

WAH HONG INDUSTRIAL CORP.

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

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
WAH HONG INDUSTRIAL CORP.

### **Opinion**

We have audited the accompanying Individual Financial Statements of WAH HONG INDUSTRIAL CORP. (the "Company"), which comprise the individual balance sheets as of December 31, 2021 and 2020, and the individual of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the individual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the accompanying individual financial position of the Company as of December 31, 2021 and 2020, and its individual financial performance and its individual cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

Key audit matter for the Company's individual financial statements for the year ended December 31, 2021 is stated as follows:

### Occurrence of revenue from specific customers

The operating revenue of the Company for the year ended December 31, 2021 was NT\$4,564,036 thousand, of which the revenue and gross profit from specific customers show significant growth over the past year. In addition, based on the ROC GAAS, revenue recognition is presumed to have a significant risk. Therefore, we considered the occurrence of revenue from specific customers as a key audit matter.

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

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

### **Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements**

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Chen-Li Chen and Stephen Hsu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2022

Notice to Readers

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

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

WAH HONG INDUSTRIAL CORP.

**INDIVIDUAL BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

Code	ASSETS	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 310,661	4	\$ 148,817	2
1110	Financial assets at fair value through profit or loss – Current (Notes 4, 7 and 27)	141,098	2	174,623	3
1150	Notes receivable (Notes 4, 9 and 21)	28,468	-	41,976	1
1170	Accounts receivable, net (Notes 4, 9 and 21)	640,808	9	439,023	6
1180	Accounts receivable - related parties (Notes 4, 9, 21 and 28)	1,159,021	16	1,216,726	18
1200	Other receivables (Note 28)	17,326	-	7,330	-
130X	Inventories (Notes 4 and 10)	377,456	5	223,692	3
1479	Other current assets	7,785	-	7,468	-
11XX	Total current assets	<u>2,682,623</u>	<u>36</u>	<u>2,259,655</u>	<u>33</u>
	<b>NONCURRENT ASSETS</b>				
1510	Financial assets at fair value through other comprehensive income (Notes 4, 8 and 27)	262,860	3	90,361	2
1550	Investments accounted for using equity method (Notes 4 and 11)	3,702,624	50	3,530,544	52
1600	Property, plant and equipment (Notes 4, 12, 28 and 29)	636,649	9	690,747	10
1755	Right-of-use assets (Notes 4 and 13)	15,902	-	23,427	1
1780	Intangible assets	17,915	-	9,169	-
1840	Deferred income tax assets (Notes 4 and 23)	116,230	2	139,178	2
1920	Refundable deposits	1,400	-	1,903	-
1990	Other noncurrent assets	250	-	1,364	-
15XX	Total noncurrent assets	<u>4,753,830</u>	<u>64</u>	<u>4,486,693</u>	<u>67</u>
1XXX	TOTAL	<u>\$ 7,436,453</u>	<u>100</u>	<u>\$ 6,746,348</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short-term loans (Note 14)	\$ 966,304	13	\$ 948,321	14
2110	Short-term bills payable (Note 15)	280,000	4	190,000	3
2170	Accounts payable (Note 16)	796,342	11	590,755	9
2180	Payables to related parties (Notes 16 and 28)	45,824	-	22,800	-
2219	Other payables (Notes 17 and 28)	346,362	5	265,126	4
2280	Lease liabilities - current (Notes 4 and 15)	7,202	-	7,360	-
2399	Other current liabilities (Notes 4 and 21)	15,642	-	12,191	-
21XX	Total current liabilities	<u>2,457,676</u>	<u>33</u>	<u>2,036,553</u>	<u>30</u>
	<b>NONCURRENT LIABILITIES</b>				
2540	Long-term loans (Notes 18 and 28)	525,531	7	539,797	8
2570	Deferred income tax liabilities (Notes 4 and 23)	229,790	3	230,060	4
2580	Lease liabilities – noncurrent (Notes 4 and 13)	8,934	-	16,136	-
2640	Net defined benefit liability (Notes 4 and 19)	65,956	1	73,236	1
2645	Guarantee deposits	1,755	-	2,194	-
25XX	Total noncurrent liabilities	<u>831,966</u>	<u>11</u>	<u>861,423</u>	<u>13</u>
2XXX	Total liabilities	<u>3,289,642</u>	<u>44</u>	<u>2,897,976</u>	<u>43</u>
	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 20)</b>				
3100	Capital stock	1,000,044	13	1,000,044	15
3200	Capital surplus	2,048,734	28	2,062,749	31
	Retained earnings				
3310	Appropriated as legal capital reserve	427,464	6	405,589	6
3320	Appropriated as special capital reserve	311,174	4	344,321	5
3350	Unappropriated earnings	710,357	10	399,105	6
3300	Total retained earnings	1,448,995	20	1,149,015	17
3400	Other equity	( 310,734 )	( 4 )	( 311,174 )	( 5 )
3500	Treasury stock (Notes 20 and 25)	( 40,228 )	( 1 )	( 52,262 )	( 1 )
3XXX	Total equity	<u>4,146,811</u>	<u>56</u>	<u>3,848,372</u>	<u>57</u>
	TOTAL	<u>\$ 7,436,453</u>	<u>100</u>	<u>\$ 6,746,348</u>	<u>100</u>

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

WAH HONG INDUSTRIAL CORP.

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

Code		2021		2020	
		Amount	%	Amount	%
4100	OPERATING REVENUE (Notes 4, 21 and 28)	\$4,564,036	100	\$3,928,966	100
5110	OPERATING COSTS (Notes 10, 22 and 28)	<u>4,120,309</u>	<u>90</u>	<u>3,650,680</u>	<u>93</u>
5900	GROSS PROFIT	443,727	10	278,286	7
5910	Unrealized gross profit of associate company	( 17,502)	-	( 19,579)	( 1)
5920	Realized gross profit of associate company	<u>22,471</u>	<u>-</u>	<u>31,190</u>	<u>1</u>
5950	Realized gross profit	<u>448,696</u>	<u>10</u>	<u>289,897</u>	<u>7</u>
	OPERATING EXPENSES (Notes 9 and 22)				
6100	Selling and marketing	127,245	3	105,508	3
6200	General and administrative	207,563	5	208,570	5
6300	Research and development	139,667	3	132,382	3
6450	Expected credit loss	<u>563</u>	<u>-</u>	<u>176</u>	<u>-</u>
6000	Total operating expenses	<u>475,038</u>	<u>11</u>	<u>446,636</u>	<u>11</u>
6900	LOSS FROM OPERATIONS	( <u>26,342</u> )	( <u>1</u> )	( <u>156,739</u> )	( <u>4</u> )
	NON-OPERATING INCOME AND EXPENSES (Notes 22 and 28)				
7100	Interest income	88	-	141	-
7010	Other income	41,949	1	28,217	1
7020	Other gains and losses	44,233	1	76,184	2
7050	Finance costs	( 22,448)	( 1)	( 28,772)	( 1)
7070	Share of profits of subsidiaries and associates	<u>447,823</u>	<u>10</u>	<u>287,963</u>	<u>7</u>
7000	Total non-operating income and expenses	<u>511,645</u>	<u>11</u>	<u>363,733</u>	<u>9</u>

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WAH HONG INDUSTRIAL CORP.

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

Code		2021		2020	
		Amount	%	Amount	%
7900	PROFIT BEFORE INCOME TAX	\$ 485,303	10	\$ 206,994	5
7950	INCOME TAX (EXPENSE) BENEFITS (Notes 4 and 23)	( 54,932)	( 1)	9,424	-
8200	NET INCOME	<u>430,371</u>	<u>9</u>	<u>216,418</u>	<u>5</u>
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes 19, 20 and 23)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation	( 3,847)	-	2,919	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	25,830	1	( 2,128)	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>769</u>	<u>-</u>	( <u>584</u> )	<u>-</u>
		<u>22,752</u>	<u>1</u>	<u>207</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences arising on translation of foreign operations	( 2,313)	-	( 1,601)	-
8380	Share of other comprehensive gain (loss) of subsidiaries accounted for using the equity method	( 28,988)	( 1)	45,133	1
8399	Income tax relating to items that may be reclassified	<u>5,911</u>	<u>-</u>	( <u>8,257</u> )	<u>-</u>
		( <u>25,390</u> )	( <u>1</u> )	<u>35,275</u>	<u>1</u>
8300	Other comprehensive loss for the year, net of income tax	( <u>2,638</u> )	<u>-</u>	<u>35,482</u>	<u>1</u>
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 427,733</u>	<u>9</u>	<u>\$ 251,900</u>	<u>6</u>
	EARNINGS PER SHARE (NT\$, Note 24)				
9710	Basic	<u>\$ 4.39</u>		<u>\$ 2.21</u>	
9810	Diluted	<u>\$ 4.25</u>		<u>\$ 2.18</u>	

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



WAH HONG INDUSTRIAL CORP.

**INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY**  
**(In Thousands of New Taiwan Dollars)**  
**(Dividends Per Share of New Taiwan Dollars)**

Code		Retained Earnings				Unappropriated Earnings	Foreign Currency Translation Reserve	Other Equity	Total	Treasury Stock	Total Equity
		Share Capital	Capital Surplus	Legal Capital Reserve	Special Capital Reserve			Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
A1	BALANCE, JANUARY 1, 2020	\$ 1,000,044	\$ 2,062,749	\$ 384,739	\$ 241,873	\$ 430,963	(\$ 299,667)	(\$ 44,654)	(\$ 344,321)	(\$ 52,264)	\$ 3,723,783
	Appropriation of 2019 earnings (Note 20)										
B1	Legal reserve	-	-	20,850	-	( 20,850)	-	-	-	-	-
B5	Cash dividends to shareholders (\$1.3 per share)	-	-	-	-	( 127,313)	-	-	-	-	( 127,313)
B3	Special reserve	-	-	-	102,448	( 102,448)	-	-	-	-	-
		-	-	20,850	102,448	( 250,611)	-	-	-	-	( 127,313)
D1	Net profit for the year ended December 31, 2020	-	-	-	-	216,418	-	-	-	-	216,418
D3	Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	2,335	35,275	( 2,128)	33,147	-	35,482
D5	Total comprehensive income (loss) in 2020	-	-	-	-	218,753	35,275	( 2,128)	33,147	-	251,900
L1	Treasury Stock Service Charge Refund	-	-	-	-	-	-	-	-	2	2
Z1	BALANCE, DECEMBER 31, 2020	1,000,044	2,062,749	405,589	344,321	399,105	( 264,392)	( 46,782)	( 311,174)	( 52,262)	3,848,372
	Appropriation of 2020 earnings (Note 20)										
B1	Legal reserve	-	-	21,875	-	( 21,875)	-	-	-	-	-
B3	Special reserve	-	-	-	( 33,147)	33,147	-	-	-	-	-
B5	Cash dividends to shareholders (\$1.3 per share)	-	-	-	-	( 127,313)	-	-	-	-	( 127,313)
		-	-	21,875	( 33,147)	( 116,041)	-	-	-	-	( 127,313)
C15	Capital Surplus distribute to Cash dividends (\$0.3 per share)	-	( 29,380)	-	-	-	-	-	-	-	( 29,380)
D1	Net profit for the year ended December 31, 2021	-	-	-	-	430,371	-	-	-	-	430,371
D3	Other comprehensive income (loss) in 2021, net of income tax	-	-	-	-	( 3,078)	( 25,390)	25,830	440	-	( 2,638)
D5	Total comprehensive income (loss) in 2021	-	-	-	-	427,293	( 25,390)	25,830	440	-	427,733
M5	From difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal	-	6,777	-	-	-	-	-	-	-	6,777
N1	Share-based Payment (Note 25)	-	8,588	-	-	-	-	-	-	12,034	20,622
Z1	BALANCE, DECEMBER 31, 2021	\$ 1,000,044	\$ 2,048,734	\$ 427,464	\$ 311,174	\$ 710,357	(\$ 289,782)	(\$ 20,952)	(\$ 310,734)	(\$ 40,228)	\$ 4,146,811

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

WAH HONG INDUSTRIAL CORP.

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

Code		2021	2020
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit Before Income Tax	\$ 485,303	\$ 206,994
A20010	Adjustments for:		
A20100	Depreciation expense	116,786	133,084
A20200	Amortization expense	29,803	32,107
A20300	Expected credit loss	563	176
A20400	Gain on financial instruments at fair value through profit or loss	( 46,598 )	( 80,205 )
A20900	Finance costs	22,448	28,772
A21200	Interest income	( 88 )	( 141 )
A21300	Dividend income	( 10,136 )	( 5,928 )
A21900	Compensation cost of employee share options	8,588	-
A22400	Share of profit of associates accounted for using the equity method	( 447,823 )	( 287,963 )
A22500	Gain on disposal of property, plant and equipment, net	( 878 )	( 117 )
A23700	Gain from price recovery of inventory	( 4,279 )	( 10,336 )
A23900	Unrealized gross profit of associate company	17,502	19,579
A24000	Realized gross profit of associate company	( 22,471 )	( 31,190 )
A24100	Unrealized gain on foreign exchange, net	( 13,699 )	( 26,758 )
A29900	Others	-	933
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	13,508	( 7,855 )
A31150	Accounts receivable	( 144,643 )	( 38,741 )
A31180	Other receivables	( 9,996 )	3,251
A31200	Inventories	( 149,485 )	38,557
A31230	Other current assets	( 317 )	7,194
A32130	Notes payable	-	( 56 )
A32150	Accounts payable	228,611	( 22,928 )
A32180	Other payables	89,464	26,192
A32230	Other current liabilities	3,451	1,505
A32240	Net defined benefit liability	( 11,127 )	( 21,718 )
A33000	Cash generated (used in) from operations	154,487	( 35,592 )
A33100	Interest received	88	141
A33200	Dividends received	10,136	5,928
A33300	Interest paid	( 21,224 )	( 28,671 )

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WAH HONG INDUSTRIAL CORP.  
**INDIVIDUAL STATEMENTS OF CASH FLOWS**  
(In Thousands of New Taiwan Dollars)

Code		2021	2020
A33500	Income taxes paid	(\$ 25,574)	(\$ 21,611)
AAAA	Net cash generated by (used in) operating activities	<u>117,913</u>	<u>( 79,805)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
B00010	Purchase of financial assets at fair value through other comprehensive income	( 146,669)	-
B00100	Purchase of financial assets at fair value through profit or loss	( 56,714)	( 94,287)
B00200	Disposal of financial assets at fair value through profit or loss	136,837	-
B02700	Payments for property, plant and equipment	( 63,467)	( 49,435)
B02800	Disposal of property, plant and equipment	94	1,242
B03700	Refundable deposits paid	-	( 173)
B03800	Refundable deposits refunded	503	-
B04500	Acquisitions of Intangible assets	( 37,434)	( 29,850)
B06700	Decrease in other noncurrent assets	-	528
B07600	Cash Dividend on acquisition of subsidiaries	<u>257,132</u>	<u>228,415</u>
BBBB	Net cash generated by investing activities	<u>90,282</u>	<u>56,440</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Increase in short-term loans	6,592,455	5,456,278
C00200	Decrease in short-term loans	( 6,575,972)	( 5,309,707)
C00500	Proceeds from short-term bills payable	90,000	10,000
C03100	Decrease in guarantee deposits received	( 439)	( 439)
C04020	Repayment of the principal portion of lease liabilities	( 7,736)	( 7,213)
C04500	Cash dividends	( 156,693)	( 127,315)
C04900	Treasury Stock Service Charge Refund	-	2
C05000	Treasury Stock transferred to employee	12,034	-
C05400	Payment of ownership interests in subsidiaries	<u>-</u>	<u>( 43,857)</u>
CCCC	Net cash used in financing activities	<u>( 46,351)</u>	<u>( 22,251)</u>
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	161,844	( 45,616)
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>148,817</u>	<u>194,433</u>
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 310,661</u>	<u>\$ 148,817</u>

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

WAH HONG INDUSTRIAL CORP.  
**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

1. GENERAL

Wah Hong Industrial Corp. (the “Company”) was incorporated in August 1973, and is mainly engaged in the manufacturing and trading of materials of LCD (Diffusion, Reflection films etc.), materials of Bulk Molding Compounds (BMC) and Molding products etc..

The Company’s shares have been listed and traded on the Taipei Exchange since June 23, 2005.

The Company’s functional currency and presented currency are in the New Taiwan dollar.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying individual financial statements were approved and authorized for issue by the Board of Directors on March 18, 2022.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

- 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, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

- b. Amendments to the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2022

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

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

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

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

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

1. Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Company will restate its comparative information when it initially applies the aforementioned amendments.

As of the date the accompanying individual financial statements were authorized for issue, the Company evaluated that there is no significant impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations and related applicable period.

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “First time application between IFRS 17 and IFRS 9 – Coparasion”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

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

### **Amendments to IAS 1 “Disclosure of Accounting Policies”**

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

1. Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
2. The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
3. Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

1. The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
2. The Company chose the accounting policy from options permitted by the standards;
3. The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
4. The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or

5. The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Except for the above impact, as of the date the accompanying individual financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations and related applicable period. The related impact will be disclosed when the Company completes its evaluation.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **a. Statement of Compliance**

The accompanying individual financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Accounting Standards Used in Preparation of the Individual Financial Statements”).

##### **b. Basis of Preparation**

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

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

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

When preparing the individual financial statements, the Company account for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the individual basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the individual financial statements.

### **c. Classification of Current and Noncurrent Assets and Liabilities**

Current assets include:

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

Current liabilities include:

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

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

### **d. Foreign Currencies**

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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



For the purposes of presenting individual financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period.

**e. Inventories**

Inventories consist of raw materials, work-in-process and finished good and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Company similar or related items. 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 on the balance sheet date.

**f. Investment in subsidiaries**

Investments in subsidiaries are accounted for using the equity method.

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's individual financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

**g. Investment in associates**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture.

The Company uses equity method to recognize investments in associates.

Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The Company discontinues the use of the equity method from the date on which its 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 Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the Company's individual financial statements only to the extent of interests in the associate that are not owned by the Company.

#### **h. Property, Plant and Equipment**

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

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

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

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

#### **i. Intangible Assets**

Intangible assets (expertise and computer software) 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 life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

#### **j. Impairment of Tangible Assets, Right-of-use Assets and Intangible Assets other than goodwill**

At the end of each reporting period, the Company reviews the carrying amounts of its impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment

loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **k. Financial Instruments**

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue 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 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.

##### **i. Measurement category**

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

##### **A. Financial asset at FVTPL**

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and dividends recognized in other income, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss.

B. Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) 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, trade receivables at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

C. Investments in equity instruments at FVTOCI

On initial recognition, the Company may irrevocably designate investments in equity investments that is not held for trading as at FVTOCI.

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

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

ii. Impairment of financial assets

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

The Company always recognizes lifetime Expected Credit Loss (ECL) on accounts receivable. On all other financial instruments, the Company recognizes lifetime ECL when there has been a

significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 360 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

iii. Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

i. Subsequent measurement

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

ii. Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

### **1. Revenue Recognition**

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

Revenue from the sale of goods comes from sales of Opto-electronics Material (LCD), High Performance Material (BMC) and other self products. Sales of products are recognized as revenue when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Revenue in advance of sales of goods is recognized as a contract liability.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

**m. Leases**

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

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

2) The Company as lessee

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

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

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. The lease payments are discounted using the interest rate implicit in a lease. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

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



#### **n. Borrowing Costs**

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

#### **o. Government Grants**

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

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

#### **p. Employee Benefits**

##### 1) Short-term employee benefits

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

##### 2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expenses in the period in which they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other

comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's 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.

**q. Taxation**

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

**1) Current tax**

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

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

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

**2) Deferred tax**

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred

tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

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

Estimate of Deferred Income Tax

With regard to profit related to investments in foreign subsidiaries that were not recognized as deferred income tax liabilities, the effect on income tax was NT\$276,960 thousand and NT\$232,965 thousand for the years ended December 31, 2021 and 2020, respectively. These temporary differences are not recognized as deferred tax liabilities since they will not be realized in the foreseeable future. If there is a significant adjustment in deferred tax liabilities with the situation change in the future, these deferred tax liabilities will recognize as loss in the current period.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 405	\$ 406
Checking accounts	70	75
Demand deposits	<u>310,186</u>	<u>148,336</u>
	<u>\$310,661</u>	<u>\$148,817</u>

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets - current</u>		
Mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 280	\$ 105
Non-derivative financial assets		
Domestic Listed shares	<u>140,818</u>	<u>174,518</u>
	<u>\$ 141,098</u>	<u>\$ 174,623</u>

For the years ended December 31, 2021 and 2020, the Company entered into exchange forward contracts to manage exposures to exchange rate fluctuations of foreign-currency-denominated assets and liabilities.

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

	<u>Currency</u>	<u>Maturity Date</u>	<u>Contract Amount (In Thousands)</u>
<b><u>December 31, 2021</u></b>			
Sell forward exchange contracts	USD to NTD	2022.01-2022.02	USD2,000/TWD55,593
<b><u>December 31, 2020</u></b>			
Sell forward exchange contracts	USD to NTD	2021.01-2021.02	USD1,500/TWD42,251

Details of profit and loss of financial instruments at FVTPL for the year 2021 and 2020 list on Note 22.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity instruments		
Domestic Listed shares	\$ 183,933	\$ -
Domestic Unlisted shares	78,070	89,368
Foreign Unlisted shares	<u>857</u>	<u>993</u>
	<u>\$ 262,860</u>	<u>\$ 90,361</u>

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable		
Gross carrying amount	\$ 28,605	\$ 42,113
Less: Allowance for impairment loss	<u>137</u>	<u>137</u>
	<u>\$ 28,468</u>	<u>\$ 41,976</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivables - unrelated parties		
Gross carrying amount	\$ 642,972	\$ 440,624
Less: Allowance for impairment loss	<u>2,164</u>	<u>1,601</u>
	<u>\$ 640,808</u>	<u>\$ 439,023</u>
Accounts receivables - related parties		
Gross carrying amount	<u>\$ 1,159,021</u>	<u>\$ 1,216,726</u>

The main credit period of sales of goods was 30-180 days. No interest was charged on receivables.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company estimates expected credit losses based on past due days. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

The Company writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The aging analysis of notes and accounts receivable were as follows:

December 31, 2021

	Not Past Due	1 to 180 Days	181 to 360 Days	More than 365 Days	Total
Expected credit loss rate (%)	0.3	10	50	100	
Gross carrying amount	\$1,790,625	\$ 39,973	\$ -	\$ -	\$1,830,598
Loss allowance (lifetime ECLs)	( 2,061)	( 240)	-	-	( 2,301)
Amortized cost	<u>\$1,788,564</u>	<u>\$ 39,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,828,297</u>

December 31, 2020

	Not Past Due	1 to 180 Days	181 to 360 Days	More than 365 Days	Total
Expected credit loss rate (%)	0.3	10	50	100	
Gross carrying amount	\$1,669,155	\$ 30,308	\$ -	\$ -	\$1,699,463
Loss allowance (lifetime ECLs)	( 1,428)	( 310)	-	-	( 1,738)
Amortized cost	<u>\$1,667,727</u>	<u>\$ 29,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,697,725</u>

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

	For the Year Ended December 31					
	2021			2020		
	Notes Receivable	Accounts Receivable	Total	Notes Receivable	Accounts Receivable	Total
Balance at January 1	\$ 137	\$ 1,601	\$ 1,738	\$ 137	\$ 22,841	\$ 22,978
Impairment losses recognized	-	563	563	-	176	176
Amounts written off	-	-	-	-	( 21,416)	( 21,416)
Balance at December 31	<u>\$ 137</u>	<u>\$ 2,164</u>	<u>\$ 2,301</u>	<u>\$ 137</u>	<u>\$ 1,601</u>	<u>\$ 1,738</u>

10. INVENTORIES

	December 31, 2021	December 31, 2020
Raw materials	\$ 192,036	\$ 100,466
Work in process	31,282	20,655
Finished goods	<u>154,138</u>	<u>102,571</u>
	<u>\$ 377,456</u>	<u>\$ 223,692</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was NT\$4,120,309 thousand and NT\$3,650,680 thousand, respectively and including:

	December 31, 2021	December 31, 2020
Loss of market price decline and obsolete and slow-moving inventories	(\$ 11,947)	(\$ 25,731)
Inventory losses	7,668	15,395
Unallocated manufacturing cost	<u>95,215</u>	<u>133,443</u>
	<u>\$ 90,936</u>	<u>\$ 123,107</u>

The loss of market price decline and obsolete and slow-moving inventories is a result of the inventory closeout and aging schedule.

#### 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investments in subsidiaries	<u>\$3,702,624</u>	<u>\$3,530,544</u>

See table 6 for the information on investment accounted for using the equity method.

#### Investments in subsidiaries

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unlisted Company		
Wah Hong Holding Ltd. ( Wah Hong Holding )	\$3,639,778	\$3,437,658
PT. Wah Hong Indonesia	<u>62,846</u>	<u>92,886</u>
	<u>\$3,702,624</u>	<u>\$3,530,544</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

<u>Investee</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wah Hong Holding	100%	100%
PT. Wah Hong Indonesia	99%	99%

Note 1: As at Decemb 2021, the Company invested NT\$1,212,961 thousand (US\$38,225 thousand) in Wah Hong Holding.

Note 2: In December 2015, the Company and Wah Hong Holding Ltd. jointed-invested capital to establish PT. Wah Hong Indonesia (“WH Indonesia”) which mainly manufacturing and trading of materials of Bulk Molding Compounds (BMC) and finished goods. In 2020, the company cash capital increase to in PT. Wah Hong Indonesia with NT\$43,857 thousand. In the year of 2021, the board of directors of the Company and Wah Hong Holding Ltd. resolved the capital increases in PT. Wah Hong Indonesia in the amount of NT\$183,269 thousand (US\$6,435 thousand) and NT\$1,851 thousand (US\$65 thousand), with ownership of 99% and 1%, respectively.

#### 12. PROPERTY, PLANT AND EQUIPMENT

1. Table for the change of the cost, accumulated depreciation and accumulated impairment were as follows:

##### December 31, 2021

<u>Cost</u>	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Construction in Progress and Equipment under Installation</u>	<u>Total</u>
Balance at January 1, 2021	\$ 197,272	\$ 605,741	\$ 1,104,736	\$ 204,452	\$ 22,025	\$ 2,134,226
Additions	-	27,738	18,756	17,054	( 8,224 )	55,324
Disposals	-	-	( 27,732 )	( 1,559 )	-	( 29,291 )
Balance at December 31, 2021	<u>\$ 197,272</u>	<u>\$ 633,479</u>	<u>\$ 1,095,760</u>	<u>\$ 219,947</u>	<u>\$ 13,801</u>	<u>\$ 2,160,259</u>

<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ 355,333	\$ 848,431	\$ 147,384	\$ -	\$ 1,351,148
Depreciation expense	-	28,865	69,176	11,220	-	109,261
Disposals	-	-	(25,402)	(1,499)	-	(26,901)
Balance at December 31, 2021	\$ -	\$ 384,198	\$ 892,205	\$ 157,105	\$ -	\$ 1,433,508
<u>Accumulated impairment</u>						
Balance at January 1, 2021	\$ -	\$ -	\$ 76,076	\$ 16,255	\$ -	\$ 92,331
Disposals	-	-	(2,229)	-	-	(2,229)
Balance at December 31, 2021	\$ -	\$ -	\$ 73,847	\$ 16,255	\$ -	\$ 90,102
Carrying amount at December 31, 2021	\$ 197,272	\$ 249,281	\$ 129,708	\$ 46,587	\$ 13,801	\$ 636,649

## December 31, 2020

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Equipment under Installation	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 197,272	\$ 598,820	\$ 1,129,675	\$ 208,688	\$ 16,312	\$ 2,150,767
Additions	-	10,543	23,669	17,239	5,713	57,164
Disposals	-	(3,622)	(48,608)	(21,475)	-	(73,705)
Balance at December 31, 2020	\$ 197,272	\$ 605,741	\$ 1,104,736	\$ 204,452	\$ 22,025	\$ 2,134,226
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ -	\$ 330,456	\$ 808,064	\$ 157,825	\$ -	\$ 1,296,345
Depreciation expense	-	27,725	87,925	9,979	-	125,629
Disposals	-	(2,848)	(47,558)	(20,420)	-	(70,826)
Balance at December 31, 2020	\$ -	\$ 355,333	\$ 848,431	\$ 147,384	\$ -	\$ 1,351,148
<u>Accumulated impairment</u>						
Balance at January 1, 2020	\$ -	\$ -	\$ 76,321	\$ 16,632	\$ -	\$ 92,953
Disposals	-	-	(245)	(377)	-	(622)
Balance at December 31, 2020	\$ -	\$ -	\$ 76,076	\$ 16,255	\$ -	\$ 92,331
Carrying amount at December 31, 2020	\$ 197,272	\$ 250,408	\$ 180,229	\$ 40,813	\$ 22,025	\$ 690,747

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investing activities affected cash and cash equivalents		
Additions to property, plant and equipment	\$ 55,324	\$ 57,164
Decrease (increase) in payables for equipment	8,143	(7,729)
Cash paid for acquire the property, plant and equipment	\$ 63,467	\$ 49,435

## 2. Estimated useful lives:

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

Buildings	
Reinforced concrete buildings	30 - 60 years
Sheet metal buildings	10 - 15 years
Decoration and Design	3 - 10 years
Electrical and mechanical work	4 - 8 years
Machinery equipment	6 - 10 years
Other equipment	3 - 15 years



3. Refer to Note 29 for the carrying amount of property, plant and equipment pledged as collateral for borrowings.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amounts		
Buildings	<u>\$ 15,902</u>	<u>\$ 23,427</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 26,219</u>
Depreciation of right-of-use assets		
Buildings	<u>\$ 7,525</u>	<u>\$ 7,455</u>

b. Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amounts		
Current portion	<u>\$ 7,202</u>	<u>\$ 7,360</u>
Noncurrent portion	<u>\$ 8,934</u>	<u>\$ 16,136</u>

Ranges of discount rates(%) for lease liabilities are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Buildings	1.83 - 1.89	1.80 - 1.89

c. Material leasing activities and terms

The Company leases abovementioned subjects for the use of factory and office with lease terms of 1 to 5 years, which will expire before or in October 2025.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	<u>\$ 8,135</u>	<u>\$ 5,910</u>
Expenses relating to low-value asset leases	<u>\$ 277</u>	<u>\$ 651</u>
Total cash outflow for leases	<u>\$ 16,524</u>	<u>\$ 13,975</u>

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

14. SHORT-TERM LOANS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured borrowings		
Procurement Loans	\$276,304	\$398,321
Revolving Loans	<u>690,000</u>	<u>550,000</u>
	<u>\$966,304</u>	<u>\$948,321</u>
Annual interest rate (%)	0.66~0.98	0.76~0.98

15. SHOER-TERM BILLS PAYABLE

The commercial paper payables are guaranteed and issued by China Bills Finance Corporation, MEGA Bills Finance Co. and International Bill Finance Corporation,. The annual interest rate for December 31, 2021 and 2020 is 0.92% - 0.93% and 0.94% - 0.96%, respectively.

16. NOTES PAYABLE AND ACCOUNTS PAYABLE

Notes payable and accounts payable are related to operating activities.

The average credit period on purchases of goods from 30 – 150 days. The Company has formulated a financial risk management policy, in order to ensure all payables are paid within the pre-agreed credit period; therefore, no interest is required.

17. OTHER PAYABLES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payable for salaries or bonuses	\$111,133	\$114,856
Payable for employees' compensation and remuneration to directors	102,943	46,308
Payable for annual leave bonuses	26,184	22,314
Payable for packing fees	14,566	8,433
Payable for export fees	11,655	4,278
Payable for labor and health insurance	9,697	7,999
Payable for equipment	6,629	14,772
Payable for miscellaneous	6,467	6,475
Others	<u>57,088</u>	<u>39,691</u>
	<u>\$346,362</u>	<u>\$265,126</u>

18. LONG-TERM LOAN

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured borrowings (Note 29)</u>		
Syndicated bank loans		
E.SUN BANK (USD syndicated bank loan) — credit limit A , annual interest rate for December 31, 2021 and 2020 is 1.4054% and 1.4890%, respectively	\$525,920	\$541,120
Less: Syndicated loan fee	<u>389</u>	<u>1,323</u>
	<u>\$525,531</u>	<u>\$539,797</u>

The Company signed a syndicated loan agreement which repayed the previous syndicated loan with banks led by E.SUN BANK in June 2018. The total amount of syndicated bank loans is USD\$50 million, including credit limit A (USD 50 million), credit limit B (NT\$1 billion) and credit limit C (NT\$500 million).

The loan is a medium-term cyclical loan. The term of the loan is 5 years from the initial drawdown date (June 2018). The credit line will be diminished by five period from date, that lasted three years from first draw on the loan and thereafter every six months. The diminished periods and diminished percentage are as follow:

- (i) Period 1 to Period 2: 15%
- (ii) Period 3 to Period 4: 20%
- (iii) Period 5: 30%

Fractional reserve and debt recycling is available within the total amount of syndicated loans. When the credit line is diminished, the Company had redeemed the loan if the loan outstanding amount is exceeding to the credit line. Pursuant to the bank loan agreement, the Company should maintain certain financial ratios which should be calculated based on audited annual and unreviewed semiannual consolidated financial statements. The Company had met the requirement as of December 31, 2021 and 2020.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Present value of defined benefit obligation	\$134,158	\$136,598	
Fair value of plan assets	( 68,202 )	( 63,362 )	
Net defined benefit liability	<u>\$ 65,956</u>	<u>\$ 73,236</u>	
	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 136,598</u>	<u>( \$ 63,362 )</u>	<u>\$ 73,236</u>
Service cost			
Current service cost	658	-	658
Net interest expense (income)	<u>683</u>	<u>( 347 )</u>	<u>336</u>
Recognized in profit or loss	<u>1,341</u>	<u>( 347 )</u>	<u>994</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 739 )	( 739 )

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial loss - changes in demographic assumptions	\$3,849	-	\$3,849
Actuarial gain - changes in financial assumptions	( 1,852 )	\$ -	( 1,852 )
Actuarial loss - experience adjustments assumptions	<u>2,589</u>	<u>-</u>	<u>2,589</u>
Recognized in other comprehensive income	<u>4,586</u>	( <u>739</u> )	<u>3,847</u>
Contributions from the employer	<u>-</u>	( <u>12,121</u> )	( <u>12,121</u> )
Benefits paid			
Paid by plan assets	( <u>8,367</u> )	<u>8,367</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 134,158</u>	( <u>\$ 68,202</u> )	<u>\$ 65,956</u>
Balance at January 1, 2020	<u>\$ 159,235</u>	( <u>\$ 61,362</u> )	<u>\$ 97,873</u>
Service cost			
Current service cost	689	-	689
Net interest expense (income)	<u>1,194</u>	( <u>506</u> )	<u>688</u>
Recognized in profit or loss	<u>1,883</u>	( <u>506</u> )	<u>1,377</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 1,788 )	( 1,788 )
Actuarial loss - changes in demographic assumptions	3	-	3
Actuarial loss - changes in financial assumptions	3,948	-	3,948
Actuarial gain - experience adjustments assumptions	( <u>5,082</u> )	<u>-</u>	( <u>5,082</u> )
Recognized in other comprehensive income	( <u>1,131</u> )	( <u>1,788</u> )	( <u>2,919</u> )
Contributions from the employer	<u>-</u>	( <u>16,732</u> )	( <u>16,732</u> )
Benefits paid			
Paid by plan assets	( 17,026 )	17,026	-
Paid by company accounts	( <u>6,363</u> )	<u>-</u>	( <u>6,363</u> )
	( <u>23,389</u> )	<u>17,026</u>	( <u>6,363</u> )
Balance at December 31, 2020	<u>\$ 136,598</u>	( <u>\$ 63,362</u> )	<u>\$ 73,236</u>

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

(1) Investment risk

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

(2) Interest risk

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

(3) Salary risk

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate (%)	0.625	0.5
Expected rate of salary increase (%)	3	3

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate(s)		
0.25% increase	<u>(\$ 3,687)</u>	<u>(\$ 3,948)</u>
0.25% decrease	<u>\$ 3,832</u>	<u>\$ 4,109</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 3,680</u>	<u>\$ 3,943</u>
0.25% decrease	<u>(\$ 3,561)</u>	<u>(\$ 3,810)</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The expected contributions to the plan for the next year	<u>\$ 12,132</u>	<u>\$ 12,095</u>
The average duration of the defined benefit obligation (year)	11.1	11.7

20. EQUITY

a. Share Capital

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Number of shares authorized (in thousands)	<u>150,000</u>	<u>150,000</u>
Amounts of authorized shares	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Number of issued and fully paid shares (in thousands)	<u>100,004</u>	<u>100,004</u>
Amounts of issued and fully paid shares	<u>\$ 1,000,044</u>	<u>\$ 1,000,044</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (Note)</u>		
Arising from issuance of share capital	\$ 1,898,886	\$ 1,919,678
Arising from conversion of bonds	511	511
Consolidation excess	142,560	142,560
Difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	<u>6,777</u>	<u>-</u>
	<u>\$ 2,048,734</u>	<u>\$ 2,062,749</u>

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

c. Retained earnings and dividends policy

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

The dividend policy of the Company is based on the current and future development plans, investment environment, capital requirements and competition in the domestic and foreign markets, as well as the benefits of shareholders, etc. The dividends to shareholders can be paid in cash or/and issued shares, but cash dividends shall be not less than 10% of the total dividends.

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

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

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Legal reserve	\$ 21,875	\$ 20,850		
Special reserve (Reverse)	( 33,147)	102,448		
Cash dividends to shareholders	<u>127,313</u>	<u>127,313</u>	<u>\$ 1.3</u>	<u>\$ 1.3</u>
	<u>\$116,041</u>	<u>\$250,611</u>		

The shareholders' meetings also proposed the amount of NT\$29,380 thousand from capital surplus to issue share dividend equivalent to \$0.3 per share.

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

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 42,729	
Special reserve reverse	( 440)	
Cash dividends to shareholders	246,301	\$ 2.5

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

d. Special reserve

On the first-time adoption of IFRSs, the Company appropriated transfer from the unrealized revaluation surplus and cumulative translation adjustment to the special reserve NT\$13,747 thousand and NT\$231,169 thousand, respectively. And on the first-time adoption of IFRSs, the Company appropriated to the special reserve NT\$181,615 thousand.



e. Other equity items

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	(\$264,392)	(\$299,667)
Exchange differences on translating the financial statements of foreign operations	( 2,313)	( 1,601)
Share from associates accounted for using the equity method	( 28,988)	45,133
Income tax accounted for using the equity method	<u>5,911</u>	<u>( 8,257)</u>
Balance at December 31	<u>(\$289,782)</u>	<u>(\$264,392)</u>

2) Unrealized loss (gain) on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	(\$ 46,782)	(\$ 44,654)
Recognized for the year		
Unrealized gain (loss) - equity instruments	<u>25,830</u>	<u>( 2,128)</u>
Balance at December 31	<u>(\$ 20,952)</u>	<u>(\$ 46,782)</u>

f. Treasury shares

In 2019 and 2017, the Company was buybacked 1,484 thousand shares and 587 thousand shares of ordinary shares for transferring shares to its employees. The buyback cost is NT\$40,239 thousand (after deducting NT\$2 thousand service charges for the year 2020) and NT\$12,023 thousand, respectively.

The Company's Board of Directors approved transferring parts of treasury shares to employees on August, 2021, detail refers to Note 25. As at December 31, 2021 and 2020, the treasury shares are 1,484 thousand shares and 2,071 thousand shares, respectively.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

21. REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Revenue from sale of goods	\$4,562,653	\$3,927,022
Construction revenue	<u>1,383</u>	<u>1,944</u>
	<u>\$4,564,036</u>	<u>\$3,928,966</u>

a. Description of accounting policy for revenue from contracts with customers refers the Note 4.

b. Contract balances

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>January 1,</u> <u>2020</u>
Notes receivable and Accounts receivable (including related parties) (Note 9)	<u>\$ 1,828,297</u>	<u>\$ 1,697,725</u>	<u>\$ 1,651,305</u>
Contract liabilities (classified under other current liabilities)			
Sale of goods	<u>\$ 10,918</u>	<u>\$ 8,011</u>	<u>\$ 6,210</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Sale of goods	<u>\$ 7,709</u>	<u>\$ 4,984</u>

c. Disaggregation of revenue from contracts with customers  
Please refer Table 12.

22. NET PROFIT

a. Interest Income

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Bank deposits	<u>\$ 88</u>	<u>\$ 141</u>

b. Other Income

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Commission (Note 28)	\$ 11,857	\$ 3,404
Dividends	10,136	5,928
Rental income	7,900	5,979
Government grants	5,322	7,435
Others	<u>6,734</u>	<u>5,471</u>
	<u>\$ 41,949</u>	<u>\$ 28,217</u>

c. Other Gains and Losses

	For the Year Ended December 31	
	2021	2020
Fair value changes of financial instruments designated as at FVTPL	\$ 46,082	\$ 80,205
Gains on disposals of property, plants and equipment	878	117
Net foreign exchange loss	( 2,726)	( 4,070)
Others	( <u>1</u> )	( <u>68</u> )
	<u>\$ 44,233</u>	<u>\$ 76,184</u>

d. Finance Cost

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 19,327	\$ 26,011
Interest on lease liabilities	376	201
Other interest expenses	<u>2,745</u>	<u>2,560</u>
	<u>\$ 22,448</u>	<u>\$ 28,772</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$109,261	\$125,629
Right-of-use assets	7,525	7,455
Intangible assets	<u>29,803</u>	<u>32,107</u>
	<u>\$146,589</u>	<u>\$165,191</u>

An analysis of depreciation by function

Operating costs	\$103,651	\$121,682
Operating expenses	<u>13,135</u>	<u>11,402</u>
	<u>\$116,786</u>	<u>\$133,084</u>

An analysis of amortization by function

Operating costs	\$ 1,426	\$ 1,297
Operating expenses	<u>28,377</u>	<u>30,810</u>
	<u>\$ 29,803</u>	<u>\$ 32,107</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	<u>\$633,037</u>	<u>\$561,737</u>
Post-employment benefits		
Defined contribution plans	\$18,492	\$18,142
Defined benefit plans (Note 19)	<u>994</u>	<u>1,377</u>
	<u>19,486</u>	<u>19,519</u>
	<u>\$652,523</u>	<u>\$581,256</u>

An analysis of employee benefits  
expense by function

Operating costs	\$343,114	\$284,452
Operating expenses	<u>309,409</u>	<u>296,804</u>
	<u>\$652,523</u>	<u>\$581,256</u>

- g. Compensation of employees and remuneration of directors  
The Company accrued compensation of employees and remuneration of directors at rates of no less than 10% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which have been approved by the Company's board of directors on March, 2021 and 2020, were as follows:

	For the Year Ended December 31	
	2021	2020
<u>Accrual rate</u>		
Employees' compensation (%)	15	15
Remuneration of directors and supervisors (%)	2.5	2.5
<u>CASH</u>		
Employees' compensation	<u>\$ 88,237</u>	<u>\$ 37,635</u>
Remuneration of directors and supervisors	<u>\$ 14,706</u>	<u>\$ 6,273</u>

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2020 and 2019.

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

23. INCOME TAX

a. Income tax expense recognized in profit or loss

Major components of tax expense (income) were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current income tax		
Current tax expense recognized in the current year	\$ 25,574	\$ 21,612
Income tax adjustments on prior years	<u>-</u>	<u>4,411</u>
	<u>25,574</u>	<u>26,023</u>
Deferred income tax		
Current tax expense recognized in the current year	20,786	( 35,447)
Income tax adjustments on prior years	<u>8,572</u>	<u>-</u>
	<u>29,358</u>	<u>( 35,447)</u>
	<u>\$ 54,932</u>	<u>( \$ 9,424)</u>

A reconciliation of income before income tax and income tax expense (income) recognized in profit or loss was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Income before tax	<u>\$485,303</u>	<u>\$206,994</u>
Income tax expense at the statutory rate	\$ 97,060	\$ 41,399
Tax effect of adjusting items:		
Deductible income in determining taxable income	( 56,287)	( 17,076)
Temporary differences	5,587	( 38,158)
Income tax adjustments on prior years	<u>8,572</u>	<u>4,411</u>
	<u>\$ 54,932</u>	<u>( \$ 9,424)</u>

b. Income tax expense recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Deferred income tax benefit</u>		
Current tax expense recognized in the current year		
Pro rata of subsidiary translation difference for using equity method	\$ 5,911	( \$ 8,257)
Actuarial gains and losses of defined benefit obligation	<u>769</u>	<u>( 584)</u>
	<u>\$ 6,680</u>	<u>( \$ 8,841)</u>

c. Deferred income tax assets and liabilities

The analysis of deferred income tax assets and liabilities was as follows:

For the Year Ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit obligation	\$ 15,935	(\$ 2,224)	\$ 769	\$ 14,480
Impairment loss of property, plant and equipment	4,068	( 2,244)	-	1,824
Unrealized loss on inventories	17,852	( 2,389)	-	15,463
Unrealised profits and losses with subsidiary	6,992	( 1,182)	-	5,810
Foreign operations loss and exchange differences	8,666	-	5,911	14,577
Others	<u>12,340</u>	<u>( 4,122)</u>	<u>-</u>	<u>8,218</u>
	65,853	( 12,161)	6,680	60,372
Loss carryforwards	<u>73,325</u>	<u>( 17,467)</u>	<u>-</u>	<u>55,858</u>
	<u>\$139,178</u>	<u>(\$ 29,628)</u>	<u>\$ 6,680</u>	<u>\$116,230</u>

<u>Deferred Tax Liabilities</u>				
Temporary differences				
Foreign investment Income for Using Equity Method	\$209,782	(\$ 270)	\$ -	\$209,512
Reserve for land value increment tax	<u>20,278</u>	<u>-</u>	<u>-</u>	<u>20,278</u>
	<u>\$230,060</u>	<u>(\$ 270)</u>	<u>\$ -</u>	<u>\$229,790</u>

For the Year Ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Defined benefit obligation	\$ 19,590	(\$ 3,071)	(\$ 584)	\$ 15,935
Impairment loss of property, plant and equipment	6,972	( 2,904)	-	4,068
Unrealized loss on inventories	22,998	( 5,146)	-	17,852
Unrealised profits and losses with subsidiary	\$ 9,541	(\$ 2,549)	\$ -	\$ 6,992
Foreign operations loss and exchange differences	16,923	-	( 8,257)	8,666
Others	<u>12,525</u>	<u>( 185)</u>	<u>-</u>	<u>12,340</u>
	88,549	( 13,855)	( 8,841)	65,853
Loss carryforwards	<u>72,602</u>	<u>723</u>	<u>-</u>	<u>73,325</u>
	<u>\$161,151</u>	<u>(\$ 13,132)</u>	<u>(\$ 8,841)</u>	<u>\$139,178</u>

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Foreign investment Income for Using Equity Method	\$258,361	(\$ 48,579)	\$ -	\$209,782
Reserve for land value increment tax	<u>20,278</u>	<u>-</u>	<u>-</u>	<u>20,278</u>
	<u>\$278,639</u>	<u>(\$ 48,579)</u>	<u>\$ -</u>	<u>\$230,060</u>

d. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Loss Carryforwards		
Expiry in 2026	\$ -	\$ 68,821
Expiry in 2027	108,040	122,812
Expiry in 2028	171,248	171,247
Expiry in 2030	<u>-</u>	<u>3,743</u>
	<u>\$279,288</u>	<u>\$366,623</u>

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

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were NT\$1,384,799 thousand and NT\$1,164,823 thousand.

f. Income tax assessments

The income tax returns of the Company through 2018 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

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

	For the Year Ended December 31	
	2021	2020
a. Net profit for the year attributable to the owners of the Company		
Earnings used in the computation to basic/diluted EPS	<u>\$430,371</u>	<u>\$216,418</u>
b. Weighted average number of shares outstanding (in thousands)		
Weighted average number of shares outstanding used in computation of basic EPS	98,129	97,933
Effect of potentially dilutive shares		
Employees' compensation	<u>3,134</u>	<u>1,501</u>
Weighted average number of shares outstanding used in computation of diluted EPS	<u>101,263</u>	<u>99,434</u>

The Company offers to settle the employees' compensation in cash or shares; thus, the Company assumes the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

The regulations of transfer of treasury shares of the Company bought back in 2017 was approved by the Board of Directors on August, 2021, pursuant to which the employees are entitled to subscribe for such shares, to purchase 587 thousand of treasury shares at the subscription price of NT\$20.5. Cost of compensation recognized for the amounted to NT\$8,588 thousand.

The Company priced the granted employee share options by the Black-Scholes option valuation model, and the inputs used for the valuation model are as below:

Share price on the grant date	NT\$35.25
Exercised price	NT\$20.50
Expected volatility (%)	42.25
Duration (year)	0.08
Expected rate (%)	4.54
Risk-free interest rate (%)	0.11
Fair value for the option in the current year	NT\$14.63



The fair value of employee stock options is measured using the closing market prices deducted from the exercise price and recognized as capital surplus - Treasury shares transaction NT\$8,588 thousand.

## 26. CAPITAL MANAGEMENT

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

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

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

The Company is not subject to any externally imposed capital requirements, except those discussed in Note 18.

## 27. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments not measured at fair value  
The carrying amount of financial assets and financial liabilities that are not measured at fair value as approximate amount of their fair value.

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

### 1) Fair value hierarchy December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivatives	\$ -	\$ 280	\$ -	\$ 280
Domestic listed shares	<u>140,818</u>	<u>-</u>	<u>-</u>	<u>140,818</u>
	<u>\$140,818</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$141,098</u>
<u>Financial assets at FVTOCI</u>				
<u>Investments in equity instruments</u>				
Domestic unlisted shares	\$ -	\$ -	\$ 78,070	\$ 78,070
Foreign unlisted shares	-	-	857	857
Domestic listed shares	<u>183,933</u>	<u>-</u>	<u>-</u>	<u>183,933</u>
	<u>\$183,933</u>	<u>\$ -</u>	<u>\$ 78,927</u>	<u>\$262,860</u>

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivatives	\$ -	\$ 105	\$ -	\$ 105
Domestic listed shares	<u>174,518</u>	<u>-</u>	<u>-</u>	<u>174,518</u>
	<u>\$174,518</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$174,623</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ 89,368	\$ 89,368
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>993</u>	<u>993</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,361</u>	<u>\$ 90,361</u>

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

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

<u>Financial assets</u>	<u>Financial assets at FVTOCI</u>	
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 90,361	\$ 92,489
Recognized in other comprehensive income	( <u>11,434</u> )	( <u>2,128</u> )
Balance at December 31	<u>\$ 78,927</u>	<u>\$ 90,361</u>

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. The estimates and assumptions used by the Company in the evaluation method are consistent with the information used by market participants as estimates and assumptions when pricing financial products.

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

The fair value of the financial assets held by the Company is measured by using the market approach based on the price-book ratio of the comparable companies or by the latest net value of the investees.

c. Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Measured at amortized cost (Note 1)	\$2,157,684	\$1,855,775
Measured at FVTPL		
Mandatorily measured at FVTPL	141,098	174,623
Financial assets at FVTOCI		
Equity instruments	262,860	90,361
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	\$2,962,118	\$2,558,993

Note 1: The balances include cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables and refundable deposits measured at amortized cost, which comprise.

Note 2: The balances include short-term borrowings, short-term bills payable, notes payable, accounts payable (including related parties), other payables, long-term borrowings and guarantee deposits received measured at amortized cost, which comprise.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and investments, notes receivable and accounts receivable, other financial assets, short-term bills payable, accounts payable, lease liability and long-term and short-term loans, etc. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange rates and interest rates), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments (including derivative financial instruments) for speculative purposes.

1) Market risk

The Company's activities exposed is primarily to the financial risks of changes in foreign currency exchange rates (detail refers below part a) and interest rates (detail refers below part b).

a) Foreign currency risk

The Company had foreign currency trades, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currencies. A sensitivity rate of 1% is used internally when reporting to management from the Company on exchange rate risks. It represents management's assessment on reasonably possible scope of foreign exchange rates. The following table details the Company's sensitivity analysis included only the outstanding foreign currency (USD) denominated monetary items at the balance sheet date. The sensitivity analysis included foreign currency deposit (USD), receivables and payables, and long-term and short-term loans. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	<u>Currency USD Impact</u>	
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Profit or loss	\$ 2,801	\$ 1,185

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value interest rate risk		
Financial liabilities	\$901,449	\$772,526

Cash flow interest rate risk		
Financial assets	\$310,186	\$148,336
Financial liabilities	886,522	929,088

Sensitivity analysis

The sensitivity analysis below shows the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

The rate of change used internally in reporting interest rates to the management from the Company is the 1% basis points increase or decrease in interest rates, which also represents the management's evaluation of the reasonable range of possible changes in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have been lower/higher by NT\$5,763 thousand and NT\$7,808 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits and borrowings.

2) Credit risk

Credit risk refers to the risk of financial loss of the Company caused by the counterparty's default of contractual obligations. As of the balance sheet date, the Company's maximum credit risk exposure that may cause financial losses due to the failure of the counterparty to fulfill the obligation and the financial guarantee provided by the Company is mainly from:

- a) The carrying amount of financial assets recognized in the parent company only Balance Sheets.
- b) The amount of contingent liabilities in relation to financial guarantees provided by the Company.

The Company adopted a policy of only dealing with creditworthy counterparties and uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by setting credit limits of counterparties annually.

The Company only transacts with financial institutions and companies with good credit ratings. Therefore, no significant credit risk is anticipated.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. The Company relies on bank borrowings as a significant source of liquidity.

a) Liquidity risk tables for non-derivative financial liabilities

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

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

December 31, 2021	Less than 6 Months	6 Months to 1 Year	1-3 Years	More than 3 Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 1,085,585	\$ 102,943	\$ -	\$ 1,755
Lease liabilities	3,868	3,574	6,757	2,400
Variable interest rate liabilities	365,280	7,473	525,942	-
Fixed interest rate liabilities	886,145	-	-	-
Financial guarantee contracts	422,497	-	-	-
	<u>\$ 2,763,375</u>	<u>\$ 113,990</u>	<u>\$ 532,699</u>	<u>\$ 4,155</u>

Lease liabilities further analysis

	Less than 1 Year	1-2 Years	2-3 Years	More than 3 Years
Lease liabilities	<u>\$ 7,442</u>	<u>\$ 3,877</u>	<u>\$ 2,880</u>	<u>\$ 2,400</u>

December 31, 2020	Less than 6 Months	6 Months to 1 Year	1-3 Years	More than 3 Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 831,593	\$ 47,088	\$ -	\$ -
Lease liabilities	3,868	3,868	14,199	2,400
Variable interest rate liabilities	393,840	4,029	\$ 551,211	-
Fixed interest rate liabilities	749,665	-	-	-
Financial guarantee contracts	<u>204,302</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$2,183,268</u>	<u>\$ 54,985</u>	<u>\$ 565,410</u>	<u>\$ 2,400</u>

Lease liabilities further analysis

	Less than 1 Year	1-2 Years	2-3 Years	More than 3 Years
Lease liabilities	<u>\$ 7,736</u>	<u>\$ 7,442</u>	<u>\$ 6,757</u>	<u>\$ 2,400</u>

The amounts included above for financial guaranteed contracts were the maximum amounts the Company could be required to settle under the arrangement with an option to demand the full guaranteed amount if that amount is claimed by the counterparty of the financial guarantee contract. Based on expectations at the end of the year, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

The amounts included above for variable interest rate non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates at the end of the year.

b) Liquidity risk tables for derivative financial liabilities

The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2021	On Demand or Less than 1 Month	1-3 Months
Total settlement		
Foreign exchange forward contracts		
Inflows	\$ 27,829	\$ 27,764
Outflows	( <u>27,656</u> )	( <u>27,657</u> )
	<u>\$ 173</u>	<u>\$ 107</u>

<u>December 31, 2020</u>		
Total settlement		
Foreign exchange forward contracts		
Inflows	\$ 28,195	\$ 14,056
Outflows	( <u>28,098</u> )	( <u>14,048</u> )
	<u>\$ 97</u>	<u>\$ 8</u>

28. RELATED PARTY TRANSACTIONS

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Name of related parties and relation

<u>Related Parties</u>	<u>Relation with the Company</u>
PT. Wah Hong Indonesia (“WH Indonesia”)	Subsidiary
Wah Ma Technology Sdn. Bhd.	Subsidiary
SIP Chang Hong Optoelectronics Ltd. (“SIP Chang Hong”)	Subsidiary
Suzhou Shanji Photoelectric Co., Ltd. (“Suzhou Shanji”)	Subsidiary
Ningbo Changhong Optoelectronics Ltd. (“Ningbo Changhong”)	Subsidiary
Qingdao Changhong Optoelectronics Ltd. (“Qingdao Changhong”)	Subsidiary
Sun Hong Optronics Ltd. (“Sun Hong”)	Subsidiary
Xiamen Guong Hong Electronics Co., Ltd. (“Xiamen G&H”)	Subsidiary
SIP Chang Jun Trading Limited	Subsidiary
Ningbo Changli New Material Limited	Subsidiary
Wah Lee Industrial Corp.	Investor with significant influence
Raycong Industrial (Hong Kong) Limited	Subsidiary of Investor with significant influence
Wah Lee Tech (Singapore) Pte. Ltd.	Subsidiary of Investor with significant influence
Tranceed Logistics Co. Ltd	Subsidiary of Investor with significant influence
Nagase Wahlee Plastics Corp.	Substantive related party
Daily Polymer Corp.	Substantive related party (became unrelated party since July 2020)

b. Operating transactions

1) Sales of goods

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries		
SIP Chang Hong	\$ 1,242,743	\$ 1,446,942
Others	<u>1,086,185</u>	<u>824,546</u>
	2,328,928	2,271,488
Investors with significant influence, their associates and their subsidiaries	<u>88,123</u>	<u>67,027</u>
	<u>\$ 2,417,051</u>	<u>\$ 2,338,515</u>



The selling prices were no similar transactions with third parties for comparison. The payment terms granted to the related parties are 90-180 days, third parties are 30-150 days.

2) Purchase of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiaries	\$ 39,092	\$ 25,453
Investors with significant influence and their subsidiaries	38,084	24,750
Related parties	<u>300</u>	<u>13,599</u>
	<u>\$ 77,476</u>	<u>\$ 63,802</u>

The prices of purchases were no similar transactions with third parties for comparison. Payment terms were similar to third parties, except the directors' L/C was 60days.

3) Commission expense (Included in others income)

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiaries		
SIP Chang Jun	\$ 6,929	\$ -
Suzhou Shanji	<u>4,928</u>	<u>3,404</u>
	<u>\$ 11,857</u>	<u>\$ 3,404</u>

4) Receivables from related parties

(1) Accounts receivable

Related Party Name/Categories	December 31, 2021	December 31, 2020
Subsidiaries		
SIP Chang Hong	\$ 612,014	\$ 767,800
Others	<u>518,701</u>	<u>425,511</u>
	1,130,715	1,193,311
Investors with significant influence and their subsidiaries	<u>28,306</u>	<u>23,415</u>
	<u>\$ 1,159,201</u>	<u>\$ 1,216,726</u>

(2) Other receivables

Related Party Name/Categories	December 31, 2021	December 31, 2020
Subsidiaries	\$ 6,929	\$ 25
Investors with significant influence	<u>134</u>	<u>6</u>
	<u>\$ 7,063</u>	<u>\$ 31</u>

The outstanding accounts receivable from related parties are unsecured and not recognized for impairment losses.

5) Payables to related parties

(1) Accounts payable

Related Party Name/Categories	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
Sun Hong	\$ 16,697	\$ 11,540
Others	2,190	258
Investors with significant influence		
Wah Lee	26,937	10,876
Substantive related parties		
Others	<u>-</u>	<u>126</u>
	<u>\$ 45,824</u>	<u>\$ 22,800</u>

(2) Other payables

Related Party Name/Categories	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investors with significant influence and their subsidiaries		
	<u>\$ 160</u>	<u>\$ 283</u>

The outstanding payables to related parties are unsecured.

c. Acquisition of property, plant and equipment (Only Year 2021)

Related Party Category	Item	Acquisition price
Subsidiaries		
Wah Ma Technology Sdn. Bhd.	Office equipment	\$ 682
Investors with significant influence		
Wah Lee	Hydro equipment	<u>3,489</u>
		<u>\$ 4,171</u>

d. Disposal of property, plant and equipment (Only Year 2020)

Related Party Category	Item	Price	Gain on Disposals	Receivables as at year end
Subsidiaries				
WH Indonesia	Machinery and molding equipment	<u>\$ 1,175</u>	<u>\$ 538</u>	<u>\$ -</u>

e. Endorsement		
<u>Endorsements and guarantees</u>		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Related Party Category</u>		
Subsidiaries		
Amount endorsed	<u>\$957,662</u>	<u>\$821,152</u>
Amount utilized	<u>\$422,497</u>	<u>\$204,302</u>

f. Rental expenses		
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Related Party Category</u>		
Investors with significant influence and their subsidiaries	<u>\$ 1,445</u>	<u>\$ 1,454</u>

The terms of the transactions involving the payment of rental expenses to related parties were calculated based on the contracts and the rental fee was based on the market price.

g. Compensation of key management personnel		
	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	<u>\$ 41,394</u>	<u>\$ 35,499</u>
Post-employment benefits	<u>306</u>	<u>758</u>
	<u>\$ 41,700</u>	<u>\$ 36,257</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

29. ASSETS PLEDGED AS COLLATERAL

The Company provided the following assets (show as net book value) as collaterals for part of borrowings and performance guarantee.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment		
Land	<u>\$189,072</u>	<u>\$189,072</u>
Buildings	<u>126,253</u>	<u>132,926</u>
	<u>\$315,325</u>	<u>\$321,998</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Company were as follows:

- a. The Company's unused letters of credit for purchase of merchandise balance as follows:

	Unit: Foreign Currencies / NTD (In Thousands)	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
USD	\$ 2,747	\$ 3,295
NTD	1,725	1,055

- b. The Company's unrecognized contractual commitment are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of equipment	<u>\$ 3,334</u>	<u>\$ 9,011</u>

- c. The details of endorsements and guarantees with related parties refer to Note 28 and Table 2.  
d. As of December 31, 2021 and 2020, the performance bond issued by the bank for the Company importing goods amounted to NT\$800 thousand.

31. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>		<u>Carrying Amount (In Thousands)</u>
<u>December 31, 2021</u>				
Foreign currency assets				
Monetary items				
USD	\$ 61,715	27.68	(USD:NTD)	\$ 1,708,271
Foreign currency liabilities				
Monetary items				
USD	51,597	27.68	(USD:NTD)	1,428,205
<u>December 31, 2020</u>				
Foreign currency assets				
Monetary items				
USD	54,877	28.48	(USD:NTD)	1,562,887
Foreign currency liabilities				
Monetary items				
USD	50,714	28.48	(USD:NTD)	1,444,342

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange which mainly from the USD transactions were net loss NT\$2,726 thousand and NT\$4,070 thousand, respectively.

32. ADDITIONAL DISCLOSURES

- a. Information about significant transactions and b. investees:
- 1) Financing provided to others: Table 1
  - 2) Endorsements/guarantees provided: Table 2
  - 3) Marketable securities: Table 3
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
  - 9) Trading in derivative instruments: Table 7
  - 10) Information on investees: Table 6
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payable at the end of the period:

	Purchase		Trade Payable	
	Amount	%	Ending Balance	%
Sun Hong	\$ 35,288	1	\$ 16,697	2
Qingdao Changhong	441	-	-	-
SIP Chang Hong	248	-	281	-
	<u>\$ 35,977</u>	<u>1</u>	<u>\$ 16,978</u>	<u>2</u>

- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period:

	Sales		Trade Receivable	
	Amount	%	Ending Balance	%
SIP Chang Hong	\$ 1,242,743	27	\$ 612,014	34
Suzhou Shanji	373,560	8	176,357	10
Xiamen G&H	287,875	6	146,350	8
Ningbo Changhong	191,884	4	78,494	4
Sun Hong	152,051	3	78,999	4
SIP Chang Jun	37,878	1	17,521	1
Qingdao Changhong	7,489	-	3,639	-
Ningbo Changli	296	-	294	-
	<u>\$ 2,293,776</u>	<u>49</u>	<u>\$ 1,113,668</u>	<u>61</u>

- c) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
- d) 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
- e) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: NIL
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of shares owned, and percentage of ownership of each shareholder: Table 8

WAH HONG INDUSTRIAL CORP. AND SUBSIDIARIES  
FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Table 1

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance	Actual Amount Drawn	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-Term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
1	SIP Chang Hong Optoelectronics Ltd.	SIP Chang Jun Trading Limited	Other receivables - related parties	Yes	\$ 21,708	\$ 21,708	\$ 21,708	3.50%	short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 355,660	\$ 948,426	
2	Wah Hong Holding Ltd.	Sun Hong Optronics Ltd.	Other receivables - related parties	Yes	85,170	-	-	2.50%	short-term financing	-	Operating capital	-	-	-	1,100,657	2,935,086	

Note 1: Individual and aggregate financing limit: For Wah Hong Holding Ltd. and SIP Chang Hong Optoelectronics Ltd., the limit on the amount of financing provided to a single enterprise that holds directly or indirectly 100% of the voting rights of a subsidiary cannot exceed 30% of the equity presented in the consolidated financial statements of WAH HONG INDUSTRIAL CORP.

Note 2: Aggregate financing limit: The limit on the amount of financing of Wah Hong Holding Ltd. and SIP Chang Hong Optoelectronics Ltd. cannot exceed 80% of the lender's equity.

Note 3: USD is converted by spot exchange US\$1 = NT\$27.68, RMB is converted by USD spot exchange with US\$1=RMB\$6.3757.

WAH HONG INDUSTRIAL CORP. AND SUBSIDIARIES  
 ENDORSEMENTS/GUARANTEES PROVIDED  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Table 2

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Benefit of Each Party (Notes 1)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at The End of the Period	Actual Borrowing Amount	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements(%)	Maximum Endorsement/ Guarantee Amount Allowable (Notes 2)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Relationship											
0	The Company	Sun Hong Optronics Ltd.	Subsidiary of the Company	\$ 1,244,043	\$ 1,054,500	\$ 553,600	\$ 257,157	\$ -	13.35	\$ 2,902,767	Y	N	Y	
0	The Company	Wah Ma Technology Sdn. Bhd.	Subsidiary of the Company	1,244,043	16,716	8,304	1,837	-	0.20	2,902,767	Y	N	N	
0	The Company	Xiamen Guang Hong Electronics Co., Ltd	Subsidiary of the Company	1,244,043	166,080	166,080	48,887	-	4.01	2,902,767	Y	N	Y	
0	The Company	Wah Hong Holding Limited	Subsidiary of the Company	1,244,043	167,160	83,040	-	-	2.00	2,902,767	Y	N	N	
0	The Company	Suzhou Shanji Photoelectric Co., Ltd.	Subsidiary of the Company	829,362	74,944	32,022	-	-	0.77	2,902,767	Y	N	Y	
0	The Company	SIP Chang Jun Trading Limited	Subsidiary of the Company	1,244,043	114,616	114,616	114,616	-	2.76	2,902,767	Y	N	Y	

Note 1: The limit on endorsement/guarantee given on behalf of each party shall not exceed 20% of the equity of the Company. If the Company directly or indirectly holds 100% of the equity of the endorsee or guarantee, the limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of the Company.

Note 2: The maximum total amount of endorsement/guarantee shall not exceed 70% of the equity of the Company.

Note 3: USD is converted by spot exchange USD\$1= NT\$27.68; RMB is converted by USD spot exchange US\$1=RMB\$6.3757; MYR is converted by spot exchange MYR\$1=NTD\$6.355.



WAH HONG INDUSTRIAL CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Table 3

Holding Company Name	Type and Name of Marketable Securities	Relationship with The Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Note Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Stock							
	Imat Corporation	-	Financial assets at FVTOCI - noncurrent	1,900,000	\$ -	8.26	\$ -	
	Forming Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	1,000,000	-	11.68	-	
	Wah Lee Japan Corporation	Subsidiary of investor with significant influence	Financial assets at FVTOCI - noncurrent	300	857	16.67	857	
	Jun Hong Optronics corporation	-	Financial assets at FVTOCI - noncurrent	19,800,000	78,070	14.48	78,070	
	Wah Lee Industrial Corp.	Investor with significant influence	Financial assets at FVTOCI - noncurrent	1,719,000	183,933	0.73	183,933	
					<u>\$262,860</u>		<u>\$262,860</u>	
	Chang Wah Electromaterials Inc.	Associate of investor with significant influence	Financial assets at FVTPL - current	3,620,000	<u>\$140,818</u>	0.57	<u>\$140,818</u>	
Wah Hong Holding Ltd.	Stock							
	SiLican Inc	-	Financial assets at FVTOCI - noncurrent	50,000	<u>\$ 1,516</u>	3.33	<u>\$ 1,516</u>	
SIP Chang Hong Optoelectronics Ltd.	Guaranteed floating income financial products							
	Fubon Bank (China) – RMB Structured Deposit	-	Financial assets at FVTPL - current	-	\$ 56,769	-	\$ 56,769	
	Fubon Bank (China) – RMB Structured Deposit Yue Xiang Ying 21100357	-	Financial assets at FVTPL - current	-	43,673	-	43,673	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with The Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Note Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
Ningbo Changhong Optoelectronics Ltd.	Guaranteed floating income financial products Fubon Bank (China) – RMB Structured Deposit	-	Financial assets at FVTPL - current	-	\$113,522	-	\$113,522	
Suzhou Shanji Photoelectric Co., Ltd.	Guaranteed floating income financial products Fubon Bank (China) – RMB Structured Deposit (3months)	-	Financial assets at FVTPL - current	-	52,386	-	52,386	
					<u>\$266,350</u>		<u>\$266,350</u>	

WAH HONG INDUSTRIAL CORP. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars)

Table 4

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	SIP Chang Hong Optoelectronics Ltd.	Subsidiary	Sales	( \$ 1,242,743 )	( 27 )	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	\$ 612,014	34	
The Company	Ningbo Changhong Optoelectronics Ltd.	Subsidiary	Sales	( 191,884 )	( 4 )	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	78,494	4	
The Company	Xiamen Guang Hong Electronics Co., Ltd.	Subsidiary	Sales	( 287,875 )	( 6 )	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	146,350	8	
The Company	Suzhou Shanji Photoelectric Co., Ltd.	Subsidiary	Sales	( 373,560 )	( 8 )	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	176,357	10	
The Company	Sun Hong Optronics Ltd.	Subsidiary	Sales	( 152,051 )	( 3 )	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	78,999	4	
Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	The same parent company	Sales	( 485,330 )	( 50 )	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	168,374	57	
Ningbo Changhong Optoelectronics Ltd.	Granite International Ltd.	The same parent company	Sales	( 246,537 )	( 60 )	150 days after monthly Closing	No comparable transactions with third party	Normal trade terms	98,071	59	

WAH HONG INDUSTRIAL CORP. AND SUBSIDIARIES  
 RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Table 5

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	SIP Chang Hong Optoelectronics Ltd.	Subsidiary	\$612,014	1.8	\$ -	-	\$331,291	\$ -
	Suzhou Shanji Photoelectric Co., Ltd.	Subsidiary	176,357	2.19	-	-	68,123	-
	Xiamen Guang Hong Electronics Co., Ltd.	Subsidiary	146,350	2.27	-	-	62,980	-
Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	The same parent company	168,374	2.36	-	-	121,153	-

WAH HONG INDUSTRIAL CORP. AND SUBSIDIARIES  
INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Table 6

Company Name	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 3)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
The Company	Wah Hong Holding Ltd.	Mauritius	International investment business	\$ 1,212,961	\$ 1,212,961	38,224,940	100.00	\$ 3,639,778	\$ 475,510	\$ 475,510	
The Company	Toprising Precision Tech. Co., Ltd.	New Taipei City	Production and trading business of components	7,200	7,200	720,000	27.48	-	( 6,011 )	-	Note 1
The Company	PT Wah Hong Indonesia	Indonesia	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	178,121	183,269	6,435,000	99.00	62,846	( 27,967 )	( 27,687 )	
Wah Hong Holding Ltd.	Wah Hong Technology Ltd.	Mauritius	International investment business	608,075	625,649	21,968,025	100.00	2,063,303	372,934	372,934	
Wah Hong Holding Ltd.	Wah Hong International Ltd.	Mauritius	International investment business	571,537	588,055	20,648,000	100.00	1,222,656	45,687	45,687	
Wah Hong Holding Ltd.	Wah Hong Development Ltd.	Mauritius	International investment business	13,840	14,240	500,000	100.00	-	-	-	
Wah Hong Holding Ltd.	Wah Ma Technology Sdn. Bhd.	Malaysia	Production and trading business of BMC (bulk molding compound) material and molded product	87,972	41,437	6,500,000	100.00	137,542	5,824	4,640	
Wah Hong Holding Ltd.	Granite International Ltd.	Samoa	International trading business	26,573	27,341	960,000	100.00	918	( 36 )	( 36 )	
Wah Hong Holding Ltd.	Smart Succeed Ltd.	Samoa	International trading business	-	-	-	100.00	( 1,349 )	227	227	
Wah Hong Holding Ltd.	PT Wah Hong Indonesia	Indonesia	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	1,799	1,851	65,000	1.00	635	( 27,967 )	( 280 )	
Wah Hong Holding Ltd.	Allied Royal LLC.	Anguilla	International investment business	49,200	49,200	2,715,000	67.50	227,812	80,927	54,626	
Allied Royal LLC.	Best Honor Inc.	Anguilla	International trading business	-	-	-	100.00	-	-	-	
SIP Chang Hong Optoelectronics Ltd.	Chang Hong (HK) Optronics Limited	Hong Kong	Trading business of LCD material, BMC (bulk molding compound) material and molded product	2,768	2,848	-	100.00	1,370	( 117 )	( 117 )	

Note 1: Associate accounted for using the equity method.

Note 2: The share of profit (loss) recognized for the year ended December 31, 2021 included adjustment of unrealized sales between intra-group companies according to the buyer's tax rate.

Note 3: The exchange rate of the original investment amount for the year ended is as following:

USD Spot exchange rate US\$1=27.68

RMB Spot US exchange rate US\$1=6.3757

Note 4: Please refer to Table 7 for information on investments in mainland China.

WAH HONG INDUSTRIAL CORP. AND SUBSIDIARIES  
 INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Table 7

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
SIP Chang Hong Optoelectronics Ltd. ("SIP Chang Hong")	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	\$ 560,520	Reinvestment in Mainland China through companies registered in a third region.	\$ 257,482	\$ -	\$ -	\$ 257,482	\$ 110,017	100.00	\$ 110,017	\$ 1,185,536	\$ 434,269	Note 4
Ningbo Changhong Optoelectronics Ltd. ("Ningbo Changhong")	Production and trading of panel display compound and LCD optical film etc.	166,634	Reinvestment in Mainland China through companies registered in a third region.	95,820	-	-	95,820	53,412	100.00	53,412	353,739	253,346	Note 4
Qingdao Changhong Optoelectronics Ltd. ("Qingdao Changhong")	Production and trading of panel display compound and LCD optical film etc.	276,800	Reinvestment in Mainland China through companies registered in a third region.	300,950	-	-	300,950	201,857	100.00	201,857	510,600	-	Note 4
SIP Chang Jun Trading Limited ("SIP Chang Jun")	Sales of materials of BMC and Molding products, products of LCD	4,341	Reinvestment in Mainland China through companies registered in a third region.	-	-	-	-	7,646	100.00	7,646	13,413	-	Note 1
Suzhou Shanji Photoelectric Co., Ltd. ("Suzhou Shanji")	Production and trading business of LCD materials	112,104	Reinvestment in Mainland China through companies registered in a third region.	-	-	-	-	80,927	67.50	54,625	227,809	40,234	Note 2
Sun Hong Optronics Ltd. ("Sun Hong")	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	379,216	Reinvestment in Mainland China through companies registered in a third region.	238,092	-	-	238,092	107,493	100.00	107,493	970,737	232,622	Note 4
Xiamen Guang Hong Electronics Co., Ltd. ("Xiamen G&H")	Production and trading of panel display compound and LCD optical film etc.	235,280	Reinvestment in Mainland China through companies registered in a third region.	227,204	-	-	227,204	( 61,806 )	100.00	( 61,806 )	251,892	-	Note 4
Guangzhou Youguang Optoelectronics Co., Ltd. ("Guangzhou Youguang")	Production of light box, LED Opto-electronic compound and lighting products	123,029	Reinvestment in Mainland China through companies registered in a third region.	15,095	-	-	15,095	-	12.82	-	-	-	Note 4
Ningbo Changli New Material Limited	Trading business of LCD material and BMC material	6,512	Reinvestment in Mainland China through companies registered in a third region.	-	-	-	-	182	100.00	182	6,693	-	

(Continued)

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by Investment Commission, MOEA (Note 3)	Investment Amount Authorized by Investment Commission, MOEA (Note 5)
The Company	\$ 1,134,643	\$ 943,038	\$ 2,488,086

Note 1: Investments through Wah Hong Holding Ltd. and then invest through Wah Hong Technology Ltd.

Note 2: Investments through Wah Hong Holding Ltd. and then through Allied Royl LLC.

Note 3: The total investment amount approved by the Investment Commission, MOEA, is USD\$32,300 thousand, the investment money of the company has exported USD\$7,766 thousand and the difference of USD\$24,534 thousand which is transferred investment of USD\$17,750 thousand from China sub-subsidiary and USD\$6,784 thousand from the Company.

Note 4: The exchange rate of the original investment amount for the year ended is as following:

USD Spot exchange rate US\$1=27.68

RMB Spot US exchange rate US\$1=6.3757

Note 5: The upper limit on investment in mainland China is determined by sixty percent (60%) of the Company's net worth.

Table 8

WAH HONG INDUSTRIAL CORP  
INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Wah Lee Industrial Corp.	26,122,978	26.12

Note: The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.



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**STATEMENT 1**

WAH HONG INDUSTRIAL CORP  
STATEMENT OF CASH  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

<u>Item</u>	<u>Interest Rate %</u>	<u>Amount</u>
Cash on hand	-	\$ 405
Cash in banks		
Checking accounts	-	70
Demand deposits	-	144,944
Foreign currency deposits	-	
USD5,427 thousand		150,180
JPY322 thousand		77
RMB3,452 thousand		<u>14,985</u>
		<u>\$310,661</u>

Note: Exchange rate:  
USD1=NTD27.68  
JPY1=NTD0.2405  
RMB1=NTD4.3415

**STATEMENT 2****WAH HONG INDUSTRIAL CORP**  
**STATEMENT OF NOTES RECEIVABLE**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Unrelated parties		
Fortop Industrial Co., Ltd.	Sales	\$ 5,460
Fu An Industrial Co., Ltd.	Sales	5,380
Hwa Shu Enterprise Co., Ltd.	Sales	3,224
Karl Enterprise Co., Ltd.	Sales	3,157
Taiwan Bull Motor Parts Co., Ltd.	Sales	1,711
Lucence Precision Co., Ltd.	Sales	1,490
Qian He Cheng Ltd.	Sales	1,455
Others (note)	Sales	<u>6,728</u>
At amortized cost Gross carrying amount		28,605
Less: Allowance for impairment loss		<u>137</u>
		<u>\$ 28,468</u>

Note: The amount of individual client included in others did not exceed 5% of the account balance.

**STATEMENT 3****WAH HONG INDUSTRIAL CORP**  
**STATEMENT OF ACCOUNTS RECEIVABLE**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Related parties		
SIP Chang Hong	Sales	\$ 612,014
Suzhou Shanji	Sales	176,357
Xiamen G&H	Sales	146,350
Sun Hong	Sales	78,999
Ningbo Changhong	Sales	78,494
Others (Note)	Sales	<u>66,807</u>
		<u>1,159,021</u>
Unrelated parties		
YuanHan Materials Inc.	Sales	116,855
Victory For Technology Co., Ltd.	Sales	87,172
Innolux Corporation	Sales	48,360
Compal Information Technology (Kunshan) Inc.	Sales	37,877
Others (Note)	Sales	<u>352,708</u>
		<u>642,972</u>
At amortized cost Gross carrying amount		1,801,993
Less: Allowance for impairment loss		<u>2,164</u>
		<u>\$1,799,829</u>

Note: The amount of individual client included in others did not exceed 5% of the account balance.

**STATEMENT 4**

WAH HONG INDUSTRIAL CORP  
STATEMENT OF OTHER RECEIVABLES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Amount</u>
Related parties	
Commission	\$ 6,929
Payment on behalf of others	113
Rent	<u>21</u>
	<u>7,063</u>
Unrelated parties	
Purchases allowances	6,329
Rent	1,869
Others (Note)	<u>2,065</u>
	<u>10,263</u>
	<u>\$ 17,326</u>

Note: The amount of individual item included in others did not exceed 5% of the account balance.

**STATEMENT 5**

WAH HONG INDUSTRIAL CORP  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Carrying Amount	Net Realizable Value (Note)
Raw materials	\$192,036	\$192,295
Work in process	31,282	31,282
Finished goods	<u>154,138</u>	<u>156,436</u>
	<u>\$377,456</u>	<u>\$380,013</u>

Note: The calculated method of the net realizable value refer Note 4.

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

Statement 6

Investees	Balance, January 1, 2021		Additions in Investment		Decrease in Investment (Note)		Balance, December 31, 2021		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Stock									
Wah Lee Japan Corporation	300	\$ 993	-	\$ -	-	\$ 136	300	\$ 857	None
Imat Corporation	1,900,000	-	-	-	-	-	1,900,000	-	None
Forming Co., Ltd.	1,000,000	-	-	-	-	-	1,000,000	-	None
Jun Hong Optronics Corporation	19,800,000	89,368	-	-	-	11,298	19,800,000	78,070	None
Wah Lee Industrial Corp.	-	-	1,719,000	<u>183,933</u>	-	-	1,719,000	<u>183,933</u>	None
		<u>\$ 90,361</u>		<u>\$183,933</u>		<u>\$ 11,434</u>		<u>\$262,860</u>	

Note: Unrealized losses was adjusted to NT\$11,434 thousand.

WAH HONG INDUSTRIAL CORP.  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Except Unit Price)

Statement 7

Name	Balance, January 1, 2021		Additions in Investment (Note 1)		Decrease in Investment (Note 2)		Balance, December 31, 2021			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price	Total Amount	
Wah Hong Holding	38,224,940	\$ 3,437,658	-	\$ 488,200	-	\$ 286,080	38,224,940	100	\$ 3,639,778	\$ 95.98	\$ 3,668,857	None
Toprising Precision	720,000	-	-	-	-	-	720,000	27.48	-		-	None
PT. Wah Hong Indonesia	6,435,000	<u>92,886</u>	-	<u>-</u>	-	<u>30,040</u>	6,435,000	99	<u>62,846</u>	9.77	<u>62,846</u>	None
		<u>\$ 3,530,544</u>		<u>\$ 488,200</u>		<u>\$ 316,120</u>			<u>\$ 3,702,624</u>		<u>\$ 3,731,703</u>	

Note 1: The increase this year includes investment gains in the amount of NT\$475,510 thousand and the difference from subsidiaries' equity at net value and fair value of in the amount of NT\$6,777 thousand and realized gains from the transactions between intra-group in the amount of NT\$5,913 thousand.

Note 2: The decrease this year includes investment losses in the amount of NT\$27,687 thousand, a decrease of NT\$31,301 thousand in foreign translation adjustment, and cash dividends in the amount of NT\$257,132 thousand from investees.



**STATEMENT 8****WAH HONG INDUSTRIAL CORP**  
**STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

Item	Balance at January 1, 2021	Additions	Deductions	Balance at December 31, 2021
Cost				
Buildings	\$ 38,024	\$ -	\$ -	\$ 38,024
Accumulated depreciation				
Buildings	<u>14,597</u>	<u>7,525</u>	<u>-</u>	<u>22,122</u>
Carrying amounts at December 31, 2021	<u>\$ 23,427</u>	<u>(\$ 7,525)</u>	<u>\$ -</u>	<u>\$ 15,902</u>

**STATEMENT 9**

**WAH HONG INDUSTRIAL CORP**  
**STATEMENT OF SHORT-TERM BORROWINGS**  
**DECEMBER 31, 2021**  
(In Thousands of New Taiwan Dollars & US Dollars)

Type/Bank Name	Contract Period	Interest Rate (%)	Balance, End of Year (NTD)	Loan Commitments	Collateral
<b>Bank Procurement Loans</b>					
Land Bank of Taiwan	2021.10.25 - 2022.03.03	0.66~0.76	\$ 86,021	NTD330,000 (Comprehensive facilities)	Nil
Hua Nan Bank	2021.11.25 - 2022.02.23	0.83	25,995	NTD300,000 (Comprehensive facilities)	Nil
First Commercial Bank	2021.12.27 - 2022.03.25	0.90	21,441	NTD150,000 (Comprehensive facilities)	Nil
Taishin Bank	2021.11.15 - 2022.04.06	0.83	44,337	NTD250,000 (Comprehensive facilities)	Nil
HSBC Bank	2021.11.01 - 2022.01.28	0.84	6,303	NTD330,000 (Comprehensive facilities)	Nil
The Shanghai Commercial & Savings Bank, Ltd.	2021.12.14 - 2022.03.25	0.76~0.77	26,081	USD5,000 (Comprehensive facilities)	Nil
Bank SinoPac	2021.12.24 - 2022.01.24	0.98	21,856	NTD200,000 (Comprehensive facilities)	Nil
CTBC Bank	2021.12.03 - 2022.04.15	0.84~0.88	<u>44,270</u>	NTD190,000 (Comprehensive facilities)	Nil
			<u>276,304</u>		
<b>Revolving Loans</b>					
Mizuho Bank	2021.10.22 - 2022.03.08	0.95	130,000	USD6,000 (Comprehensive facilities)	Nil
Hua Nan Bank	2021.12.30 - 2022.01.28	0.95	190,000	NTD300,000 (Comprehensive facilities)	Nil
HSBC Bank	2021.09.08 - 2022.05.09	0.98	110,000	NTD330,000 (Comprehensive facilities)	Nil
The Shanghai Commercial & Savings Bank, Ltd.	2021.12.09 - 2022.07.31	0.90	80,000	USD5,000 (Comprehensive facilities)	Nil
E. SUN Commercial Bank	2021.10.28 - 2022.01.28	0.93	80,000	NTD200,000 (Comprehensive facilities)	Nil
DBS Bank	2021.11.02 - 2022.01.28	0.95	<u>100,000</u>	NTD100,000 (Comprehensive facilities)	Nil
			<u>690,000</u>		
			<u>\$ 966,304</u>		

**STATEMENT 10**

**WAH HONG INDUSTRIAL CORP**  
**STATEMENT OF ACCOUNTS PAYABLE**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

<u>Vendor Name</u>	<u>Amount</u>
Related parties	
Wah Lee Industrial Corp.	\$ 26,937
Sun Hong	16,697
Others (Note)	<u>2,190</u>
	<u>45,824</u>
Non-related parties	
Ubright Optronics Corporation	175,419
Ske Hi-Tech & Marketing (Suzhou) Co., Ltd	102,458
Keiwa Inc.	87,121
Tech Way Advanced Materials Co., Ltd	51,521
Taiwan Shimoda Co., Ltd	42,744
Others (Note)	<u>337,079</u>
	<u>796,342</u>
	<u>\$842,166</u>

Note: The amount of individual vendor included in others did not exceed 5% of the account balance.

**STATEMENT 11**

**WAH HONG INDUSTRIAL CORP**  
**STATEMENT OF LEASE LIABILITIES**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Lease Term</u>	<u>Discount Rate (%)</u>	<u>Balance, End of Year</u>
Buildings	Storehouse	2019.01.01 - 2025.10.31	1.89	\$ 10,425
	Storehouse	2019.01.01 - 2023.03.31	1.83	5,418
	Offices	2019.07.01 - 2022.06.30	1.83	<u>293</u>
				16,136
Less: Current portion				<u>7,202</u>
Noncurrent portion				<u>\$ 8,934</u>

**STATEMENT 12**

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

<u>Item</u>	<u>Quantities</u>	<u>Amount</u>
LCD (roll)	27,585 km	\$ 2,082,414
LCD (film)	18,696 thousand pieces	247,364
BMC compound and Engineering plastics	4,286 ton	398,285
Other (Note)	-	<u>1,846,989</u>
		4,575,052
Less: Sales discounts		9,221
Sales return		<u>1,795</u>
		<u>\$4,564,036</u>

Note: The amount of individual item included in others did not exceed 10% of the account balance.

**STATEMENT 13****WAH HONG INDUSTRIAL CORP**  
**STATEMENT OF OPERATING COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials	
Balance, beginning of year	\$ 100,466
Raw material purchased	3,431,134
Others	9,049
Less: Sales of raw material	( 2,145,769)
Transferred expenses	( 8,923)
Raw materials, end of year	( <u>192,036</u> )
	1,193,921
Direct labor	174,048
Manufacturing expenses	<u>370,447</u>
Manufacturing cost	1,738,416
Add: Work in process, beginning of year	20,655
Work in process purchased	4,567
Outsource expenses	29,176
Less: Sales of work in process	( 19,646)
Transferred expenses	( 27,594)
Others	4,201
Work in process, end of year	( <u>31,282</u> )
Cost of finished goods	1,718,493
Add: Finished goods, beginning of year	102,571
Finished goods purchased	198,517
Others	( 12,672)
Finished goods, end of year	( <u>154,138</u> )
Cost of production and sales	1,852,771
Cost of sales of raw material and work in process	2,165,415
Idle capacity	95,215
Others	<u>6,908</u>
Operating costs	<u>\$4,120,309</u>

**STATEMENT 14****WAH HONG INDUSTRIAL CORP**  
**STATEMENT OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

Item	Marketing Expense	General and Administrative Expense	Research and Development Expenses	Total
Payroll expense	\$ 58,639	\$ 107,857	\$ 83,865	\$ 250,361
Director's remuneration	-	15,346	-	15,346
Consumables	1,325	1	21,855	23,181
Amortizations	301	26,780	1,296	28,377
Insurance	4,526	11,554	6,838	22,918
Import/export expense	30,495	-	577	31,072
Freight charges	11,646	30	853	12,529
Pension	2,128	4,383	3,182	9,693
Travel expenses	1,426	548	653	2,627
Depreciation expense	-	7,033	6,102	13,135
Others (Note)	<u>16,759</u>	<u>34,031</u>	<u>14,446</u>	<u>65,236</u>
	<u>\$ 127,245</u>	<u>\$ 207,563</u>	<u>\$ 139,667</u>	<u>474,475</u>
Expected credit loss				<u>563</u>
				<u>\$ 475,038</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

**WAH HONG INDUSTRIAL CORP**

## STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION

FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2021			2020		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit						
Salaries	\$290,037	\$250,361	\$540,398	\$233,875	\$249,705	\$483,580
Labor and health insurance	25,963	22,820	48,783	23,013	22,044	45,057
Remuneration of directors	-	15,346	15,346	-	6,843	6,843
Pension	9,793	9,693	19,486	12,060	7,459	19,519
Others	17,321	11,189	28,510	15,504	10,753	26,257
	<u>\$343,114</u>	<u>\$309,409</u>	<u>\$652,523</u>	<u>\$284,452</u>	<u>\$296,804</u>	<u>\$581,256</u>
Depreciation	\$103,651	\$ 13,135	\$116,786	\$121,682	\$ 11,402	\$133,084
Amortization	1,426	28,377	29,803	1,297	30,810	32,107

Note 1: The average number of the Company's employees was 695 and 688, including 4 non-employee directors in 2021 and 2020, respectively.

Note 2:

1. The average employee benefits for the years ended December 31, 2021 and 2010 were NT\$922 thousand and NT\$840 thousand, respectively.
2. The average salaries for the years ended December 31, 2021 and 2020 were NT\$782 thousand and NT\$707 thousand, respectively.
3. The average salaries changed by 11% year-on-year.
4. The Company did not have supervisors for the years ended December 31, 2021 and 2020. Therefore, there was no compensation to the supervisor.
5. The Company's compensation policies:  
The Company's employees are entitled to a comprehensive compensation and benefits program above the industry average. The compensation program includes a monthly salary, business performance bonuses, and a profit sharing bonus. When the Company made a profit in a fiscal year, the compensation of employees shall be accrued at the rates not less than 10%. The amount and distribution of the bonus and profit sharing are recommended by the Compensation Committee to the Board of Directors for approval. Individual rewards are based on each employee's job responsibility, contribution and performance.

The total compensation paid to the executive officers is decided based on their job responsibility, contribution, company performance and projected future risks the Company will face. It is reviewed by the Compensation Committee then submitted to the Board of Directors for approval.



According to the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the remuneration of directors shall be accrued at the rates no higher than 3%. The Company has established a Remuneration Committee to review the reasonableness of the policies, systems, standards, and structure of remuneration on a regular basis, and to integrate operational performance with the performance of employees; The remuneration of the Officers of the Company is determined by the Remuneration Committee on the basis of the operating team's operating performance and achievement of targets with reference to the job scope of the position and evaluation of the contribution to the operating objectives of the Company, approved by the Board of Directors and reported to the shareholders' meeting.