	-	31,833	31,833
Others	<u>4,086</u>	<u>227</u>	<u>22,269</u>	<u>270</u>	<u>573</u>	<u>27,425</u>
	<u>\$ 7,822,645</u>	<u>\$ 717,782</u>	<u>\$ 4,540,886</u>	<u>\$ 1,208,305</u>	<u>\$ 2,134,400</u>	<u>\$ 16,424,018</u>

c. Partially completed contracts

The transaction prices, excluding any estimated amounts of variable consideration that are constrained, allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Sale of goods		
Fulfillment in 2021	\$ -	\$ 105,695
Fulfillment in 2022	203,035	14,205
Fulfillment in 2023 and thereafter	<u>47,178</u>	<u>1,276</u>
	<u>\$ 250,213</u>	<u>\$ 121,176</u>

## 26. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	<u>For the Year Ended December 31</u>	
	<b>2021</b>	<b>2020</b>
Dividend income	\$ 323,343	\$ 207,886
Government grants	32,058	83,370

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Tooling revenue	\$ 13,425	\$ 16,077
Others	<u>14,199</u>	<u>13,801</u>
	<u>\$ 383,025</u>	<u>\$ 321,134</u> (Concluded)

Government grants mainly include the coronavirus relief that the Corporation and its subsidiaries received from the government and the interest subsidy for their borrowings via the “Action Plan for Welcoming Taiwanese Businessmen to Invest in Taiwan” project.

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net foreign exchange loss	\$ (145,676)	\$ (166,205)
Loss on disposal of investments accounted for using the equity method (Note 13)	-	(15,995)
Gain on financial assets mandatorily classified as at FVTPL	55,647	20,154
Others	<u>(11,393)</u>	<u>(12,209)</u>
	<u>\$ (101,422)</u>	<u>\$ (174,255)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 82,727	\$ 73,140
Bond discount amortization	6,089	1,100
Interest on lease liabilities	2,332	2,770
Other finance costs	6,712	6,064
Less: Amounts included in the cost of qualifying assets	<u>-</u>	<u>128</u>
	<u>\$ 97,860</u>	<u>\$ 82,946</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest amount	<u>\$ -</u>	<u>\$ 128</u>
Capitalization rate (%)	-	0.93-1.02



d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Depreciation expense		
Property, plant and equipment	\$ 610,467	\$ 584,012
Right-of-use assets	22,968	22,821
Investment properties	<u>8,759</u>	<u>8,762</u>
	<u>\$ 642,194</u>	<u>\$ 615,595</u>
Analysis of depreciation expense by function		
Operating costs	\$ 552,172	\$ 550,745
Operating expenses	88,789	63,617
Non-operating income and expenses	<u>1,233</u>	<u>1,233</u>
	<u>\$ 642,194</u>	<u>\$ 615,595</u>
Amortization expense		
Computer software	\$ 10,953	\$ 11,688
Patent	622	462
Others	<u>157</u>	<u>331</u>
	<u>\$ 11,732</u>	<u>\$ 12,481</u>
Analysis of amortization expense by function		
Operating costs	\$ 1,055	\$ 1,382
Operating expenses	<u>10,677</u>	<u>11,099</u>
	<u>\$ 11,732</u>	<u>\$ 12,481</u>

e. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Direct operating expenses on investment properties that generated rental income	<u>\$ 9,622</u>	<u>\$ 9,650</u>

f. Employee benefits

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits		
Defined contribution plans	\$ 70,432	\$ 62,524
Defined benefit plans	<u>270</u>	<u>(8,638)</u>
	70,702	53,886
Other employee benefits	<u>1,927,198</u>	<u>1,444,586</u>
	<u>\$ 1,997,900</u>	<u>\$ 1,498,472</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Analysis of employee benefits by function		
Operating costs	\$ 1,079,150	\$ 863,883
Operating expenses	<u>918,750</u>	<u>634,589</u>
	<u>\$ 1,997,900</u>	<u>\$ 1,498,472</u>
		(Concluded)

The Articles of Incorporation of the Corporation stipulate to distribute compensation of employees and remuneration of directors at the rates of 1%-12% and at certain rate of income exceeding a specified amount of pre-tax profit. The Corporation distributed compensation of employees and remuneration of directors for 2021 at the rates of 2% and 3.63%, respectively, of income exceeding a specified amount of pre-tax profit; the distributed amounts approved by the Corporation's board of directors in March 2022 are as follows:

	<b>For the Year Ended December 31, 2021</b>
Compensation of employees - cash	\$ 37,548
Remuneration of directors - cash	39,095

The difference between the amounts recognized and the amounts approved by Corporation's board of directors is recorded as a change in accounting estimate and will be adjusted in the next year.

The compensation of employees and remuneration of directors (all in cash) for 2020 and 2019, which were approved by the Corporation's board of directors in March 2021 and 2020, and accrual amounts recognized in the consolidated financial statements were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Compensation of Employees</b>	<b>Remuneration of Directors</b>	<b>Compensation of Employees</b>	<b>Remuneration of Directors</b>
Amounts approved in the board of directors' meeting	\$ 21,966	\$ 7,933	\$ 24,409	\$ 12,818
Amounts recognized in the annual consolidated financial statements	<u>(21,966)</u>	<u>(7,933)</u>	<u>(24,409)</u>	<u>(12,818)</u>
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

For the purpose of motivating and enhancing the morale of its employees, in December 2020, the board of directors of the Corporation's subsidiary, CWTC, had decided to transfer treasury shares that were purchased in 2018 to its employees that met certain conditions. On December 30, 2020, 1,341 thousand shares were transferred at the transfer price of NTD40.2 per share, and the Corporation's subsidiary recognized compensation costs of NT\$23,065 thousand. Moreover, in June 2021, the board of directors of the Corporation's subsidiary, CWTC had decided to transfer treasury shares that were purchased in

2018 to the employees of the Corporation and its subsidiaries that met certain conditions and 1,053 thousand shares were transferred at the transfer price of NTD40.2 per share. The grant date was July 8, 2021 and after the implementation, the Corporation and its subsidiaries recognized compensation costs of NT\$51,176 thousand.

The fair value of the share-based payment transaction on the grant date of the Corporation's subsidiary, CWTC, is estimated based on the closing price on the grant date after deduction of the exercise price.

- g. Impairment loss recognized (reversed) on non-financial assets - recognized in operating costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Write-down (reversal) of inventories	\$ (5,512)	\$ 14,394
Loss on inventory obsolescence	-	13,400
Impairment loss recognized (reversed) on property, plant and equipment - recognized in operating costs	<u>-</u>	<u>(18)</u>
	<u>\$ (5,512)</u>	<u>\$ 27,776</u>

- h. Others

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net gain (loss) on disposal of property, plant and equipment - recognized in operating costs	<u>\$ 4,873</u>	<u>\$ (18,458)</u>

## 27. INCOME TAX

- a. Income tax recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 500,982	\$ 414,907
Income tax on unappropriated earnings	7,957	12,392
Adjustments for prior years	<u>(16,010)</u>	<u>(13,165)</u>
	492,929	414,134
Deferred tax		
In respect of the current year	96,184	(162,345)
Adjustments for prior years	<u>1,698</u>	<u>(543)</u>
	<u>\$ 590,811</u>	<u>\$ 251,246</u>

The reconciliation of accounting profit and income tax expense was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	<u>\$ 3,078,874</u>	<u>\$ 1,613,366</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense calculated at the statutory rate	\$ 1,139,630	\$ 554,220
Tax-exempt income	(399,726)	(172,985)
Income tax on unappropriated earnings	7,957	12,392
Separate taxation on repatriated offshore funds	-	150,444
Recognition (reversal) of temporary differences	(142,738)	(279,117)
Adjustments for prior years	<u>(14,312)</u>	<u>(13,708)</u>
	<u>\$ 590,811</u>	<u>\$ 251,246</u>

(Concluded)

b. Income tax recognized directly in equity

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Deferred tax		
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	\$ -	\$ 980
Changes in equity of associates accounted for using the equity method	<u>-</u>	<u>(485)</u>
	<u>\$ -</u>	<u>\$ 495</u>

c. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
Disposal of financial assets at fair value through other comprehensive income that generated income basic tax	<u>\$ 69,528</u>	<u>\$ -</u>
Deferred tax		
Exchange differences on translation of foreign operations	\$ (13,315)	\$ (17,741)
Remeasurement of defined benefit plans	126	711
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	<u>2,295</u>	<u>(2,290)</u>
	<u>\$ (10,894)</u>	<u>\$ (19,320)</u>

d. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Tax refund receivable	<u>\$ -</u>	<u>\$ 3,268</u>
Current tax liabilities		
Income tax payable	<u>\$ 349,822</u>	<u>\$ 106,503</u>

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Recognized Directly in Equity	Recognized Directly in Retained Earnings	Effect of Foreign Currency Exchange Difference	Balance, End of Year
<u>Deferred tax assets</u>							
Temporary differences							
Exchange difference on translation of foreign operations	\$ 60,003	\$ -	\$ 13,315	\$ -	\$ -	\$ -	\$ 73,318
Difference between tax reporting and financial reporting - property, plant and equipment	19,605	(10,275)	-	-	-	(162)	9,168
Loss on inventory valuation and obsolescence	26,246	(1,812)	-	-	-	(177)	24,257
Subscribed for additional new shares of foreign operations at a percentage different from its existing ownership percentage	10,309	-	-	-	-	-	10,309
Unrealized gain on disposal of property, plant and equipment	12,607	(2,340)	-	-	-	-	10,267
Others	<u>54,198</u>	<u>4,353</u>	<u>357</u>	<u>-</u>	<u>-</u>	<u>(279)</u>	<u>58,629</u>
	<u>\$ 182,968</u>	<u>\$ (10,074)</u>	<u>\$ 13,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (618)</u>	<u>\$ 185,948</u>
<u>Deferred tax liabilities</u>							
Temporary differences							
Share of profits of foreign subsidiaries and associates accounted for using the equity method	\$ 242,992	\$ 87,842	\$ -	\$ -	\$ -	\$ -	\$ 330,834
Adjustment relating to changes in capital surplus of foreign operations	26,228	-	-	-	-	-	26,228
Others	<u>(637)</u>	<u>(34)</u>	<u>2,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,107</u>
	<u>\$ 268,583</u>	<u>\$ 87,808</u>	<u>\$ 2,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,169</u>

For the Year Ended December 31, 2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Recognized Directly in Equity	Recognized Directly in Retained Earnings	Effect of Foreign Currency Exchange Difference	Balance, End of Year
<u>Deferred tax assets</u>							
Temporary differences							
Exchange difference on translation of foreign operations	\$ 42,262	\$ -	\$ 17,741	\$ -	\$ -	\$ -	\$ 60,003
Difference between tax reporting and financial reporting - property, plant and equipment	27,650	(7,678)	-	-	-	(367)	19,605
Loss on inventory valuation and obsolescence	25,211	1,376	-	-	-	(341)	26,246
Remeasurement of defined benefit plans	10,599	(4,013)	(711)	-	-	-	5,875
Subscribed for additional new shares of foreign operations at a percentage different from its existing ownership percentage	10,309	-	-	-	-	-	10,309
Unrealized gain on disposal of property, plant and equipment	14,947	(2,340)	-	-	-	-	12,607
Others	<u>36,560</u>	<u>9,902</u>	<u>2,290</u>	<u>-</u>	<u>-</u>	<u>(429)</u>	<u>48,323</u>
	<u>\$ 167,538</u>	<u>\$ (2,753)</u>	<u>\$ 19,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,137)</u>	<u>\$ 182,968</u>

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Recognized Directly in Equity	Recognized Directly in Retained Earnings	Effect of Foreign Currency Exchange Difference	Balance, End of Year
<u>Deferred tax liabilities</u>							
Temporary differences							
Share of profits of foreign subsidiaries and associates accounted for using the equity method	\$ 394,490	\$ (151,498)	\$ -	\$ -	\$ -	\$ -	\$ 242,992
Adjustment relating to changes in capital surplus of foreign operations	25,733	-	-	495	-	-	26,228
Others	<u>13,506</u>	<u>(14,143)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(637)</u>
	<u>\$ 433,729</u>	<u>\$ (165,641)</u>	<u>\$ -</u>	<u>\$ 495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,583</u>

(Concluded)

- f. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2021	2020
Deductible temporary differences		
Unrealized expenditures and losses	<u>\$ 241,688</u>	<u>\$ 230,369</u>

- g. Income tax assessments

The income tax returns of the Corporation and its subsidiaries, Chang Wah Energy Technology Co., Ltd. through 2020 and Chang Wah Technology Co., Ltd. and SH Electronics Taiwan Co, Ltd. through 2019 have been assessed by the tax authorities.

## 28. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2021	2020
Profit for the year attributable to owners of the Corporation	\$ 1,725,500	\$ 997,299
Effect of potentially dilutive ordinary shares		
Convertible bonds	<u>(922)</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,724,578</u>	<u>\$ 997,299</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	678,892	638,799

(Continued)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Effect of potentially dilutive ordinary shares		
Convertible bonds	2,349	-
Compensation of employees	<u>1,072</u>	<u>1,105</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>682,313</u>	<u>639,904</u> (Concluded)

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In 2021 and 2020, the Corporation subscribed for additional new shares of its subsidiary, Chang Wah Technology Co., Ltd. The subsidiary, CWTC transferred its treasury shares to employees. In June 2020, the Corporation purchased from non-controlling interest 31% of the equity of its subsidiary, Shanghai Chang Wah Electromaterials Inc., which resulted in the increase of ownership from 69% to 100%.

The above transactions were accounted for as equity transactions, since the Corporation did not cease to have control over the subsidiary. Information was as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Cash received in the acquisition of additional interest	\$ 42,204	\$ 53,745
Cash consideration paid to acquire additional interest	(576,633)	(456,596)
Compensation cost of employee share options	51,176	23,065
Equity component of convertible bond issued by subsidiaries accounted for using the equity method	676,674	-
Transfer of treasury shares by subsidiaries	(48,024)	-
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>120,641</u>	<u>200,239</u>
Differences recognized from equity transaction	<u>\$ 266,038</u>	<u>\$ (179,547)</u>

The above transactions were accounted for as equity transactions and were adjusted by the following line items:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed	\$ -	\$ (48,557)
Capital surplus - share of changes in equity of subsidiaries	722,030	30,658
		(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Retained earnings	\$ (455,992)	\$ (162,628)
Effect of income tax	<u>-</u>	<u>980</u>
	<u>\$ 266,038</u>	<u>\$ (179,547)</u>
		(Concluded)

### 30. NON-CASH TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Corporation and its subsidiaries entered into the following non-cash investing activities that were not reflected in the statements of cash flows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	\$ 883,798	\$ 595,705
Decrease in prepayments for equipment (recorded under other non-current assets)	(118,240)	(108,754)
Increase in payables for equipment	(10,557)	(43,227)
Capitalized interest	<u>-</u>	<u>(128)</u>
Cash paid	<u>\$ 755,001</u>	<u>\$ 443,596</u>
Acquisition of intangible assets	\$ 15,771	\$ 8,374
Decrease in prepayments for equipment (recorded under other non-current assets)	(14,313)	(4,537)
Decrease (increase) in payables for equipment	<u>6,396</u>	<u>(1,226)</u>
Cash paid	<u>\$ 7,854</u>	<u>\$ 2,611</u>
Acquisition of financial assets at FVTOCI	\$ 3,130,538	\$ 3,342,412
Decrease (increase) in other payables	<u>1,268</u>	<u>(5,732)</u>
Cash paid	<u>\$ 3,131,806</u>	<u>\$ 3,336,680</u>

### 31. CAPITAL MANAGEMENT

The Corporation and its subsidiaries manage their capital to ensure that the entities will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation and its subsidiaries consist of net debt and equity. The Corporation and its subsidiaries' long-term borrowings are subject to certain capital and ratio requirements based on signed contracts. See Note 19 for information on long-term borrowings.

The key management personnel of the Corporation and its subsidiaries review the capital structure periodically, based on the condition of industry operation and future development of the Corporation and its subsidiaries, and consider the changes in the external environment. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation and its subsidiaries adjust the amount of



dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

### 32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management of the Corporation and its subsidiaries believe the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial instruments at FVTPL				
Mutual funds	\$ 99,960	\$ -	\$ -	\$ 99,960
Domestic convertible bonds	35,500	-	-	35,500
Foreign private equity fund	-	-	189,942	189,942
Convertible bonds with redemption rights and sell-back rights, net	-	-	1,416	1,416
	<u>\$ 135,460</u>	<u>\$ -</u>	<u>\$ 191,358</u>	<u>\$ 326,818</u>
Financial instruments at FVTOCI				
Equity instruments				
Domestic listed shares	\$ 6,415,792	\$ -	\$ -	\$ 6,415,792
Domestic unlisted shares	-	-	1,898,085	1,898,085
Domestics preferred shares of listed companies sold to specific group	-	184,778	-	184,778
	<u>\$ 6,415,792</u>	<u>\$ 184,778</u>	<u>\$ 1,898,085</u>	<u>\$ 8,498,655</u>
<u>December 31, 2020</u>				
Financial instruments at FVTPL				
Mutual funds	\$ 87,430	\$ -	\$ -	\$ 87,430
Domestic convertible bonds	23,570	-	-	23,570

(Continued)

	Level 1	Level 2	Level 3	Total
Foreign private equity fund	\$ -	\$ -	\$ 188,944	\$ 188,944
Convertible bonds with redemption right and sell-back rights, net	-	-	4,440	4,440
	<u>\$ 111,000</u>	<u>\$ -</u>	<u>\$ 193,384</u>	<u>\$ 304,384</u>
Financial instruments at FVTOCI				
Equity instruments				
Domestic listed shares	\$ 4,698,914	\$ -	\$ -	\$ 4,698,914
Domestic unlisted shares	-	-	242,721	242,721
Foreign unlisted shares	-	-	83,962	83,962
Domestics preferred shares of listed companies sold to specific group	-	156,362	-	156,362
	<u>\$ 4,698,914</u>	<u>\$ 156,362</u>	<u>\$ 326,683</u>	<u>\$ 5,181,959</u> (Concluded)

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2021 and 2020.

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

For the Year Ended December 31, 2021

	Financial Assets at FVTPL		Financial Assets at FVTOCI	Total
	Derivatives	Foreign Private Equity Fund	Equity Instruments	
Balance, beginning of the year	\$ 4,440	\$ 188,944	\$ 326,683	\$ 520,067
Purchases	7,950	20,472	300,300	328,722
Conversion	(14,644)	-	-	(14,644)
Returned amount of investment/distribution	-	(36,641)	-	(36,641)
Recognized in profit or loss (recognized under other gains and losses)	3,670	17,167	-	20,837
Recognized in other comprehensive income	-	-	1,271,102	1,271,102
Balance, end of the year	<u>\$ 1,416</u>	<u>\$ 189,942</u>	<u>\$ 1,898,085</u>	<u>\$ 2,089,443</u>

For the Year Ended December 31, 2020

	<b>Financial Assets at FVTPL</b>		<b>Financial Assets at FVTOCI</b>	<b>Total</b>
	<b>Derivatives</b>	<b>Foreign Private Equity Fund</b>	<b>Equity Instruments</b>	
Balance, beginning of the year	\$ -	\$ 231,946	\$ 330,787	\$ 562,733
Reclassification	-	-	15,658	15,658
Purchases	-	173,177	-	173,177
Returned amount of investment/distribution	-	(207,866)	-	(207,866)
Recognized in profit or loss (recognized under other gains and losses)	4,440	(8,313)	-	(3,873)
Recognized in other comprehensive income	<u>-</u>	<u>-</u>	<u>(19,762)</u>	<u>(19,762)</u>
Balance, end of the year	<u>\$ 4,440</u>	<u>\$ 188,944</u>	<u>\$ 326,683</u>	<u>\$ 520,067</u>

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

The fair value of domestic preferred shares of listed companies sold to specific group is determined by valuation model.

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

The fair value of foreign private equity fund is determined by the net asset valuation report provided by the investment companies.

The fair values of domestic and foreign unlisted shares were determined using the purchase price or the quotation price from an active market, the market approach or income approach. In the income approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. In the market approach, the fair market values are estimated by reference to the type of industry, similar companies and the company's operations.

The fair value of derivative assets - convertible bonds redemption rights and sell-back rights is measured using binominal tree model by using significant but unobservable inputs as fluctuation of stock price. When the fluctuation of stock price increases, the fair value is deemed to increase.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<hr/>		
Financial assets		
Financial assets mandatorily classified as at FVTPL	\$ 326,818	\$ 304,384
Financial assets at amortized cost 1)	11,110,584	8,666,517
Financial assets at FVTOCI - equity instruments	8,498,655	5,181,959

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost 2)	\$ 13,958,332	\$ 13,473,903 (Concluded)

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets (including current and non-current) and refundable deposits.
- 2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable (including related parties), other payables, current portion of bonds payable, long-term borrowings and guarantee deposit.

d. Financial risk management objectives and policies

The Corporation and its subsidiaries' major financial instruments include equity investments, notes and accounts receivable, accounts payable, bonds payable, borrowing and lease liabilities. The Corporation and its subsidiaries' treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Corporation and its subsidiaries through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The significant financial activities of the Corporation and its subsidiaries are reviewed by the board of directors in accordance with relevant regulations and internal controls. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Corporation and its subsidiaries' activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

There had been no change to the Corporation and its subsidiaries' exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation and its subsidiaries were exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures were managed by natural hedges of foreign deposits, foreign borrowings or the same category of foreign currency right and debts from transaction.

For the carrying amounts of the Corporation and its subsidiaries' significant non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 37.

Sensitivity analysis

The Corporation and its subsidiaries are mainly exposed to the USD and JPY. The following table details the Corporation and its subsidiaries' sensitivity to a 1% increase and decrease in the

functional currencies against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%.

The sensitivity analysis included only outstanding foreign currency denominated monetary items.

	<b>USD Impact</b>		<b>JPY Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit before income tax (Note)	\$ (34,908)	\$ (38,248)	\$ (6,532)	\$ (2,675)

Note: This was mainly attributable to the exposure to outstanding cash and cash equivalents, accounts receivable (including related parties), other receivables, other financial assets, short-term borrowings, accounts payable (including related parties) and other payables in USD and JPY which were not hedged at the balance sheet date.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Sales in USD and JPY will fluctuate according to the terms of contracts and business cycle.

b) Interest rate risk

The Corporation and its subsidiaries were exposed to interest rate risk because the Corporation and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Corporation and its subsidiaries by utilizing low-interest-rate financing methods. By taking advantage of the low interest rates, the Corporation and its subsidiaries incur low financing costs and have sufficient lines of credit to utilize.

The carrying amounts of the Corporation and its subsidiaries' financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial liabilities	\$ 2,084,488	\$ 3,027,458
Cash flow interest rate risk		
Financial assets	4,765,019	3,389,479
Financial liabilities	7,433,769	7,215,485

The sensitivity analysis below was determined based on the Corporation and its subsidiaries' exposure to financial instruments at the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the balance sheet date were outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been higher/lower by 1% and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by NT\$74,338 thousand and NT\$72,155 thousand, respectively.

c) Other price risk

The Corporation and its subsidiaries were exposed to equity price risk through its investments in domestic listed shares, mutual funds and convertible bonds.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by NT\$1,355 thousand and NT\$1,110 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, 2021 and 2020 would have increased/decreased by NT\$64,158 thousand and NT\$46,989 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 Corporation and its subsidiaries. As of the balance sheet date, the Corporation and its subsidiaries' maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets.

Business units grant credit amount according to the experience in various credit transactions, and monitor customer payment situations regularly. The Corporation and its subsidiaries do not expect significant credit risk because the counterparties are creditworthy financial institutions.

Accounts receivable counterparties are concentrated in a number of significant customers. They are mostly engaged in commercial activities, and have similar economic characteristics and similar ability to fulfill contracts affected by the economic or other conditions. The receivables (notes receivable, accounts receivable and other receivables) with significant credit risk were as follows:

Customer	December 31	
	2021	2020
A Corporation	<u>\$ 658,750</u>	<u>\$ 461,048</u>

3) Liquidity risk

The management of the Corporation and its subsidiaries continuously monitor the movements of cash flows, net cash position and the utilization of bank loan commitments to control proportion of long-term and short-term bank loans and ensure the compliance with loan covenants.

As of December 31, 2021 and 2020, the Corporation and its subsidiaries' unused credit facilities were NT\$25,700,161 thousand and NT\$26,150,656 thousand, respectively.

The following table details the Corporation and its subsidiaries' remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation and its subsidiaries can be required to pay. The table includes both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks 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 rate, the undiscounted amount was estimated by the interest rate at the end of the reporting period.

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<u>December 31, 2021</u>				
Non-interest bearing liabilities	\$ 4,404,080	\$ 3,455	\$ 4,112	\$ 4,411,647
Lease liabilities	17,321	37,070	51,795	106,186
Bonds payable	221,200	-	-	221,200
Variable interest rate liabilities	2,714,415	4,034,894	736,942	7,486,251
Fixed interest rate liabilities	<u>298,890</u>	<u>2,039,520</u>	<u>-</u>	<u>2,338,410</u>
	<u>\$ 7,655,906</u>	<u>\$ 6,114,939</u>	<u>\$ 792,849</u>	<u>\$ 14,563,694</u>
<u>December 31, 2020</u>				
Non-interest bearing liabilities	\$ 3,556,040	\$ 7,293	\$ 3,757	\$ 3,567,090
Lease liabilities	18,346	43,796	59,257	121,399
Bonds payable	-	1,200,000	-	1,200,000
Variable interest rate liabilities	2,472,776	3,901,009	905,160	7,278,945
Fixed interest rate liabilities	<u>21,132</u>	<u>1,863,396</u>	<u>-</u>	<u>1,884,528</u>
	<u>\$ 6,068,294</u>	<u>\$ 7,015,494</u>	<u>\$ 968,174</u>	<u>\$ 14,051,962</u>

### 33. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Corporation and its subsidiaries and related parties were disclosed below:

a. Related party names and relationships

<u>Related Party Name</u>	<u>Relationship</u>
Wah Lee Industrial Corp. ThinFlex Corporation Co., Ltd.	Key management personnel The Corporation's chairman is the key management personnel (The Corporation's chairman resigned his position in ThinFlex Corporation Co., Ltd. and it was no longer related party after April 2021.)
VizionFocus Inc.	The Corporation is appointed as member of the board of directors
JMC Electronics Co., Ltd.	Investment accounted for using the equity method
Wellstech Optical Co., Ltd.	Investment accounted for using the equity method

(Continued)

<u>Related Party Name</u>	<u>Relationship</u>
Ohkuchi Materials Co., Ltd. (OM)	Investment accounted for using the equity method (Subsidiary disposed of 44% of its ownership, which resulted in losing significant influence in April 2020. OM was no longer related party after April 2020.)
How Weih Holding (Cayman) Co., Ltd.	Investment accounted for using the equity method
Silver Connection Co., Ltd.	Investment accounted for using the equity method
How Weih International Limited	Investment accounted for using the equity method's subsidiary
Dongguan Huagang International Trading Co., Ltd.	Key management personnel's subsidiary
Shanghai Yikang Chemicals & Industries Co., Ltd.	Key management personnel's subsidiary
	(Concluded)

b. Operating revenues

Account Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2021	2020
Revenue from sales of goods	Investments accounted for using the equity method	\$ -	\$ 5
	Key management personnel's subsidiaries	92,378	74,673
		<u>92,378</u>	<u>74,678</u>

Sales to related parties were made at prices similar to those of general transactions. Transaction terms with related parties were made under normal terms.

c. Purchase of goods

Related Party Category	<u>For the Year Ended December 31</u>	
	2021	2020
Investments accounted for using the equity method		
JMC	\$ 204,129	\$ 123,213
OM	-	400,093
Key management personnel	283,070	258,739
Key management personnel's subsidiaries	23,519	3,261
The Corporation's chairman is the key management personnel	<u>860</u>	<u>1,568</u>
	<u>\$ 511,578</u>	<u>\$ 786,874</u>

The Corporation and its subsidiaries purchased from the above related parties and did not purchase similar products from non-related parties. Therefore, the purchase price is not comparable with non-related parties. Payments to related parties were made under normal terms.



d. Remuneration of key management personnel

Remuneration of directors and other members of key management was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 129,665	\$ 80,829
Share-based payment	1,847	6,020
Post-employment benefits	494	448
Long-term employee benefits	<u>36</u>	<u>157</u>
	<u><b>\$ 132,042</b></u>	<u><b>\$ 87,454</b></u>

e. Acquisition of investments accounted for using the equity method

For the year ended December 31, 2020

<b>Related Party Category/Name</b>	<b>Account Item</b>	<b>Underlying Assets</b>	<b>Purchase Price</b>
Key management personnel's subsidiary - Shanghai Yikang Chemicals & Industries Co., Ltd.	Investments accounted for using the equity method	Subsidiary - 31% of Shanghai Chang Wah Electromaterials Inc. (Note 29)	<u>\$ 82,572</u>

The acquisition price was determined by referring to the equity amount and was agreed by both parties.

f. Other transactions with related parties

Lease arrangement - the Corporation is lessee

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Lease liabilities		
Investments accounted for using the equity method-JMC	<u>\$ 2,280</u>	<u>\$ -</u>

Lease arrangement - the Corporation is lessor

The Corporation leases right-of-use of land to JMC Electronics Co., Ltd. (investments accounted for using equity method) under an agreement expiring in March 2027, and the rent is collected monthly. The annual revenue (included in operating revenue) amounted to NT\$18,916 thousand and NT\$18,920 thousand for the year ended December 31, 2021 and 2020, respectively.

The rent is decided by negotiation and payments are received pursuant to the contract. The contract price is equivalent to the local general rental rate.

Contract for rendering of service

The Corporation provides management service to its investment accounted for using the equity method, Silver Connection Co., Ltd. The service income amounted to NT\$1,026 thousand and NT\$684 thousand for the year ended December 31, 2021 and 2020, respectively.

h. Balance at period-end

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Accounts receivable - related parties		
Key management personnel's subsidiaries	\$ 23,461	\$ 31,946
Investments accounted for using the equity method	1,600	1,595
The Corporation is appointed as member of the board of directors	-	5
The Corporation's chairman is the key management personnel	<u>-</u>	<u>10</u>
	<u>\$ 25,061</u>	<u>\$ 33,556</u>
Other receivables		
Investments accounted for using the equity method	\$ 1,392	\$ 1,328
Key management personnel	<u>63</u>	<u>59</u>
	<u>\$ 1,455</u>	<u>\$ 1,387</u>
Accounts payable - related parties		
Investments accounted for using the equity method	\$ 43,436	\$ 23,893
Key management personnel	74,775	68,044
Key management personnel's subsidiaries	7,756	1,033
The Corporation's chairman is the key management personnel	<u>-</u>	<u>788</u>
	<u>\$ 125,967</u>	<u>\$ 93,758</u>

**34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The Corporation and its subsidiaries provided the following assets as collaterals for parts of short-term and long-term borrowings, guarantees for purchase performance and import tariff:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Other financial assets (including current and non-current)		
Time deposits and reserve accounts	<u>\$ 213,094</u>	<u>\$ 494,148</u>

**35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

- a. In September 2016, Chipbond Technology Corp. filed a civil lawsuit against the Corporation for infringement of business secret. The main contents of the lawsuit include the prohibition on the use or disclosure of business secrets of Chipbond Technology Corp., the destruction of relevant files and the destruction of products that infringed business secrets. Chipbond Technology Corp. sought for an indemnification of NT\$1,765,137 thousand. Based on the legal opinion issued by the Corporation's lawyers for the aforementioned litigation case, no significant adverse impact on the Corporation was concluded after the assessment of the lawyers. Therefore, the management of the Corporation believes that the lawsuit will not have a significant impact on the Corporation's business and financial position. The aforementioned case is not adjudged by the court as of March 17, 2022.

- b. The amount that the subsidiaries have committed to purchase property, plant and equipment was approximately NT\$653,464 thousand, of which NT\$524,671 thousand was unpaid.

### 36. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

During the subsidiary's board of directors' meeting that was held in March 2022, the board had agreed to buy land and buildings from MEKTEC Technology Co., Ltd. and the contracted amount is approximately NT\$450,000 thousand, which is based on the appraisal report issued by an independent professional institution.

In March 2022, the subsidiary's board of directors approved the issuance of employee restricted stock awards (RSAs) totaling 2,546 thousand shares for 2022. The grants will be made free of charge. The actual number of shares to be issued will be resolved by the board of directors after the RSAs have been approved at the shareholders' meeting and by the competent authorities.

### 37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and its subsidiaries and the exchange rates between the foreign currencies and the respective functional currencies were disclosed.

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

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2021</u>				
Financial assets				
Monetary items				
USD	\$ 223,700	27.68	(USD:NTD)	\$ 6,192,024
USD	39,789	6.3674	(USD:RMB)	1,101,367
JPY	5,674,855	0.2405	(JPY:NTD)	1,364,803
RMB	51,574	4.3471	(RMB:NTD)	224,199
MYR	1,571	0.2296	(MYR:USD)	9,984
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	177,189	27.68	(USD:NTD)	4,904,602
RMB	47,953	4.3471	(RMB:NTD)	208,460
Associates accounted for using the equity method				
RMB	258,956	4.3471	(RMB:NTD)	1,125,706
Financial assets at fair value through profit or loss				
USD	6,862	27.68	(USD:NTD)	189,942

(Continued)

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount (In Thousands of New Taiwan Dollars)</b>
<b>Financial liabilities</b>				
<b>Monetary items</b>				
USD	\$ 105,700	27.68	(USD:NTD)	\$ 2,925,774
USD	31,677	6.3674	(USD:RMB)	876,810
JPY	2,958,944	0.2405	(JPY:NTD)	711,626
RMB	21,150	4.3471	(RMB:NTD)	91,940
MYR	7,088	0.2296	(MYR:USD)	45,044
<hr/> December 31, 2020 <hr/>				
<b>Financial assets</b>				
<b>Monetary items</b>				
USD	188,813	28.48	(USD:NTD)	5,377,411
USD	32,364	6.5249	(USD:RMB)	921,729
JPY	3,442,036	0.2763	(JPY:NTD)	951,035
RMB	39,262	4.3648	(RMB:NTD)	171,369
MYR	10,697	0.2384	(MYR:USD)	72,630
<b>Non-monetary items</b>				
Subsidiaries accounted for using the equity method				
USD	137,738	28.48	(USD:NTD)	3,922,784
RMB	40,130	4.3648	(RMB:NTD)	175,160
Associates accounted for using the equity method				
RMB	247,264	4.3648	(RMB:NTD)	1,079,258
<b>Financial assets at fair value through profit or loss</b>				
USD	6,634	28.48	(USD:NTD)	188,944
<b>Financial assets at fair value through other comprehensive income</b>				
USD	2,948	28.48	(USD:NTD)	83,962
<b>Financial liabilities</b>				
<b>Monetary items</b>				
USD	57,027	28.48	(USD:NTD)	1,624,132
USD	29,854	6.5249	(USD:RMB)	850,229
JPY	2,473,929	0.2763	(JPY:NTD)	683,546
RMB	14,582	4.3648	(RMB:NTD)	63,647
MYR	11,345	0.2384	(MYR:USD)	77,028
(Concluded)				

The foreign exchange net loss amounted to NT\$145,676 thousand and NT\$166,205 thousand for the years ended December 31, 2021 and 2020, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

### 38. ADDITIONAL DISCLOSURES

- a. Information about significant transactions and investees:
  - 1) Financing provided to others (Table 1)
  - 2) Endorsements/guarantees provided (Table 2)
  - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
  - 4) Marketable securities acquired or disposed at costs or prices 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 (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
  - 9) Trading in derivative instruments (Note 7)
  - 10) Intercompany relationships and significant intercompany transactions (Table 9)
- b. Information on investees (Table 7)
- 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, net income of investees, investment gains or losses, 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 8)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, 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 5)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)
    - 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 receiving of services (None)
- 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)

### 39. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Corporation and its subsidiaries' reportable segments were as follows:

- The Corporation - It trades electrical, communication, semiconductor materials and parts, and engages in import and export trade and manufacturing and selling, leasing of electrical appliances, telecommunications equipment, mechanical parts, and retail of EME, electronic materials and components.
- CWTC and its subsidiaries - Mainly industry is referred to Note 4.
- Others - Other subsidiaries which were below the quantitative threshold were not listed as reportable segments, refer to Note 4 for details.

#### a. Segment revenue and results

The analysis of the Corporation and its subsidiaries' revenue and results from continuing operations by reportable segment is referred to Table 10.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

#### b. Segment total assets and liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Segment assets</u>		
The Corporation	\$ 20,795,040	\$ 14,667,430
CWTC and its subsidiaries	14,842,063	12,164,162
Others	342,428	367,449
Adjustment and elimination	<u>(5,670,936)</u>	<u>(3,879,370)</u>
Consolidated total assets	<u>\$ 30,308,595</u>	<u>\$ 23,319,671</u>

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Segment liabilities</u>		
The Corporation	\$ 9,900,496	\$ 8,170,275
CWTC and its subsidiaries	6,430,331	6,737,903
Others	165,375	202,144
Adjustment and elimination	<u>(908,574)</u>	<u>(706,191)</u>
Consolidated total liabilities	<u>\$ 15,587,628</u>	<u>\$ 14,404,131</u> (Concluded)

c. Other segment information

	<b>The Corporation</b>	<b>CWTC and its Subsidiaries</b>	<b>Others</b>	<b>Total</b>
<u>For the year ended December 31, 2021</u>				
Depreciation and amortization	\$ 13,695	\$ 616,119	\$ 24,112	\$ 653,926
Impairment loss of accounts receivable recognized (reversed) in profit and loss	14,719	(5,776)	-	8,943
Loss (gain) on disposal of property, plant and equipment	(105)	(4,768)	-	(4,873)
Impairment loss of non-financial assets recognized (reversed)	954	(6,466)	-	(5,512)
<u>For the year ended December 31, 2020</u>				
Depreciation and amortization	15,051	587,565	25,460	628,076
Impairment loss of accounts receivable recognized (reversed) in profit and loss	156	(898)	-	(742)
Loss (gain) on disposal of property, plant and equipment	(1)	18,459	-	18,458
Impairment loss of non-financial assets	108	27,668	-	27,776

d. Revenue from major products and services

The following is an analysis of the Corporation and its subsidiaries' revenue from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Sales revenue		
IC Leadframe	\$ 10,413,924	\$ 7,817,102
EME	5,563,858	4,503,845
		(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Substrate	\$ 1,361,364	\$ 1,208,035
LED Leadframe	943,464	717,555
CRM	610,747	457,219
Light guide plate	378,048	389,862
Others	1,239,700	1,204,983
Revenue from rendering of services	77,943	66,159
Rental revenue	31,634	31,833
Others	<u>49,827</u>	<u>27,425</u>
	<u>\$ 20,670,509</u>	<u>\$ 16,424,018</u>

(Concluded)

e. Geographical information

The Corporation and its subsidiaries operate in two principal geographical areas - Taiwan and Asia.

The Corporation and its subsidiaries' revenue from external customers by country of operations and information about its non-current assets by location of assets are detailed below:

	<b>For the Year Ended December 31</b>		<b>Non-current Assets</b>	
	<b>2021</b>	<b>2020</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Taiwan	\$ 8,866,519	\$ 7,060,453	\$ 2,095,837	\$ 1,780,935
Asia	10,788,416	8,473,694	1,979,871	2,103,188
Others	<u>1,015,574</u>	<u>889,871</u>	-	-
	<u>\$ 20,670,509</u>	<u>\$ 16,424,018</u>	<u>\$ 4,075,708</u>	<u>\$ 3,884,123</u>

Non-current assets exclude financial assets at FVTPL, financial assets at FVTOCI, investments accounted for using the equity method, deferred tax assets, refundable deposits, other financial assets and net defined benefit assets.

f. Information about major customers

Single customer that contributed 10% or more to the Corporation and its subsidiaries' revenue was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Customer A	<u>\$ 2,444,710</u>	<u>12</u>	<u>\$ 1,942,165</u>	<u>12</u>



## Chang Wah Electromaterials Inc. and Subsidiaries

### FINANCING PROVIDED TO OTHERS FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn (Note 5)	Interest Rate (%)	Nature for Financing (Note 4)	Transaction Amount	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limit	Note
													Item	Value			
0	The Corporation	Chang Wah Energy Technology Co., Ltd.	Other receivables	Yes	\$ 400,000	\$ 200,000	\$ 25,000	1	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,089,454	\$ 4,357,818	Note 1
1	Chang Wah Technology Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	395,824	387,520	387,520	0.9-2	1	897,709	-	-	None	-	3,314,976	3,314,976	Note 2
1	Chang Wah Technology Co., Ltd.	Shanghai Chang Wah Electromaterials Inc.	Other receivables	Yes	41,520	-	-	2-2.5	2	-	Operating capital	-	None	-	3,314,976	3,314,976	Note 2
2	SH Electronics Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	166,080	166,080	-	0.9-1	2	-	Repayments of loans	-	None	-	833,094	833,094	Note 3

Note 1: According to "The Process of Financing Other" established by the Corporation, limits are as follows:

1. The total amount of loans shall not exceed 40% of the Corporation's net worth in its latest audited or reviewed financial statements.
2. The amount of loans to any individual borrower shall not exceed 20% the Corporation's net worth in its latest audited or reviewed financial statements.
3. The amount of loans for advance in installments or via revolving utilization shall not exceed 10% of the Corporation's net worth in its latest audited or reviewed financial statements.

Note 2: Chang Wah Technology Co., Ltd.: The amount of loans for any individual borrower or the total amount of loans shall not exceed 40% of its net worth.

Note 3: SH Electronics Chengdu Co., Ltd.: The total amount of loans among the subsidiaries, where the parent entity has direct or indirect shareholding of 100%, shall not exceed the company's net worth in its latest audited or reviewed financial statements.

Note 4: The nature for financial is as follows:

1. Business relationship
2. The need for short-term financing

Note 5: Amount was eliminated from the consolidated financial statements.

## Chang Wah Electromaterials Inc. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantor Provider	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Amount for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiary in Mainland China	Note
		Name	Relationship (Note 3)											
0	The Corporation	Shanghai Chang Wah Electromaterials Inc.	2, 6	\$ 2,178,909	\$ 47,471	\$ 47,471	\$ 47,471	\$ -	0.44	\$ 5,447,272	Yes	No	Yes	Note 1
1	Chang Wah Technology Co., Ltd.	Shanghai Chang Wah Electromaterials Inc.	2, 6	1,657,488	107,537	107,537	107,537	-	1.30	4,143,721	No	No	Yes	Note 2

Note 1: In accordance with the Corporation's "Procedures for Provision of Endorsements and Guarantees", limits are as follows:

1. The total amount of guarantees provided by the Corporation shall not exceed 50% of the Corporation's net worth in its latest audited or reviewed financial statements.
2. Except of the guarantor has business relationship with the guarantee, the amount of guarantees to any individual entity shall not exceed 20% of the Corporation's net worth in its latest audited or reviewed financial statements.
3. The total amount of guarantees provided by the Corporation and its subsidiaries shall not exceed the Corporation's net worth in its latest audited or reviewed financial statements.
4. Except of the guarantor has business relationship with the guarantee, the total amount of guarantees to any individual entity shall not exceed 50% of the Corporation's net worth in its latest audited or reviewed financial statements.

Note 2: Chang Wah Technology Co., Ltd.: The amount of guarantees to any individual entity shall not exceed 20% of its net worth. The total amount of guarantees shall not exceed 50% of its net worth.

Note 3: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

1. A company that the Corporation has business relationship with.
2. The Corporation owns directly or indirectly over 50% ownership of the investee company.
3. The company that owns directly or indirectly hold over 50% ownership of the Corporation.
4. In between companies that were held over 90% of voting shares directly or indirectly by an entity.
5. The Corporation is required to provide guarantees or endorsements for the construction project based on the construction contract.
6. Shareholder of the investee provides endorsements/guarantees to the company in proportion to their shareholding percentages.
7. According to Consumer Protection Act, companies in the same industry enter into collateral performance guarantees for pre-construction home sales agreements.

## Chang Wah Electromaterials Inc. and Subsidiaries

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Corporation	<u>Stock - ordinary shares</u>							
	Top Energy Saving System Corp.	-	Financial assets at fair value through profit or loss - non-current	21,000	\$ -	0.09	\$ -	
	Mylight Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	3,500,000	-	10.59	-	
	Greatek Electronics Inc.	-	Financial assets at fair value through other comprehensive income - current	5,672,000	442,983	1.00	442,983	
	Elite Semiconductor Microelectronics Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	1,500,000	247,500	0.52	247,500	
	Cleanaway Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,138,000	265,723	1.05	265,723	
	Everlight Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	244,000	12,859	0.06	12,859	
	Taiflex Scientific Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	20,416,000	969,760	9.76	969,760	
	Tian Zheng International Precision Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,175,800	109,114	3.18	109,114	
	Sumitomo Bakelite Taiwan Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	800,000	14,346	1.00	14,346	
	VizionFocus Inc.	The Corporation is appointed as member of the board of directors	Financial assets at fair value through other comprehensive income - non-current	8,205,970	1,200,451	15.78	1,200,451	
	Wah Lee Industrial Corp.	Key management personnel	Financial assets at fair value through other comprehensive income - non-current	4,411,860	472,069	1.87	472,069	
	Chipbond Technology Corp.	-	Financial assets at fair value through other comprehensive income - non-current	45,923,000	3,063,064	6.22	3,063,064	
	Atomic Material Group Inc.	-	Financial assets at fair value through other comprehensive income - non-current	591,750	-	8.33	-	
	eChem Solutions Corp.	The Corporation's chairman is the key management personnel	Financial assets at fair value through other comprehensive income - non-current	6,507,500	683,288	8.08	683,288	
	<u>Stock - preferred shares of listed companies sold to specific group</u>							
	Tian Zheng International Precision Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,700,000	184,778	10.01	184,778	
	<u>Convertible bonds</u>							
	Chailease Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	150,000	16,785	-	16,785	
	Lion Travel Service Co., Ltd.	-	Financial assets at fair value through profit or loss - current	100,000	9,850	-	9,850	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Chang Wah Technology Co., Ltd.	<u>Fund</u> Wise Road Industry Investment Fund I, L.P.	-	Financial assets at fair value through profit or loss - non-current	-	\$ 189,942	1.97	\$ 189,942	
	<u>Stock - ordinary shares</u> Wah Lee Industrial Corp.	Key management personnel of Parent Company	Financial assets at fair value through other comprehensive income - non-current	949,000	101,543	0.40	101,543	
	Tian Zheng International Precision Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	291,000	27,005	0.87	27,005	
	Taiflex Scientific Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,131,000	148,723	1.50	148,723	
	Greatek Electronics Inc.	-	Financial assets at fair value through other comprehensive income - non-current	381,000	29,756	0.07	29,756	
	Cleanaway Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	131,000	30,588	0.12	30,588	
	Chipbond Technology Corp.	-	Financial assets at fair value through other comprehensive income - non-current	5,336,000	355,911	0.72	355,911	
	Acter Group Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	627,000	139,194	1.10	139,194	
	Ohkuchi Materials Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	50	-	5.00	-	
	<u>Convertible bonds</u> Lion Travel Service Co., Ltd.	-	Financial assets at fair value through profit or loss - current	90,000	8,865	-	8,865	
	<u>Fund</u> Yuanta Taiwan High-yield Leading Company Fund A	-	Financial assets at fair value through profit or loss - current	7,000,000	99,960	-	99,960	

(Concluded)

## Chang Wah Electromaterials Inc. 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, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		Note
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount	
The Corporation	Stock - ordinary shares eChem Solutions Corp.	Financial assets at fair value through other comprehensive income - non-current	Non-related party	-	-	\$ -	7,507,500	\$ 300,300	1,000,000	\$ 104,685	\$ 40,000	\$ 64,685	6,507,500	\$ 683,288	Note 2
	Chipbond Technology Corp.	Financial assets at fair value through other comprehensive income - non-current	Note 1	-	25,913,000	1,720,623	23,883,000	1,682,583	3,873,000	314,066	251,927	62,139	45,923,000	3,063,064	Note 2
	Elite Semiconductor Microelectronics Technology Inc.	Financial assets at fair value through other comprehensive income - current	Note 1	-	6,254,000	404,634	-	-	4,754,000	580,063	156,438	423,625	1,500,000	247,500	Note 2
	Chang Wah Technology Co., Ltd.	Investments accounted for using the equity method	Note 1	Subsidiary	192,885,970	2,825,222	7,382,000	576,633	-	-	-	-	200,267,970	4,390,933	Note 2

Note 1: Acquired and disposed through open market

Note 2: Amounts include unrealized gains or losses for financial assets, shares of profit or loss of subsidiaries and associates accounted for using the equity method and other related adjustments.

Note 3: The par value of the Corporation's ordinary shares was changed from NT\$10 to NT\$1 starting from August 2020. Before this change, it was calculated at 20% of the paid-in capital. After the change, it is calculated at 10% of the equity attributable to the owners of the Corporation.

## Chang Wah Electromaterials Inc. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Corporation	Wah Lee Industrial Corp.	Key management personnel	Purchases	\$ 272,396	3	60 days	No general terms and conditions can be compared	Note 33	\$ (70,893 )	(3 )	
	JMC Electronics Co., Ltd.	Investments accounted for using the equity method	Purchases	204,129	2	30 days	No general terms and conditions can be compared	Note 33	(43,436 )	(2 )	
Chang Wah Technology Co., Ltd.	The Corporation	Parent Company	Sales	(790,449 )	(17)	60 days	Not significantly different	60 days	250,128	20	Note
	SH Asia Pacific Pte. Ltd.	Subsidiary	Sales	(189,613 )	(4)	30 days	Not significantly different	30 days	11,445	1	Note
	CWTC (Shanghai) Inc.	Subsidiary	Sales	(211,854 )	(4)	180 days	Not significantly different	180 days	83,438	7	Note
SH Electronics Taiwan Co., Ltd.	The Corporation	Parent Company	Sales	(2,128,492 )	(69)	30 days	Not significantly different	30 days	465,629	55	Note
	Chang Wah Technology Co., Ltd.	Parent Company	Sales	(519,689 )	(17)	90 days	Not significantly different	90 days	348,508	41	Note
Malaysian SH Electronics Sdn. Bhd.	Chang Wah Technology Co., Ltd.	Parent Company	Sales	(772,917 )	(31)	60 days	Not significantly different	60 days	195,850	34	Note
SH Electronics Chengdu Co., Ltd.	Chang Wah Technology Co., Ltd.	Parent Company	Sales	(907,748 )	(63)	45 days	Not significantly different	45 days	199,325	67	Note
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister Company	Sales	(776,752 )	(99)	60 days	Not significantly different	60 days	138,825	100	Note
SH Electronics Suzhou Co., Ltd.	Chang Wah Technology Co., Ltd.	Parent Company	Sales	(924,057 )	(36)	15 days	Not significantly different	15 days	147,808	32	Note
	Shanghai Chang Wah Electromaterials Inc.	Sister Company	Sales	(120,111 )	(5)	45 days	Not significantly different	45 days	22,327	5	Note
	Malaysian SH Electronics Sdn. Bhd.	Sister Company	Sales	(121,822 )	(5)	30 days	Not significantly different	30 days	13,914	3	Note
	SH Electronics Taiwan Co., Ltd.	Sister Company	Sales	(505,267 )	(20)	15 days	Not significantly different	15 days	19,922	4	Note

Note: Amount was eliminated from the consolidated financial statements.

## Chang Wah Electromaterials Inc. and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Chang Wah Technology Co., Ltd.	The Corporation	Parent Company	Accounts receivable \$ 269,147 (Note 2)	3.70	\$ -	-	\$ 263,224	\$ -
SH Electronics Taiwan Co., Ltd.	The Corporation	Parent Company	Accounts receivable 465,629	5.14	-	-	456,259	-
SH Electronics Taiwan Co., Ltd.	Chang Wah Technology Co., Ltd.	Parent Company	Accounts receivable 348,508	2.60	-	-	348,508	-
SH Electronics Chengdu Co., Ltd.	Chang Wah Technology Co., Ltd.	Parent Company	Accounts receivable 199,325	5.86	-	-	181,120	-
Malaysian SH Electronics Sdn. Bhd.	Chang Wah Technology Co., Ltd.	Parent Company	Accounts receivable 195,850	4.11	-	-	195,850	-
Chang Wah Technology Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Subsidiary	Other receivables 388,425	Note 3	-	-	-	-
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister Company	Accounts receivable 138,825	6.37	-	-	138,825	-
Chang Wah Technology Co., Ltd.	SH Precision Chengdu Co., Ltd.	Subsidiary	Accounts receivable 150,326	Note 4	-	-	63,006	-
SH Electronics Suzhou Co., Ltd.	Chang Wah Technology Co., Ltd.	Parent Company	Accounts receivable 147,808	9.04	-	-	147,808	-

Note 1: Amount was eliminated from the consolidated financial statements.

Note 2: Amounts include receivables from rendering service of NT\$19,019 thousand.

Note 3: Amounts include other receivables such as intercompany loan and interest receivable. Turnover rate is not appropriate to present in this case.

Note 4: Amounts include purchases of raw materials on behalf of subsidiaries. Turnover rate is not appropriate to present in this case.

## Chang Wah Electromaterials Inc. and Subsidiaries

INFORMATION ON INVESTEEES (EXCLUDING INVESTMENTS IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Corporation	CWE Holding Co., Ltd.	Samoa	International investment activities	\$ 66,432	\$ 66,432	2,400,000	100	\$ 61,368	\$ (2,097)	\$ (2,097)	Notes 1 and 2
The Corporation	Wellstech Optical Co., Ltd.	Taiwan	Manufacturing and retailing of electronic components, computers and peripherals, and precision instruments	198,742	198,742	19,314,164	37	478,859	233,290	88,127	
The Corporation	How Weih Holding (Cayman) Co., Ltd.	British Cayman Islands	International investment activities	354,314	354,314	17,000,000	25	788,467	138,467	34,617	Note 2
The Corporation	Chang Wah Technology Co., Ltd.	Taiwan	Manufacturing of plastic products and electronic components for industrial use; retailing and wholesaling of electronic components and machinery	3,382,781	2,806,148	200,267,970	54	4,390,933	1,714,378	966,541	Notes 1 and 3
The Corporation	JMC Electronics Co., Ltd.	Taiwan	Manufacturing, processing and selling of COF substrates	595,062	539,564	35,531,390	43	1,831,477	324,411	138,379	Note 3
The Corporation	Chang Wah Energy Technology Co., Ltd.	Taiwan	Power generation of non-public business and renewable energy for equipment; leasing business; installing and retailing of electrical equipment, machinery and computer equipment	90,000	90,000	9,000,000	100	114,043	20,150	18,508	Notes 1 and 3
The Corporation	Silver Connection Co., Ltd.	Seychelles	Manufacturing and selling of electrical contact materials such as silver contact and metal shaped materials, etc.	295,152	295,152	300,000	30	336,776	170,160	53,931	Note 2
CWE Holding Co., Ltd.	How Weih Holding (Cayman) Co., Ltd.	British Cayman Islands	International investment activities	394	394	10,000	-	463	138,467	20	Note 2
Chang Wah Technology Co., Ltd.	SH Asia Pacific Pte. Ltd	Singapore	Trading of electronic components and equipment; investing activities	3,273,072	3,273,072	21,206,103	100	4,904,602	1,072,192	1,044,688	Notes 1, 2 and 3
Chang Wah Technology Co., Ltd.	SH Electronics Taiwan Co., Ltd.	Taiwan	Manufacturing of electronic components and tools; international trade	1,258,700	1,258,700	41,000,000	100	1,601,219	388,894	352,320	Notes 1 and 3
SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Malaysia	Manufacturing and selling of leadframe and semiconductor materials	517,628	532,588	23,000,000	100	1,750,678	393,894	393,894	Notes 1 and 2
SH Asia Pacific Pte. Ltd.	WSP Electromaterials Ltd.	British Virgin Islands	International investment activities	599,780	617,114	5,235,000	100	907,557	133,794	133,794	Notes 1 and 2

Note 1: Amount was eliminated from the consolidated financial statements.

Note 2: Translated into NTD using the average exchange rate for the reporting period and exchange rate at the balance sheet date.

Note 3: The difference between the net income (loss) of investees and the investment income or loss recognized by the Corporation is the unrealized gains and losses from the intercompany transaction and the amortization of the investment cost premium.



## Chang Wah Electromaterials Inc. and Subsidiaries

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2021	Net Income of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Notes 7 and 8)	Carrying Amount as of December 31, 2021 (Notes 7 and 8)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	\$ 235,280	2	\$ 66,077	\$ -	\$ -	\$ 66,077	\$ 188,101	100	\$ 187,853	\$ 1,013,238	\$ 697,802	Note 2
Shanghai Chang Wah Electromaterials Inc.	Acting as an agent for IC packaging materials and equipment	110,720	2	149,668	-	-	149,668	79,238	100	79,238	406,057	181,110	Note 2
SH Precision Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	96,880	2	31,807	-	-	31,807	74,985	100	75,148	423,423	346,645	Note 2
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	55,360	1	64,308	-	-	64,308	9,700	100	9,700	84,170	-	
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	692,000	2	-	-	-	-	338,375	100	339,771	767,551	-	

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021 (Note 3)	Investment Amount Authorized by the Investment Commission, MOEA (Notes 4 and 5)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 6)
The Corporation	\$ 530,229	\$ 1,050,874	\$ -
Chang Wah Technology Co., Ltd.	64,308	1,263,398	-

Note 1: Investment methods are classified into the following two categories:

1. Direct investment
2. Invest through holding company registered in a third region.

Note 2: SH Electronics Chengdu Co., Ltd. accumulated repatriation of investment income of RMB160,431 thousand (USD23,182 thousand); SH Precision Chengdu Co., Ltd. accumulated repatriation of investment income of RMB81,202 thousand (USD11,642 thousand); Shanghai Chang Wah Electromaterials Inc. accumulated repatriation of investment income of RMB39,682 thousand (USD6,027 thousand)

(Continued)

- Note 3: The difference with the accumulated investment amount remitted from Taiwan of the above table was mainly due to the loss of control in equity or the reinvestment by the invested company at fair value through other comprehensive income.
- Note 4: Investments approved by the Ministry of Economic Affairs were SH Electronics Chengdu Co., Ltd. USD2,100 thousand, SH Precision Chengdu Co., Ltd. USD1,050 thousand, Wuxi E&R Semiconductor Material Technology Co., Ltd. USD76 thousand, How Weih Precision Technology (Shenzhen) Co., Ltd. USD824 thousand, How Yu Technology (Shenzhen) Co., Ltd. USD644 thousand, Shanghai Chang Wah Electromaterials Inc. RMB19,729 and USD2,775 thousand, Wujiang Binmao Optronics Co., Ltd. USD551 thousand, Huizhou Weite Electronics Co., Ltd. RMB100,020 thousand and USD900 thousand, How Weih Electronic Technology (Huizhou) Co., Ltd. USD12,989 thousand, Ningbo Wanquan Photoelectricity Technology Co., Ltd. USD868 thousand and CTRON Advanced Material Co., Ltd. RMB20,000 thousand. In March 2017, the Corporation purchased 40% of the shares of SH Asia Pacific Pte. Ltd. from SH Materials Co., Ltd. and indirectly acquired the shares of other 3 companies included mainland region of SH Electronics Suzhou Co., Ltd. (USD1,571 thousand), SH Electronics Chengdu Co., Ltd. (USD6,463 thousand) and SH Precision Chengdu Co., Ltd. (USD2,454 thousand). In June 2017, the Corporation sold the 40% of SH Asia Pacific Pte. Ltd.'s shares to the subsidiary Chang Wah Technology Co., Ltd. by through organizational restructuring, and indirectly transferring three companies' shares of SH Electronics Suzhou Co., Ltd. (USD1,303 thousand), SH Electronics Chengdu Co., Ltd. (USD3,751 thousand) and SH Precision Chengdu Co., Ltd. (USD1,188 thousand). In October 2017, the Corporation sold 100% of its subsidiary, WSP Electromaterials Ltd. to SH Asia Pacific Pte. Ltd. and indirectly transferred ownership of SH Electronics Chengdu Co., Ltd. (USD9,833 thousand), SH Precision Chengdu Co., Ltd. (USD3,165 thousand) and Shanghai Chang Wah Electromaterials Inc. (USD8,670 thousand) by organizational restructuring. In March 2020, the Corporation purchased 30% of the shares of Silver Connection Co., Ltd. from Biostar Microtech Int'l Corp. for NTD295,152 thousand, which indirectly resulted in owning 30% of Dong Guan Sino-1 Electrical Contacts Alloy Co., Ltd.
- Note 5: Investments of the Corporation's subsidiary, Chang Wah Technology Co., Ltd. approved by the Ministry of Economic Affairs were CWTC (Shanghai) Inc. USD2,000 thousand. In March 2017, the subsidiary, Chang Wah Technology Co., Ltd. purchased 60% of its shares of SH Asia Pacific Pte. Ltd. from SH Materials Co., Ltd. and indirectly acquired ownership of SH Electronics Suzhou Co., Ltd. (USD2,356 thousand), SH Electronics Chengdu Co., Ltd. (USD9,695 thousand) and SH Precision Chengdu Co., Ltd. (USD3,682 thousand). Moreover, in June 2017, the Corporation sold 40% of its shares of SH Asia Pacific Pte. Ltd. to its subsidiary, Chang Wah Technology Co., Ltd. and indirectly transferred ownership of SH Electronics Suzhou Co., Ltd. (USD1,303 thousand), SH Electronics Chengdu Co., Ltd. (USD3,751 thousand) and SH Precision Chengdu Co., Ltd. (USD1,188 thousand) that was owned by the Corporation by organizational restructuring. In October 2017, the Corporation's subsidiary, SH Asia Pacific Pte. Ltd. acquired 100% of WSP Electromaterials Ltd. and indirectly acquired SH Electronics Chengdu Co., Ltd. (USD9,833 thousand), SH Precision Chengdu Co., Ltd. (USD3,165 thousand) and Shanghai Chang Wah Electromaterials Inc. (USD8,670 thousand) by organizational restructuring.
- Note 6: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, ROC and the amended "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China" dated August 29, 2008, the Corporation obtained the approval of the operational headquarters from the Industrial Development Bureau of Ministry of Economic Affairs, so there is no ceiling for the investment amount.
- Note 7: The basis for investment income recognition is the financial statements audited and attested.
- Note 8: Amount was eliminated from the consolidated financial statements.

(Concluded)

## Chang Wah Electromaterials Inc. and Subsidiaries

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% Total Sales or Assets
1	Chang Wah Technology Co., Ltd.	The Corporation	Subsidiary to parent	Sales	\$ 790,449	Follow the terms of contract	3.82
1	Chang Wah Technology Co., Ltd.	The Corporation	Subsidiary to parent	Accounts receivable	250,128	Follow the terms of contract	0.83
1	Chang Wah Technology Co., Ltd.	SH Asia Pacific Pte. Ltd.	Parent to subsidiary	Sales	189,613	Follow the terms of contract	0.92
1	Chang Wah Technology Co., Ltd.	CWTC (Shanghai) Inc.	Parent to subsidiary	Sales	211,854	Follow the terms of contract	1.02
1	Chang Wah Technology Co., Ltd.	SH Precision Chengdu Co., Ltd.	Parent to subsidiary	Accounts receivable	150,326	Follow the terms of contract	0.50
1	Chang Wah Technology Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Parent to subsidiary	Other receivables	388,425	Follow the terms of contract	1.28
2	SH Electronics Taiwan Co., Ltd.	The Corporation	Subsidiary to parent	Sales	2,128,492	Follow the terms of contract	10.30
2	SH Electronics Taiwan Co., Ltd.	The Corporation	Subsidiary to parent	Accounts receivable	465,629	Follow the terms of contract	1.54
2	SH Electronics Taiwan Co., Ltd.	Chang Wah Technology Co., Ltd.	Subsidiary to parent	Processing revenue	137,828	Follow the terms of contract	0.67
2	SH Electronics Taiwan Co., Ltd.	Chang Wah Technology Co., Ltd.	Subsidiary to parent	Sales	519,689	Follow the terms of contract	2.51
2	SH Electronics Taiwan Co., Ltd.	Chang Wah Technology Co., Ltd.	Subsidiary to parent	Accounts receivable	348,508	Follow the terms of contract	1.15
3	Malaysian SH Electronics Sdn. Bhd.	Chang Wah Technology Co., Ltd.	Subsidiary to parent	Sales	772,917	Follow the terms of contract	3.74
3	Malaysian SH Electronics Sdn. Bhd.	Chang Wah Technology Co., Ltd.	Subsidiary to parent	Accounts receivable	195,850	Follow the terms of contract	0.65
4	SH Electronics Chengdu Co., Ltd.	Chang Wah Technology Co., Ltd.	Subsidiary to parent	Sales	907,748	Follow the terms of contract	4.39
4	SH Electronics Chengdu Co., Ltd.	Chang Wah Technology Co., Ltd.	Subsidiary to parent	Accounts receivable	199,325	Follow the terms of contract	0.66
5	SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Subsidiary to subsidiary	Sales	776,752	Follow the terms of contract	3.76
5	SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Subsidiary to subsidiary	Accounts receivable	138,825	Follow the terms of contract	0.46
6	SH Electronics Suzhou Co., Ltd.	Chang Wah Technology Co., Ltd.	Subsidiary to parent	Sales	924,057	Follow the terms of contract	4.47
6	SH Electronics Suzhou Co., Ltd.	Chang Wah Technology Co., Ltd.	Subsidiary to parent	Accounts receivable	147,808	Follow the terms of contract	0.49
6	SH Electronics Suzhou Co., Ltd.	Shanghai Chang Wah Electromaterials Inc.	Subsidiary to subsidiary	Sales	120,111	Follow the terms of contract	0.58
6	SH Electronics Suzhou Co., Ltd.	Malaysian SH Electronics Sdn.Bhd.	Subsidiary to subsidiary	Sales	121,822	Follow the terms of contract	0.59
6	SH Electronics Suzhou Co., Ltd.	SH Electronics Taiwan Co., Ltd.	Subsidiary to subsidiary	Sales	505,267	Follow the terms of contract	2.44

Note: Amount was eliminated from the consolidated financial statements.

## Chang Wah Electromaterials Inc. and Subsidiaries

**SEGMENT INFORMATION**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(In Thousands of New Taiwan Dollars)

	The Corporation	CWTC and Its Subsidiaries	Others	Adjustment and Elimination	Total
For the Year Ended December 31, 2021					
Revenue from external customers	\$ 10,741,534	\$ 9,867,460	\$ 61,515	\$ -	\$ 20,670,509
Inter-segment revenue	<u>70,467</u>	<u>2,924,709</u>	<u>8,070</u>	<u>(3,003,246)</u>	<u>-</u>
Segment revenue	<u>\$ 10,812,001</u>	<u>\$ 12,792,169</u>	<u>\$ 69,585</u>	<u>\$ (3,003,246)</u>	<u>\$ 20,670,509</u>
Segment income	\$ 303,252	\$ 2,210,299	\$ 25,313	\$ 20,404	\$ 2,559,268
Interest income	2,399	18,504	138	(252)	20,789
Other income	272,381	117,221	759	(7,336)	383,025
Other gains and losses	(46,388)	(53,495)	(1,538)	(1)	(101,422)
Share of profits of subsidiaries and associates accounted for using the equity method	1,322,273	-	20	(1,007,219)	315,074
Finance costs	<u>(53,182)</u>	<u>(43,345)</u>	<u>(1,602)</u>	<u>269</u>	<u>(97,860)</u>
Profit before income tax	1,800,735	2,249,184	23,090	(994,135)	3,078,874
Income tax	<u>75,235</u>	<u>510,539</u>	<u>5,037</u>	<u>-</u>	<u>590,811</u>
Net profit for the year	<u>\$ 1,725,500</u>	<u>\$ 1,738,645</u>	<u>\$ 18,053</u>	<u>\$ (994,135)</u>	<u>\$ 2,488,063</u>
For the Year Ended December 31, 2020					
Revenue from external customers	\$ 8,988,050	\$ 7,371,292	\$ 64,676	\$ -	\$ 16,424,018
Inter-segment revenue	<u>10,624</u>	<u>2,306,854</u>	<u>-</u>	<u>(2,317,478)</u>	<u>-</u>
Segment revenue	<u>\$ 8,998,674</u>	<u>\$ 9,678,146</u>	<u>\$ 64,676</u>	<u>\$ (2,317,478)</u>	<u>\$ 16,424,018</u>
Segment income	\$ 330,063	\$ 960,286	\$ 23,332	\$ 7,396	\$ 1,321,077
Interest income	6,797	29,137	1,183	(992)	36,125
Other income	179,880	149,641	-	(8,387)	321,134
Other gains and losses	(39,621)	(131,847)	(2,787)	-	(174,255)
Share of profits of subsidiaries and associates accounted for using the equity method	632,921	(654)	33	(440,069)	192,231
Finance costs	<u>(41,621)</u>	<u>(40,203)</u>	<u>(2,138)</u>	<u>1,016</u>	<u>(82,946)</u>
Profit before income tax	1,068,419	966,360	19,623	(441,036)	1,613,366
Income tax	<u>71,120</u>	<u>175,742</u>	<u>4,384</u>	<u>-</u>	<u>251,246</u>
Net profit for the year	<u>\$ 997,299</u>	<u>\$ 790,618</u>	<u>\$ 15,239</u>	<u>\$ (441,036)</u>	<u>\$ 1,362,120</u>

**Chang Wah Electromaterials Inc.**

**RECONCILIATION OF CAPITAL SURPLUS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	Arising from Issuance of Common Shares (Note 1)	Arising from Consolidation Excess (Note 1)	Arising from Conversion of Bonds (Note 1)	Arising from Treasury Shares Transactions (Note 1)	Arising from Changes in Equity of Associates Accounted for Using the Equity Method (Note 3)	Arising from Changes in Equity of Subsidiaries (Notes 2 and 3)	Arising from the Difference Between Consideration and Carrying Amount of Subsidiaries Acquired or Disposed (Note 1)	Share Options (Note 4)	Others (Notes 3 and 5)	Total
Balance at January 1, 2021	\$ 914,988	\$ 566,837	\$ 440,763	\$ 2,621	\$ 65,999	\$ 53,796	\$ -	\$ 66,659	\$ 1,209	\$ 2,112,872
Arising from changes in equity of subsidiaries	-	-	-	-	-	722,030	-	-	-	722,030
Arising from changes in equity of associates accounted for using the equity method	-	-	-	-	(8,712)	-	-	-	-	(8,712)
Convertible bonds converted to ordinary shares	-	-	1,143,830	-	-	-	-	(66,659)	-	1,077,171
Balance at December 31, 2021	\$ 914,988	\$ 566,837	\$ 1,584,593	\$ 2,621	\$ 57,287	\$ 775,826	\$ -	\$ -	\$ 1,209	\$ 3,903,361
Balance at January 1, 2020	\$ 914,988	\$ 566,837	\$ 440,763	\$ 2,621	\$ 67,938	\$ 23,138	\$ 48,557	\$ -	\$ 1,209	\$ 2,066,051
Equity component of convertible bond issued by the Corporation	-	-	-	-	-	-	-	66,659	-	66,659
Arising from the difference between consideration and carrying amount of the subsidiaries' acquired or disposed	-	-	-	-	-	-	(48,557)	-	-	(48,557)
Arising from changes in equity of subsidiaries	-	-	-	-	-	30,658	-	-	-	30,658
Arising from changes in equity of associates accounted for using the equity method	-	-	-	-	(1,939)	-	-	-	-	(1,939)
Balance at December 31, 2020	\$ 914,988	\$ 566,837	\$ 440,763	\$ 2,621	\$ 65,999	\$ 53,796	\$ -	\$ 66,659	\$ 1,209	\$ 2,112,872

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

Note 2: Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

Note 3: Such capital surplus may be used only to offset a deficit.

Note 4: Capital surplus - share options: It is the equity component of convertible bond issued by the Corporation and cannot be used for any purpose.

Note 5: Capital surplus - others: The Corporation's shares for cash capital increase reserved for employees to subscribe, and the employees did not exercise part of the subscription. This column is for forfeited employee stock options.

**TABLE 12****Chang Wah Electromaterials Inc.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Wah Lee Industrial Corp.	197,902,180	28.70
Shin Xin Investment Co., Ltd.	56,792,000	8.23
Fubon Life Assurance Co., Ltd.	45,080,000	6.53
Yuan Yao Energy Technology Co., Ltd.	42,106,820	6.10
Citibank hosting Singapore Government's Investment Account	35,464,000	5.14

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 Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.