

Wah Hong Industrial Corporation and
Subsidiaries

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

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REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of Wah Hong Industrial Corporation as of and for the year ended December 31, 2021, under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is already included in the consolidated financial statements. Consequently, Wah Hong Industrial Corporation and its Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Wah Hong Industrial Corporation

By

Ray-Ching Chang

Chairman

March 18, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Wah Hong Industrial Corporation

Opinion

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

In our opinion, the accompanying consolidated financial statement present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis For Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2021 is discussed as follows:

Occurrence of revenue from specific customers

The operating revenue of the Group for the year ended December 31, 2021 was NT\$10,969,166 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 effectiveness of the internal control process relevant to revenue recognition.
2. We verified, on a sampling basis, the detailed lists of recorded revenue from specific customers against supporting documents, including shipping, receipt records and the proof of receipts.

Other Matter

We have also audited the parent company--Wah Hong Industrial Corporation's financial report as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Management also need to maintain the internal controls which are related to compile the consolidated financial report in order to ensure that the preparation of consolidated financial report are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. Implement an appropriate countermeasures beased on the assement of risk design; and to 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 go beyond the internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Regarding the appropriateness of the going concern that management adopted, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, we have to make a conclusion according to the evidence audited. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions might cause the Group to cease the continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an

opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are 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 CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

Code	ASSETS	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 1,220,971	13	\$ 1,136,859	13
1110	Financial assets at fair value through profit or loss - current (Notes 4, 7 and 28)	407,448	4	323,235	4
1150	Notes receivable (Notes 4, 9 and 22)	269,067	3	311,005	4
1170	Accounts receivable, net (Notes 4, 9, 22 and 29)	3,650,900	38	3,433,630	39
1200	Other receivables, net (Note 4, 9 and 29)	295,872	3	42,290	-
1220	Current tax assets (Note 4 and 24)	1,078	-	981	-
130X	Inventories (Notes 4 and 10)	1,303,533	14	1,181,286	13
1476	Other financial assets (Notes 11 and 30)	40,565	-	14,015	-
1479	Other current assets	59,502	1	150,580	2
11XX	Total current assets	<u>7,248,936</u>	<u>76</u>	<u>6,593,881</u>	<u>75</u>
	NONCURRENT ASSETS				
1517	Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 8 and 28)	264,376	3	91,877	1
1600	Property, plant and equipment (Notes 4, 13 and 30)	1,635,917	17	1,767,757	20
1755	Right-of-use assets (Notes 4 and 14)	183,176	2	124,824	2
1780	Other intangible assets (Note 4)	24,744	-	18,517	-
1840	Deferred tax assets (Notes 4 and 24)	131,897	2	161,360	2
1920	Refundable deposits	33,775	-	27,165	-
1990	Other noncurrent assets	250	-	1,364	-
15XX	Total noncurrent assets	<u>2,274,135</u>	<u>24</u>	<u>2,192,864</u>	<u>25</u>
1XXX	TOTAL	<u>\$ 9,523,071</u>	<u>100</u>	<u>\$ 8,786,745</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term borrowings (Notes 15 and 30)	\$ 1,100,056	12	\$ 1,017,879	12
2110	Short-term bills payable (Note 16)	280,000	3	190,000	2
2150	Notes payable (Note 17)	178,726	2	148,093	2
2170	Accounts payable (Note 17 and 29)	1,962,352	21	1,794,870	20
2200	Other payables (Notes 18)	671,957	7	580,009	7
2230	Current tax liabilities (Note 4 and 24)	99,094	1	22,204	-
2280	Lease liabilities - current (Notes 4 and 14)	47,326	-	19,790	-
2313	Deferred income (Note 4 and 23)	-	-	114,845	1
2399	Other current liabilities (Note 22)	17,806	-	17,196	-
21XX	Total current liabilities	<u>4,357,317</u>	<u>46</u>	<u>3,904,886</u>	<u>44</u>
	NONCURRENT LIABILITIES				
2540	Long-term borrowings (Note 19 and 30)	525,531	5	539,797	6
2570	Deferred tax liabilities (Notes 4 and 24)	231,175	2	231,540	3
2580	Lease liabilities - noncurrent (Notes 4 and 14)	83,942	1	31,068	-
2640	Net defined benefit liabilities - noncurrent (Notes 4 and 20)	65,956	1	73,236	1
2645	Guarantee deposits received	2,652	-	2,949	-
25XX	Total noncurrent liabilities	<u>909,256</u>	<u>9</u>	<u>878,590</u>	<u>10</u>
2XXX	Total liabilities	<u>5,266,573</u>	<u>55</u>	<u>4,783,476</u>	<u>54</u>
	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
3100	Share Capital	1,000,044	10	1,000,044	11
3200	Capital surplus	2,048,734	22	2,062,749	24
	Retained earnings				
3310	Legal reserve	427,464	5	405,589	5
3320	Special reserve	311,174	3	344,321	4
3350	Unappropriated earnings	710,357	7	399,105	4
3300	Total retained earnings	<u>1,448,995</u>	<u>15</u>	<u>1,149,015</u>	<u>13</u>
3400	Other equity	(310,734)	(3)	(311,174)	(3)
3500	Treasury stock (Notes 21 and 26)	(40,228)	-	(52,262)	(1)
31XX	Total equity attributable to owners of the Company	<u>4,146,811</u>	<u>44</u>	<u>3,848,372</u>	<u>44</u>
36XX	NON-CONTROLLING INTERESTS (Notes 21)	<u>109,687</u>	<u>1</u>	<u>154,897</u>	<u>2</u>
3XXX	Total equity	<u>4,256,498</u>	<u>45</u>	<u>4,003,269</u>	<u>46</u>
	TOTAL	<u>\$ 9,523,071</u>	<u>100</u>	<u>\$ 8,786,745</u>	<u>100</u>

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

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		For the Year Ended December 31			
		2021		2020	
Code		Amount	%	Amount	%
4100	OPERATING REVENUE (Notes 4, 22 and 29)	\$ 10,969,166	100	\$ 10,312,430	100
5110	OPERATING COSTS (Notes 10, 23 and 29)	<u>9,723,749</u>	<u>89</u>	<u>9,214,879</u>	<u>89</u>
5900	GROSS PROFIT	<u>1,245,417</u>	<u>11</u>	<u>1,097,551</u>	<u>11</u>
	OPERATING EXPENSES (Notes 9 and 23)				
6100	Selling and marketing expenses	294,762	3	278,836	3
6200	General and administrative expenses	361,442	3	340,381	3
6300	Research and development	222,160	2	213,752	2
6450	Gain on reversal of expected credit loss	(<u>2,990</u>)	<u>-</u>	(<u>2,695</u>)	<u>-</u>
6000	Total operating expenses	<u>875,374</u>	<u>8</u>	<u>830,274</u>	<u>8</u>
6900	OPERATING INCOME	<u>370,043</u>	<u>3</u>	<u>267,277</u>	<u>3</u>
	NON-OPERATING INCOME AND EXPENSES (Note 23)				
7100	Interest income	11,832	-	11,288	-
7010	Other income	325,350	3	38,347	-
7020	Other gains and losses	34,020	-	51,723	1
7050	Finance costs	(<u>26,748</u>)	<u>-</u>	(<u>34,278</u>)	<u>-</u>
7000	Total non-operating income and expenses	<u>344,454</u>	<u>3</u>	<u>67,080</u>	<u>1</u>
7900	PROFIT BEFORE INCOME TAX	714,497	6	334,357	4
7950	INCOME TAX EXPENSE (Notes 4 and 24)	<u>256,718</u>	<u>2</u>	<u>91,222</u>	<u>1</u>
8200	NET PROFIT FOR THE YEAR	<u>457,779</u>	<u>4</u>	<u>243,135</u>	<u>3</u>

(Continued)

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		For the Year Ended December 31			
		2021		2020	
Code		Amount	%	Amount	%
	OTHER COMPREHENSIVE INCOME (Notes 20, 21 and 24)				
	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(\$ 3,847)	-	\$ 2,919	-
8316	Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	25,830	-	(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>
8310		<u>22,752</u>	<u>-</u>	<u>207</u>	<u>-</u>
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations	(34,820)	-	43,065	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>5,911</u>	<u>-</u>	<u>(8,257)</u>	<u>-</u>
8360		<u>(28,909)</u>	<u>-</u>	<u>34,808</u>	<u>-</u>
8300	Other comprehensive gain (loss) for the year, net of income tax	<u>(6,157)</u>	<u>-</u>	<u>35,015</u>	<u>-</u>
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 451,622</u>	<u>4</u>	<u>\$ 278,150</u>	<u>3</u>
	NET PROFIT ATTRIBUTABLE TO:				
8610	Owners of the Company	\$ 430,371	4	\$ 216,418	2
8620	Non-controlling interests	<u>27,408</u>	<u>-</u>	<u>26,717</u>	<u>-</u>
8600		<u>\$ 457,779</u>	<u>4</u>	<u>\$ 243,135</u>	<u>2</u>
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
8710	Owners of the Company	\$ 427,733	4	\$ 251,900	3
8720	Non-controlling interests	<u>23,889</u>	<u>-</u>	<u>26,250</u>	<u>-</u>
8700		<u>\$ 451,622</u>	<u>4</u>	<u>\$ 278,150</u>	<u>3</u>
	EARNINGS PER SHARE (Note 25)				
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 consolidated financial statements.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

Equity Attributable to Owners of the Company												
						Other Equity						
Retained Earnings						Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury stock	Subtotal	Non-Controlling Interests	Total Equity	
Code		Share Capital	Capital Surplus	Legal Reserve	Special Reserve							Unappropriated Earnings
A1	BALANCE AT JANUARY 1, 2020	\$ 1,000,044	\$ 2,062,749	\$ 384,739	\$ 241,873	\$ 430,963	(\$ 299,667)	(\$ 44,654)	(\$ 52,264)	\$ 3,723,783	\$ 134,569	\$ 3,858,352
	Appropriation of 2019 earnings (Note 21)											
B1	Legal reserve	-	-	20,850	-	(20,850)	-	-	-	-	-	-
B3	Special reserve	-	-	-	102,448	(102,448)	-	-	-	-	-	-
B5	Cash dividends distributed by the Company (\$1.3 per share)	-	-	-	-	(127,313)	-	-	-	(127,313)	-	(127,313)
		-	-	20,850	102,448	(250,611)	-	-	-	(127,313)	-	(127,313)
D1	Net profit for the year ended December 31, 2020	-	-	-	-	216,418	-	-	-	216,418	26,717	243,135
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	2,335	35,275	(2,128)	-	35,482	(467)	35,015
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	218,753	35,275	(2,128)	-	251,900	26,250	278,150
O1	Decrease in non-controlling interests (Note 21)	-	-	-	-	-	-	-	-	-	(5,922)	(5,922)
L1	Treasury stock service charge refund	-	-	-	-	-	-	-	2	2	-	2
Z1	BALANCE AT DECEMBER 31, 2020	1,000,044	2,062,749	405,589	344,321	399,105	(264,392)	(46,782)	(52,262)	3,848,372	154,897	4,003,269
	Appropriation of 2020 earnings (Note 21)											
B1	Legal reserve	-	-	21,875	-	(21,875)	-	-	-	-	-	-
B3	Special reserve	-	-	-	(33,147)	33,147	-	-	-	-	-	-
B5	Cash dividends distributed by the Company (\$1.3 per share)	-	-	-	-	(127,313)	-	-	-	(127,313)	-	(127,313)
		-	-	21,875	(33,147)	(116,041)	-	-	-	(127,313)	-	(127,313)
C15	Capital Surplus distribute to Cash dividends (\$0.3 per share)	-	(29,380)	-	-	-	-	-	-	(29,380)	-	(29,380)
D1	Net profit for the year ended December 31, 2021	-	-	-	-	430,371	-	-	-	430,371	27,408	457,779
D3	Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(3,078)	(25,390)	25,830	-	(2,638)	(3,519)	(6,157)
D5	Total comprehensive income for the year ended December 31, 2021	-	-	-	-	427,293	(25,390)	25,830	-	427,733	23,889	451,622
M5	From difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal (Note 21)	-	6,777	-	-	-	-	-	-	6,777	(55,649)	(48,872)
N1	Share-based Payment (Note 26)	-	8,588	-	-	-	-	-	12,034	20,622	-	20,622
O1	Decrease in non-controlling interests (Note 21)	-	-	-	-	-	-	-	-	-	(13,450)	(13,450)
Z1	BALANCE AT DECEMBER 31, 2021	\$ 1,000,044	\$ 2,048,734	\$ 427,464	\$ 311,174	\$ 710,357	(\$ 289,782)	(\$ 20,952)	(\$ 40,228)	\$ 4,146,811	\$ 109,687	\$ 4,256,498

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

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

Code		For the Years Ended December 31	
		2021	2020
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit before income tax	\$ 714,497	\$ 334,357
A20010	Adjustments for:		
A20100	Depreciation expense	292,775	307,671
A20200	Amortization expense	32,980	37,325
A20300	Gain on reversal of expected credit loss	(2,990)	(2,695)
A20400	Gain on financial instruments at fair value through profit or loss	(52,699)	(86,994)
A20900	Finance costs	26,748	34,278
A21200	Interest income	(11,832)	(11,288)
A21300	Dividend income	(10,136)	(5,928)
A21900	Compensation cost of employee share options	8,588	-
A22500	Loss on disposal of property, plant and equipment	3,863	2,862
A23700	Inventories losses	130,373	125,682
A24100	Unrealized gain on foreign exchange	(11,100)	(26,406)
A29900	Gain on compensation of relocation	(293,302)	-
A29900	Others	13,772	2,089
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	41,984	(128,531)
A31150	Accounts receivable	(218,705)	(228,491)
A31180	Other receivables	18,749	(10,730)
A31200	Inventories	(252,038)	(191,546)
A31240	Other current assets	91,077	(14,987)
A32130	Notes payable	30,633	109,217
A32150	Accounts payable	167,482	98,029
A32180	Other payables	93,220	23,121
A32230	Other current liabilities	612	1,801
A32240	Net defined benefit liabilities	(11,127)	(21,718)
A33000	Cash generated from operations	803,424	347,118
A33100	Interest received	12,982	11,288
A33200	Dividends received	10,136	5,928
A33300	Interest paid	(23,748)	(36,052)
A33500	Income tax paid	(146,969)	(125,340)
AAAA	Net cash generated from operating activities	<u>655,825</u>	<u>202,942</u>

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WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

Code		For the Years Ended December 31	
		2021	2020
	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	(725,220)	(93,077)
B00200	Disposal of financial assets at fair value through profit or loss	690,904	-
B02700	Payments for property, plant and equipment	(201,682)	(170,820)
B02800	Proceeds from disposal of property, plant and equipment	2,728	5,117
B02900	Deferred Income	-	112,431
B03700	Refundable deposits paid	(9,570)	(4,574)
B03800	Refundable deposits refunded	2,735	4,218
B04500	Acquisitions of Intangible assets	(38,899)	(43,404)
B04600	Disposal of Intangible assets	696	-
B05350	Acquisitions of right-of-use assets	-	(8,590)
B06500	Increase in other financial assets	(26,550)	(5,911)
B06700	Decrease in other noncurrent assets	-	528
BBBB	Net cash used in investing activities	(<u>451,527</u>)	(<u>204,082</u>)
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00100	Increase in short-term borrowings	81,362	75,953
C00500	Increase in short-term bills payable	90,000	10,000
C03100	Decrease in guarantee deposits received	(294)	(367)
C04020	Repayment of the principal portion of lease liabilities	(48,791)	(33,190)
C04500	Cash dividends	(156,693)	(127,315)
C04900	Treasury Stock Service Charge Refund	-	2
C05000	Treasury Stock tranferred to employee	12,034	-
C05400	Payment of ownership interests in subsidiaries	(48,872)	-
C05800	Change in non-controlling interests	(<u>13,450</u>)	(<u>5,922</u>)
CCCC	Net cash used in financing activities	(<u>84,704</u>)	(<u>80,839</u>)
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	(<u>35,482</u>)	<u>47,393</u>
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	84,112	(34,586)
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,136,859</u>	<u>1,171,445</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,220,971</u>	<u>\$ 1,136,859</u>

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

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

1. ORGANIZATION

Wah Hong Industrial Corporation (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 consolidated financial statements, which include the Company and its subsidiaries (collectively, the “Group”), are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Company’s board of directors on March 18, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2021

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

Note 1: The amendments to IFRS 9 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.

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 consolidated financial statements were authorized for issue, the Group 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. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “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 Group 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 Group 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 Group 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 Group 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 Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group 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 impacts, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

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

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

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

c. Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;

- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

The detailed information of subsidiaries (including the percentage of ownership and main business) is referred to Note 12, Tables 7 and 8.

e. Foreign Currencies

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

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

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

exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the New Taiwan dollar at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

f. 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.

g. Investments in Associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associat. The Group also recognizes the changes in the Group's share of the equity of associate.

The Group 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 Group 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 Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, Plant, and Equipment

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

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

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

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

i. 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 property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating unit on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial Instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL; such assets include debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and guarantee deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instruments at an amount equal to 12-month ECLs.

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

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

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial

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

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.

l. Revenue Recognition

The Group 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. Receive in advance of sales of goods is recognized as a contract liability.

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

m. Leasing

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

1) The Group 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 Group as lessee

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

Right-of-use assets are initially measured at cost, 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 the rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

n. Borrowing Costs

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

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 those stated above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

o. Government Grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group 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 Group 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 remeasurement) 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. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. 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 each tax jurisdiction.

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimate of Deferred Income Tax

The amount of deferred income tax which affected by the deficit and deferred tax assets was NT\$13,748 thousand and NT\$16,582 thousand for the years ended December 31, 2021 and 2020, respectively. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Moreover, 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	\$ 1,152	\$ 1,120
Checking accounts	70	75
Demand deposits	800,433	737,761
Cash equivalents		
Time deposits with original		
maturities of 3 months or less	419,316	397,903
	<u>\$1,220,971</u>	<u>\$1,136,859</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash equivalents		
Time deposits with original		
maturities of 3 months or less		
(%)	0.15 - 3.50	1.15 - 4.50

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets - current		
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	140,818	174,518
Guaranteed floating income		
financial products	266,350	148,612
	<u>\$407,448</u>	<u>\$323,235</u>

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

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

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2021			
Sell forward exchange contracts	USD to NTD	2022.01-2022.02	USD2,000/TWD55,593
December 31, 2020			
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 23.

- b. RMB structured time deposit contracts entered into between the consolidated company and the banks for the years ended December 31, 2021 and 2020. The structured time deposits include an embedded derivative that is not closely related to the main contract. Because the main contract included in the hybrid contract is an asset within the scope of IFRS 9, the overall hybrid contract evaluation is mandatorily to be classified as measured at fair value through profit or loss.

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

	December 31, 2021	December 31, 2020
Equity instruments		
Domestic Listed shares	\$183,933	\$ -
Domestic Unlisted shares	78,070	89,368
Foreign Unlisted shares	2,373	2,509
	<u>\$264,376</u>	<u>\$ 91,877</u>

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHERS RECEIVABLE

	December 31, 2021	December 31, 2020
Notes receivable		
At amortized cost		
Gross carrying amount	\$ 270,628	\$ 312,612
Less: Allowance for impairment loss	1,561	1,607
	<u>\$ 269,067</u>	<u>\$ 311,005</u>
Accounts receivable		
At amortized cost		
Gross carrying amount	\$3,663,388	\$3,444,683
Less: Allowance for impairment loss	12,488	11,053
	<u>\$3,650,900</u>	<u>\$3,433,630</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Others receivable		
At amortized cost		
Gross carrying amount (Note 23)	\$ 307,107	\$ 58,042
Less: Allowance for impairment loss	<u>11,235</u>	<u>15,752</u>
	<u>\$ 295,872</u>	<u>\$ 42,290</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 Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off receivables when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation. For receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

	<u>December 31, 2021</u>				
	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	\$3,923,085	\$ 9,459	\$ -	\$ 1,472	\$3,934,016
Loss allowance (lifetime ECLs)	(<u>11,630</u>)	(<u>947</u>)	<u>-</u>	(<u>1,472</u>)	(<u>14,049</u>)
Amortized cost	<u>\$3,911,455</u>	<u>\$ 8,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,919,967</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	\$3,749,977	\$ 5,845	\$ -	\$ 1,473	\$3,757,295
Loss allowance (lifetime ECLs)	(10,846)	(341)	-	(1,473)	(12,660)
Amortized cost	<u>\$3,739,131</u>	<u>\$ 5,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,744,635</u>

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

	For the Year Ended December 31					
	2021			2020		
	Notes receivable	Accounts receivable	Others receivable	Notes receivable	Accounts receivable	Others receivable
Balance at January 1	\$ 1,607	\$11,053	\$15,752	\$ 1,289	\$32,280	\$34,696
Impairment losses recognized (Reversal)	(37)	1,465	(4,418)	297	725	(3,717)
Amounts written off	-	-	-	-	(21,416)	(15,307)
Foreign exchange translation losses	(9)	(30)	(99)	21	(536)	80
Balance at December 31	<u>\$ 1,561</u>	<u>\$12,488</u>	<u>\$11,235</u>	<u>\$ 1,607</u>	<u>\$11,053</u>	<u>\$15,752</u>

10. INVENTORIES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 802,490	\$ 732,760
Work in process	33,896	23,364
Finished goods	467,147	425,162
	<u>\$1,303,533</u>	<u>\$1,181,286</u>

The costs of inventories recognized in cost of goods sold for the years ended December 31, 2021 and 2020 were NT\$9,723,749 thousand and NT\$9,214,879 thousand respectively, which included the following items:

	For the Year Ended December 31	
	<u>2021</u>	<u>2020</u>
Loss of market price decline and obsolete and slow-moving inventories (Gain on reversal)	\$ 4,010	(\$ 31,798)
Revenue from the sale of scraps	(7,806)	(8,325)
Inventory losses	126,363	157,480
Unallocated manufacturing cost	99,807	138,221
	<u>\$222,374</u>	<u>\$255,578</u>

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

11. OTHER FINANCIAL ASSETS – CURRENT

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Restricted time deposits	\$ 4,341	\$ 6,547
Time deposits with original maturities of more than 3 months	<u>36,224</u>	<u>7,468</u>
	<u>\$ 40,565</u>	<u>\$ 14,015</u>
Market rate (%)	1.96~2.10	2

Refer to Note 30 for information of time deposits pledged as collateral.

12. SUBSIDIARIES

The subsidiaries in the consolidated financial statements

The detailed information of the subsidiaries at the end of the reporting period was as follows:

Investor	Investee	Main Businesses and Products	Percentage of Ownership	
			December 31, 2021	December 31, 2020
The Company	Wah Hong Holding Ltd.	International investment business	100	100
	PT. Wah Hong Indonesia ("WH Indonesia")	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	99	99
Wah Hong Holding Ltd.	Wah Hong Technology Ltd.	International investment business	100	100
	Wah Hong International Ltd.	International investment business	100	100
	Granite International Ltd.	International trading business	100	100
	Wah Hong Development Ltd.	International investment business	100	100
	Smart Succeed Ltd.	International trading business	100	100
	Allied Royal LLC.	International investment business	67.5	67.5
	Wah Ma Technology Sdn. Bhd.	Production and trading business of BMC (bulk molding compound) material and molded product	100 (Note 1)	60
Wah Hong Technology Ltd.	PT. Wah Hong Indonesia ("WH Indonesia")	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	1	1
	SIP Chang Hong Optoelectronics Ltd. ("SIP Chang Hong")	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	100	100
	SIP Chang Jun Trading Limited ("SIP Chang Jun")	Trading of BMC materials and Molding products, LCD materials (Diffusion, Reflection films etc)	100	100
	Ningbo Changhong Optoelectronics Ltd. ("Ningbo Changhong")	Production and trading of panel display compound and LCD optical film etc.	100	100
	Qingdao Changhong Optoelectronics Ltd. ("Qingdao Changhong")	Production and trading of panel display compound and LCD optical film etc.	100	100
Wah Hong International Ltd.	Sun Hong Optronics Ltd. ("Sun Hong")	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	100	100
	Xiamen Guang Hong Electronics Co., Ltd. ("Xiamen G&H")	Production and trading of panel display compound and LCD optical film etc.	100	100
Allied Royal LLC.	Suzhou Shanji Photoelectric Co., Ltd. ("Suzhou Shanji")	Production and trading business of LCD material	100	100
	Best Honor Inc.	Trading business of LCD material	100	100

Investor	Investee	Main Businesses and Products	Percentage of Ownership	
			December 31, 2021	December 31, 2020
SIP Chang Hong	Chang Hong (HK) Optronics Limited ("Chang Hong (HK)")	Trading business of LCD material, BMC (bulk molding compound) material and molded product	100	100
Ningbo Changhong	Ningbo Changli New Material Limited ("Ningbo Changli")	Trading business of LCD material, BMC (bulk molding compound) material and molded product	100 (Note 2)	-

Note 1: The ownership percentage in Wah Ma Technology Sdn. Bhd increased from 60% to 100% due to the subscription of the Company for additional new shares of Wah Ma Technology Sdn. Bhd at NT\$48,872 thousand (US\$1,723 thousand) in April 2021. As the transaction did not change the control of the Group over Wah Ma Technology Sdn. Bhd, the Group processed the equity transaction by increasing capital surplus by NT\$6,777 thousand..

Note 2: In 2021, the Group invested NT\$6,500 thousand (RMB1,500 thousand) in Ningbo Changli New Material Limited which was established in mainland China by Ningbo Changhong Optoelectronics Ltd.

13. PROPERTY, PLANT AND EQUIPMENT

- a. Changes of cost, accumulated depreciation and accumulated impairment were as follows:

For the year ended December 31, 2021

	Land	Buildings	Machinery and Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
Cost						
Balance at January 1, 2021	\$ 203,667	\$ 1,711,995	\$ 2,395,159	\$ 449,055	\$ 91,194	\$ 4,851,070
Additions	-	96,388	50,686	34,856	17,557	199,487
Disposals	-	(142,945)	(81,181)	(14,017)	-	(238,143)
Effect of foreign currency exchange differences	(126)	(7,115)	(21,094)	(2,235)	(280)	(30,850)
Balance at December 31, 2021	<u>\$ 203,541</u>	<u>\$ 1,658,323</u>	<u>\$ 2,343,570</u>	<u>\$ 467,659</u>	<u>\$ 108,471</u>	<u>\$ 4,781,564</u>
Accumulated depreciation						
Balance at January 1, 2021	\$ -	\$ 910,713	\$ 1,752,159	\$ 322,329	\$ -	\$ 2,985,201
Depreciation expense	-	85,437	126,509	26,749	-	238,695
Disposals	-	(66,002)	(73,395)	(12,030)	-	(151,427)
Effect of foreign currency exchange differences	-	(3,718)	(17,200)	(1,756)	-	(22,674)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 926,430</u>	<u>\$ 1,788,073</u>	<u>\$ 335,292</u>	<u>\$ -</u>	<u>\$ 3,049,795</u>
Accumulated impairment						
Balance at January 1, 2021	\$ -	\$ -	\$ 79,352	\$ 18,760	\$ -	\$ 98,112
Disposals	-	-	(2,229)	-	-	(2,229)
Effect of foreign currency exchange differences	-	-	(18)	(13)	-	(31)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,105</u>	<u>\$ 18,747</u>	<u>\$ -</u>	<u>\$ 95,852</u>
Carrying amount at December 31, 2021	<u>\$ 203,541</u>	<u>\$ 731,893</u>	<u>\$ 478,392</u>	<u>\$ 113,620</u>	<u>\$ 108,471</u>	<u>\$ 1,635,917</u>

For the year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
Cost						
Balance at January 1, 2020	\$ 203,937	\$ 1,679,926	\$ 2,381,945	\$ 451,433	\$ 36,811	\$ 4,754,052
Additions	-	30,854	66,591	26,577	52,987	177,009
Disposals	-	(11,946)	(76,269)	(30,593)	-	(118,808)
Effect of foreign currency exchange differences	(270)	13,161	22,892	1,638	1,396	38,817
Balance at December 31, 2020	<u>\$ 203,667</u>	<u>\$ 1,711,995</u>	<u>\$ 2,395,159</u>	<u>\$ 449,055</u>	<u>\$ 91,194</u>	<u>\$ 4,851,070</u>
Accumulated depreciation						
Balance at January 1, 2020	\$ -	\$ 832,479	\$ 1,650,437	\$ 325,276	\$ -	\$ 2,808,192
Depreciation expense	-	81,419	160,840	24,249	-	266,508
Disposals	-	(10,554)	(70,975)	(28,678)	-	(110,207)
Effect of foreign currency exchange differences	-	7,369	11,857	1,482	-	20,708
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 910,713</u>	<u>\$ 1,752,159</u>	<u>\$ 322,329</u>	<u>\$ -</u>	<u>\$ 2,985,201</u>
Accumulated impairment						
Balance at January 1, 2020	\$ -	\$ -	\$ 79,546	\$ 19,098	\$ -	\$ 98,644
Disposals	-	-	(245)	(377)	-	(622)
Effect of foreign currency exchange differences	-	-	51	39	-	90
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,352</u>	<u>\$ 18,760</u>	<u>\$ -</u>	<u>\$ 98,112</u>
Carrying amount at December 31, 2020	<u>\$ 203,667</u>	<u>\$ 801,282</u>	<u>\$ 563,648</u>	<u>\$ 107,966</u>	<u>\$ 91,194</u>	<u>\$ 1,767,757</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Investing activities affected cash and cash equivalents		
Additions to property, plant and equipment	\$199,487	\$177,009
Decrease (increase) in payables for equipment (under other payables)	<u>2,195</u>	<u>(6,189)</u>
Cash paid for acquire the property, plant and equipment	<u>\$201,682</u>	<u>\$170,820</u>

b. Estimated useful life:

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 - 20 years
Decoration and Design	3 - 10 years
Electrical and mechanical work	2 - 8 years
Machinery equipment	6 - 10 years
Other equipment	3 - 15 years

c. Refer to Note 30 for the carrying amount of property, plant and equipment pledged as collateral for borrowings.

- d. Refer to Note 23 for the information about the right-of-use land and plant in Jiaozhou City, Shandong Province, China was finished acquisition and relocation in October 2021.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amounts		
Land	\$ 48,438	\$ 60,315
Buildings	<u>134,738</u>	<u>64,509</u>
	<u>\$183,176</u>	<u>\$124,824</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$127,675</u>	<u>\$ 43,822</u>
Depreciation of right-of-use assets		
Land	\$ 1,955	\$ 2,024
Buildings	<u>52,125</u>	<u>39,139</u>
	<u>\$ 54,080</u>	<u>\$ 41,163</u>

The new lease agreement of plant rental in Jiaozhou City for Qingdao Changhong Optoelectronics Ltd. is 10 years and maturity in December 2030.

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets in 2021 and 2020.

b. Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amounts		
Current portion	<u>\$47,326</u>	<u>\$ 19,790</u>
Noncurrent portion	<u>\$83,942</u>	<u>\$31,068</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Buildings	1.80 - 2.03	1.78 - 1.89

c. Material leasing activities and terms

The Group leases abovementioned subjects for the use of plants and offices with lease terms of 1 to 50 years, which will expire to May 2056.

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>\$ 24,639</u>	<u>\$ 21,123</u>
Expenses relating to low-value asset leases	<u>\$ 1,325</u>	<u>\$ 1,267</u>
Total cash outflow for leases	<u>\$ 77,435</u>	<u>\$ 65,262</u>

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

15. SHORT-TERM BORROWINGS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured borrowings		
Procurement Loans	\$ 277,830	\$ 399,587
Revolving Loans	<u>822,226</u>	<u>618,292</u>
	<u>\$1,100,056</u>	<u>\$1,017,879</u>
Annual interest rate (%)	0.66 - 3.13	0.76 - 4.30

16. SHORT-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.

17. NOTES PAYABLE AND ACCOUNTS PAYABLE

Notes payable and accounts payable are mainly related to operating activities.

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

18. OTHER PAYABLES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payable for salaries or bonuses	\$191,837	\$190,268
Payable for employees' compensation and remuneration to directors	102,943	46,308
Payable for packing fees	47,421	49,805
Payable for annual leave bonuses	27,863	22,314
Payable for freight fee	27,330	25,364
Payable for die-cut fees	25,092	32,504
Payable for equipment	13,012	15,207
Payable for tax	6,342	16,305
Others	<u>230,117</u>	<u>181,934</u>
	<u>\$671,957</u>	<u>\$580,009</u>

19. LONG-TERM BORROWINGS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured borrowings (Note 30)</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.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

Subsidiaries which in mainland China are required by local regulations to make contributions to central provident fund and retirement insurance, which are also considered defined contribution plans.

Furthermore, Wah Ma Technology Sdn. Bhd. and PT. Wah Hong Indonesia also make monthly contributions at certain percentages of the basic salary of their employees.

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 consolidated balance sheets in respect of the Group'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	(<u>68,202</u>)	(<u>63,362</u>)
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)
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>2,589</u>
Recognized in other comprehensive income	<u>4,586</u>	(<u>739</u>)	<u>3,847</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
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

21. EQUITY

a. Share capital

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Number of authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Amount 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>
Amount of issued 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 transferred to share capital (Note)		
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	<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 NT\$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 arising on translation of foreign operations	(31,301)	43,532
Tax arising on translation of foreign operations	<u>5,911</u>	(<u>8,257</u>)
Balance at December 31	<u>(\$289,782)</u>	<u>(\$264,392)</u>

2) Unrealized 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. Non-Controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$154,897	\$134,569
Other comprehensive income (loss) during the year		
Net profit for the year	\$27,408	\$26,717
Exchange difference on translating the financial statements of foreign operations	(3,519)	(467)
Cash dividends distributed from subsidiaries	(13,450)	(5,922)
Acquisition, of non-controlling interests from subsidiaries	(<u>55,649</u>)	<u>-</u>
Balance at December 31	<u>\$109,687</u>	<u>\$154,897</u>

g. 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 \$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 26. 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.

22. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sale of goods	\$ 10,950,279	\$ 10,299,119
Other operating revenue	<u>18,887</u>	<u>13,311</u>
	<u>\$ 10,969,166</u>	<u>\$ 10,312,430</u>

a. Refer Note 4 for the description of accounting policy for revenue from contracts with customers.

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable and Accounts receivable (including related parties) (Note 9)	<u>\$ 3,919,967</u>	<u>\$ 3,744,635</u>	<u>\$ 3,388,120</u>
Contract liabilities (classified under other current liabilities)			
Sale of goods	<u>\$ 12,669</u>	<u>\$ 11,133</u>	<u>\$ 9,191</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the date the Group fulfills its performance obligation and the date the customer's payment is received.

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

	For the Year Ended December 31	
	2021	2020
Sale of goods	<u>\$ 10,831</u>	<u>\$ 7,965</u>

c. Disaggregation of revenue by products

For the year ended December 31, 2021

Types	Reportable Segments				Total
	Taiwan	South China	East China	Others	
Revenue from sale of goods	\$ 2,238,422	\$ 2,861,409	\$ 5,707,504	\$ 142,944	\$ 10,950,279
Construction revenue	<u>1,383</u>	<u>14,419</u>	<u>2,820</u>	<u>265</u>	<u>18,887</u>
	<u>\$ 2,239,805</u>	<u>\$ 2,875,828</u>	<u>\$ 5,710,324</u>	<u>\$ 143,209</u>	<u>\$ 10,969,166</u>

For the year ended December 31, 2020

Types	Reportable Segments				Total
	Taiwan	South China	East China	Others	
Revenue from sale of goods	\$ 1,655,719	\$ 3,001,116	\$ 5,524,200	\$ 117,816	\$ 10,298,851
Construction revenue	<u>1,759</u>	<u>7,837</u>	<u>3,834</u>	<u>149</u>	<u>13,579</u>
	<u>\$ 1,657,478</u>	<u>\$ 3,008,953</u>	<u>\$ 5,528,034</u>	<u>\$ 117,965</u>	<u>\$ 10,312,430</u>

23. NET PROFIT

a. Interest Income

	For the Year Ended December 31	
	2021	2020
Bank deposits	<u>\$ 11,832</u>	<u>\$ 11,288</u>

b. Other Income

	For the Year Ended December 31	
	2021	2020
Net income of demolition and compensation	\$293,302	\$ -
Government grants	5,322	7,435
Rental income	8,055	6,141
Dividends	10,136	5,928
Others	<u>8,535</u>	<u>18,843</u>
	<u>\$325,350</u>	<u>\$ 38,347</u>

Since the land planning for Jiaozhou City, Shandong Province, China the board of directors signed the agreement with the committee of Qingdao DaGuHe Tourist & Holiday Resort and Qingdao Shao Hai Intelligent Technology Co., Ltd. for demolition compensation and acquired the right-of-use for the land with RMB\$87,705 thousand in May 2020. As of December 31, 2020, the Group received RMB\$26,312 thousand (NTD\$114,845 thousand) for the compensation income under deferred income.

The details of net compensation income which was recognized in October 2021 for the Qingdao Changhong Optoelectronics Ltd was as follows:

	For the Year Ended December 31, 2021
Compensation income (RMB\$87,705 thousand)	\$381,746
Less: Net obsolescence of property, plant and equipment	72,841
Carrying amount of right-of-use of lands	12,424
Demolition expenses	<u>3,179</u>
Net income of demolition and compensation	<u>\$293,302</u>

As at December 31, 2021, the abovementioned outstanding balance of compensation was RMB\$61,393 thousand (NTD\$266,541 thousand) under other receivables and RMB\$52,623 thousand was received on January, 2022 which included in others receivable included.

c. Other Gains and Losses

	For the Year Ended December 31	
	2021	2020
Fair value changes of financial assets designated as at FVTPL	\$ 52,182	\$ 86,994
Net foreign exchange loss	(9,013)	(31,405)
Gains on disposals of property, plants and equipment	(3,863)	(2,862)
Others	(<u>5,286</u>)	(<u>1,004</u>)
	<u>\$ 34,020</u>	<u>\$ 51,723</u>

d. Financial costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 20,135	\$ 29,254
Interest on lease liabilities	2,680	1,092
Other interest expenses	<u>3,933</u>	<u>3,932</u>
	<u>\$ 26,748</u>	<u>\$ 34,278</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$238,695	\$266,508
Right-of-use assets	54,080	41,163
Intangible assets	<u>32,980</u>	<u>37,325</u>
	<u>\$325,755</u>	<u>\$344,996</u>

An analysis of depreciation by function

Operating costs	\$261,982	\$284,973
Operating expenses	<u>30,793</u>	<u>22,698</u>
	<u>\$292,775</u>	<u>\$307,671</u>

An analysis of amortization by function

Operating costs	\$ 1,838	\$ 1,804
Operating expenses	<u>31,142</u>	<u>35,521</u>
	<u>\$ 32,980</u>	<u>\$ 37,325</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	<u>\$1,123,430</u>	<u>\$ 993,169</u>
Post-employment benefits		
Defined contribution plans	47,520	25,746
Defined benefit plans (Note 20)	<u>994</u>	<u>1,377</u>
	<u>48,514</u>	<u>27,123</u>
	<u>\$1,171,944</u>	<u>\$1,020,292</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 719,832	\$ 625,745
Operating expenses	<u>452,112</u>	<u>394,547</u>
	<u>\$1,171,944</u>	<u>\$1,020,292</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, 2020 and 2019 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
Accrual rate		
Employees' compensation (%)	15	15
Remuneration of directors and supervisors (%)	2.5	2.5
CASH		
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 consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

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

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

24. INCOME TAX

a. The major components of income tax expense

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$222,473	\$135,226
Adjustments for prior years	(1,052)	(1,681)
	<u>221,421</u>	<u>133,545</u>
Deferred tax		
In respect of the current year	17,730	(42,323)
Adjustments for prior years	<u>17,567</u>	<u>-</u>
	<u>35,297</u>	<u>(42,323)</u>
	<u>\$256,718</u>	<u>\$ 91,222</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$714,497</u>	<u>\$334,357</u>
Income tax expense calculated at the statutory rate	\$267,484	\$146,160
Tax effect of adjusting items:		
Deductible income in determining taxable income	(55,166)	(16,258)
Temporary differences	9,357	(39,193)
Unrecognised loss carryforwards	18,528	2,194
Adjustments for prior years	<u>16,515</u>	<u>(1,681)</u>
	<u>\$256,718</u>	<u>\$ 91,222</u>

b. Income tax benefit recognized in other comprehensive (expenses)

	For the Year Ended December 31	
	2021	2020
Deferred tax benefit		
In respect of the current year		
Translation difference of foreign operations in financial statements	\$ 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. Current tax assets and liabilities

	December 31, 2021	December 31, 2020
Current tax assets		
Income tax refundable	<u>\$ 1,078</u>	<u>\$ 981</u>
Current tax liabilities		
Income tax payable	<u>\$ 99,094</u>	<u>\$ 22,204</u>

d. Deferred tax assets and liabilities

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

For the Year Ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Defined benefit plans	\$ 15,935	(\$ 2,224)	\$ 769	\$ -	\$ 14,480
Impairment loss of property, plant and equipment	4,294	(2,321)	-	(2)	1,971
Unrealized loss on inventories	26,005	1,998	-	(42)	27,961
Unrealised profits and losses with subsidiary	9,347	(1,182)	-	-	8,165
Foreign operations loss and exchange differences	8,666	-	5,911	-	14,577
Others	<u>14,645</u>	<u>(6,156)</u>	<u>-</u>	<u>396</u>	<u>8,885</u>
	78,892	(9,885)	6,680	352	76,039
Loss carryforwards	<u>82,468</u>	<u>(26,439)</u>	<u>-</u>	<u>(171)</u>	<u>55,858</u>
	<u>\$ 161,360</u>	<u>(\$ 36,324)</u>	<u>\$ 6,680</u>	<u>\$ 181</u>	<u>\$ 131,897</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	20,278	-	-	-	20,278
Others	<u>1,480</u>	<u>-</u>	<u>-</u>	<u>(95)</u>	<u>1,385</u>
	<u>\$ 231,540</u>	<u>(\$ 270)</u>	<u>\$ -</u>	<u>(\$ 95)</u>	<u>\$ 231,175</u>

For the Year Ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Defined benefit plans	\$ 19,590	(\$ 3,071)	(\$ 584)	\$ -	\$ 15,935
Impairment loss of property, plant and equipment	7,271	(2,980)	-	3	4,294
Unrealized loss on inventories	32,961	(7,075)	-	119	26,005
Unrealised profits and losses with subsidiary	11,926	(2,579)	-	-	9,347
Foreign operations loss and exchange differences	16,923	-	(8,257)	-	8,666
Others	<u>15,654</u>	<u>(1,065)</u>	<u>-</u>	<u>56</u>	<u>14,645</u>
	104,325	(16,770)	(8,841)	178	78,892
Loss carryforwards	<u>72,602</u>	<u>\$ 9,879</u>	<u>-</u>	<u>(13)</u>	<u>82,468</u>
	<u>\$ 176,927</u>	<u>(\$ 6,891)</u>	<u>(\$ 8,841)</u>	<u>\$ 165</u>	<u>\$ 161,360</u>
<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	20,278	-	-	-	20,278
Others	<u>2,175</u>	<u>(635)</u>	<u>-</u>	<u>(60)</u>	<u>1,480</u>
	<u>\$ 280,814</u>	<u>(\$ 49,214)</u>	<u>\$ -</u>	<u>(\$ 60)</u>	<u>\$ 231,540</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Loss Carryforwards		
Expiry in 2022	\$ 3,658	\$ 3,484
Expiry in 2023	4,759	4,385
Expiry in 2025	11,704	37,850
Expiry in 2026	<u>25,252</u>	<u>-</u>
	<u>\$45,373</u>	<u>\$45,719</u>
Deductible temporary differences	<u>\$11,236</u>	<u>\$22,456</u>

- f. Information about unused loss carryforwards

As of December 31, 2021, the loss carryforwards comprise of:

<u>NT\$</u>	<u>Expiry Year</u>
\$ 3,658	2022
4,759	2023
11,704	2025
25,252	2026
108,040	2027
<u>171,248</u>	2028
<u>\$ 324,661</u>	

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

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

- h. Income tax assessments

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

25. EARNINGS PER SHARE (EPS)

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

- a. Net profit for the year attributable to the owners of the Company

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
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)

	For the Year Ended December 31	
	2021	2020
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 Group offers to settle the employees' compensation in cash or shares; thus, the Group 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.

26. 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 \$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	\$35.25
Exercised price	\$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	\$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 \$8,588 thousand.

27. CAPITAL MANAGEMENT

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

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

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

The Group is not subject to any externally imposed capital requirements, except those discussed in Note 19.

28. 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

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivatives	\$ -	\$ 280	\$ -	\$ 280
Domestic listed shares	140,818	-	-	140,818
Guaranteed floating income financial products	-	-	266,350	266,350
	<u>\$ 140,818</u>	<u>\$ 280</u>	<u>\$ 266,350</u>	<u>\$ 407,448</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic unlisted shares	\$ 183,933	\$ -	\$ -	\$ 183,933
Foreign unlisted shares	-	-	78,070	78,070
Domestic listed shares	-	-	2,373	2,373
	<u>\$ 183,933</u>	<u>\$ -</u>	<u>\$ 80,443</u>	<u>\$ 264,376</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivatives	\$ -	\$ 105	\$ -	\$ 105
Domestic listed shares	174,518	-	-	174,518
Guaranteed floating income financial products	-	-	148,612	148,612
	<u>\$ 174,518</u>	<u>\$ 105</u>	<u>\$ 148,612</u>	<u>\$ 323,235</u>
<u>Financial assets at FVTOCI</u>				
<u>Investments in equity instruments</u>				
Domestic unlisted shares	\$ -	\$ -	\$ 89,368	\$ 89,368
Foreign unlisted shares	-	-	2,509	2,509
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,877</u>	<u>\$ 91,877</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

	Equity			
	Financial assets at FVTPL		Financial assets at FVTOCI	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
<u>Financial assets</u>				
Balance at January 1	\$ 148,612	\$ 143,033	\$ 91,877	\$ 94,005
Increase in current year	668,506	576,232	-	-
Decrease in current year	(545,853)	(571,181)	-	-
Recognized in income	(2,113)	(2,394)	(11,434)	(2,128)
Net exchange differences	(2,802)	2,922	-	-
Balance at December 31	<u>\$ 266,350</u>	<u>\$ 148,612</u>	<u>\$ 80,443</u>	<u>\$ 91,877</u>

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

Financial Instruments	Valuation Techniques and Inputs
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 Group 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 unlisted shares held by the Group 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.

The estimated fair value of guaranteed with floating income financial products is based on the analysis of cash flow.

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)	\$5,511,150	\$4,964,964
Measured at FVTPL		
Mandatorily measured at FVTPL	407,448	323,235
Financial assets at FVTOCI		
Equity instruments	264,376	91,877
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	4,721,274	4,273,597

Note 1: Including cash and cash equivalents, notes receivable and accounts receivable, other receivable, other financial assets and refundable deposits measured at amortized cost, which comprise.

Note 2: Including short-term borrowings, short-term bills payable, notes payable and accounts payable, other payables, long-term borrowings and guarantee deposits received measured at amortized cost, which comprise.

d. Financial risk management objectives and policies

The Group'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 Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange rates and interest rates), credit risk and liquidity risk.

The Group 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 Group'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 Group did not enter into or trade financial instruments (including derivative financial instruments) for speculative purposes.

1) Market risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group'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 Group on exchange rate risks. It represents management's assessment on reasonably possible scope of foreign exchange rates. The following table details the Group'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 borrowings. 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.

	Currency USD Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	\$ 7,418	\$ 4,037

b) Interest rate risk

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value interest rate risk		
Financial assets	\$ 435,407	\$ 405,371
Financial liabilities	1,150,333	869,446
Cash flow interest rate risk		
Financial assets	824,908	744,308
Financial liabilities	886,522	929,088

Sensitivity analysis

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

The rate of change used internally in reporting interest rates to the management from the Group 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 Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have been lower/higher by NT\$616 thousand and NT\$1,848 thousand, respectively, which was mainly attributable to the Group'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 Group caused by the counterparty's default of contractual obligations. As of the balance sheet date, the Group'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 Group is mainly from:

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantees provided by the Group.

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

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

3) Liquidity risk

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

a) Liquidity risk tables for non-derivative financial liabilities

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

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

	Less than 6 Months	6 Months to 1 Year	1-3 Years	More than 3 Years
December 31, 2021				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$2,790,990	\$ 121,877	\$ 159	\$ 1,755
Lease liabilities	24,884	24,590	33,289	56,555
Variable interest rate liabilities	365,280	7,473	525,942	-
Fixed interest rate liabilities	998,588	21,708	-	-
Financial guarantee contracts	63,433	-	-	-
	<u>\$4,243,175</u>	<u>\$ 175,648</u>	<u>\$ 559,390</u>	<u>\$ 58,310</u>

Lease liabilities further analysis

	Less than 1 Year	1-3 Years	3-5 Years	5-10 Years
Lease liabilities	<u>\$ 49,474</u>	<u>\$ 50,826</u>	<u>\$ 20,447</u>	<u>\$ 18,571</u>
	Less than 6 Months	6 Months to 1 Year	1-3 Years	More than 3 Years
December 31, 2020				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 2,151,362	\$ 374,558	\$ -	\$ -
Lease liabilities	11,939	8,607	29,364	2,400
Variable interest rate liabilities	393,840	4,029	555,912	-
Fixed interest rate liabilities	819,714	-	-	-
Financial guarantee contracts	35,079	-	-	-
	<u>\$3,411,934</u>	<u>\$ 387,194</u>	<u>\$ 585,276</u>	<u>\$ 2,400</u>

Lease liabilities further analysis

	Less than 1 Year	1-3 Years	3-5 Years	5-10 Years
Lease liabilities	<u>\$ 20,546</u>	<u>\$ 26,484</u>	<u>\$ 5,280</u>	<u>\$ -</u>

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 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.

	On Demand or Less than 1 Month	1-3 Months
December 31, 2021		
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>
December 31, 2020		
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>

4) Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in China to some of its suppliers in order to settle the accounts payable to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated accounts payable. However, if the derecognized bills receivable is not paid at maturity, the suppliers have the right to request the Group to pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2021 and 2020, the face amount of these unsettled bills receivable was NT\$63,433 thousand and NT\$35,079 thousand, respectively. The unsettled bills receivable will be due in 1-6 months after December 31. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair value of its continuing involvement is not significant.

During the years ended December 31, 2021 and 2020, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

29. RELATED PARTY TRANSACTIONS

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

a. Name of related parties and relation

<u>Related Parties</u>	<u>Relation with the Group</u>
Wah Lee Industrial Corp.	Investor with significant influence
Wah Lee Japan Corporation	Subsidiary of Investor with significant influence
Shanghai Yikang Chemical Industry Material Limited Company	Subsidiary of Investor with significant influence
DongGuan HuaGang International Trading Co.,Ltd	Subsidiary of 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
Wah Tech Industrial Co., Ltd.	Subsidiary of Investor with significant influence
Tranceed Logistics Co. Ltd	Subsidiary of Investor with significant influence

Related Parties	Relation with the Group
Nagase Wahlee Plastics Corp.	Substantive related party
Daily Polymer Corp.	Substantive related party (became unrelated party since July 2020)
Hightech Polymer Sdn. Bhd.	Substantive related party

b. Operating transactions

1) Sales of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Investor with significant influence and their subsidiaries	<u>\$158,846</u>	<u>\$111,965</u>

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

2) Purchase of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Investor with significant influence and their subsidiaries	\$ 42,085	\$ 28,442
Substantive related parties	<u>767</u>	<u>33,398</u>
	<u>\$ 42,852</u>	<u>\$ 61,840</u>

The prices of purchases from related parties were made under arm's length terms and there were no similar transactions with third parties for comparison. Payment terms were similar to third parties, except the legal person's L/C was 60days.

3) Receivables from related parties

i. Accounts receivable

Related Party Category	December 31, 2021	December 31, 2020
Investor with significant influence and their subsidiaries	<u>\$ 38,261</u>	<u>\$ 37,364</u>

ii. Other receivables

Related Party Category	December 31, 2021	December 31, 2020
Investor with significant influence	\$ 134	\$ 6
Substantive related parties	<u>32</u>	<u>-</u>
	<u>\$ 166</u>	<u>\$ 6</u>

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

4) Payables to related parties

Accounts payable

<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investor with significant influence and their subsidiaries	\$ 27,764	\$ 12,129
Substantive related parties	<u>464</u>	<u>126</u>
	<u>\$ 28,228</u>	<u>\$ 12,255</u>

The outstanding payables to related parties are unsecured.

c. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 41,394	\$ 35,709
Post-employment benefits	<u>306</u>	<u>758</u>
	<u>\$41,700</u>	<u>\$36,467</u>

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

30. ASSETS PLEDGED AS COLLATERAL

The Group provided the following assets (show as net book value) as collaterals for part of borrowings, performance guarantee, endorsements/guarantees for others and customs.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other financial assets		
Deposit account	<u>\$ 4,341</u>	<u>\$ 6,547</u>
Property, plant and equipment		
Land	189,072	189,072
Buildings	<u>135,967</u>	<u>156,084</u>
	<u>325,039</u>	<u>345,156</u>
	<u>\$329,380</u>	<u>\$351,703</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. The Group's unused letters of credit for 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 Group's unrecognized contractual commitment are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of equipment	<u>\$ 14,564</u>	<u>\$ 16,139</u>

c. The details of endorsements and guarantees with related parties refer to 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.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

The following information was summarized according to the foreign currencies other than the functional currency of the Group. 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:

	Foreign Currencies (In Thousands)		Exchange Rate	Carrying Amount (In Thousands)
<u>December 31, 2021</u>				
Foreign currency assets				
Monetary items				
USD	\$ 61,724	27.68	(USD:NTD)	\$ 1,708,513
USD	91,756	6.3757	(USD:RMB)	2,539,801
Foreign currency liabilities				
Monetary items				
USD	51,597	27.68	(USD:NTD)	1,428,200
USD	75,083	6.3757	(USD:RMB)	2,078,299
	Foreign Currencies (In Thousands)		Exchange Rate	Carrying Amount (In Thousands)
<u>December 31, 2020</u>				
Foreign currency assets				
Monetary items				
USD	\$ 54,883	28.48	(USD:NTD)	\$ 1,563,062
USD	90,014	6.5249	(USD:RMB)	2,563,602
Foreign currency liabilities				
Monetary items				
USD	52,224	28.48	(USD:NTD)	1,487,347
USD	78,497	6.5249	(USD:RMB)	2,235,608

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were NT\$9,013 thousand and NT\$31,405 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

33. ADDITIONAL DISCLOSURES

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

	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 Guang Hong	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

- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9

34. SEGMENT INFORMATION

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

- a. WAH HONG Industrial Corporation (Taiwan)

- b. Wah Hong International Ltd., Sun Hong Optronics Ltd. and Xiamen Guang Hong Electronics Co., Ltd. (South China)
- c. Wah Hong Technology Ltd., SIP Chang Hong Optoelectronics Ltd., SIP Chang Jun Trading Limited, Ningbo Changhong Optoelectronics Ltd., Qingdao Changhong Optoelectronics Ltd., Chang Hong (HK) Optronics Limited, Ningbo Changli New Material Limited, Smart Succeed Ltd., Allied Royal LLC., Suzhou Shanji Photoelectric Co., Ltd. and Best Honor Inc (East China)

The abovementioned reportable segments are mainly engaged in the manufacturing and trading of materials of LCD (Diffusion, Reflection films and optical films etc.), new model panel display, materials of Bulk Molding Compounds (BMC) and Molding products, products of carbon graphite, etc.

Other operating segments were as follows:

- Wah Hong Holding Ltd. and Wah Hong Development Ltd. — International investment business
- Granite International Ltd.— International trading business
- Wah Ma Technology Sdn. Bhd.— Manufacturing and trading of BMC materials (Bulk Molding Compounds)and Molding products
- PT. Wah Hong Indonesia - Manufacturing and trading of LCD materials, BMC materials (Bulk Molding Compounds) and Molding products

a. Segment revenue, operating results and assets and liabilities

The following is an analysis of the Group's revenue and results from operations and assets and liabilities by reportable segment:

	Taiwan	South China	East China	Others	Adjustment and Elimination	Total
For the year ended December 31, 2021						
Revenue from external customers	\$ 2,239,805	\$ 2,875,828	\$ 5,710,324	\$ 143,209	\$ -	\$10,969,166
Inter-segment revenue	<u>2,324,231</u>	<u>85,951</u>	<u>789,624</u>	<u>1,856</u>	<u>(3,201,662)</u>	-
Segment revenue	<u>\$ 4,564,036</u>	<u>\$ 2,961,779</u>	<u>\$ 6,499,948</u>	<u>\$ 145,065</u>	<u>(\$ 3,201,662)</u>	<u>\$10,969,166</u>
Segment income (loss)	<u>(\$ 26,342)</u>	<u>\$ 80,084</u>	<u>\$ 317,656</u>	<u>(\$ 14,874)</u>	<u>\$ 13,519</u>	\$ 370,043
Interest income						11,832
Other income						325,350
Other gains and losses						34,020
Financial costs						(26,748)
Profit before income tax						714,497
Income tax expense						(256,718)
Net profit after tax						<u>\$ 457,779</u>
December 31, 2021						
Identifiable assets	<u>\$ 3,470,969</u>	<u>\$ 2,349,070</u>	<u>\$ 4,693,457</u>	<u>\$ 237,273</u>	<u>(\$ 1,492,074)</u>	\$ 9,258,695
Financial assets at fair value through other comprehensive income						<u>264,376</u>
Total assets						<u>\$ 9,523,071</u>

		Taiwan	South China	East China	Others	Adjustment and Elimination	Total
	For the year ended December 31, 2020						
Revenue from external customers		\$ 1,657,478	\$ 3,008,953	\$ 5,528,034	\$ 117,965	\$ -	\$10,312,430
Inter-segment revenue		<u>2,271,488</u>	<u>295,221</u>	<u>270,999</u>	<u>-</u>	<u>(2,837,708)</u>	<u>-</u>
Segment revenue		<u>\$ 3,928,966</u>	<u>\$ 3,304,174</u>	<u>\$ 5,799,033</u>	<u>\$ 117,965</u>	<u>(\$ 2,837,708)</u>	<u>\$10,312,430</u>
Segment income (loss)		<u>(\$ 156,739)</u>	<u>\$ 122,776</u>	<u>\$ 331,639</u>	<u>(\$ 31,742)</u>	<u>\$ 1,343</u>	<u>\$ 267,277</u>
Interest income							11,288
Other income							38,347
Other gains and losses							51,723
Financial costs							<u>(34,278)</u>
Profit before income tax							334,357
Income tax expense							<u>(91,222)</u>
Net profit after tax							<u>\$ 243,135</u>
	December 31, 2020						
Identifiable assets		<u>\$ 3,125,443</u>	<u>\$ 2,363,984</u>	<u>\$ 3,948,728</u>	<u>\$ 467,505</u>	<u>(\$ 1,210,792)</u>	<u>\$ 8,694,868</u>
Financial assets at fair value through other comprehensive income							91,877
Total assets							<u>\$ 8,786,745</u>

Segment profit represented the profit before tax earned by each segment without share of profits of associates, other income, other gains and losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segment other than interests in associates accounted for using the equity method and at fair value through other comprehensive income.

b. Information of other operating segments

	Depreciation and amortisation	
	For the Year Ended December 31	
	2021	2020
Taiwan	\$146,589	\$165,191
East China	113,874	104,172
South China	50,645	53,328
Others	<u>14,647</u>	<u>22,305</u>
	<u>\$325,755</u>	<u>\$344,996</u>

c. Revenue from major products

The following is an analysis of the Group's revenue from continuing customers from its major products.

	For the Year Ended December 31	
	2021	2020
Materials of LCD	\$ 9,330,712	\$ 9,103,332
Materials of BMC and Molding products	1,108,540	918,608
Others	<u>529,914</u>	<u>290,490</u>
	<u>\$ 10,969,166</u>	<u>\$ 10,312,430</u>

d. Geographical information

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

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December		December 31	
	2021	2020	2021	2020
Taiwan	\$ 1,668,740	\$ 1,176,502	\$ 670,716	\$ 724,707
China	8,502,232	8,281,576	1,109,664	1,104,088
Others	<u>798,194</u>	<u>854,352</u>	<u>63,707</u>	<u>83,667</u>
	<u>\$ 10,969,166</u>	<u>\$ 10,312,430</u>	<u>\$ 1,844,087</u>	<u>\$ 1,912,462</u>

Noncurrent assets exclude financial instrument and deferred tax assets.

e. Information about major customers

No single customer contributed 10% or more of the Group's revenue for the years ended December 31, 2021 and 2020.

WAH HONG INDUSTRIAL CORPORATION 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	Note 4
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 4

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.

Note 4: It was eliminated on consolidation.

WAH HONG INDUSTRIAL CORPORATION 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 CORPORATION 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 CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Table 4

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms			Ending Balance	% of Total	
							Unit Price	Payment Terms			
The Company	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	Note
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	Note
The Company	Xiamen G&H 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	Note
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	Note
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	Note
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	Note
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	Note

Note: It was eliminated on consolidation.

WAH HONG INDUSTRIAL CORPORATION 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 (Note)	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	-

Note: It was eliminated on consolidation.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Table 6

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets%
0	The Company	SIP Chang Hong Optoelectronics Ltd.	Parent company to subsidiary	Sales	\$ 1,242,743	No comparable transactions with third party	11.33
0	The Company	Sun Hong Optronics Ltd.	Parent company to subsidiary	Sales	152,051	No comparable transactions with third party	1.39
0	The Company	Ningbo Changhong Optoelectronics Ltd.	Parent company to subsidiary	Sales	191,884	No comparable transactions with third party	1.75
0	The Company	Xiamen G&H Electronics Co., Ltd.	Parent company to subsidiary	Sales	287,875	No comparable transactions with third party	2.62
0	The Company	Qingdao Changhong Optoelectronics Ltd.	Parent company to subsidiary	Sales	7,489	No comparable transactions with third party	0.07
0	The Company	Wah Ma Technology Sdn. Bhd.	Parent company to subsidiary	Sales	7,400	No comparable transactions with third party	0.07
0	The Company	SIP Chang Jun Trading Limited	Parent company to subsidiary	Sales	37,878	No comparable transactions with third party	0.35
0	The Company	SIP Chang Jun Trading Limited	Parent company to subsidiary	Others receivable	6,929	Subject to the contract	0.08
0	The Company	PT. Wah Hong Indonesia	Parent company to subsidiary	Sales	27,752	No comparable transactions with third party	0.25
0	The Company	Suzhou Shanji Photoelectric Co., Ltd.	Parent company to subsidiary	Sales	373,560	No comparable transactions with third party	3.41
0	The Company	SIP Chang Hong Optoelectronics Ltd.	Parent company to subsidiary	Accounts receivable	612,014	150 days after monthly closing	6.97
0	The Company	Sun Hong Optronics Ltd.	Parent company to subsidiary	Accounts receivable	78,999	150 days after monthly closing	0.90
0	The Company	Ningbo Changhong Optoelectronics Ltd.	Parent company to subsidiary	Accounts receivable	78,494	150 days after monthly closing	0.89
0	The Company	Xiamen G&H Electronics Co., Ltd.	Parent company to subsidiary	Accounts receivable	146,350	150 days after monthly closing	1.67
0	The Company	Qingdao Changhong Optoelectronics Ltd.	Parent company to subsidiary	Accounts receivable	3,639	150 days after monthly closing	0.04
0	The Company	SIP Chang Jun Trading Limited	Parent company to subsidiary	Accounts receivable	17,521	90 days after monthly closing	0.20
0	The Company	PT. Wah Hong Indonesia	Parent company to subsidiary	Accounts receivable	16,343	150 days after monthly closing	0.19
0	The Company	Suzhou Shanji Photoelectric Co., Ltd.	Parent company to subsidiary	Accounts receivable	176,357	150 days after monthly closing	2.01
1	SIP Chang Hong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Sales	15,307	No comparable transactions with third party	0.14
1	SIP Chang Hong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Accounts receivables	10,571	150 days after monthly closing	0.12
1	SIP Chang Hong Optoelectronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Sales	23,407	No comparable transactions with third party	0.21
1	SIP Chang Hong Optoelectronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Accounts receivable	4,199	150 days after monthly closing	0.05
1	SIP Chang Hong Optoelectronics Ltd.	SIP Chang Jun Trading Limited	Between subsidiaries	Others receivable	21,708	Subject to the contract	0.25
1	SIP Chang Hong Optoelectronics Ltd.	Suzhou Shanji Photoelectric Co., Ltd.	Between subsidiaries	Sales	5,463	No comparable transactions with third party	0.05
2	Sun Hong Optronics Ltd.	The Company	Subsidiary to parent company	Sales	35,288	No comparable transactions with third party	0.32

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets%
2	Sun Hong Optronics Ltd.	The Company	Subsidiary to parent company	Accounts receivable	\$ 16,697	150 days after monthly closing	0.19
2	Sun Hong Optronics Ltd.	SIP Chang Hong Optoelectronics Ltd.	Between subsidiaries	Sales	31,772	No comparable transactions with third party	0.29
2	Sun Hong Optronics Ltd.	SIP Chang Hong Optoelectronics Ltd.	Between subsidiaries	Accounts receivable	15,379	150 days after monthly closing	0.18
2	Sun Hong Optronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Sales	18,410	No comparable transactions with third party	0.17
3	Qingdao Changhong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Sales	3,316	No comparable transactions with third party	0.03
3	Qingdao Changhong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Accounts receivable	2,816	150 days after monthly closing	0.03
3	Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Sales	485,330	No comparable transactions with third party	4.42
3	Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Accounts receivable	168,374	150 days after monthly closing	1.92
3	Qingdao Changhong Optoelectronics Ltd.	SIP Chang Hong Optoelectronics Ltd.	Between subsidiaries	Sales	2,815	No comparable transactions with third party	0.03
3	Qingdao Changhong Optoelectronics Ltd.	SIP Chang Hong Optoelectronics Ltd.	Between subsidiaries	Accounts receivable	2,266	150 days after monthly closing	0.03
4	Xiamen G&H Electronics Co., Ltd.	The Company	Subsidiary to parent company	Others receivable	8,375	Subject to the contract	0.10
5	Ningbo Changhong Optoelectronics Ltd.	Granite International Ltd.	Between subsidiaries	Sales	246,537	No comparable transactions with third party	2.25
5	Ningbo Changhong Optoelectronics Ltd.	Granite International Ltd.	Between subsidiaries	Accounts receivable	98,071	150 days after monthly closing	1.12
5	Ningbo Changhong Optoelectronics Ltd.	Xiamen G&H Electronics Co., Ltd.	Between subsidiaries	Sales	2,496	No comparable transactions with third party	0.02
5	Ningbo Changhong Optoelectronics Ltd.	Xiamen G&H Electronics Co., Ltd.	Between subsidiaries	Accounts receivable	1,734	150 days after monthly closing	0.02
6	Suzhou Shanji Photoelectric Co., Ltd.	SIP Chang Hong Optoelectronics Ltd.	Between subsidiaries	Sales	1,068	No comparable transactions with third party	0.01
7	Wah Ma Technology Sdn. Bhd.	The Company	Subsidiary to parent company	Sales	1,856	No comparable transactions with third party	0.02
7	Wah Ma Technology Sdn. Bhd.	The Company	Subsidiary to parent company	Accounts receivable	1,846	150 days after monthly closing	0.02

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

Table 7

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	Note 5
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)	Note 5
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	Note 5
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	Note 5
Wah Hong Holding Ltd.	Wah Hong Development Ltd.	Mauritius	International investment business	13,840	14,240	500,000	100.00	-	-	-	Note 5
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	Note 5
Wah Hong Holding Ltd.	Granite International Ltd.	Samoa	International trading business	26,573	27,341	960,000	100.00	918	(36)	(36)	Note 5
Wah Hong Holding Ltd.	Smart Succeed Ltd.	Samoa	International trading business	-	-	-	100.00	(1,349)	227	227	Note 5
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)	Note 5
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	Note 5
Allied Royal LLC.	Best Honor Inc.	Anguilla	International trading business	-	-	-	100.00	-	-	-	Note 5
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 5

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.

Note 5: It was eliminated on consolidation.

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

Table 8

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 9

WAH HONG INDUSTRIAL CORPORATION
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.