# Chang Wah Electromaterials Inc. and Subsidiaries

## Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 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, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting 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

Chia-Neng Huang
Chairman

March 16, 2023

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

**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, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2022 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 was 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.

<u>Impairment of investments accounted for using the equity method</u>

The carrying amount of JMC Electronics Co., Ltd., an investment accounted for using the equity method of Chang Wah Electromaterials Inc., was NT$1,376,926 thousand as of December 31, 2022, and the management estimated the recoverable amount by using the value-in-use model in conformity with International Financial Reporting Standard No. 36 "Asset Impairment". The Corporation recognized an impairment loss of NT$296,000 thousand since the estimated recoverable amount was less than the carrying amount. The use of the value-in-use model is based on the management's forecast and discount rate assumptions of the future profitability of JMC Electronics Co., Ltd. The assumptions and the values used involve the subjective judgment of the management and are highly uncertain, and the accountant lists the impairment loss of JMC Electronics Co., Ltd. Therefore, it was deemed as a key audit matter.

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

1. Understand the forecast process and basis of the future sales growth rate and operating profit ratio of JMC Electronics Co., Ltd. when the management estimates its future cash flows, and compare them with historical financial information to evaluate the reasonableness of the main assumptions adopted by the management.

2. Evaluate the reasonableness of the recoverable amount calculated by the management according to the value-in-use model and the relevant parameters used for the discount rate.

**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$823,036 thousand and NT$788,930 thousand, respectively, representing 2.5% and 2.6% of the Corporation and its subsidiaries' total assets as of December 31, 2022 and 2021, and the share of the profit of such associates amounted to NT$64,795 thousand and NT$34,637 thousand, respectively, representing 1.4% and 1.1% of the Corporation and its subsidiaries' profit before income tax for the year ended December 31, 2022, and 2021.

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion with other matter paragraph for both years.

**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 of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2023

<u>*Notice to Readers*</u>

*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 of the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those 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)**

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 7,105,505 | 21 | $ 4,799,437 | 16 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 60,588 | - | 136,876 | 1 |
| Financial assets at fair value through other comprehensive income - current (Notes 4 and 8) | 213,189 | 1 | 956,206 | 3 |
| Notes and accounts receivable, net (Notes 4, 5 and 9) | 3,894,006 | 12 | 4,775,289 | 16 |
| Accounts receivable - related parties (Notes 4, 5, 9 and 33) | 18,072 | - | 25,061 | - |
| Other receivables (Note 33) | 218,382 | 1 | 185,675 | 1 |
| Current tax assets (Note 27) | 2,519 | - | - | - |
| Inventories (Notes 4, 5 and 10) | 2,751,720 | 8 | 2,510,541 | 8 |
| Other financial assets - current (Notes 11 and 34) | 1,432,528 | 4 | 1,166,986 | 4 |
| Other current assets | 129,620 | 1 | 162,832 | - |
| Total current assets | 15,826,129 | 48 | 14,718,903 | 49 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | 258,069 | 1 | 189,942 | 1 |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 8,333,681 | 25 | 7,542,449 | 25 |
| Investments accounted for using the equity method (Notes 4, 5, 13 and 33) | 3,098,868 | 9 | 3,436,042 | 11 |
| Property, plant and equipment (Notes 4 and 14) | 3,868,648 | 12 | 2,766,908 | 9 |
| Right-of-use assets (Notes 4 and 15) | 501,579 | 2 | 475,384 | 1 |
| Investment properties (Notes 4, 16 and 33) | 149,208 | - | 24,343 | - |
| Goodwill (Notes 4 and 17) | 684,101 | 2 | 653,659 | 2 |
| Other intangible assets (Notes 4 and 18) | 39,375 | - | 34,953 | - |
| Deferred tax assets (Notes 4 and 27) | 111,395 | - | 185,948 | 1 |
| Refundable deposits | 6,045 | - | 6,139 | - |
| Other financial assets - non-current (Notes 11 and 34) | 142,986 | 1 | 151,997 | 1 |
| Other non-current assets (Note 23) | 101,182 | - | 121,928 | - |
| Total non-current assets | 17,295,137 | 52 | 15,589,692 | 51 |
| TOTAL | $ 33,121,266 | 100 | $ 30,308,595 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 19 and 34) | $ 3,408,934 | 10 | $ 2,956,026 | 10 |
| Contract liabilities - current (Notes 4 and 25) | 412,289 | 1 | 203,035 | 1 |
| Notes Payable | 170 | - | - | - |
| Accounts payable (Note 21) | 1,929,488 | 6 | 2,551,281 | 8 |
| Accounts payable - related parties (Notes 21 and 33) | 86,904 | - | 125,967 | - |
| Dividends payable | 822,995 | 3 | 372,982 | 1 |
| Other payables (Notes 22, 23 and 33) | 1,715,875 | 5 | 1,353,850 | 5 |
| Current tax liabilities (Note 27) | 700,921 | 2 | 349,822 | 1 |
| Lease liabilities - current (Notes 4 and 15) | 26,638 | - | 15,446 | - |
| Current portion of bonds payable (Notes 4 and 20) | - | - | 215,168 | 1 |
| Other current liabilities | 195,366 | 1 | 179,510 | - |
| Total current liabilities | 9,299,580 | 28 | 8,323,087 | 27 |
| NON-CURRENT LIABILITIES | | | | |
| Contract liabilities - non-current (Notes 4 and 25) | 81,977 | - | 47,178 | - |
| Long-term borrowings (Notes 19 and 34) | 6,748,465 | 21 | 6,748,473 | 23 |
| Deferred tax liabilities (Notes 4 and 27) | 471,052 | 2 | 359,169 | 1 |
| Lease liabilities - non-current (Notes 4 and 15) | 91,658 | - | 77,442 | - |
| Net defined benefit liabilities (Notes 4 and 23) | 17,902 | - | 18,618 | - |
| Guarantee deposits | 7,720 | - | 7,567 | - |
| Other non-current liabilities | 15,966 | - | 6,094 | - |
| Total non-current liabilities | 7,434,740 | 23 | 7,264,541 | 24 |
| Total liabilities | 16,734,320 | 51 | 15,587,628 | 51 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 24) | | | | |
| Ordinary shares | 689,419 | 2 | 689,419 | 2 |
| Capital surplus | 5,316,428 | 16 | 3,903,361 | 13 |
| Retained earnings | | | | |
| Legal reserve | 1,460,695 | 5 | 1,208,656 | 4 |
| Special reserve | 18,830 | - | 1,277 | - |
| Unappropriated earnings | 3,368,140 | 10 | 2,826,933 | 9 |
| Total retained earnings | 4,847,665 | 15 | 4,036,866 | 13 |
| Other equity | 1,108,567 | 3 | 2,264,898 | 8 |
| Treasury shares | (380,400) | (1) | - | - |
| Total equity attributable to owners of the Corporation | 11,581,679 | 35 | 10,894,544 | 36 |
| NON-CONTROLLING INTERESTS (Notes 12 and 24) | 4,805,267 | 14 | 3,826,423 | 13 |
| Total equity | 16,386,946 | 49 | 14,720,967 | 49 |
| TOTAL | $ 33,121,266 | 100 | $ 30,308,595 | 100 |

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

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

# 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 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 25 and 33) | $ 21,858,509 | 100 | $ 20,670,509 | 100 |
| OPERATING COSTS (Notes 10, 14, 23, 26 and 33) | 16,789,187 | 77 | 16,522,546 | 80 |
| GROSS PROFIT | 5,069,322 | 23 | 4,147,963 | 20 |
| OPERATING EXPENSES (Notes 9, 23, 26 and 33) | | | | |
| Selling and marketing expenses | 349,791 | 2 | 356,537 | 2 |
| General and administrative expenses | 902,406 | 4 | 761,891 | 4 |
| Research and development expenses | 422,594 | 2 | 461,324 | 2 |
| Expected credit loss (reversal of credit loss) | (29,832) | - | 8,943 | - |
| Total operating expenses | 1,644,959 | 8 | 1,588,695 | 8 |
| PROFIT FROM OPERATIONS | 3,424,363 | 15 | 2,559,268 | 12 |
| NON-OPERATING INCOME AND EXPENSES (Note 26) | | | | |
| Interest income | 93,462 | - | 20,778 | - |
| Other income | 668,369 | 3 | 374,481 | 2 |
| Other gains and losses | 171,468 | 1 | (92,867) | - |
| Finance costs | (113,301) | - | (97,860) | - |
| Share of the profit of associates | 257,102 | 1 | 315,074 | 1 |
| Total non-operating income and expenses | 1,077,100 | 5 | 519,606 | 3 |
| PROFIT BEFORE INCOME TAX | 4,501,463 | 20 | 3,078,874 | 15 |
| INCOME TAX EXPENSE (Notes 4 and 27) | 928,479 | 4 | 590,811 | 3 |
| NET PROFIT FOR THE YEAR | 3,572,984 | 16 | 2,488,063 | 12 |
| 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 | 1,459 | - | 631 | - |
| Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income | (965,264) | (4) | 2,313,759 | 11 |

(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 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Amount | % | Amount | % |
| Share of the other comprehensive income (loss) of associates | $ (121,098) | (1) | $ 121,037 | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | (19,970) | - | (71,949) | - |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translation of foreign operations | 288,192 | 1 | (63,443) | - |
| Share of the other comprehensive income (loss) of associates | 15,443 | - | (3,724) | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss | (60,259) | - | 13,315 | - |
| Other comprehensive income (loss) for the year, net of income tax | (861,497) | (4) | 2,309,626 | 11 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 2,711,487 | 12 | $ 4,797,689 | 23 |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Corporation | $ 2,163,818 | | $ 1,725,500 | |
| Non-controlling interests | 1,409,166 | | 762,563 | |
| | $ 3,572,984 | | $ 2,488,063 | |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Corporation | $ 1,274,604 | | $ 3,975,612 | |
| Non-controlling interests | 1,436,883 | | 822,077 | |
| | $ 2,711,487 | | $ 4,797,689 | |
| EARNINGS PER SHARE (Note 28) | | | | |
| Basic | $ 3.16 | | $ 2.54 | |
| Diluted | 3.16 | | 2.53 | |

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

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

## 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 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | | Other Equity | | | | | | |
| | Ordinary Shares | Capital Surplus | Legal Reserve | Special Reserve | 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 | Treasury Shares | Total Equity Attributable to Owners of the Corporation | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2021 | $ 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) | | | | | | | | | | | | |
| Legal reserve | - | - | 139,164 | - | (139,164) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (963,340) | - | - | - | - | (963,340) | - | (963,340) |
| | - | - | 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) | (120,641) | (576,633) |
| Share of changes in equity of subsidiaries (Note 24) | - | 722,030 | - | - | - | - | - | - | - | 722,030 | - | 722,030 |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | - | - | 706,602 | 706,602 |
| 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 |
| Appropriation of earnings (Note 24) | | | | | | | | | | | | |
| Legal reserve | - | - | 252,039 | - | (252,039) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 17,553 | (17,553) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,620,136) | - | - | - | - | (1,620,136) | - | (1,620,136) |
| | - | - | 252,039 | 17,553 | (1,889,728) | - | - | - | - | (1,620,136) | - | (1,620,136) |
| Share of changes in capital surplus of associates accounted for using the equity method | - | (689) | - | - | - | - | - | - | - | (689) | - | (689) |
| Net profit for the year ended December 31, 2022 | - | - | - | - | 2,163,818 | - | - | - | - | 2,163,818 | 1,409,166 | 3,572,984 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | - | - | - | - | 1,764 | 138,061 | (1,029,039) | (890,978) | - | (889,214) | 27,717 | (861,497) |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | 2,165,582 | 138,061 | (1,029,039) | (890,978) | - | 1,274,604 | 1,436,883 | 2,711,487 |
| Acquisition of the Corporation's shares held by subsidiaries | - | - | - | - | - | - | - | - | (380,400) | (380,400) | (441,452) | (821,852) |
| Change in capital surplus due to the distribution of dividends to subsidiaries | - | 16,638 | - | - | - | - | - | - | - | 16,638 | 34,519 | 51,157 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed of (Note 29) | - | 1,396,432 | - | - | - | - | - | - | - | 1,396,432 | 85,689 | 1,482,121 |
| Share of changes in equity of subsidiaries (Note 29) | - | 686 | - | - | - | - | - | - | - | 686 | - | 686 |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | - | - | (136,795) | (136,795) |
| Disposal of investments in equity instruments at fair value through other comprehensive income (Note 24) | - | - | - | - | 265,353 | - | (265,353) | (265,353) | - | - | - | - |
| BALANCE AT DECEMBER 31, 2022 | $ 689,419 | $ 5,316,428 | $ 1,460,695 | $ 18,830 | $ 3,368,140 | $ (19,469) | $ 1,128,036 | $ 1,108,567 | $ (380,400) | $ 11,581,679 | $ 4,805,267 | $ 16,386,946 |

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

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

## Chang Wah Electromaterials Inc. and Subsidiaries

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | $ 4,501,463 | $ 3,078,874 |
| Adjustments for: | | |
| Depreciation expense | 740,028 | 642,194 |
| Amortization expense | 13,423 | 11,732 |
| Expected credit loss (reversal of credit loss) | (29,832) | 8,943 |
| Gain on financial assets at fair value through profit or loss | (53,334) | (64,202) |
| Finance costs | 113,301 | 97,860 |
| Interest income | (93,462) | (20,778) |
| Dividend income | (592,320) | (320,522) |
| Compensation costs of share-based payments | 6,405 | 51,176 |
| Share of the profit of associates | (257,102) | (315,074) |
| Gain on disposal of property, plant and equipment | (423) | (4,873) |
| Impairment loss recognized (reversed) on non-financial assets | 426,090 | (5,512) |
| Others | (14,318) | (8,267) |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | 60,080 | 34,040 |
| Notes and accounts receivable, net | 911,024 | (1,138,496) |
| Accounts receivable - related parties | 6,989 | 8,495 |
| Other receivables | 19,133 | (115,409) |
| Inventories | (374,354) | (637,112) |
| Other current assets | 33,160 | (21,994) |
| Contract liabilities | 244,053 | 129,037 |
| Notes payable | 170 | - |
| Accounts payable | (621,793) | 348,956 |
| Accounts payable - related parties | (39,063) | 32,209 |
| Other payables | 251,386 | 333,473 |
| Other current liabilities | 35,613 | 109,742 |
| Net defined benefit liabilities | (385) | 253 |
| Other non-current liabilities | 9,872 | (668) |
| Cash generated from operations | 5,295,804 | 2,234,077 |
| Interest received | 83,782 | 20,330 |
| Dividends received | 746,479 | 451,433 |
| Interest paid | (91,216) | (74,927) |
| Income taxes paid | (571,301) | (315,871) |
| Net cash generated from operating activities | 5,463,548 | 2,315,042 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at fair value through other comprehensive income | (1,687,248) | (3,131,806) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 652,568 | 2,113,199 |

(Continued)

## Chang Wah Electromaterials Inc. and Subsidiaries

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Acquisition of investments accounted for using the equity method | $ (4,720) | $ (55,498) |
| Acquisition of property, plant and equipment | (1,368,539) | (755,001) |
| Proceeds from disposal of property, plant and equipment | 453 | 9,374 |
| Decrease (increase) in refundable deposits | 317 | (1,051) |
| Acquisition of intangible assets | (1,691) | (7,854) |
| Acquisition of investment properties | (261,628) | - |
| Decrease (increase) in other financial assets | (256,500) | 412,000 |
| Increase in other non-current assets | (150,821) | (104,172) |
| Net cash used in investing activities | (3,077,809) | (1,520,809) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 2,887,293 | 1,312,173 |
| Repayment of short-term borrowings | (2,440,704) | (775,855) |
| Proceeds from issuance of convertible bonds | - | 1,803,020 |
| Redemption of convertible bonds | (775) | (300) |
| Proceeds from long-term borrowings | 5,518,592 | 6,152,314 |
| Repayment of long-term borrowings | (5,521,480) | (5,988,000) |
| Proceeds from (refund of) guarantee deposits | 72 | (3,443) |
| Repayment of the principal portion of lease liabilities | (20,183) | (16,528) |
| Dividends paid | (1,378,839) | (867,449) |
| Acquisition of the Corporation's shares held by subsidiaries | (820,034) | - |
| Partial disposal of interests in subsidiaries without loss of control | 1,997,355 | - |
| Decrease in non-controlling interests | (511,284) | (765,316) |
| Net cash generated from (used in) financing activities | (289,987) | 850,616 |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS | 210,316 | (41,163) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,306,068 | 1,603,686 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 4,799,437 | 3,195,751 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 7,105,505 | $ 4,799,437 |

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

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

# Chang Wah Electromaterials Inc. and Subsidiaries

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

## 1. 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, 2022 and 2021, Wah Lee Industrial Corp., the main shareholder of the Corporation, owned 28.70% of the Corporation's issued ordinary shares for both years.

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 16, 2023.

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

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

   The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation and its subsidiaries' accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2023

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 (Note 1) |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 (Note 2) |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023 (Note 3) |

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

As of the date the consolidated financial statements were authorized for issue, the Corporation and its subsidiaries have assessed that the application of other 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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| 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, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | January 1, 2024 |

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments 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 without 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 is as follows:

| | | | Percentage of Ownership (%) | | |
|---|---|---|---|---|---|
| **Investor Company** | **Investee Company** | **Main Businesses** | **December 31, 2022** | **December 31, 2021** | **Remark** |
| 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 | 48 | 54 | Note 1 |
| | 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 | - |
| | Sing Jheng Investment Co., Ltd. (Sing Jheng Investment) | Investment activities | 10 | - | Note 3 |
| 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 | Note 2 |
| | Sing Jheng Investment Co., Ltd. (Sing Jheng Investment) | Investment activities | 49 | - | Note 3 |
| | Malaysian SH Electronics Sdn. Bhd. (MSHE) | Manufacturing and selling lead frame and semiconductor materials | 100 | - | Note 4 |
| 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 | - |
| | 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 leadframe and semiconductor materials | - | 100 | Note 4 |
| | WSP Electromaterials Ltd. (WSP) | International investment activities | 100 | 100 | - |
| WSP Electromaterials Ltd. | 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 | - |

Note 1: In April 2022, the Corporation disposed its shares of its subsidiary, CWTC, and the bondholders of its subsidiary, CWTC converted the shares of the secured convertible bonds into ordinary shares, resulting in a change of the number of shares outstanding, and the Corporation's ownership in CWTC decreased from 54% to 48%.

Note 2: 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.

Note 3: The Corporation invested in Sing Jheng Investment Co., Ltd. and it was established in January 2022 and recognized as a subsidiary because the Corporation has substantial control over the entity.

Note 4: The subsidiary, CWTC purchased 100% equity interest in MSHE from SHAP in December 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 on 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 are not retranslated.

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 measured 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. Treasury shares

Shares of the Corporation held by the subsidiaries are reclassified to treasury shares from investments accounted for using the equity method at the acquisition cost.

p. 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

Revenue from the rendering of services is measured 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.

q. 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.

r. 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.

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as 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.

t. Share-based payment arrangements

Employee share options and restricted shares for employees 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 and other equity - unearned employee benefits are 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.

When the subsidiaries restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. At the end of each reporting period, the Corporation revises its estimate of the number of employee share options and restricted shares for employees that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options, capital surplus - restricted shares for employees and other equity - unearned employee benefits.

u. 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 Corporation 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 current market conditions and historical sales experience of similar products. Changes in market conditions may significantly affect the results of these estimates.

c. Impairment of investments in associates

   The Corporation immediately recognizes impairment losses on its investments in an associate when there is an indication that the investment may be impaired and the carrying amount may not be recoverable. The Corporation's management evaluates the impairment based on the estimated future cash flows expected to be generated by the associate, including assumptions on the growth rate of sales and the capacity of the production facilities as estimated by the associate's management. The Corporation also takes into consideration market conditions and industry development when evaluating the appropriateness of the relevant assumptions.

d. Income taxes

   The realizability of deferred tax assets depends on whether sufficient future profit or taxable temporary differences will be available or not. In cases where the actual future profit generated is less than expected, a reversal of deferred tax assets may arise, which would be recognized in profit or loss in the period in which such a reversal takes place.

   Since a portion of the earnings is expected to be used for expanding foreign operations, it will not be remitted in the foreseeable future. The realization of deferred income tax liabilities mainly depends on the scale of operation expansion in the future. If the actual investment amount in the future is less than the expected investment amount, an income tax reversal will occur and such reversal amount will be recognized in profit and loss upon occurrence.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Cash on hand | $ 342 | $ 376 |
| Checking accounts and demand deposits | 3,810,857 | 3,822,393 |
| Cash equivalents (investments with original maturities of 3 months or less) | | |
| Time deposits | 3,294,306 | 672,182 |
| Repurchase agreements collateralized by bonds | - | 304,486 |
| | $ 7,105,505 | $ 4,799,437 |

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

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Current | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Non-derivative financial assets | | |
| Mutual funds | $ 55,020 | $ 99,960 |
| Domestic convertible bonds | 5,568 | 35,500 |
| Derivative financial assets (not under hedge accounting) | | |
| Convertible bonds with redemption rights and sell-back rights (Note 20) | - | 1,416 |
| | $ 60,588 | $ 136,876 |
| Non-current | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Non-derivative financial assets - foreign private equity funds | $ 258,069 | $ 189,942 |

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

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Current | | |
| Equity instruments | | |
| Domestic listed shares | $ 213,189 | $ 956,206 |

(Continued)

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Non-current | | |
| Equity instruments | | |
| Domestic listed shares | $ 5,919,037 | $ 5,459,586 |
| Domestic unlisted shares | 2,184,430 | 1,898,085 |
| Foreign unlisted shares | 76,775 | - |
| Domestic preferred shares of listed companies sold to specific group | 153,439 | 184,778 |
| | $ 8,333,681 | $ 7,542,449 |

(Concluded)

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, 2022 and 2021, the carrying amounts of the securities were NT$253,718 thousand and NT$595,992 thousand, respectively.

## 9. NOTES AND ACCOUNTS RECEIVABLE

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Notes and accounts receivable | | |
| Measured at amortized cost | $ 3,905,919 | $ 4,816,943 |
| Less: Allowance for impairment loss | 11,913 | 41,654 |
| | $ 3,894,006 | $ 4,775,289 |
| Accounts receivable - related parties | | |
| Measured at amortized cost | $ 18,072 | $ 25,061 |

The notes and accounts receivable of the Corporation and its subsidiaries 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, 2022

| | 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 | $ 3,744,696 | $ 159,175 | $ 15,975 | $ 1,089 | $ 3,056 | $ 3,923,991 |
| Loss allowance (Lifetime ECL) | - | (6) | (8,016) | (835) | (3,056) | (11,913) |
| Amortized cost | $ 3,744,696 | $ 159,169 | $ 7,959 | $ 254 | $ - | $ 3,912,078 |

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) | - | (7) | (19,403) | (19,577) | (2,667) | (41,654) |
| Amortized cost | $ 4,620,475 | $ 160,448 | $ 19,402 | $ 24 | $ 1 | $ 4,800,350 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Balance, beginning of the year | $ 41,654 | $ 43,455 |
| Recognition (reversal) | (29,832) | 8,943 |
| Amounts written off | - | (10,666) |
| Effect of foreign currency exchange difference | 91 | (78) |
| Balance, end of the year | $ 11,913 | $ 41,654 |

## 10. INVENTORIES

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Raw materials | $ 753,775 | $ 663,297 |
| Work in progress | 695,697 | 684,566 |
| Finished goods | 842,090 | 692,141 |
| Merchandise | 323,858 | 334,420 |
| Consumable supplies | 136,300 | 136,117 |
| | $ 2,751,720 | $ 2,510,541 |

The cost of inventories recognized as operating costs for the years ended December 31, 2022 and 2021 was NT$16,691,657 thousand and NT$16,489,353 thousand, respectively, which included the following items:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Write-downs (reversal) of inventories | $ 130,090 | $ (5,512) |
| Revenue from sale of scraps | (883,003) | (822,800) |

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| **Current** | | |
| Restricted deposits for projects | $ 768,328 | $ 1,006,266 |
| Time deposits pledged (Note 34) | 50,000 | 160,720 |
| Time deposits with original maturities of more than 3 months | 614,200 | - |
| | $ 1,432,528 | $ 1,166,986 |
| **Non-current** | | |
| Restricted deposits for projects | $ 110,881 | $ 99,623 |
| Time deposits pledged (Note 34) | 32,105 | 52,374 |
| | $ 142,986 | $ 151,997 |

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

| | Proportion of Ownership and Voting Rights Held by Non-controlling Interests (%) December 31 | |
|---|---|---|
| **Name of Subsidiary** | **2022** | **2021** |
| Chang Wah Technology Co., Ltd. (CWTC) | 52 | 46 |

The information on the places of incorporation and principal places of business is provided in Table 8.

| | Profit Allocated to Non-controlling Interests For the Year Ended December 31 | | Non-controlling Interests December 31 | |
|---|---|---|---|---|
| **Name of Subsidiary** | **2022** | **2021** | **2022** | **2021** |
| CWTC | $ 1,407,226 | $ 762,563 | $ 4,742,038 | $ 3,826,423 |
| Others | 1,940 | - | 63,229 | - |
| | $ 1,409,166 | $ 762,563 | $ 4,805,267 | $ 3,826,423 |

The summarized financial information below represents amounts before intragroup eliminations:

CWTC

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Current assets | $ 12,255,703 | $ 10,080,244 |
| Non-current assets | 6,572,949 | 4,761,819 |
| Current liabilities | (5,672,796) | (4,335,495) |
| Non-current liabilities | (2,982,443) | (2,094,836) |
| Equity | $ 10,173,413 | $ 8,411,732 |
| Equity attributable to: | | |
| Owners of the Corporation | $ 5,368,146 | $ 4,585,309 |
| Non-controlling interests of CWTC | 4,742,038 | 3,826,423 |
| Non-controlling interests of CWTC's subsidiaries | 63,229 | - |
| | $ 10,173,413 | $ 8,411,732 |

| | For the Year Ended December 31 2022 | For the Year Ended December 31 2021 |
|---|---|---|
| Revenue | $ 14,431,284 | $ 12,792,169 |
| Net profit for the year | $ 2,844,969 | $ 1,738,645 |
| Other comprehensive income (loss) for the year | (23,262) | 141,737 |
| Total comprehensive income for the year | $ 2,821,707 | $ 1,880,382 |
| Net profit attributable to: | | |
| Owners of the Corporation | $ 1,435,803 | $ 976,082 |
| Non-controlling interests of CWTC | 1,407,226 | 762,563 |
| Non-controlling interests of CWTC's subsidiaries | 1,940 | - |
| | $ 2,844,969 | $ 1,738,645 |
| Total comprehensive income attributable to: | | |
| Owners of the Corporation | $ 1,384,824 | $ 1,058,305 |
| Non-controlling interests of CWTC | 1,433,973 | 822,077 |
| Non-controlling interests of CWTC's subsidiaries | 2,910 | - |
| | $ 2,821,707 | $ 1,880,382 |
| Cash flow from: | | |
| Operating activities | $ 4,056,925 | $ 1,654,316 |
| Investing activities | (2,967,525) | (398,534) |
| Financing activities | 640,484 | (30,784) |
| Effects of changes in exchange rate | 210,316 | (41,163) |
| Net cash inflow | $ 1,940,200 | $ 1,183,835 |

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

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Associates that are individually material | | |
| JMC Electronics Co., Ltd. | $ 1,376,926 | $ 1,831,477 |
| How Weih Holding (Cayman) Co., Ltd. | 823,036 | 788,930 |
| Wellstech Optical Co., Ltd. | 548,195 | 478,859 |
| Silver Connection Co., Ltd. | 350,711 | 336,776 |
| | $ 3,098,868 | $ 3,436,042 |

| Name of Associate | Main Business | Operating Location | Proportion of Ownership and Voting Rights (%) December 31, 2022 | Proportion of Ownership and Voting Rights (%) December 31, 2021 |
|---|---|---|---|---|
| JMC Electronics Co., Ltd. | Manufacturing, processing, and selling of COF substrates | Taiwan | 43 | 43 |
| 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 2022 | December 31 2021 |
|---|---|---|
| Current assets | $ 1,396,802 | $ 1,416,795 |
| Non-current assets | 3,320,716 | 3,478,453 |
| Current liabilities | (870,512) | (574,922) |
| Non-current liabilities | (1,417,009) | (1,516,652) |
| Equity | $ 2,429,997 | $ 2,803,674 |
| Proportion of the Corporation's ownership (%) | 43 | 43 |
| Equity attributable to the Corporation | $ 1,040,255 | $ 1,200,222 |
| Unrealized gains resulting from transactions | (7,495) | (8,911) |
| Impairment loss | (296,000) | - |
| Goodwill | 640,166 | 640,166 |
| Carrying amount of the investment | $ 1,376,926 | $ 1,831,477 |

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

| Name of Associate | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| JMC Electronics Co., Ltd. | $ 1,065,942 | $ 2,007,524 |

As of December 31, 2022, the carrying amount of the Corporation's equity investment of JMC accounted for using the equity method was significantly higher than its market value based on its closing price on December 31, 2022. The Corporation carried out the impairment test on the equity investment by comparing its recoverable amount with its carrying amount. In determining the value in use of the investments, the Corporation estimated the present value of the estimated future cash flows expected to arise from the operation of the invested corporation and from the ultimate disposal by using the discount rate of 12.44%. Based on the assessment, the recoverable amount of the Corporation's equity investment of JMC was less than its carrying amount, and an impairment loss of $296,000 thousand was recognized as of December 31, 2022.

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.

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current assets | $ 211,372 | $ 14,213 |
| Non-current assets | 2,345,155 | 2,253,133 |
| Current liabilities | (169,553) | (2,590) |
| Non-current liabilities | - | (92) |
| Equity | $ 2,386,974 | $ 2,264,664 |
| Proportion of the Corporation and its subsidiaries' ownership (%) | 25 | 25 |
| Equity attributable to the Corporation and its subsidiaries | $ 600,604 | $ 566,498 |
| Goodwill | 222,432 | 222,432 |
| Carrying amount of the investment | $ 823,036 | $ 788,930 |

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.

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current assets | $ 238,073 | $ 174,530 |
| Non-current assets | 1,442,363 | 1,218,556 |
| Current liabilities | (163,946) | (78,264) |
| Non-current liabilities | (49,655) | (36,030) |
| Equity | $ 1,466,835 | $ 1,278,792 |
| Proportion of the Corporation's ownership (%) | 37 | 37 |
| Equity attributable to the Corporation | $ 548,195 | $ 478,859 |
| Carrying amount of the investment | $ 548,195 | $ 478,859 |

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.

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Current assets | $ 182,202 | $ 186,097 |
| Non-current assets | 674,519 | 631,530 |
| Current liabilities | (56,293) | (73,251) |
| Equity | $ 800,428 | $ 744,376 |
| Proportion of the Corporation's ownership (%) | 30 | 30 |
| Equity attributable to the Corporation | $ 240,128 | $ 226,193 |
| Goodwill | 110,583 | 110,583 |
| Carrying amount of the investment | $ 350,711 | $ 336,776 |

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, 2022 and 2021 were based on the associates' audited financial statements for the same years.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Assets used by the Corporation and its subsidiaries | $ 3,811,300 | $ 2,706,819 |
| Assets leased under operating leases | 57,348 | 60,089 |
| | $ 3,868,648 | $ 2,766,908 |

a. Assets used by the Corporation and its subsidiaries

For the Year Ended December 31, 2022

| | **Land** | **Buildings** | **Machinery and Equipment** | **Tooling Equipment** | **Transportation Equipment** | **Office Equipment** | **Other Equipment** | **Construction in Progress and Equipment to be Inspected** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| Balance at January 1, 2022 | $ 55,498 | $ 2,039,548 | $ 5,165,268 | $ 3,596,208 | $ 29,955 | $ 95,713 | $ 360,376 | $ 435,803 | $ 11,778,369 |
| Additions | 143,546 | 160,043 | 407,396 | 272,957 | 4,179 | 4,097 | 91,382 | 547,634 | 1,631,234 |
| Disposals | - | (10,849) | (20,979) | (92,002) | (1,983) | (6,443) | (1,567) | - | (133,823) |
| Reclassification | 89,373 | 59,440 | - | - | - | - | (17,452) | - | 131,361 |
| Effect of foreign currency exchange difference | - | 64,898 | 121,810 | 126,224 | 1,421 | 5,726 | 1,302 | 2,592 | 323,973 |
| Balance at December 31, 2022 | 288,417 | 2,313,080 | 5,673,495 | 3,903,387 | 33,572 | 99,093 | 434,041 | 986,029 | 13,731,114 |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2022 | - | (1,447,196) | (3,918,741) | (3,150,459) | (22,451) | (78,390) | (275,639) | - | (8,892,876) |
| Depreciation | - | (92,961) | (324,362) | (236,635) | (2,777) | (8,724) | (31,546) | - | (697,005) |
| Disposals | - | 10,849 | 20,979 | 91,974 | 1,983 | 6,441 | 1,567 | - | 133,793 |

(Continued)

| | Land | Buildings | Machinery and Equipment | Tooling Equipment | Transportation Equipment | Office Equipment | Other Equipment | Construction in Progress and Equipment to be Inspected | Total |
|---|---|---|---|---|---|---|---|---|---|
| Reclassification | $ - | $ (16,628) | $ - | $ - | $ - | $ - | $ 11,705 | $ - | $ (4,923) |
| Effect of foreign currency exchange difference | - | (52,702) | (104,232) | (115,885) | (1,243) | (4,750) | (1,273) | - | (280,085) |
| Balance at December 31, 2022 | - | (1,598,638) | (4,326,356) | (3,411,005) | (24,488) | (85,423) | (295,186) | - | (9,741,096) |
| Accumulated impairment | | | | | | | | | |
| Balance at January 1, 2022 | - | (45,116) | (13,059) | (120,226) | - | - | (273) | - | (178,674) |
| Effect of foreign currency exchange difference | - | | (41) | - | - | - | (3) | - | (44) |
| Balance at December 31, 2022 | - | (45,116) | (13,100) | (120,226) | - | - | (276) | - | (178,718) |
| Carrying amount at December 31, 2022 | $ 288,417 | $ 669,326 | $ 1,334,039 | $ 372,156 | $ 9,084 | $ 13,670 | $ 138,579 | $ 986,029 | $ 3,811,300 |

(Concluded)

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 |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| 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 | 55,498 | 2,039,548 | 5,165,268 | 3,596,208 | 29,955 | 95,713 | 360,376 | 435,803 | 11,778,369 |
| Accumulated depreciation | | | | | | | | | |
| 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 | - | (1,447,196) | (3,918,741) | (3,150,459) | (22,451) | (78,390) | (275,639) | - | (8,892,876) |
| Accumulated impairment | | | | | | | | | |
| 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 | - | (45,116) | (13,059) | (120,226) | - | - | (273) | - | (178,674) |
| Carrying amount at December 31, 2021 | $ 55,498 | $ 547,236 | $ 1,233,468 | $ 325,523 | $ 7,504 | $ 17,323 | $ 84,464 | $ 435,803 | $ 2,706,819 |

b. Assets leased under operating leases

For the Year Ended December 31, 2022

| | Rental Assets |
|---|---|
| **Cost** | |
| Balance at January 1, 2022 | $ 112,007 |
| Additions | 3,000 |
| Balance at December 31, 2022 | 115,007 |
| **Accumulated depreciation** | |
| Balance at January 1, 2022 | 51,918 |
| Depreciation | 5,741 |
| Balance at December 31, 2022 | 57,659 |
| Carrying amount at December 31, 2022 | $ 57,348 |

For the Year Ended December 31, 2021

| | Rental Assets |
|---|---|
| **Cost** | |
| Balance at January 1 and at December 31, 2021 | $ 112,007 |
| **Accumulated depreciation** | |
| Balance at January 1, 2021 | 46,427 |
| Depreciation | 5,491 |
| Balance at December 31, 2021 | 51,918 |
| Carrying amount at December 31, 2021 | $ 60,089 |

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 | 10-50 years |
| Renovation | 2-25 years |
| Machinery and equipment | |
| Solar energy equipment | 7-20 years |
| Others | 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 |
| Others | 5 years |

## 15. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Carrying amount | | |
| Land | $ 430,846 | $ 435,336 |
| Buildings | 69,461 | 39,991 |
| Transportation equipment | 1,272 | - |
| Other equipment | - | 57 |
| | $ 501,579 | $ 475,384 |

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Additions to right-of-use assets | $ 39,335 | $ 2,734 |
| Depreciation charge for right-of-use assets | | |
| Land | $ 10,370 | $ 10,353 |
| Buildings | 16,415 | 11,654 |
| Transportation equipment | 116 | 904 |
| Other equipment | 56 | 57 |
| | $ 26,957 | $ 22,968 |

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 December31, 2022 and 2021.

b. Lease liabilities

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Carrying amount | | |
| Current | $ 26,638 | $ 15,446 |
| Non-current | $ 91,658 | $ 77,442 |

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Land | 0.6922-2.171 | 0.6922-2.171 |
| Buildings | 0.35-5.0932 | 0.35-5.0932 |
| Transportation equipment | 1.1033 | - |
| Other equipment | - | 1.52 |

c. Material lease activities and terms

The Corporation and its subsidiaries, CWTC, leased land from the government. The lease term will expire in December 2031, and the Corporation and its subsidiaries have the option to renew or terminate the contract. The Corporation and its subsidiaries, CWTC, 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.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Expenses relating to short-term leases and low-value asset leases | $ 15,312 | $ 9,421 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | $ 4,361 | $ 4,153 |
| Total cash outflow for leases | $ 41,507 | $ 33,773 |

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Land | $ 95,653 | $ - |
| Buildings | 53,402 | 22,346 |
| Right-of-use assets | 153 | 1,997 |
| | $ 149,208 | $ 24,343 |

For the Year Ended December 31, 2022

| | Land | Buildings | Right-of-use Assets | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance at January 1, 2022 | $ - | $135,864 | $ 7,571 | $143,435 |
| Additions | 185,026 | 76,602 | - | 261,628 |
| Reclassification | (89,373) | (41,988) | - | (131,361) |
| Balance at December 31, 2022 | 95,653 | 170,478 | 7,571 | 273,702 |
| Accumulated depreciation | | | | |
| Balance at January 1, 2022 | - | 113,518 | 5,574 | 119,092 |
| Depreciation expense | - | 8,481 | 1,844 | 10,325 |
| Reclassification | - | (4,923) | - | (4,923) |
| Balance at December 31, 2022 | - | 117,076 | 7,418 | 124,494 |
| Carrying amount at December 31, 2022 | $ 95,653 | $ 53,402 | $ 153 | $149,208 |

For the Year Ended December 31, 2021

| | Land | Buildings | Right-of-use Assets | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance at January 1 and at December 31, 2021 | $ - | $ 135,864 | $ 7,571 | $ 143,435 |
| Accumulated depreciation | | | | |
| Balance at January 1, 2021 | - | 106,603 | 3,730 | 110,333 |
| Depreciation expense | - | 6,915 | 1,844 | 8,759 |
| Balance at December 31, 2021 | - | 113,518 | 5,574 | 119,092 |
| Carrying amount at December 31, 2021 | $ - | $ 22,346 | $ 1,997 | $ 24,343 |

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' investment properties are located at the Nanzih Technology Industrial Park and Daliao Dist., Kaohsiung, respectively. 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. The investment property located at Daliao Dist., Kaohsiung that the fair value of the investment property was determined based on the valuation methodology carried out by independent evaluation corporation, who is a non-related party of the subsidiaries on February 10, 2022. The fair value was assessed at NT$138,096 thousand. The valuation was measured using the sales comparison approach and the cost comparison approach. Since there is no significant change in the transaction price of real estate in this area, there should be no significant difference between the fair value assessed of the current period and the aforementioned fair value assessed by the independent company.

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:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Year 1 | $ 24,262 | $ 21,425 |
| Year 2 | 21,850 | 19,115 |
| Year 3 | 21,425 | 18,905 |
| Year 4 | 19,115 | 18,905 |
| Year 5 | 4,725 | 18,905 |
| Year 6 onwards | - | 4,725 |
| | $ 91,377 | $ 101,980 |

## 17. GOODWILL

Details of goodwill were as follows:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Acquisition of SHAP's ownership | $ 679,064 | $ 679,064 |
| Acquisition of other company's ownership | 488 | 488 |
| Effect of foreign currency exchange difference | 4,549 | (25,893) |
| | $ 684,101 | $ 653,659 |

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 17.23% and 15.48% as of December 31, 2022 and 2021, 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.

## 18. OTHER INTANGIBLE ASSETS

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Computer software | $ 34,914 | $ 30,190 |
| Patent | 4,461 | 4,763 |
| | $ 39,375 | $ 34,953 |

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

| | |
|---|---|
| Computer software | 2-10 years |
| Patent | 10-20 years |

## 19. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Bank credit loans | $ 3,408,934 | $ 2,856,026 |
| Bank secured loans (Note 34) | - | 100,000 |
| | $ 3,408,934 | $ 2,956,026 |
| Interest rate range (%) | 1.18-3.85 | 0-3.85 |

b. Long-term borrowings

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Syndicated bank loans (hosted by Taishin International Bank) - the Corporation | | |
| Loan B - Interest rate at 1.958% and 0.988% p.a. | $ 2,100,000 | 2,000,000 |
| Less: Syndicated loan fee | 5,520 | 8,400 |
| | 2,094,480 | 1,991,600 |
| Bank credit loans | | |
| Maturities before June 2030, interest rates at 0.47%-1.88% and 0%-1.1319 % p.a. | 4,653,985 | 4,756,873 |
| | $ 6,748,465 | $ 6,748,473 |

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 rations 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, 2022 and

2021.

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 2020. 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, 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. The Ministry of Economic Affairs approved the change of the scheduled investment plan and the extension of the investment completion date to July 2024 due to the progress of the plant expansion and the significant increase in production capacity caused by the pandemic.

## 20. BONDS PAYABLE

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Secured domestic convertible bonds | $ - | $ 215,168 |
| Unsecured domestic convertible bonds | - | - |
| | $ - | $ 215,168 |

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.

The convertible bonds had been converted or redeemed and were taken off the market in January 2022.

b. Unsecured domestic convertible bonds

On November 25, 2020, the Corporation issued 12 thousand of zero coupon rate unsecured convertible bonds in Taipei Exchange (TPEx), with an aggregate principal amount of NT$1,200,000 thousand and were 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 July 19, 2021, 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 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

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Accounts payable | $ 1,929,488 | $ 2,551,281 |
| Accounts payable - related parties | $ 86,904 | $ 125,967 |

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

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Payables for salaries and bonuses | $ 999,666 | $ 804,228 |
| Payables for equipment | 226,566 | 113,387 |
| Payables for compensation of employees and remuneration of directors | 155,276 | 109,495 |
| Others (professional fee, maintenance costs and tooling usage fees, etc.) | 334,367 | 326,740 |
| | $ 1,715,875 | $ 1,353,850 |

## 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 subsidiaries 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 subsidiaries 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 subsidiaries 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 subsidiaries 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 subsidiaries 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:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Present value of defined benefit obligation | $ 17,910 | $ 18,577 |
| Fair value of plan assets | (7,366) | (6,635) |
| Present value of other long-term employee benefit obligation | 15,402 | 11,892 |
| | 25,946 | 23,834 |
| Recorded under other payables | (10,639) | (6,683) |
| Net defined benefit liabilities | $ 15,307 | $ 17,151 |

Net defined benefit liabilities were recorded under other non-current assets of NT$2,595 thousand and NT$1,467 thousand, respectively; net defined benefit liabilities of NT$17,902 thousand and NT$18,618 thousand, respectively for the year ended December 31, 2022 and 2021.

Movements of net defined benefit liabilities were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Present Value of Other Long-term Employee Benefit Obligation | Net Defined Benefit Liabilities |
|---|---|---|---|---|
| Balance at January 1, 2021 | $ 21,849 | $ (9,410) | $ 8,554 | $ 20,993 |
| Service cost | | | | |
| Current service cost | 226 | - | 973 | 1,199 |
| Past service cost | - | - | 3,141 | 3,141 |
| Interest expense (income) | 92 | (48) | 33 | 77 |
| Recognized in profit or loss | 318 | (48) | 4,147 | 4,417 |
| 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 | 345 | - | 810 | 1,155 |
| Recognized in other comprehensive income (other long-term employee benefit recognized in profit or loss) | 679 | (1,310) | 871 | 240 |
| Contributions from the employer | - | (136) | - | (136) |
| Plan assets claimed (paid) | (4,269) | 4,269 | - | - |
| Benefits paid | - | - | (1,680) | (1,680) |
| | (4,269) | 4,133 | (1,680) | (1,816) |
| Balance at December 31, 2021 | 18,577 | (6,635) | 11,892 | 23,834 |
| Service cost | | | | |
| Current service cost | 136 | - | 4,140 | 4,276 |
| Interest expense (income) | 76 | (33) | 46 | 89 |
| Recognized in profit or loss | 212 | (33) | 4,186 | 4,365 |
| Remeasurement | | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (580) | - | (580) |
| Actuarial gain - changes in financial assumptions | (757) | - | (405) | (1,162) |
| Actuarial loss (gain) - experience adjustments | (122) | - | 2,250 | 2,128 |
| Recognized in other comprehensive income (other long-term employee benefit recognized in profit or loss) | (879) | (580) | 1,845 | 386 |
| Contributions from the employer | - | (118) | - | (118) |
| Benefits paid | - | - | (2,521) | (2,521) |
| | - | (118) | (2,521) | (2,639) |
| Balance at December 31, 2022 | $ 17,910 | $ (7,366) | $ 15,402 | $ 25,946 |

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans and other long-term employee benefit are as follows:

| | For the Year Ended December 31 | |
| --- | --- | --- |
| | 2022 | 2021 |
| Operating costs | $ 3,330 | $ 3,356 |
| Selling and marketing expenses | 68 | 441 |
| General and administrative expenses | 2,812 | 1,491 |
| | $ 6,210 | $ 5,288 |

Through the defined benefit plans under the Labor Standards Act, the Corporation and its subsidiaries 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 subsidiaries were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31 | |
| --- | --- | --- |
| | 2022 | 2021 |
| Discount rate (%) | 1.125-1.50 | 0.375-0.50 |
| Expected rate of salary increase (%) | 2-2.50 | 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:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Discount rate | | |
| 0.25% increase | $ (233) | $ (297) |
| 0.25% decrease | $ 241 | $ 309 |
| | | |
| Expected rate of salary increase/decrease | | |
| 0.25% increase | $ 235 | $ 299 |
| 0.25% decrease | $ (227) | $ (290) |

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Expected contributions to the plan for the next year | $ 96 | $ 96 |
| Average duration of the defined benefit obligation | 1.9-14.7 years | 2.8-16.1 years |

## 24. EQUITY

a. Share capital

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Number of shares authorized (in thousands) | 1,200,000 | 1,200,000 |
| Shares authorized | $ 1,200,000 | $ 1,200,000 |
| | | |
| Number of shares issued and fully paid (in thousands) | 689,419 | 689,419 |
| Shares issued | $ 689,419 | $ 689,419 |

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 change had been registered.

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 12.

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.

In accordance with 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 2022, which had been approved by the Corporation's board of directors are as follows:

| | **2nd Half of the Year 2022** | **1st half of the Year 2022** |
|---|---|---|
| Date of the board of directors' meeting | March 16, 2023 | November 4, 2022 |
| Legal reserve | $ 109,751 | $ 133,342 |
| Special reserve | 29,579 | 17,553 |
| Cash dividends | 1,240,955 | 503,276 |
| | $ 1,380,285 | $ 654,171 |

(Continued)

| | 2nd Half of the Year 2022 | 1st half of the Year 2022 |
|---|---|---|
| Dividend per share (NT$) | $ 1.80 | $ 0.73 |

(Concluded)

The appropriations of earnings for 2022 are subject to the resolution in the shareholders' meeting to be held in June 2023.

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

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

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:

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

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Balance, beginning of the year | $ (157,530) | $ (133,551) |
| Recognized during the year | | |
| Exchange differences on translation of foreign operations | 125,545 | (20,957) |
| Share of exchange differences of associates accounted for using the equity method | 15,443 | (3,724) |
| Related income tax | (2,927) | 702 |
| Balance, end of the year | $ (19,469) | $ (157,530) |

2) Unrealized gains and losses on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Balance, beginning of the year | $ 2,422,428 | $ 937,974 |
| Recognized for the year | | |
| Unrealized gains and losses - equity instruments | (887,195) | 2,225,040 |
| Share of associates accounted for using the equity method | (122,166) | 121,359 |
| Related income tax | (19,678) | (72,227) |
| Other comprehensive income (loss) recognized for the year | (1,029,039) | 2,274,172 |
| Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal | (265,353) | (789,718) |
| Balance, end of the year | $ 1,128,036 | $ 2,422,428 |

f. Treasury shares

| Purpose of Treasury Shares | Balance, Beginning of Year | Number of Shares (In Thousands of Shares) Addition | Number of Shares (In Thousands of Shares) Reduction | December 31 Number of Shares (In Thousands of Shares) | December 31 Amount |
|---|---|---|---|---|---|
| For the year ended December 31, 2022 | | | | | |
| Shares held by the subsidiaries | - | 10,999 | - | 10,999 | $ 380,400 |

The Corporation’s shares acquired and held by its subsidiaries, CWTC and Sing Jheng Investment for the purpose of investments are accounted for as treasury shares (subsidiaries recorded those shares as financial asset at FVTOCI - non-current) based on the percentage of ownership held. The Corporation’s subsidiaries, CWTC and Sing Jheng Investment do not directly or indirectly hold more than 50% of the shares of the Corporation; therefore, its rights to hold the Corporation's shares are the same as ordinary shareholders.

Refer to Table 3 for the subsidiaries’ ownership of the Corporation's stock. As of December 31, 2022, the market value of the above treasury shares was $333,267 thousand.

g. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Balance, beginning of the year | $ 3,826,423 | $ 2,418,385 |
| Share of net profit for the year | 1,409,166 | 762,563 |
| Other comprehensive income (loss) during the year | | |
| Exchange differences on translation of foreign operations | 162,647 | (42,486) |
| Income tax related to exchange differences on translation of foreign operations | (57,332) | 12,613 |
| Unrealized gains and losses on financial assets at FVTOCI | (78,069) | 88,719 |
| Income tax related to unrealized gains and losses on financial assets at FVTOCI | - | 404 |
| Remeasurement of defined benefit plans | 699 | 410 |
| Income tax related to remeasurement on defined benefit plans | (228) | (146) |
| Convertible bonds and share options issued by subsidiaries | 136,377 | 914,591 |
| Transfer of treasury shares by subsidiaries | - | 48,024 |
| Non-controlling interests from acquisition of subsidiaries | 410,000 | - |
| Acquisition of the Corporation's shares held by subsidiaries | (441,452) | - |
| Increase (decrease) in non-controlling interests (Note 29) | 85,689 | (120,641) |
| Cash dividends paid | (683,172) | (256,013) |
| Others | 34,519 | - |
| Balance, end of the year | $ 4,805,267 | $ 3,826,423 |

## 25. REVENUE

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Revenue from contracts with customers | | |
| Revenue from the sale of goods | $ 21,614,573 | $ 20,511,105 |
| Revenue from rendering of services | 76,144 | 77,943 |
| | 21,690,717 | 20,589,048 |
| Rental revenue | $ 31,481 | 31,634 |
| Other operating revenue | 136,311 | 49,827 |
| | $ 21,858,509 | $ 20,670,509 |

a. Contract balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|---|---|---|
| Notes and accounts receivable | $ 3,912,078 | $ 4,800,350 | $ 3,679,214 |
| Contract liabilities (including current and non-current) | | | |
| Sale of goods | $ 494,266 | $ 250,213 | $ 121,176 |

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 2022 and 2021.

Revenue recognized in the current reporting period from the satisfaction of performance obligation of the contract liabilities at the beginning of the year was as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Sale of goods | $ 180,343 | $ 99,127 |

b. Disaggregation of revenue

| | IC Leadframe | LED Leadframe | EME | Substrate | Others | Total |
|---|---|---|---|---|---|---|
| For the year ended December 31, 2022 | | | | | | |
| Type of revenue | | | | | | |
| Sale of goods | $ 12,346,505 | $ 671,831 | $ 5,129,154 | $ 1,463,979 | $ 2,003,104 | $ 21,614,573 |
| Rendering of services | 1,396 | - | 29,574 | - | 45,174 | 76,144 |
| Rental revenue | - | - | - | - | 31,481 | 31,481 |
| Others | 2,052 | 479 | 27,649 | 2,316 | 103,815 | 136,311 |
| | $ 12,349,953 | $ 672,310 | $ 5,186,377 | $ 1,466,295 | $ 2,183,574 | $ 21,858,509 |
| For the year ended December 31, 2021 | | | | | | |
| 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 | 10,562 | 672 | 24,943 | 638 | 13,012 | 49,827 |
| | $ 10,425,641 | $ 944,136 | $ 5,611,996 | $ 1,362,002 | $ 2,326,734 | $ 20,670,509 |

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:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Sale of goods | | |
| Fulfillment in 2022 | $ - | $ 203,035 |
| Fulfillment in 2023 | 412,289 | 45,395 |
| Fulfillment in 2024 and thereafter | 81,977 | 1,783 |
| | $ 494,266 | $ 250,213 |

## 26. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Dividend income | $ 589,754 | $ 320,522 |
| Government grants | 32,184 | 32,058 |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Tooling revenue | $ 31,563 | $ 13,425 |
| Others | 14,868 | 8,476 |
| | $ 668,369 | $ 374,481 |

(Concluded)

b. Other gains and losses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Net foreign exchange gain (loss) | $ 423,948 | $ (145,676) |
| Gain on financial assets mandatorily classified as at FVTPL | 53,334 | 64,202 |
| Impairment loss of non-financial assets | (296,000) | - |
| Others | (9,814) | (11,393) |
| | $ 171,468 | $ (92,867) |

c. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Interest on bank loans | $ 106,089 | $ 82,727 |
| Bond discount amortization | 108 | 6,089 |
| Interest on lease liabilities | 2,141 | 2,332 |
| Other finance costs | 5,765 | 6,712 |
| Less: Amounts included in the cost of qualifying assets | (802) | - |
| | $ 113,301 | $ 97,860 |

Information about capitalized interest was as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Capitalized interest amount | $ 802 | $ - |
| Capitalization rate (%) | 0.095-1.436 | - |

d. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Depreciation expense | | |
| Property, plant and equipment | $ 702,746 | $ 610,467 |
| Right-of-use assets | 26,957 | 22,968 |
| Investment properties | 10,325 | 8,759 |
| | $ 740,028 | $ 642,194 |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Analysis of depreciation expense by function | | |
| Operating costs | $ 680,082 | $ 552,172 |
| Operating expenses | 57,147 | 88,789 |
| Non-operating income and expenses | 2,799 | 1,233 |
| | $ 740,028 | $ 642,194 |
| Amortization expense | | |
| Computer software | $ 12,452 | $ 10,953 |
| Patent | 597 | 622 |
| Others | 374 | 157 |
| | $ 13,423 | $ 11,732 |
| Analysis of amortization expense by function | | |
| Operating costs | $ 3,108 | $ 1,055 |
| Operating expenses | 10,315 | 10,677 |
| | $ 13,423 | $ 11,732 |

(Concluded)

e. Operating expenses directly related to investment properties

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Direct operating expenses on investment properties that generated rental income | $ 9,598 | $ 9,622 |

f. Employee benefits

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Post-employment benefits | | |
| Defined contribution plans | $ 78,188 | $ 70,432 |
| Defined benefit plans | 179 | 270 |
| | 78,367 | 70,702 |
| Other employee benefits | 2,050,539 | 1,927,198 |
| | $ 2,128,906 | $ 1,997,900 |
| Analysis of employee benefits by function | | |
| Operating costs | $ 1,091,645 | $ 1,079,150 |
| Operating expenses | 1,037,261 | 918,750 |
| | $ 2,128,906 | $ 1,997,900 |

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 2022 at the rates of 2% and 3.75%, respectively, of income exceeding a specified amount of pre-tax profit; the distributed amounts approved by the Corporation's board of directors in March 2023 are as follows:

| | **For the Year Ended December 31, 2022** |
|---|---|
| Compensation of employees - cash | $ 48,142 |
| Remuneration of directors - cash | 60,284 |

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 2021 and 2020, which were approved by the Corporation's board of directors in March 2022 and 2021, and accrual amounts recognized in the consolidated financial statements were as follows:

| | **For the Year Ended December 31** | | | |
|---|---|---|---|---|
| | **2021** | | **2020** | |
| | **Compensation of Employees** | **Remuneration of Directors** | **Compensation of Employees** | **Remuneration of Directors** |
| Amounts approved in the board of directors' meeting | $ 37,548 | $ 39,095 | $ 21,966 | $ 7,933 |
| Amounts recognized in the annual consolidated financial statements | (37,548) | (39,095) | (21,966) | (7,933) |
| Difference | $ - | $ - | $ - | $ - |

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 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 NT$40.2 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

| | **For the Year Ended December 31** | |
|---|---|---|
| | **2022** | **2021** |
| Write-downs (reversal) of inventories - recognized in operating costs | $ 130,090 | $ (5,512) |
| Impairment loss of using the equity investments | 296,000 | - |
| | $ 426,090 | $ (5,512) |

h. Others

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Net gain (loss) on disposal of property, plant and equipment - recognized in operating costs | $ 423 | $ 4,873 |

## 27. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | $ 808,126 | $ 500,982 |
| Income tax on unappropriated earnings | 53,012 | 7,957 |
| Adjustments for prior years | (60,613) | (16,010) |
| | 800,525 | 492,929 |
| Deferred tax | | |
| In respect of the current year | 128,022 | 96,184 |
| Adjustments for prior years | (68) | 1,698 |
| | $ 928,479 | $ 590,811 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Profit before income tax | $ 4,501,463 | $ 3,078,874 |
| Income tax expense calculated at the statutory rate | $ 1,799,797 | $ 1,139,630 |
| Tax-exempt income | (752,680) | (399,726) |
| Income tax on unappropriated earnings | 53,012 | 7,957 |
| Recognition (reversal) of temporary differences | (110,969) | (142,738) |
| Adjustments for prior years | (60,681) | (14,312) |
| | $ 928,479 | $ 590,811 |

b. Income tax recognized directly in equity

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current tax | | |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed of | $ 99,678 | $ - |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Deferred tax | | |
| Changes in equity of associates accounted for using the equity method | $ (329) | $ - |
| | $ 99,349 | $ - |

(Concluded)

c. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current tax | | |
| Disposal of financial assets at fair value through other comprehensive income that generated income tax | $ 19,678 | $ 69,528 |
| Deferred tax | | |
| Exchange differences on translation of foreign operations | $ 60,259 | $ (13,315) |
| Remeasurement of defined benefit plans | 292 | 126 |
| Unrealized gain (loss) on financial assets at fair value through other comprehensive income | - | 2,295 |
| | $ 60,551 | $ (10,894) |

d. Current tax assets and liabilities

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current tax assets | | |
| Tax refund receivable | $ 2,519 | $ - |
| Current tax liabilities | | |
| Income tax payable | $ 700,921 | $ 349,822 |

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2022

| Deferred tax assets | Balance, Beginning of Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Recognized Directly in Equity | Effect of Foreign Currency Exchange Difference | Balance, End of Year |
|---|---|---|---|---|---|---|
| Temporary differences | | | | | | |
| Exchange difference on translation of foreign operations | $ 73,318 | $ - | $ (60,259) | $ - | $ - | $ 13,059 |
| Loss on inventory valuation and obsolescence | 24,257 | 18,573 | - | - | 617 | 43,447 |
| Subscribed for additional new shares of foreign operations at a percentage different from its existing ownership percentage | 10,309 | - | - | - | - | 10,309 |

(Continued)

| | Balance, Beginning of Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Recognized Directly in Equity | Effect of Foreign Currency Exchange Difference | Balance, End of Year |
|---|---|---|---|---|---|---|
| Unrealized gain on disposal of property, plant and equipment | $ 10,267 | $ (2,196) | $ - | $ - | $ - | $ 8,071 |
| Others | 67,797 | (32,347) | (64) | - | 1,123 | 36,509 |
| | $ 185,948 | $ (15,970) | $ (60,323) | $ - | $ 1,740 | $ 111,395 |
| Deferred tax liabilities | | | | | | |
| Temporary differences | | | | | | |
| Share of profits of foreign subsidiaries and associates accounted for using the equity method | $ 330,834 | $ 94,824 | $ - | $ - | $ - | $ 425,658 |
| Adjustment relating to changes in capital surplus of foreign operations | 26,228 | - | - | (329) | - | 25,899 |
| Others | 2,107 | 17,160 | 228 | - | - | 19,495 |
| | $ 359,169 | $ 111,984 | $ 228 | $ (329) | $ - | $ 471,052 |

(Concluded)

For the Year Ended December 31, 2021

| | Balance, Beginning of Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Recognized Directly in Equity | Effect of Foreign Currency Exchange Difference | Balance, End of Year |
|---|---|---|---|---|---|---|
| Deferred tax assets | | | | | | |
| 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 | 54,198 | 4,353 | 357 | - | (279) | 58,629 |
| | $ 182,968 | $ (10,074) | $ 13,672 | $ - | $ (618) | $ 185,948 |
| Deferred tax liabilities | | | | | | |
| 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 | (637) | (34) | 2,778 | - | - | 2,107 |
| | $ 268,583 | $ 87,808 | $ 2,778 | $ - | $ - | $ 359,169 |

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

| | December 31 2022 | 2021 |
|---|---|---|
| Deductible temporary differences | | |
| Unrealized expenditures and losses | $ 317,221 | $ 241,688 |

g. Income tax assessments

The income tax returns of the Corporation and its subsidiaries, CWTC and CWEC through 2020 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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Profit for the year attributable to owners of the Corporation | $ 2,163,818 | $ 1,725,500 |
| Effect of potentially dilutive ordinary shares | | |
| Convertible bonds | - | (922) |
| Earnings used in the computation of diluted earnings per share | $ 2,163,818 | $ 1,724,578 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 683,843 | 678,892 |
| Effect of potentially dilutive ordinary shares | | |
| Convertible bonds | - | 2,349 |
| Compensation of employees | 1,813 | 1,072 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 685,656 | 682,313 |

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 2022, the Corporation disposed part of shares of its subsidiary, CWTC, converted the secured convertible bonds of its subsidiary, CWTC Inc., into ordinary shares and the subsidiary, Sing Jheng Investment bought back shares of CWTC from the market. In 2021, the Corporation subscribed for additional new shares of its subsidiary, Chang Wah Technology Co., Ltd. CWTC transferred its treasury shares to employees.

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:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Cash received in the acquisition of additional interest | $ 1,997,355 | $ 42,204 |
| Cash consideration paid to acquire additional interest | (497,984) | (576,633) |
| Compensation cost of employee share options | 6,405 | 51,176 |
| Equity component of convertible bond issued by subsidiaries accounted for using the equity method | 76,709 | 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 (to) non-controlling interests | (85,689) | 120,641 |
| Effect of income tax | (99,678) | - |
| Differences recognized from equity transaction | $ 1,397,118 | $ 266,038 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed (effect on income tax of NT$99,678 thousand was deducted) | $ 1,396,432 | $ - |
| Capital surplus - share of changes in equity of subsidiaries | 686 | 722,030 |
| Retained earnings | - | (455,992) |
| | $ 1,397,118 | $ 266,038 |

## 30. NON-CASH TRANSACTIONS

For the years ended December 31, 2022 and 2021, the Corporation and its subsidiaries entered into the following non-cash investing activities that were not reflected in the statements of cash flows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Investing activities affecting both cash and non-cash items | | |
| Acquisition of property, plant and equipment | $ 1,634,234 | $ 883,798 |
| Decrease in prepayments for equipment (recorded under other non-current assets) | (153,773) | (118,240) |
| Increase in payables for equipment | (111,120) | (10,557) |
| Capitalized interest paid | (802) | - |
| Cash paid | $ 1,368,539 | $ 755,001 |
| Acquisition of intangible assets | $ 17,467 | $ 15,771 |
| Decrease in prepayments for equipment (recorded under other non-current assets) | (15,994) | (14,313) |
| Decrease in payables for equipment | 218 | 6,396 |
| Cash paid | $ 1,691 | $ 7,854 |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Acquisition of financial assets at FVTOCI | $ 1,666,046 | $ 3,130,538 |
| Decrease in other payables | 21,202 | 1,268 |
| Cash paid | $ 1,687,248 | $ 3,131,806 |

(Concluded)

## 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 |
|---|---|---|---|---|
| December 31, 2022 | | | | |
| Financial instruments at FVTPL | | | | |
| Mutual funds | $ 55,020 | $ - | $ - | $ 55,020 |
| Domestic convertible bonds | 5,568 | - | - | 5,568 |
| Foreign private equity fund | - | - | 258,069 | 258,069 |
| | $ 60,588 | $ - | $ 258,069 | $ 318,657 |

(Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial instruments at FVTOCI | | | | |
| Equity instruments | | | | |
| Domestic listed shares | $ 6,132,226 | $ - | $ - | $ 6,132,226 |
| Domestic unlisted shares | 2,155,068 | - | 29,362 | 2,184,430 |
| Foreign unlisted shares | - | - | 76,775 | 76,775 |
| Domestics preferred shares of listed companies sold to specific group | - | 153,439 | - | 153,439 |
| | $ 8,287,294 | $ 153,439 | $ 106,137 | $ 8,546,870 |
| December 31, 2021 | | | | |
| 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 |
| | $ 135,460 | $ - | $ 191,358 | $ 326,818 |
| Financial instruments at FVTOCI | | | | |
| Equity instruments | | | | |
| Domestic listed shares | $ 6,415,792 | $ - | $ - | $ 6,415,792 |
| Domestic unlisted shares | 1,200,451 | - | 697,634 | 1,898,085 |
| Domestics preferred shares of listed companies sold to specific group | - | 184,778 | - | 184,778 |
| | $ 7,616,243 | $ 184,778 | $ 697,634 | $ 8,498,655 |

(Concluded)

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2022 and 2021.

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

For the Year Ended December 31, 2022

| | Financial Assets at FVTPL | | Financial Assets at FVTOCI | |
|---|---|---|---|---|
| | Derivatives | Foreign Private Equity Fund | Equity Instruments | Total |
| Balance, beginning of the year | $ 1,416 | $ 189,942 | $ 697,634 | $ 888,992 |
| Purchases | - | 34,345 | 89,925 | 124,270 |
| Conversion | (1,411) | - | - | (1,411) |
| Execution of redemption rights | (4) | - | - | (4) |
| Returned amount of investment/distribution | - | (34,415) | - | (34,415) |
| Transferred out of Level 3 (Note) | - | - | (683,288) | (683,288) |
| Recognized in profit or loss (recognized under other gains and losses) | (1) | 68,197 | - | 68,196 |
| Recognized in other comprehensive income | - | - | 1,866 | 1,866 |
| Balance, end of the year | $ - | $ 258,069 | $ 106,137 | $ 364,206 |

For the Year Ended December 31, 2021

| | Financial Assets at FVTPL | | Financial Assets at FVTOCI | |
|---|---|---|---|---|
| | Derivatives | Foreign Private Equity Fund | Equity Instruments | Total |
| 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) |
| Transferred out of Level 3 (Note) | - | - | (229,767) | (229,767) |
| Recognized in profit or loss (recognized under other gains and losses) | 3,670 | 17,167 | - | 20,837 |
| Recognized in other comprehensive income | - | - | 300,418 | 300,418 |
| Balance, end of the year | $ 1,416 | $ 189,942 | $ 697,634 | $ 888,992 |

Note: The stock transferred into Level 1 since the quoted price in active markets is available.

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 market approach. 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

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Financial assets | | |
| Financial assets mandatorily classified as at FVTPL | $ 318,657 | $ 326,818 |
| Financial assets at amortized cost) (Note 1) | 12,817,524 | 11,110,584 |
| Financial assets at FVTOCI - equity instruments | 8,546,870 | 8,498,655 |
| Financial liabilities | | |
| Financial liabilities at amortized cost) (Note 2) | 13,897,556 | 13,958,332 |

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, notes payable, accounts payable (including related parties), other payables, current portion of bonds payable, long-term borrowings and guarantee deposits.

d. Financial risk management objectives and policies

The Corporation and its subsidiaries' major financial instruments include equity investments, notes and accounts receivable, notes and 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.

| | **USD Impact** | | **JPY Impact** | |
|---|---|---|---|---|
| | **For the Year Ended December 31** | | **For the Year Ended December 31** | |
| | **2022** | **2021** | **2022** | **2021** |
| Profit before income tax (Note) | $ (51,274) | $ (34,908) | $ (4,165) | $ (6,532) |

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:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Fair value interest rate risk | | |
| Financial liabilities | $ 2,212,776 | $ 2,084,488 |
| Cash flow interest rate risk | | |
| Financial assets | 5,860,942 | 4,765,019 |
| Financial liabilities | 8,062,919 | 7,433,769 |

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, 2022 and 2021 would have decreased/increased by NT$80,629 thousand and NT$74,338 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, 2022 and 2021 would have increased/decreased by NT$606 thousand and NT$1,355 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by NT$61,322 thousand and NT$64,158 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 | |
|---|---|---|
| | 2022 | 2021 |
| A Corporation | $ 625,821 | $ 658,750 |

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, 2022 and 2021, the Corporation and its subsidiaries' unused credit facilities were NT$27,447,359 thousand and NT$25,700,161 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.

| | Less than 1 Year | 1-5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| December 31, 2022 | | | | |
| Non-interest bearing liabilities | $ 4,555,432 | $ 3,940 | $ 3,780 | $ 4,563,152 |
| Lease liabilities | 24,079 | 57,108 | 49,541 | 130,728 |
| Variable interest rate liabilities | 3,479,927 | 3,684,852 | 1,025,946 | 8,190,725 |
| Fixed interest rate liabilities | 41,118 | 2,139,316 | - | 2,180,434 |
| | $ 8,100,556 | $ 5,885,216 | $ 1,079,267 | $ 15,065,039 |
| December 31, 2021 | | | | |
| 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 | 298,890 | 2,039,520 | - | 2,338,410 |
| | $ 7,655,906 | $ 6,114,939 | $ 792,849 | $ 14,563,694 |

## 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

| Related Party Name | Relationship |
|---|---|
| Wah Lee Industrial Corp. | Corporate director |
| VizionFocus Inc. | The Corporation is appointed as member of the board of directors |
| ThinFlex Corporation Co., Ltd. | 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.) |
| JMC Electronics Co., Ltd. | Investment accounted for using the equity method |
| Wellstech Optical Co., Ltd. | Investment accounted for using the equity method |
| Silver Connection Co., Ltd. | Investment accounted for using the equity method |
| How Weih Holding (Cayman) Co., Ltd. (How Weih Cayman) | 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. | Corporate director’s subsidiary |
| Shanghai Yikang Chemicals & Industries Co., Ltd. | Corporate director’s subsidiary |
| Chia-Neng Huang | The Corporation's chairman |

b. Operating revenues

| Account Item | Related Party Category | For the Year Ended December 31 2022 | 2021 |
|---|---|---|---|
| Revenue from sales of goods | Corporate director’s subsidiaries | $ 63,342 | $ 92,378 |

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 | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Investments accounted for using the equity method | $ 186,015 | $ 204,129 |
| Corporate director | 274,470 | 283,070 |
| Corporate director’s subsidiaries | 34,653 | 23,519 |
| The Corporation’s chairman is the key management personnel | - | 860 |
| | $ 495,138 | $ 511,578 |

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:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Short-term employee benefits | $ 163,701 | $ 129,665 |
| Share-based payment | 4,220 | 1,847 |
| Post-employment benefits | 391 | 494 |
| Long-term employee benefits | 19 | 36 |
| | $ 168,331 | $ 132,042 |

e. Other transactions with related parties

Lease arrangement - the Corporation is lessee

| | For the Year Ended December 31 | |
|---|---|---|
| **Related Party Category/Name** | **2022** | **2021** |
| Lease liabilities | | |
| Investments accounted for using the equity method-JMC | $ 35,842 | $ 2,280 |

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 for both the year ended December 31, 2022 and 2021.

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 for both the year ended December 31, 2022 and 2021.

Acquisition of investments accounted for using the equity method

The Corporation purchased 0.15% equity interest in How Weih Holding (Cayman) Co., Ltd. from related party, Chia-Neng Huang, for NT$4,720 thousand in December 2022.

f. Balance at period-end

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Accounts receivable - related parties | | |
| Corporate director's subsidiaries | $ 16,472 | $ 23,461 |
| Investments accounted for using the equity method | 1,600 | 1,600 |
| | $ 18,072 | $ 25,061 |
| Other receivables | | |
| Investments accounted for using the equity method | | |
| How Weih Holding (Cayman) Co., Ltd. | $ 42,160 | $ - |
| Others | 1,126 | 1,392 |
| Corporate director | 15 | 63 |
| | $ 43,301 | $ 1,455 |
| Accounts payable - related parties | | |
| Investments accounted for using the equity method | $ 20,683 | $ 43,436 |
| Corporate director | 61,279 | 74,775 |
| Corporate director's subsidiaries | 4,942 | 7,756 |
| | $ 86,904 | $ 125,967 |

## 34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Other financial assets (including current and non-current) | | |
| Time deposits | $ 82,105 | $ 213,094 |

## 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 16, 2023.

b. The amount that the subsidiaries have committed to purchase property, plant and equipment of which NT$445,166 thousand was unpaid.

## 36. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On March 13, 2023, the Corporation issued 12 thousand of zero coupon rate unsecured convertible bonds in Taipei Exchange (TPEx), with an aggregate principal amount of NT$1,200,000 thousand and were issued at 101% of the par value, the total amount raised was NT$1,212,000 thousand.

## 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:

| December 31, 2022 | Foreign Currency (In Thousands) | Exchange Rate | | Carrying Amount (In Thousands of New Taiwan Dollars) |
|---|---|---|---|---|
| Financial assets | | | | |
| Monetary items | | | | |
| USD | $ 174,749 | 30.71 | (USD:NTD) | $ 5,366,557 |
| USD | 54,609 | 6.9646 | (USD:RMB) | 1,677,037 |
| JPY | 4,655,864 | 0.2324 | (JPY:NTD) | 1,082,023 |
| RMB | 68,729 | 4.4094 | (RMB:NTD) | 303,055 |
| MYR | 4,517 | 0.2181 | (MYR:USD) | 30,262 |
| Non-monetary items | | | | |
| Subsidiaries accounted for using the equity method | | | | |
| USD | 238,535 | 30.71 | (USD:NTD) | 7,325,418 |
| RMB | 55,358 | 4.4094 | (RMB:NTD) | 244,097 |
| Associates accounted for using the equity method | | | | |
| RMB | 266,192 | 4.4094 | (RMB:NTD) | 1,173,747 |
| Financial assets at fair value through profit or loss | | | | |
| USD | 8,403 | 30.71 | (USD:NTD) | 258,069 |
| Financial assets at fair value through other comprehensive income | | | | |
| USD | 2,500 | 30.71 | (USD:NTD) | 76,775 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | 47,679 | 30.71 | (USD:NTD) | 1,464,221 |
| USD | 14,716 | 6.9646 | (USD:RMB) | 451,938 |
| JPY | 2,728,786 | 0.2324 | (JPY:NTD) | 634,170 |
| JPY | 135,023 | 0.0076 | (JPY:USD) | 31,379 |
| RMB | 15,987 | 4.4094 | (RMB:NTD) | 70,494 |
| MYR | 7,995 | 0.2181 | (MYR:USD) | 53,556 |

(Continued)

| December 31, 2021 | Foreign Currency (In Thousands) | Exchange Rate | | Carrying Amount (In Thousands of New Taiwan Dollars) |
|---|---|---|---|---|
| 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 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| 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 |

(Concluded)

The foreign exchange net gains and losses were a gain of NT$423,948 thousand and a loss of NT$145,676 thousand for the years ended December 31, 2022 and 2021, 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 (Table 5)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 6)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 7)

9) Trading in derivative instruments (Note 7)

10) Intercompany relationships and significant intercompany transactions (Table 10)

b. Information on investees (Table 8)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, 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 9)

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 6)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 6)

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 13)

## 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 11.

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Segment assets | | |
| The Corporation | $ 20,396,373 | $ 20,795,040 |
| CWTC and its subsidiaries | 18,828,652 | 14,842,063 |
| Others | 335,981 | 342,428 |
| Adjustment and elimination | (6,439,740) | (5,670,936) |
| Consolidated total assets | $ 33,121,266 | $ 30,308,595 |
| Segment liabilities | | |
| The Corporation | $ 8,814,694 | $ 9,900,496 |
| CWTC and its subsidiaries | 8,655,239 | 6,430,331 |
| Others | 152,617 | 165,375 |
| Adjustment and elimination | (888,230) | (908,574) |
| Consolidated total liabilities | $ 16,734,320 | $ 15,587,628 |

c. Other segment information

| | The Corporation | CWTC and its Subsidiaries | Others | Total |
|---|---|---|---|---|
| For the year ended December 31, 2022 | | | | |
| Depreciation and amortization | $ 13,468 | $ 715,690 | $ 24,293 | $ 753,451 |
| Impairment loss of accounts receivable recognized (reversed) in profit and loss | (36,544) | 6,712 | - | (29,832) |
| Gain on disposal of property, plant and equipment | - | (423) | - | (423) |
| Impairment loss of non-financial assets recognized | 322,359 | 103,731 | - | 426,090 |
| For the year ended December 31, 2021 | | | | |
| 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 |
| 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) |

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.

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Sales revenue | | |
| IC Leadframe | $ 12,346,505 | $ 10,413,924 |
| EME | 5,129,154 | 5,563,858 |
| Substrate | 1,463,979 | 1,361,364 |
| LED Leadframe | 671,831 | 943,464 |
| CRM | 451,962 | 610,747 |
| Light guide plate | 194,049 | 378,048 |
| Others | 1,357,093 | 1,239,700 |
| Revenue from rendering of services | 76,144 | 77,943 |
| Rental revenue | 31,481 | 31,634 |
| Others | 136,311 | 49,827 |
| | $ 21,858,509 | $ 20,670,509 |

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:

| | For the Year Ended December 31 | | Non-current Assets December 31 | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Taiwan | $ 9,563,936 | $ 8,866,519 | $ 3,052,727 | $ 2,095,837 |
| Asia | 11,006,761 | 10,788,416 | 2,288,771 | 1,979,871 |
| Others | 1,287,812 | 1,015,574 | - | - |
| | $ 21,858,509 | $ 20,670,509 | $ 5,341,498 | $ 4,075,708 |

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:

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Amount | % | Amount | % |
| Customer A | $ 2,988,104 | 14 | $ 2,444,710 | 12 |

**TABLE 1**

## Chang Wah Electromaterials Inc. and Subsidiaries

**FINANCING PROVIDED TO OTHERS**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(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 | $ - | 1-1.2 | 2 | $ - | Operating capital | $ - | None | $ - | $ 1,158,168 | $ 4,632,672 | Note 1 |
| 1 | Chang Wah Technology Co., Ltd. | SH Electronics Suzhou Co., Ltd. | Other receivables | Yes | 429,940 | - | - | 0.9 | 1 | 1,714,538 | - | - | None | - | 3,909,923 | 3,909,923 | Note 2 |
| 2 | SH Electronics Chengdu Co., Ltd. | SH Electronics Suzhou Co., Ltd. | Other receivables | Yes | 322,455 | 322,455 | 122,840 | 0.8-0.9 | 2 | - | Repayments of loans | - | None | - | 1,116,661 | 1,116,661 | Note 3 |
| 3 | SH Asia Pacific Pte. Ltd. | Malaysian SH Electronics Sdn. Bhd | Other receivables | Yes | 1,842,600 | 1,842,600 | 1,842,600 | 4.18 | 2 | - | Financing of funds | - | None | - | 6,075,380 | 6,075,380 | 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., SH Asia Pacific Pte. 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.

**TABLE 2**

## Chang Wah Electromaterials Inc. and Subsidiaries

**ENDORSEMENTS/GUARANTEES PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(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 | $ 2,316,336 | $ 52,668 | $ 52,668 | $ 52,668 | $ - | 0.45 | $ 5,790,840 | Yes | No | Yes | Note 1 |
| 1 | Chang Wah Technology Co., Ltd. | Shanghai Chang Wah Electromaterials Inc. | 2, 6 | 1,954,961 | 119,308 | 119,308 | 119,308 | - | 1.22 | 4,887,404 | 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, 2022**
**(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, 2022 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying Value | Percentage of Ownership (%) | Fair Value | |
| The Corporation | Stock - ordinary shares | | | | | | | |
| | 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 | - | |
| | Cleanaway Co., Ltd. | - | Financial assets at fair value through other comprehensive income - current | 903,000 | 162,540 | 0.83 | 162,540 | |
| | Acter Group Co., Ltd. | - | Financial assets at fair value through other comprehensive income - current | 499,000 | 50,649 | 0.43 | 50,649 | |
| | Elite Semiconductor Microelectronics Technology Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 1,200,000 | 78,000 | 0.42 | 78,000 | |
| | Greatek Electronics Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 5,672,000 | 272,256 | 1.00 | 272,256 | |
| | Everlight Electronics Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 11,634,000 | 429,877 | 2.62 | 429,877 | |
| | Taiflex Scientific Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 20,936,000 | 862,563 | 10.01 | 862,563 | |
| | Tian Zheng International Precision Machinery Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 1,265,800 | 60,505 | 3.42 | 60,505 | |
| | Sumitomo Bakelite Taiwan Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 800,000 | 14,362 | 1.00 | 14,362 | |
| | 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 | 1,085,814 | 15.78 | 1,085,814 | |
| | Wah Lee Industrial Corp. | Corporate director | Financial assets at fair value through other comprehensive income - non-current | 2,436,860 | 204,209 | 1.03 | 204,209 | |
| | Chipbond Technology Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 57,268,000 | 3,287,183 | 7.75 | 3,287,183 | |
| | Atomic Material Group Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 591,750 | - | 8.33 | - | |
| | eChem Solutions Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 5,546,500 | 1,069,254 | 6.88 | 1,069,254 | |
| | Far Reaching Tech Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 1,500,000 | 15,000 | 33.33 | 15,000 | |
| | Bridge Roots I Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 2,500,000 | 76,775 | 9.26 | 76,775 | |
| | Stock - preferred shares of listed companies sold to specific group | | | | | | | |
| | Tian Zheng International Precision Machinery Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 3,700,000 | 153,439 | 10.01 | 153,439 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying Value | Percentage of Ownership (%) | Fair Value | |
| | Convertible bonds | | | | | | | |
| | Episil-Precision Inc. | - | Financial assets at fair value through profit or loss - current | 30,000 | $ 2,880 | - | $ 2,880 | |
| | Fund | | | | | | | |
| | SMART Growth Fund, L.P. | - | Financial assets at fair value through profit or loss - non-current | - | 258,069 | 1.75 | 258,069 | Note 1 |
| Chang Wah Technology Co., Ltd. | Stock - ordinary shares | | | | | | | |
| | Chang Wah Electromaterials Inc. | Ultimate parent company | Financial assets at fair value through other comprehensive income - non-current | 20,679,000 | 626,574 | 3.00 | 626,574 | Note 2 |
| | Tian Zheng International Precision Machinery Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 478,000 | 22,848 | 1.44 | 22,848 | |
| | JMC Electronics Co., Ltd. | Associate | Financial assets at fair value through other comprehensive income - non-current | 17,000 | 510 | 0.02 | 510 | |
| | Taiflex Scientific Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 4,832,000 | 199,079 | 2.31 | 199,079 | |
| | Greatek Electronics Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 224,000 | 10,752 | 0.04 | 10,752 | |
| | Everlight Electronics Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 873,000 | 32,257 | 0.20 | 32,257 | |
| | Chipbond Technology Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 5,386,000 | 309,156 | 0.73 | 309,156 | |
| | Acter Group Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 1,191,000 | 120,887 | 1.04 | 120,887 | |
| | Ohkuchi Materials Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 50 | - | 5.00 | - | |
| | Convertible bonds | | | | | | | |
| | Episil-Precision Inc. | - | Financial assets at fair value through profit or loss - current | 28,000 | 2,688 | - | 2,688 | |
| | Fund | | | | | | | |
| | Yuanta Taiwan High-yield Leading Company Fund B | - | Financial assets at fair value through profit or loss - current | 7,000,000 | 55,020 | - | 55,020 | |
| Sing Jheng Investment Co., Ltd. | Stock - ordinary shares | | | | | | | |
| | Chang Wah Electromaterials Inc. | Ultimate parent company | Financial assets at fair value through other comprehensive income - non-current | 3,021,000 | 91,536 | 0.44 | 91,536 | Note 2 |
| | Chang Wah Technology Co., Ltd. | Parent company | Financial assets at fair value through other comprehensive income - non-current | 14,465,642 | 429,630 | 1.51 | 429,630 | |
| | Tian Zheng International Precision Machinery Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 484,000 | 23,135 | 1.46 | 23,135 | |
| | JMC Electronics Co., Ltd. | Associate | Financial assets at fair value through other comprehensive income - non-current | 194,000 | 5,820 | 0.23 | 5,820 | |

(Concluded)

Note 1: Former name was Wise Road Industry Investment Fund I, L.P.

Note 2: Refer to Note 24, the Corporation's shares held by subsidiaries are treated as treasury shares.

## 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, 2022**
**(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 | | | | | | | | | | | | | | |
| | Chipbond Technology Corp. | Financial assets at fair value through other comprehensive income - non-current | Note 1 | - | 45,923,000 | $ 3,063,064 | 11,542,000 | $ 730,655 | 197,000 | $ 13,884 | $ 12,948 | $ 936 | 57,268,000 | $ 3,287,183 | Note 2 |
| | Everlight Electronics Co., Ltd. | Financial assets at fair value through other comprehensive income - non-current | Note 1 | - | 244,000 | 12,859 | 11,390,000 | 544,857 | - | - | - | - | 11,634,000 | 429,877 | Note 2 |
| | Chang Wah Technology Co., Ltd. | Investments accounted for using the equity method | Note 1 | Subsidiary | 200,267,970 | 4,390,933 | - | - | 20,300,000 | 1,997,355 | 600,923 | 1,396,432 | 449,919,925 | 4,726,946 | Note 3 and 4 |
| Chang Wah Technology Co., Ltd. | Stock - ordinary shares | | | | | | | | | | | | | | |
| | Chang Wah Electromaterials Inc. | Financial assets at fair value through other comprehensive income - non-current | Note 1 | Parent Company | - | - | 20,679,000 | 710,160 | - | - | - | - | 20,679,000 | 626,574 | Note 2 |
| | Sing Jheng Investment Co., Ltd. | Investments accounted for using the equity method | - | Subsidiary | - | - | 49,000,000 | 490,000 | - | - | - | - | 49,000,000 | 482,949 | |
| | Malaysian SH Electronics Sdn. Bhd. | Investments accounted for using the equity method | SH Asia Pacific Pte. Ltd. | Subsidiary | - | - | 23,000,000 | 574,415 | - | - | - | - | 23,000,000 | 992,548 | Note 5 |
| Sing Jheng Investment Co., Ltd. | Stock - ordinary shares | | | | | | | | | | | | | | |
| | Chang Wah Technology Co., Ltd. | Financial assets at fair value through other comprehensive income - non-current | Note 1 | Parent Company | - | - | 14,465,642 | 497,984 | - | - | - | - | 14,465,642 | 429,630 | Note 2 |
| SH Asia Pacific Pte. Ltd. | Stock - ordinary shares | | | | | | | | | | | | | | |
| | Malaysian SH Electronics Sdn. Bhd. | Investments accounted for using the equity method | Chang Wah Technology Co., Ltd. | Parent Company | 23,000,000 | 517,628 | - | - | 23,000,000 | 574,415 | 556,760 | 17,655 | - | - | Note 5 |

Note 1: Acquired and disposed through open market

Note 2: Gains and losses on disposal are directly transferred to retained earnings and are not reclassified to profit or loss; amounts include unrealized gains or losses for financial assets.

Note 3: Gains or losses on disposals are recognized as capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed of; amounts include shares of profit or loss of subsidiaries accounted for using the equity method and other related adjustments.

Note 4: The par value of subsidiaries per share had been changed from NT$1 to NT$0.4 and the reissuance of stocks was completed in September 2022. The number of shares at the end of the year was reflected after the change.

Note 5: The Corporation's subsidiary, Chang Wah Technology Co., Ltd. acquired all the shares of Malaysian SH Electronics Sdn. Bhd. from its subsidiary, SH Asia Pacific Pte. Ltd. The transaction was treated as an equity transaction with no effect on the gain or loss on disposal. The subsidiary, SH Asia Pacific Pte. Ltd. recorded the difference between the carrying cost and the selling price under equity.

TABLE 5

## Chang Wah Electromaterials Inc. and Subsidiaries

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

| Buyer | Property | Event Date | Transaction Amount (Without Tax) | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty Is a Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| Chang Wah Technology Co., Ltd. | Land and building at Daliao District, Kaohsiung | 2022.04.11 | $ 450,000 | Paid | Mektec Corporation | None | - | - | - | $ - | Based on independent professional appraisal reports | Expand production capacity to meet order demand | None |

**TABLE 6**

## 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, 2022**
**(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. | Corporate Director | Purchases | $ 259,205 | 3 | 60 days | No general terms and conditions can be compared | Note 33 | $ (57,095 ) | (4 ) | |
| | JMC Electronics Co., Ltd. | Investments accounted for using the equity method | Purchases | 186,015 | 2 | 30 days | No general terms and conditions can be compared | Note 33 | (20,683 ) | (1 ) | |
| Chang Wah Technology Co., Ltd. | The Corporation | Parent Company | Sales | (3,008,336 ) | (35 ) | 60 days | Not significantly different | 60 days | 515,973 | 37 | Note |
| | SH Asia Pacific Pte. Ltd. | Subsidiary | Sales | (344,556 ) | (4 ) | 30 days | Not significantly different | 30 days | 21,904 | 2 | Note |
| | CWTC (Shanghai) Inc. | Subsidiary | Sales | (169,456 ) | (2 ) | 180 days | Not significantly different | 180 days | 32,216 | 2 | Note |
| Malaysian SH Electronics Sdn. Bhd. | Chang Wah Technology Co., Ltd. | Parent Company | Sales | (854,112 ) | (30 ) | 60 days | Not significantly different | 60 days | 238,655 | 37 | Note |
| SH Electronics Chengdu Co., Ltd. | Chang Wah Technology Co., Ltd. | Parent Company | Sales | (864,621 ) | (60 ) | 45 days | Not significantly different | 45 days | 153,627 | 61 | Note |
| SH Precision Chengdu Co., Ltd. | SH Electronics Chengdu Co., Ltd. | Sister Company | Sales | (777,414 ) | (99 ) | 60 days | Not significantly different | 60 days | 144,510 | 100 | Note |
| SH Electronics Suzhou Co., Ltd. | Chang Wah Technology Co., Ltd. | Parent Company | Sales | (1,706,604 ) | (62 ) | 15 days | Not significantly different | 15 days | 111,367 | 38 | Note |
| | Shanghai Chang Wah Electromaterials Inc. | Sister Company | Sales | (173,960 ) | (6 ) | 45 days | Not significantly different | 45 days | 20,429 | 7 | Note |
| | Malaysian SH Electronics Sdn. Bhd. | Sister Company | Sales | (202,662 ) | (7 ) | 30 days | Not significantly different | 30 days | 37,801 | 13 | Note |

Note: Amount was eliminated from the consolidated financial statements.

**TABLE 7**

## 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, 2022**
**(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 | $ 536,625 (Note 2) | 4.87 (Note 5) | $ - | - | $ 490,496 | $ - |
| SH Electronics Suzhou Co., Ltd. | Chang Wah Technology Co., Ltd. | Parent Company | Accounts receivable | 111,367 | 13.17 | - | - | 111,367 | - |
| SH Electronics Chengdu Co., Ltd. | Chang Wah Technology Co., Ltd. | Parent Company | Accounts receivable | 153,627 | 4.90 | - | - | 125,630 | - |
| Malaysian SH Electronics Sdn. Bhd. | Chang Wah Technology Co., Ltd. | Parent Company | Accounts receivable | 238,655 | 3.93 | - | - | 238,655 | - |
| SH Electronics Chengdu Co., Ltd. | SH Electronics Suzhou Co., Ltd. | Sister Company | Other receivables | 123,637 | Note 3 | - | - | 15,471 | - |
| Chang Wah Technology Co., Ltd. | SH Precision Chengdu Co., Ltd. | Subsidiary | Accounts receivable | 113,068 | Note 4 | - | - | 69,959 | - |
| SH Precision Chengdu Co., Ltd. | SH Electronics Chengdu Co., Ltd. | Sister Company | Accounts receivable | 144,510 | 5.49 | - | - | 144,510 | - |
| SH Electronics Suzhou Co., Ltd. | Malaysian SH Electronics Sdn. Bhd. | Sister Company | Other receivables | 1,842,600 | Note 3 | - | - | 522,070 | - |

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

Note 2: Amounts include receivables from rendering service of NT$20,652 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.

Note 5: In January 2022, Chang Wah Technology Co., Ltd. absorbed and merged its subsidiary, SH Electronics Taiwan Co., Ltd., and the calculation is based on the turnover rate.

## Chang Wah Electromaterials Inc. and Subsidiaries

**INFORMATION ON INVESTEES (EXCLUDING INVESTMENTS IN MAINLAND CHINA)**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(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, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2022 | December 31, 2021 | Number of Shares | Percentage of Ownership (%) | Carrying Amount | | | |
| The Corporation | CWE Holding Co., Ltd. | Samoa | International investment activities | $ 73,704 | $ 73,704 | 2,400,000 | 100 | $ 68,478 | $ 7,116 | $ 7,116 | 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 | 548,195 | 311,006 | 115,290 | |
| The Corporation | How Weih Holding (Cayman) Co., Ltd. | British Cayman Islands | International investment activities | 359,506 | 354,314 | 17,110,000 | 25 | 823,036 | 258,919 | 64,761 | 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 | 3,039,888 | 3,382,781 | 449,919,925 | 48 | 4,726,946 | 2,815,901 | 1,389,839 | Notes 1 and 3 |
| The Corporation | JMC Electronics Co., Ltd. | Taiwan | Manufacturing, processing and selling of COF substrates | 595,062 | 595,062 | 35,531,390 | 43 | 1,376,926 | 73,358 | 32,821 | 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 | 113,562 | 17,335 | 17,653 | 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 | 350,711 | 157,115 | 44,196 | Note 2 |
| The Corporation | Sing Jheng Investment Co., Ltd. | Taiwan | Investment activities | 100,000 | - | 10,000,000 | 10 | 100,577 | 24,467 | 293 | Note 1 |
| CWE Holding Co., Ltd. | How Weih Holding (Cayman) Co., Ltd. | British Cayman Islands | International investment activities | - | 394 | - | - | - | 258,919 | 34 | 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 | 6,332,870 | 1,327,668 | 1,297,390 | Notes 1, 2 and 3 |
| Chang Wah Technology Co., Ltd. | Sing Jheng Investment Co., Ltd. | Taiwan | Investment activities | 490,000 | - | 49,000,000 | 49 | 482,949 | 24,467 | 4,886 | Notes 1 |
| Chang Wah Technology Co., Ltd. | Malaysian SH Electronics Sdn. Bhd. | Malaysia | Manufacturing and selling of leadframe and semiconductor materials | 574,290 | - | 23,000,000 | 100 | 992,548 | 443,328 | - | Notes 1 and 2 |
| SH Asia Pacific Pte. Ltd. | Malaysian SH Electronics Sdn. Bhd. | Malaysia | Manufacturing and selling of leadframe and semiconductor materials | - | 517,628 | - | - | - | 443,328 | 443,328 | Notes 1 and 2 |
| SH Asia Pacific Pte. Ltd. | WSP Electromaterials Ltd. | British Virgin Islands | International investment activities | 665,435 | 599,780 | 5,235,000 | 100 | 1,109,134 | 163,221 | 163,221 | 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, 2022**
**(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, 2022 | Remittance of Funds | | Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2022 | Net Income of the Investee | % of Ownership of Direct or Indirect Investment | Investment Gain (Notes 7 and 8) | Carrying Amount as of December 31, 2022 (Notes 7 and 8) | Accumulated Repatriation of Investment Income as of December 31, 2022 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | | |
| SH Electronics Chengdu Co., Ltd. | Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools | $ 261,035 | 2 | $ 66,077 | $ - | $ - | $ 66,077 | $ 273,073 | 100 | $ 273,337 | $ 1,316,797 | $ 697,802 | Note 2 |
| Shanghai Chang Wah Electromaterials Inc. | Acting as an agent for IC packaging materials and equipment | 122,840 | 2 | 149,668 | - | - | 149,668 | 78,308 | 100 | 78,308 | 489,758 | 181,110 | Note 2 |
| SH Precision Chengdu Co., Ltd. | Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools | 107,485 | 2 | 31,807 | - | - | 31,807 | 105,633 | 100 | 89,916 | 527,407 | 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. | 61,420 | 1 | 64,308 | - | - | 64,308 | 8,856 | 100 | 8,856 | 94,181 | - | |
| SH Electronics Suzhou Co., Ltd. | Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools | 767,750 | 2 | - | - | - | - | 396,322 | 100 | 398,367 | 1,714,658 | - | |

| Investor Company | Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022 (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 | $ 1,080,307 | $ - |
| Chang Wah Technology Co., Ltd. | 64,308 | 1,401,697 | - |

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. USD820 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 USD(7,469) thousand, How Weih Electronic Technology (Huizhou) Co., Ltd. USD21,509 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, 2022**
**(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 | $ 3,008,336 | Follow the terms of contract | 13.76 |
| 1 | Chang Wah Technology Co., Ltd. | The Corporation | Subsidiary to parent | Accounts receivable | 515,973 | Follow the terms of contract | 1.56 |
| 1 | Chang Wah Technology Co., Ltd. | SH Asia Pacific Pte. Ltd. | Parent to subsidiary | Sales | 344,556 | Follow the terms of contract | 1.58 |
| 1 | Chang Wah Technology Co., Ltd. | CWTC (Shanghai) Inc. | Parent to subsidiary | Sales | 169,456 | Follow the terms of contract | 0.78 |
| 1 | Chang Wah Technology Co., Ltd. | SH Precision Chengdu Co., Ltd. | Parent to subsidiary | Accounts receivable | 113,068 | Follow the terms of contract | 0.34 |
| 2 | SH Asia Pacific Pte. Ltd. | Malaysian SH Electronics Sdn. Bhd. | Subsidiary to subsidiary | Other receivables | 1,842,600 | Follow the terms of contract | 5.56 |
| 3 | Malaysian SH Electronics Sdn. Bhd. | Chang Wah Technology Co., Ltd. | Subsidiary to parent | Sales | 854,112 | Follow the terms of contract | 3.91 |
| 3 | Malaysian SH Electronics Sdn. Bhd. | Chang Wah Technology Co., Ltd. | Subsidiary to parent | Accounts receivable | 238,655 | Follow the terms of contract | 0.72 |
| 4 | SH Electronics Chengdu Co., Ltd. | Chang Wah Technology Co., Ltd. | Subsidiary to parent | Sales | 864,621 | Follow the terms of contract | 3.96 |
| 4 | SH Electronics Chengdu Co., Ltd. | Chang Wah Technology Co., Ltd. | Subsidiary to parent | Accounts receivable | 153,627 | Follow the terms of contract | 0.46 |
| 4 | SH Electronics Chengdu Co., Ltd. | SH Electronics Suzhou Co., Ltd. | Subsidiary to subsidiary | Other receivables | 123,637 | Follow the terms of contract | 0.37 |
| 5 | SH Precision Chengdu Co., Ltd. | SH Electronics Chengdu Co., Ltd. | Subsidiary to subsidiary | Sales | 777,414 | Follow the terms of contract | 3.56 |
| 5 | SH Precision Chengdu Co., Ltd. | SH Electronics Chengdu Co., Ltd. | Subsidiary to subsidiary | Accounts receivable | 144,510 | Follow the terms of contract | 0.44 |
| 6 | SH Electronics Suzhou Co., Ltd. | Chang Wah Technology Co., Ltd. | Subsidiary to parent | Sales | 1,706,604 | Follow the terms of contract | 7.81 |
| 6 | SH Electronics Suzhou Co., Ltd. | Chang Wah Technology Co., Ltd. | Subsidiary to parent | Accounts receivable | 111,367 | Follow the terms of contract | 0.34 |
| 6 | SH Electronics Suzhou Co., Ltd. | Shanghai Chang Wah Electromaterials Inc. | Subsidiary to subsidiary | Sales | 173,960 | Follow the terms of contract | 0.80 |
| 6 | SH Electronics Suzhou Co., Ltd. | Malaysian SH Electronics Sdn.Bhd. | Subsidiary to subsidiary | Sales | 202,662 | Follow the terms of contract | 0.93 |

Note: Amount was eliminated from the consolidated financial statements.

## Chang Wah Electromaterials Inc. and Subsidiaries

**SEGMENT INFORMATION**
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**
**(In Thousands of New Taiwan Dollars)**

| | The Corporation | CWTC and Its Subsidiaries | Others | Adjustment and Elimination | Total |
|---|---|---|---|---|---|
| For the Year Ended December 31, 2022 | | | | | |
| Revenue from external customers | $ 10,291,761 | $ 11,507,341 | $ 59,407 | $ - | $ 21,858,509 |
| Inter-segment revenue | 10,640 | 2,923,943 | - | (2,934,583) | - |
| Segment revenue | $ 10,302,401 | $ 14,431,284 | $ 59,407 | $ (2,934,583) | $ 21,858,509 |
| Segment income | $ 263,730 | $ 3,121,660 | $ 22,646 | $ 16,327 | $ 3,424,363 |
| Interest income | 18,029 | 74,408 | 1,263 | (238) | 93,462 |
| Other income | 541,496 | 164,610 | - | (37,737) | 668,369 |
| Other gains and losses | (156,006) | 320,866 | 6,608 | - | 171,468 |
| Share of profits of subsidiaries and associates accounted for using the equity method | 1,695,951 | - | 34 | (1,438,883) | 257,102 |
| Finance costs | (64,522) | (47,289) | (1,767) | 277 | (113,301) |
| Profit before income tax | 2,298,678 | 3,634,255 | 28,784 | (1,460,254) | 4,501,463 |
| Income tax | 134,860 | 789,286 | 4,333 | - | 928,479 |
| Net profit for the year | $ 2,163,818 | $ 2,844,969 | $ 24,451 | $ (1,460,254) | $ 3,572,984 |
| 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 | 70,467 | 2,924,709 | 8,070 | (3,003,246) | - |
| Segment revenue | $ 10,812,001 | $ 12,792,169 | $ 69,585 | $ (3,003,246) | $ 20,670,509 |
| Segment income | $ 303,252 | $ 2,210,299 | $ 25,313 | $ 20,404 | $ 2,559,268 |
| Interest income | 2,399 | 18,493 | 138 | (252) | 20,778 |
| Other income | 272,381 | 108,677 | 759 | (7,336) | 374,481 |
| Other gains and losses | (46,388) | (44,940) | (1,538) | (1) | (92,867) |
| Share of profits of subsidiaries and associates accounted for using the equity method | 1,322,273 | - | 20 | (1,007,219) | 315,074 |
| Finance costs | (53,182) | (43,345) | (1,602) | 269 | (97,860) |
| Profit before income tax | 1,800,735 | 2,249,184 | 23,090 | (994,135) | 3,078,874 |
| Income tax | 75,235 | 510,539 | 5,037 | - | 590,811 |
| Net profit for the year | $ 1,725,500 | $ 1,738,645 | $ 18,053 | $ (994,135) | $ 2,488,063 |

## Chang Wah Electromaterials Inc.

**RECONCILIATION OF CAPITAL SURPLUS**
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**
**(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, 2022 | $ 914,988 | $ 566,837 | $ 1,584,593 | $ 2,621 | $ 57,287 | $ 775,826 | $ - | $ - | $ 1,209 | $ 3,903,361 |
| Arising from changes in equity of subsidiaries | - | - | - | - | - | 686 | - | - | - | 686 |
| Arising from the difference between the consideration received or paid and actual disposal or acquisition | - | - | - | - | - | - | 1,396,432 | - | - | 1,396,432 |
| Arising from changes in equity of associates accounted for using the equity method | - | - | - | - | (689) | - | - | - | - | (689) |
| The distribution of dividends to subsidiaries | - | - | - | 16,638 | - | - | - | - | - | 16,638 |
| Balance at December 31, 2022 | $ 914,988 | $ 566,837 | $ 1,584,593 | $ 19,259 | $ 56,598 | $ 776,512 | $ 1,396,432 | $ - | $ 1,209 | $ 5,316,428 |
| 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 |

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 13**

# Chang Wah Electromaterials Inc.

**INFORMATION OF MAJOR SHAREHOLDERS**
**DECEMBER 31, 2022**

| 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. | 57,176,000 | 8.29 |
| Fubon Life Assurance Co., Ltd. | 45,080,000 | 6.53 |
| Yuan Yao Energy Technology Co., Ltd. | 43,139,820 | 6.25 |

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.