

Stock Code: 6548

Annual Report is available at:
<https://www.cwtcglobal.com/>
<https://mops.twse.com.tw/>



Chang Wah Technology Co., Ltd.

Chang Wah Technology Co., Ltd.

2022

Annual Report
(Translation)

1. Spokesperson:
Name: Yan, Shu-Ping
Title: Manager
Tel: (07)962-8202
E-mail: cwtkh@cwtcglobal.com
Deputy Spokesperson: Lin, Chun-Chi
Title: Senior Manager
Tel: (07)962-8202
E-mail: cwtkh@cwtcglobal.com
2. Headquarters, Branches and Plant:
Address of Headquarters: No. 24, Kaifa Rd., Nanzi Dist., Kaohsiung City
Tel: (07)962-8202
Address of Plant: No. 24, Kaifa Rd., Nanzi Dist., Kaohsiung City
Tel: (07)962-8202
Branch office in Japan: 8F, 1-10-2, Kanda-Sudacho, Chiyoda-ku, Tokyo, Japan
3. Stock Transfer Agent:
Name: Transfer Agency Department, SinoPac Securities Corporation
Address: 3F, No. 17, Po'ai Rd., Taipei City
Tel: (02)2381-6288
Website: <https://www.sinotrade.com.tw/>
4. The Names of the CPA for the Financial Statements of the Most Recent Fiscal Year, Name of Accounting Firm, Address, Website and Tel:
Name of CPA: CPA Lee-Yuan Kuo, CPA Hung-Ju Liao
Name of the Accounting Firm: Deloitte & Touche
Address: 3F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City
Tel: (07)530-1888
Website: <https://www.deloitte.com.tw/>
5. The name of the trading venue where the overseas securities are listed for trading and the method for inquiring the information of the overseas securities: None
6. Corporate Website: <https://www.cwtcglobal.com/>

Table of Contents

	Page
I Letter to Shareholders.....	1
II Company Profile.....	5
1 Date of Incorporation.....	5
2 Company History.....	5
III Corporate Governance Report.....	6
1 Organization.....	6
2 Information of Director, President, Vice President, Senior Manager, and Head of Departments.....	8
3 Remuneration of Directors, President, and Vice President in the Most Recent Fiscal Year.....	22
4 Implementation of Corporate Governance.....	26
5 Information Regarding the Company's Audit Fee.....	67
6 Replacement of CPA.....	67
7 Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm....	67
8 Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	68
9 Relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship of another.....	70
10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company.....	71
IV Capital Overview.....	72
1 Capital and Shares.....	72
2 Corporate Bonds.....	78
3 Preferred shares.....	79
4 Global Depository Receipts.....	79
5 Employee Stock Options.....	79
6 Status of Employee Restricted Stocks.....	79
7 Status of New Shares Issuance in Connection with Mergers and Acquisitions.....	81
8 Financing Plans and Implementation.....	81
V Operational Highlights.....	82
1 Business Activities.....	82
2 Market and Sales Overview.....	90
3 The Number, Average Years of Service, Average Age and Educational Attainment of the Employees of the Company in the Last Two Years and by the Print Date of the Annual Report.....	97
4 Environmental Protection Expenditure.....	97
5 Labor Relations.....	97
6 Information Security Management.....	99
7 Important Contracts.....	101
VI Financial Information.....	104
1 Condensed Balance Sheet, Statement of Comprehensive Income, and Audit Opinions of the Last Five Years.....	104
2 Five-Year Financial Analysis.....	108

	3	Audit Committee’s Report for the Most Recent Year.....	113
	4	Financial statements for the most recent year	114
	5	Parent company only financial statements audited by CPA for the most recent year	114
	6	If the Company and its associates have experienced financial difficulties in the most recent year and by the print date of the annual report, the impact on the financial position of the Company shall be specified.....	114
VII		Review of Financial Conditions, Financial Performance, and Risk Management	115
	1	Financial Conditions.....	115
	2	Financial Performance.....	117
	3	Analysis of Cash Flow.....	118
	4	The Impact of Major Capital Expenditures on Financial Operations.....	119
	5	Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year	119
	6	Analysis and Assessment of Risks	120
	7	Other Important Matters	125
VIII		Special Disclosure	125
	1	Information of the Associates	126
	2	Private Placement Securities in the Most Recent Years	132
	3	Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years	132
	4	Other necessary items to be supplemented.....	132
IX		Any event that had a material impact on the rights of shareholders or the prices of securities provided in Clause 2, Paragraph 3, Article 36 of the Securities and Exchange Act occurred in the most recent year and by the print date of the annual report.....	133
		Appendix I. Financial statements for the most recent year.....	134
		Appendix II. Parent company only financial statements audited by CPA for the most recent year	213

I. Letter to Shareholders

Dear Shareholders,

Thank you shareholders for taking your time to participate in the 2023 Shareholders Meeting. The operation of 2022 is reported as follows:

1. Operating Performance in 2022

(1) Business Result

(Consolidated)

Item	2021		2021		2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenue	14,431,284	100%	12,792,169	100%	9,678,146	100%
Operating cost	10,045,698	69%	9,386,479	74%	7,873,240	81%
Gross profit	4,385,586	31%	3,405,690	26%	1,804,906	19%
Gross profit margin	31%	—	26%	—	19%	—
Operating profit	3,121,660	22%	2,210,299	17%	960,286	10%
Net profit before tax	3,634,255	25%	2,249,184	18%	966,360	10%
Net profit after tax	2,844,969	20%	1,738,645	14%	790,618	8%

(Parent Company Only)

Item	2022		2021		2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenue	8,760,470	100%	4,817,610	100%	3,517,381	100%
Operating cost	6,709,432	77%	4,184,502	87%	3,240,619	92%
Gross profit	2,051,038	23%	633,108	13%	276,762	8%
Gross profit margin	23%	—	13%	—	8%	—
Operating profit	1,570,497	18%	421,294	9%	126,989	4%
Net profit before tax	3,259,904	37%	1,846,595	39%	727,233	21%
Net profit after tax	2,815,901	32%	1,714,378	36%	773,840	22%

(2) Budget Implementation: The Company did not disclose the financial forecast in 2022.

Item	Year		
	2022	2021	2020
Financial structure			
Debt asset ratio	46%	43%	55%
Long-term capital to property, plant and equipment	367%	425%	397%
Net asset value per share (Note)	10.49	8.89	6.01
Solvency			
Current ratio	216%	233%	231%
Quick ratio	147%	156%	147%
Profitability			
Return on total assets	17%	13%	7%
Return on equity	31%	25%	15%
Net Margin	20%	14%	8%
Earnings per share(Note)	3.01	1.92	0.88

Note: The change of par value was completed in September 2022. After the split, the par value equaled NT\$0.4 per share. The net asset value per share and the earnings per share were retrospectively adjusted for the comparative periods.

(Parent Company Only)

Item	Year		
	2022	2021	2020
Financial structure			
Debt asset ratio	45%	39%	49%
Long-term capital to property, plant and equipment	562%	1245%	1780%
Net asset value per share(Note)	10.49	8.88	6.01
Solvency			
Current ratio	118%	154%	203%
Quick ratio	76%	109%	130%
Profitability			
Return on total assets	18%	14%	8%
Return on equity	31%	25%	15%
Net Margin	32%	36%	22%
Earnings per share(Note)	3.01	1.92	0.88

Note: The change of par value was completed in September 2022. After the split, the par value equaled NT\$0.4 per share. The net asset value per share and the earnings per share were retrospectively adjusted for the comparative periods.

(4) Research and development status:

The Company uses the technology architecture similar to Pre-Mold lead frame combined with automated molding process and has the advantage of many years of experience in semiconductor packaging. It actively engages in the research and development of pre-molded plastic molding lead frame brackets for the "heterogeneous integration" design system architecture, and strives to streamline the progress of commercial mass production.

2. Business Plan for 2023

The Institute for Information Industry projects a slight increase of 1.7% for the Taiwan semiconductor industry in 2023. The oversupply of consumer IC and memory along with the declining demand affect the demand for IC packaging and testing, all of which have adverse impact on the overall semiconductor industry in 2023. Although the chip shortage in 2022 has improved significantly, various applications within the supply chain continue to face different degrees of imbalance in the supply of materials. Furthermore, the capacity shortfall of automotive MCU and power semiconductors for industrial control applications remains, sustaining the markets for automotive and industrial control devices in 2023.

Regarding revenue disaggregation for 2022, the automotive and industrial applications accounted for 42% and 19% of the revenue, improving from their weightings of 32% and 15% in 2021, respectively. Consumer electronics accounted for 36% of the revenue, dropping from 48% in 2021.

Based on our operating results, market supply, demand conditions and marketing policies, we estimate that our major sales volume in 2023 will increase by 3~5% compared to 2022.

Production and Marketing Strategies

1. Develop high added-value products according to the trend of market development and establish a leading position in the market.
2. Continue to develop advanced application markets, improve customer satisfaction, and strengthen partnerships with major international manufacturers.
3. Introduce intelligent manufacturing to improve production capacity and increase market share.
4. Strengthen customer service and continue to enhance the quality of products.

3. Strategy of Future Development

The receding boom from stay-at-home economy, Russia-Ukraine war and global inflation will bring about a weakening of consumer electronic consumption in 2023. The growth of foundry worldwide is projected to decelerate significantly during the year.

The Industry, Science and Technology International Strategy Center of the Industrial Technology Research Institute points out that as the shipments of end user devices such as PC and smartphone decline, the weightings of semiconductors in communication and data processing applications will drop significantly, but still remain the top two semiconductor applications in the world. The automotive semiconductor segment will jump to the number three application in 2026 with an average compound annual growth rate of 13.8% between 2021 and 2026.

IV. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

In response to changes in the environment, besides adjusting and revising corporate governance related information in accordance with the new regulations promulgated by the securities authorities, the Company will strive to strengthen supply chain integration, increase product self-manufacture, improve production processes to reduce production costs, and pay close attention to the future development trend of products and work with customers to develop superior products with high added value, in order to increase revenue and improve overall profitability with an aim to respond to changes in the overall environment, and move towards sustainable operation.

Chairperson: Canon, Huang

President: Hung, Chuen-Sing

II. Company Profile

1. Date of Incorporation: December 24, 2009.

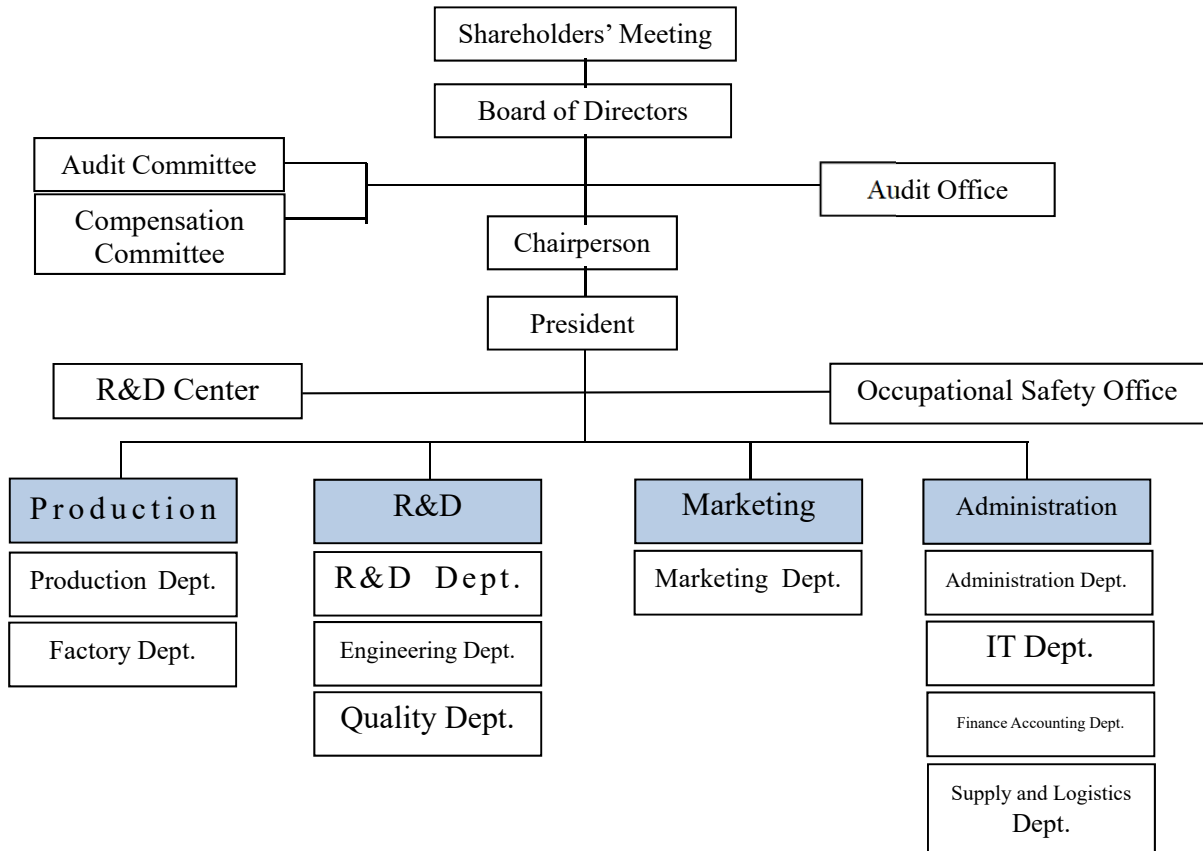
2. Company History (in the most recent year and by the print date of the annual report):

Year	Major Event
2022	<ol style="list-style-type: none">1. In March, the board of directors resolved to acquire land and plants with NT\$450 million for future operational needs and capacity expansion. In March, the board of directors resolved to amend the par value stated in the Articles of Incorporation to NT\$0.4 per share. The total number of issued shares was 960,496,700 shares after the amendment. The resolution was submitted to the 2022 annual shareholders' meeting for discussion.2. In June, the Ministry of Economic Affairs approved the change of par value to NT\$0.4 per share and the total number of issued shares was 960,496,700 shares.3. In August, the board of directors resolved to set a record date of the replacement issue for par value changes and the replacement procedures.4. In September, the Company's par value of share changed from NT\$1 to NT\$0.4. New shares were listed for trading on the TPEx while old shares were delisted.5. In November, the board of directors resolved to acquired 100% of Malaysian SH Electronics Sdn. Bhd. with US\$18,700,415.81 from the subsidiary, SH Asia Pacific Pte. Ltd.

III. Corporate Governance Report

1. Organization:

(1) Organizational Chart of the Company:



(2) Major Corporate Functions:

Department	Main Duties
Audit Office	Performance of internal audit and risk assessment, planning and implementation of internal control system, measurement of operational efficiency, provision of system improvement suggestions and implementation of supervision of group subsidiaries.
President	Planning and execution of the Company's overall operation, development and execution of the Company's medium and long-term operational strategies, establishment and supervision of the organization and operation of various departments and systems.
R&D Center	Research and development of the company's future short, medium and long-term products and technologies.
Marketing Dept.	Market development and sales, customer services and consulting, business resource planning, management and utilization, industry data investigation and collection.
R&D Dept.	Market survey of new products, research and development and production of new technologies and molds, initial business activities and customer service of new products.
Engineering Dept.	Process yield rate control and quality yield rate improvement, project development for products, test mass production for new product introduction, sample delivery planning and sample shipment control, estimation of composition and loss of original equipment in the plant.
Quality Dept.	Establishment and maintenance of quality systems, supplier audit management, incoming material and process quality control, response and improvement activities to internal and external customer audit, product reliability testing assurance, maintenance of instrument calibration system, handling and tracking of customer complaints and exceptions.
Production Dept.	Planning of production line operation mode and production process, control of production schedule and planning of production targets.

Department	Main Duties
Factory Dept.	Development of safety operation standards, inspection and coordination of the elimination of risk factors, training of labor laws and regulations, labor safety and hygiene, operation environmental protection equipment, treatment of sewage, administration of plants and maintenance of water and electric facilities.
Supply and Logistics Dept.	Arrangement of production capacity, control of delivery time, production and sales coordination, material planning and control of production cost, management of outsourcing production and warehouse control.
Finance Accounting Dept.	Accounting management, fund scheduling, tax management and investor relations, etc.
Administration Dept.	Human resource planning, various education courses, integrated company operation management and general affairs, etc.
IT Dept.	Establishment, introduction and maintenance of software and hardware information systems and development of smart technology applications.

2. Information of Director, President, Vice President, Senior Manager, and Head of Departments:
(1) Directors:

April 2, 2023

Title	Nationality/ Country of Origin	Name	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives or Directors who are spouses or within two degrees of kinship			Remark (Note 4)
							Shares	% (Note 1)	Shares	% (Note 3)	Shares	% (Note 3)	Shares	% (Note 3)			Shares	% (Note 3)	Title	
Chairperson	ROC	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	Male/ 61~70	2021.07.22	3	2021.07.22	6,397,000	1.76%	35,165,000	3.64%	0	0%	0	0%	Department of Mechanical Engineering, Chung Yuan Christian University. Design engineer at Yang Iron Precision Corp. Process engineer at ASE Electronics Inc. Product engineer at Orient Semiconductor Electronics Ltd. Assistant Manager at Wah Lee Industrial Corp.	Chairperson and concurrently President and CEO of Chang Wah Electromaterials Inc. Chairperson and concurrently CEO of Chang Wah Technology Co., Ltd. Vice chairperson of JMC Electronics Co., Ltd. Chairperson of Chang Wah Energy Technology Co., Ltd Director of eChem Solutions Corp. Representative of juristic person director, Elite Semiconductor Microelectronics Technology Inc. Representative of juristic person director, Vizionfocus Inc. Representative of juristic person director, How Wei Holding (Cayman) Co., Ltd. Chairperson of SH Asia Pacific Pte.Ltd. Representative of juristic person director, WSP Electromaterials Ltd. Director of CWE Holding Co., Ltd. Director of Broadwell Worldwide Ltd. Chairperson of Silver Connection Co., Ltd. Representative of juristic person director, Silver Contacts Co., Ltd. Representative of juristic person director, Silver Tai Co., Ltd.	None	None	None	None
Director	ROC	Chang Wah Electromaterials Inc. Representative: Huang, Shou-Cyuan (Note 5)	Male/ 71~80	2021.07.22	3	2021.07.22	194,738,970	53.48%	449,919,925	46.56%	0	0%	0	0%	Department of Electrical Engineering, Tatung University Director of the Department of Production, Timex (Taiwan) Inc. Vice president of non-PC business cluster of HP Taiwan Information Technology Ltd. Vice President, Hon Hai Precision Industry Co., Ltd. Vice Chairperson, Innolux Corporation	Director of Chang Wah Electromaterials Inc. Chairperson of Vizionfocus Inc. Representative of juristic person director, Chang Wah Technology Co., Ltd.	None	None	None	None
Director	HK	Chang Wah Electromaterials Inc. Representative: Hung, Chiuen-Sing	Male/ 51~60	2021.07.22	3	2009.12.21	194,738,970	53.48%	449,919,925	46.56%	0	0%	0	0%	Hong Kong Polytechnic University General manager of Possehl Electronics Hong Kong Ltd. General manager of Sunmiko Precision Mold Taiwan Co., Ltd. General manager of Sunmiko Electronics Taiwan Co., Ltd. General manager of SH Electronics Taiwan Co., Ltd.	Director of Chang Wah Electromaterials Inc. President and representative of juristic person director of Chang Wah Technology Co., Ltd. Representative of juristic person director, JMC Electronics Co., Ltd. Representative of juristic person director, How Wei Holding (Cayman) Co., Ltd. Director of SH Electronics Suzhou Co., Ltd. Director of SH Electronics Chengdu Co., Ltd. Director of SH Precision Chengdu Co., Ltd. Chairperson of Malaysian SH Electronics Sdn.Bhd. Director of SH Asia Pacific Pte. Ltd. Representative of juristic person director, Silver Contacts Co., Ltd.	Senior Manager	Sun, Ming- Chuan	Spouse	None

Title	Nationality/ Country of Origin	Name	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives or Directors who are spouses or within two degrees of kinship			Remark (Note 4)
							Shares	% (Note 1)	Shares	% (Note 3)	Shares	% (Note 3)	Shares	% (Note 3)			Title	Name	Relation	
Director	ROC	Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	Male	2021.07.22	3	2009.12.21	194,738,970	53.48%	449,919,925	46.56%	0	0%	0	0%	MBA, Indiana University General manager and consultant, Ta Chong Commercial Bank General manager, Taishin International Bank	Representative of juristic person director, Gold Circuit Electronics Ltd. Representative of juristic person director, Chang Wah Technology Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Elite Material Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of ALI Corporation Independent Director/Audit Committee Member/ Risk Management Committee Member/ Corporate Governance and Nomination Committee Member of Mercuries Life Insurance Co., Ltd.	None	None	None	None
Director	ROC	Chang Wah Electromaterials Inc. Representative: Angus, Shih (Note 5)	Male	2023.01.03	3	2023.01.03	194,738,970	53.48%	449,919,925	46.56%	0	0%	0	0%	Ph.D. in Electrical Engineering, National Taiwan University Assistant Manager of R&D Dep., Tong Bao Technology Co., Ltd. Director of R&D Division, Innolux Corporation	President and Director of Vizionfocus Inc.	None	None	None	None
Independent Director	ROC	Lin, Yi-Jing	Female/ 41~50	2021.07.22	3	2018.05.08	0	0%	0	0%	0	0%	0	0%	Department of Accounting, Tungshai University Vice general manager, Deloitte & Touche Assistant manager, Deloitte & Touche Representative of juristic person supervisor, An Wei International Co., Ltd. Supervisor of Ken Scan Industries Co., Ltd. Supervisor of Ken Scan Investment Co., Ltd. Compensation Committee Member of Drewloong Precision Inc.	Certified public accountant, Ching Cheng Accounting Firm Responsible person, Ching Cheng Management Consultants Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Control Technology Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Sun Rise E&T Corporation Compensation Committee Member of Revivegen Environmental Technology Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Chang Wah Technology Co., Ltd.	None	None	None	None
Independent Director	ROC	Lin, Ren-Lin	Male/ 61~70	2021.07.22	3	2018.05.08	0	0%	0	0%	0	0%	0	0%	Master of Information Management, the City University of New York General manager, Konlin Digital Technology Co., Ltd. Vice general manager, Hanyu Electronic Technology Co., Ltd. Manager, Walsin Lithwa Corporation	General manager, Hsin Yi Recreation Enterprise Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Chang Wah Technology Co., Ltd.	None	None	None	None
Independent Director	ROC	Ou, Jia-Ruey	Male/ 61~70	2021.07.22	3	2021.07.22	0	0%	0	0%	0	0%	0	0%	Doctor of Philosophy, Institute of Transportation, National Chiao Tung University Chairperson of CPC Corporation, Taiwan Director of China Steel Corporation President of Dayeh University Director-general of Bureau of Energy, Ministry of Economic Affairs Head of the Export Processing Zone Administration, Ministry of Economic Affairs.	Chairman, Sustainable & Circular Economy Development Association Independent Director/Audit Committee Member/ Compensation Committee Member of Chang Wah Technology Co., Ltd.	None	None	None	None

Note 1: The shareholding ratio is calculated based on 364,131,050 shares.

Note 2: The change of par value to NT\$0.4 per share was approved by the Official Letter No. MOEA-Processing-III-Commerce-1110006264 on June 22, 2022 with the number of shares issued being 960,496,700 shares. Shares were replaced on September 5, 2022.

Note 3: The shareholding ratio is calculated based on 966,421,700 shares.

Note 4: Chairperson and President or person of equivalent position (top manager) are the same person, are spouse or first-degree relative to each other: None.

Note 5: Chang Wah Electromaterials Inc., the juristic person director, redesignated its authorized representative, Mr. Angus Shih, as a director on January 3, 2023 and the former director, Mr. Siou-Cyuan Huang, resigned. (The new director took office on January 3, 2023.)

Major shareholders of the institutional shareholders

April 2, 2023

Name of Institutional Shareholders	Major Shareholders (Note)
Chang Wah Electromaterials Inc.	Wah Lee Industrial Corp. (28.70%) ; Shin Shin Investment Co., Ltd. (8.29%) ; Fubon Life Insurance Co., Ltd. (6.53%) ; Yuan Yao Energy Technology Co., Ltd. (6.25%) ; Citibank custody of the Singapore government fund account (4.24%) ; Chang Wah Technology Co., Ltd. (3.97%) ; Besjje Investment Co., Ltd. (3.15%) ; JMC Electronics Co., Ltd. (2.08%) ; JPMorgan Chase Bank N.A. in custody for Emerging Markets Fund Managed under the Vanguard Group (0.84%) ; JPMorgan Chase Bank N.A. in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.79%)

Note: Please fill in the names of the major shareholders of the corporation (the top ten in terms of shareholding) and their shareholdings.

Major shareholders of the institutional shareholders of which the major shareholders are juristic persons

April 2, 2023

Name of Institutional Shareholders	Major Shareholders (Note)
Wah Lee Industries Co., Ltd.	Kang Tai Investment Co., Ltd. (8.42%) ; Fuhsih Investment Co., Ltd. (6.78%) ; Deh Wei Investment Co., Ltd. (5.37%) ; Dingbao Corp. (3.47%) ; Jing Zan Insurance Co., Ltd. (2.97%) ; Wah Hong Industrial Corp. (2.63%) ; Chang, Jui-chin (2.60%) ; Hsieh, Chin-Yen (2.37%) ; Property trust account of employee stock ownership union of Wah Lee Industries Co., Ltd. entrusted to the China Trust Commercial Bank (2.24%) ; Yeh, Ching-Pin (1.45%)
Shin Shin Investment Co., Ltd.	Canon, Huang (99.095%) ; Huang Si-ying(0.30) ; Huang, Pei-mei (0.30%) ; Huang, Yu-chieh (0.30%) ; Huang, Chiun-chieh (0.005%)
Fubon Life Insurance Co., Ltd	Fubon Financial Holding Co., Ltd. (100%)
Yuan Yao Energy Technology Co., Ltd.	Canon, Huang (98.50%) ; Huang, Hsing-lan (0.86%) ; Liao, Fang-lu (0.64%)
Citibank custody of the Singapore government fund account	Non-corporate, NA
Chang Wah Technology Co., Ltd.	Chang Wah Electromaterials Inc. (46.56%) ; Fubon Life Insurance Co., Ltd. (7.09%) ; Besjje Investment Co., Ltd. (3.66%) ; Yuan Yao Energy Technology Co., Ltd. (3.64%) ; Huang, Siou-Cyuan (2.69%) ; Cathay Life Insurance Co., Ltd. (2.14%) ; Investment account of the Singapore government entrusted to Citibank Taiwan (1.67%) ; Jin Chiao Li Co., Ltd. (1.57%) ; Shing Zheng Investment Co., Ltd. (1.53%) ; Tai, Sung-Chi (1.48%)
Besjje Investment Co., Ltd.	Chang, Shu-hui (82.58%) ; Huang Si-ying(6.19%) ; Huang, Pei-mei (6.19%) ; Huang, Yu-chieh (5.05%)

Name of Institutional Shareholders	Major Shareholders (Note)
JMC Electronics Co., Ltd.	Chang Wah Electromaterials Inc. (42.81%) ; ChipMO Technologies Inc. (10.00%) ; Canon, Huang (2.96%) ; AsusTek Computer Inc. (1.00%) ; Li, Sheng-Che(0.95%) ; Li, Wan-shia (0.59%) ; Hung, Hsien-Yeh (0.57%) ; Huang, Mei-hsueh (0.50%) ; Li, Mei-Lien (0.47%) ; Hung, Tien-Tsai (0.42%)
JPMorgan Chase Bank N.A. in custody for Emerging Markets Fund Managed under the Vanguard Group	Non-corporate, NA
JPMorgan Chase Bank N.A. in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	Non-corporate, NA

Note: Fill in the name of the main shareholder of the legal person (their shareholding ratio accounts for the top ten) and their shareholding ratios.

Professional qualifications of Directors and independence of Independent Directors

April 2, 2023

Conditions Name	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
<p>Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang</p>	<p>He graduated from the Department of Mechanical Engineering in Chung Yuan Christian University. Once served as an assistant vice president at several multinational corporations such as ASE Electronics Inc., Orient Semiconductor Electronics Ltd., and Wah Lee Industrial Corp., he has been involved in the operation and strategic management of semiconductor industry for more than 30 years. Besides being the Chairperson of CWE Group (including Chang Wah Electromaterials Inc., the Company and JMC Electronics Co., Ltd.), he is a director in companies within the electronic technology industry chain with expertise in governance. Thus, he has experience in marketing, industry know-how, leadership, decision-making and business management. He is not a person of any conditions defined in Article 30 of the Company Act.</p>	<p>—</p>	<p>0</p>
<p>Chang Wah Electromaterials Inc. Representative: Huang, Siou-Cyuan (Note 3)</p>	<p>He graduated from the Department of Electrical Engineering in Tatung University. Once served as vice president or vice chairperson at several multinational corporations such as HP Taiwan Information Technology Ltd., Hon Hai Group, and Innolux Corporation, he has been involved in the high-tech industry for more than 30 years and is now the chairperson of Vizionfocus Inc., and director of Vizio Inc. He has vast experience in corporate governance, marketing, industry know-how, leadership, decision-making and business management. He is not a person of any conditions defined in Article 30 of the Company Act.</p>	<p>—</p>	<p>0</p>

Name	Conditions	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	He graduated from Hong Kong Polytechnic University. Once served as president of Possehl Electronics Hong Kong Ltd., Sumiko Precision Mold Taiwan Co., Ltd. and Sumiko Electronics Taiwan Co., Ltd., he has been involved in the operation and strategic management of semiconductor industry for more than 30 years. He is now the President of the Company and a Director in entities of the CWE Group. He has vast experience in corporate governance, marketing, industry know-how, leadership, decision-making and business management to give opinions concerning corporate governance and operation management to the Board of Directors of the Company. He is not a person of any conditions defined in Article 30 of the Company Act.	—	0	
Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	He graduated from Indiana University with an MBA. Once served as president of Ta Chong Commercial Bank and Taishin International Bank, he has been involved in the operation and strategic management of finance industry for more than 30 years. He is now the independent directors of companies including Elite Material Co., Ltd and Mecuries Life Insurance Co., Ltd. He has vast experience in corporate governance, marketing, industry know-how, leadership, decision-making, business management as well as accounting and financial analysis to give opinions concerning corporate governance and operation management to the Board of Directors of the Company. He is not a person of any conditions defined in Article 30 of the Company Act.	—	3	

Name	Conditions	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chang Wah Electromaterials Inc. Representative: Angus, Shih (Note 3)	He graduated with a Ph.D. in Electrical Engineering at the National Taiwan University. Once served as a R&D assistant manager/director at several multinational corporations such as Tong Bao Technology Co., Ltd. and Innolux Corporation, he has been involved in the high-tech industry for more than 20 years and is now the president and director of Vizionfocus Inc. He has vast experience in corporate governance, marketing, industry know-how, leadership, decision-making and business management. He is not a person of any conditions defined in Article 30 of the Company Act.	-	0	
Lin, Yi-Jing	She graduated from the Department of Accounting in Tunghai University. She passed the Senior Examinations for Certified Public Accountants and has a CPA license. She was an assistant vice president of Deloitte & Touche, specializing in corporate finance and accounting. Serving as independent director in several companies including Control Technology Co., Ltd. and Sun Rise E&T Corporation, she has vast experience in business management as well as accounting and finance analysis to give opinions concerning corporate governance and operation management to the Board of Directors of the Company. She is not a person of any conditions defined in Article 30 of the Company Act.	She satisfies the independence criteria after verified against independence elements set out in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission.	3	
Lin, Ren-Lin	He graduated from the City University of New York with a Master of Information Management. Once served as vice president of Hanyu Electronic Technology Co., Ltd. and president of Konlin Digital	He satisfies the independence criteria after verified against independence elements set out in the "Regulations Governing Appointment of Independent Directors	0	

Name	Conditions	Professional Qualification and Experience (Note 1)	Independence Criteria (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		Technology Co., Ltd., he has been involved in the operation and strategic management of electronics industry for more than 20 years. He is now the president of Hsin Yi Recreation Enterprise Co., Ltd. He has vast experience in corporate governance, marketing, industry know-how, leadership, decision-making and business management to give opinions concerning corporate governance and operation management to the Board of Directors of the Company. He is not a person of any conditions defined in Article 30 of the Company Act.	and Compliance Matters for Public Companies” promulgated by the Financial Supervisory Commission.	
Ou, Jia-Ruey		He graduated from the Institute of Transportation of National Chiao Tung University with a PhD. He has been the Director-general of Bureau of Energy, Ministry of Economic Affairs, President of Dayeh University, and chairperson of CPC Corporation, and accumulated vast experience in the industry, government and academy. He is now the chairperson of Sino-Arabian Cultural and Economic Association. He has vast experience in corporate governance, leadership, decision-making and business management to give opinions concerning corporate governance and operation management to the Board of Directors of the Company. He is not a person of any conditions defined in Article 30 of the Company Act.	He satisfies the independence criteria after verified against independence elements set out in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” promulgated by the Financial Supervisory Commission.	0

Note 1: Professional qualifications and experiences: Describe the professional qualifications and experiences of individual Director and Supervisor. For Audit Committee members with accounting or finance expertise, relevant background and work experience shall be stated. Also, clarify if conditions defined in Article 30 of the Company Act exist.

Note 2: The independence of Independent Directors shall be described. Relevant criteria include but not limited to whether the Independent Director, his/her spouse, and relatives within the second degree of kinship are directors, supervisors or employees of the Company or any of its affiliates; the number of the Company’s shares held by the Independent Director, his/her spouse, and relatives within the second degree of kinship (or by nominee arrangement) and the percentages, whether they are directors, supervisors or employees of companies having specific relationship with the Company (please refer to Subparagraphs 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) and the amount of compensation for provision of commerce, law, finance, accounting or related services to the Company or its affiliates in the past two years.

Note 3: Chang Wah Electromaterials Inc., the juristic person director, redesignated its authorized representative, Mr. Angus Shih, as a director on January 3, 2023 and the former director, Mr. Siou-Cyuan Huang, resigned. (The new director took office on January 3, 2023.)

Diversity of the Board of Directors

(1) Board diversity policy

The Board diversity policy is set out in Chapter III “Enhancement of Board Function” of the Company’s “Guidelines for Corporate Governance”.

The Board shall govern corporate strategies, supervise the management and be responsible to the Company and the shareholders’ meetings. Procedures and arrangements of the corporate governance system shall ensure the Board would exercise its authority pursuant to applicable laws and regulations, the Articles of Incorporation or the resolutions of the shareholders’ meeting.

The Company’s Board shall have seven to nine Directors based on its business scale, shareholdings of major shareholders as well as the needs of practical operation.

The concept of diversity shall be incorporated in the composition of Board members. Besides banning Directors who are also managers of the Company on taking up more than one-third of Director seats, appropriate diversity guidelines are formulated based on operations, business types and developments. These guidelines shall include but not limited to the standards of the following two aspects:

1. Fundamental conditions and values: Gender, age, nationality, culture, etc. and female Directors are advised to account for one-third of all Directors.
2. Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, industry experience, etc.

Board members shall generally possess the knowledge, skills and understanding required to fulfill their mandates. To achieve the ideal goal of corporate governance, the Board as a whole shall possess the following capabilities:

1. Business judgement
2. Accounting and finance analysis
3. Business management
4. Crisis management
5. Industry knowledge
6. Global market perspective
7. Leadership
8. Decision-making

(2) Specific management goals of Board diversity

Board diversity facilitates an effective operation of the Board. The Company’s nomination and selection of Board members comply with the Articles of Incorporation and adopt the candidate nomination system to ensure the diversity and independence of Board members. Besides banning Directors who are also managers of the Company on taking up more than one-third of Director seats, more than one female Director candidates can be invited and nominated, and Directors with different professional knowledge are selected to give ideas and contributions of different dimensions, thereby further strengthening the Board function.

(3) Implementation of Board diversity

Based on the management goals of banning Directors who are also managers of the Company on taking up more than one-third of Director seats, having at least one female Director and encompassing corporate strategy, accounting, taxation, finance, law, administration and production management in the expertise of the Board, the Company sets up seven seats of Directors (including three Independent Directors) for the fifth Board elected in July 2021. There is one female Director and the professional backgrounds of Board members range from the industry, accounting, technology to management. Directors have the knowledge, skills and understanding required to fulfill their mandates and their industry experience and competence are diverse and complementary.

In addition, Directors who are also employees of the Company account for 28.57% of all Directors while Independent Directors and the female Director account for 42.86% and 14.29%, respectively. The average tenure of Independent Director is three years and the

seniority of Independent Director Ou, Jia-Ruey is one year while the seniority of Independent Directors Lin, Yi-Jing and Lin, Ren-Lin is four years. All Independent Directors have not been served consecutively for more than three terms. The Board members of current term have achieved all specific management goals of Board diversity.

Diverse backgrounds of Board members are as follows:

April 2, 2023

Diversified Core Competency		Basics									Professional Knowledge and Skills				
		Nationality	Gender	Employees	Age			Independent Director Term and Experience			Industry Operation	Marketing Management	Technology R&D	Risk Management	Accounting and Finance Analysis
					Less than 60 years old	61~70 years old	More than 71 years old	Less than 3 years	3~9 years	More than 9 years					
Name															
Chairperson	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	ROC	Male	V		V					V	V	V	V	
Director	Chang Wah Electromaterials Inc. Representative: Huang, Siou-Cyuan (Note)	ROC	Male				V				V	V	V	V	
Director	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	HK	Male	V	V						V	V	V	V	
Director	Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	ROC	Male			V					V	V		V	V
Director	Chang Wah Electromaterials Inc. Representative: Angus, Shih (Note)	ROC	Male		V						V	V	V	V	
Independent Director	Lin, Yi-Jing	ROC	Female		V				V					V	V
Independent Director	Lin, Ren-Lin	ROC	Male			V			V		V	V		V	
Independent Director	Ou, Jia-Ruey	ROC	Male			V		V			V	V		V	

Note : Chang Wah Electromaterials Inc., the juristic person director, redesignated its authorized representative, Mr. Angus Shih, as a director on January 3, 2023 and the former director, Mr. Siou-Cyuan Huang, resigned. (The new director took office on January 3, 2023.)

(2) Information of President, Vice President, Senior Manager, Head of Departments:

April 2, 2023

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Acquisition of Employee Stock Options by Managers (Note 3)	Remark (Note 5)	
					Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)			Title	Name	Relation			
President	HK	Hung, Chuen-Sing	Male	Mar. 17, 2017	5,846,975	0.61%	0	0%	0	0%	Hong Kong Polytechnic University General manager of Posseshl Electronics Hong Kong Ltd. General manager of Sumiko Precision Mold Taiwan Co., Ltd. General manager of Sumiko Electronics Taiwan Co., Ltd.	Director of Chang Wah Electromaterials Inc. Representative of juristic person director, JMC Electronics Co., Ltd. Representative of juristic person director, How Wei Holding (Cayman) Co., Ltd Director of SH Electronics Suzhou Co., Ltd. Chairperson of SH Electronics Chengdu Co., Ltd. Chairperson of SH Precision Chengdu Co., Ltd. Chairperson of Malaysian SH Electronics Sdn.Bhd. Director of SH Asia Pacific Pte. Ltd. Representative of juristic person director, Silver Connection Co., Ltd.	Senior Manager	Sun, Ming-Chuan	Spouse	None	None	
Vice President	ROC	Li, Jhib-Hong	Male	Jul. 1, 2017	0	0.00%	0	0%	0	0%	Dept. of Electrical Engineering, National Yunlin University of Science and Technology VQ/Leader - Projector Leader and Testing Manager of Philips Electronics Manager of Chang Wah Electromaterials Inc. Project Manager of Siliconware Precision Industries Co., Ltd.	None	None	None	None	None	None	
Vice President	ROC	Lu, Hung-Chin	Female	Jan. 1, 2022	75,950	0.01%	0	0%	0	0%	Dept. of Chemical Engineering, Chung Yuan University Senior Process Manager of Sumiko Electronics Taiwan Co., Ltd. Senior Process Manager of SH Electronics Taiwan Co., Ltd. Vice President of Process of SH Electronics Taiwan Co., Ltd.	None	None	None	None	None	None	None
Vice President	ROC	Wen, Wen-Yu	Male	Jan. 1, 2022	25,000	0%	0	0%	0	0%	Master of Industrial Engineering and Management, Chung Hua University Administrative Director of Wellstech Optical Co., Ltd. Manager of Administration Dept. of Chang Wah Electromaterials Inc.	None	None	None	None	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Acquisition of Employee Stock Options by Managers (Note 3)	Remark (Note 5)	
					Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)			Title	Name	Relation			
Vice President	ROC	Yang, Chung-Chi (Note 4)	Male	July, 1, 2022	770,000	0.08%	0	0%	0	0%	Department of Mechanical Engineering, National Kaohsiung University of Applied Sciences Manager of Taiwan IC Packaging Corporation Section Chief of OSE	None	None	None	None	None	None	
Vice President	ROC	Lin, Huang-Chieh (Note 4)	Male	July, 1, 2022	0	0%	0	0%	0	0%	Dept. of Mechanical Engineering, Nanya Institute of Technology Section Manager of Flexium Interconnect, Inc. Production Manager of Sumiko Electronics Taiwan Co., Ltd. Director of Manufacturing of JMC Electronics Co., Ltd. Manager of Electroplating of SH Electronics Taiwan Co., Ltd. Factory Chief of SH Electronics Taiwan Co., Ltd.	None	None	None	None	None	None	
Senior Manager	ROC	Hsu, Pai-Hsiang	Male	Jun. 19, 2014	1,120,000	0.12%	0	0%	0	0%	Master of College of Mechanical Engineering, National Chiao Tung University ITRI Technology Project President	Director of Malaysian SH Electronics Sdn. Bhd.	None	None	None	None	None	
Senior Manager	HK	Sun, Ming-Chuan	Female	Jan. 1, 2022	0	0.00%	0	0%	0	0%	City University of Hong Kong Procurement and Logistics Manager of Possehl Electronics Hong Kong Ltd. Procurement and Logistics Manager of Sumiko Precision Mold Taiwan Co., Ltd. Procurement and Logistics Manager of Sumiko Electronics Taiwan Co., Ltd.	None	President	Hung, Chuen-Sing	Spouse	None	None	
Senior Manager	ROC	Pai, Pang-Chieh (Note 4)	Male	July, 1, 2022	0	0%	0	0%	0	0%	Department of Industrial Engineering, Chung Yuan Christian University Senior Engineer of Sumiko Electronics Taiwan Co., Ltd. Assistant Manager of SH Electronics Taiwan Co., Ltd. Assistant Plant Manager of SH Electronics Taiwan Co., Ltd.	None	None	None	None	None	None	
Accounting Manager	ROC	Lin, Chun-Chi	Male	Mar. 17, 2017	0	0%	0	0%	0	0%	Dept. of Accounting, National Cheng Kung University Financial Manager of SH Electronics Taiwan Co., Ltd. Financial Manager of Sumiko Electronics Taiwan Co., Ltd.	None	None	None	None	None	None	Assistant Officer of Deloitte Touche Tohmatsu Limited (Taiwan)

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Acquisition of Employee Stock Options by Managers (Note 3)	Remark (Note 5)
					Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)			Shares (Note 1)	% (Note 2)	Title		
Financial manager	ROC	Yan, Shu-Ping	Female	Apr. 30, 2015	1,135,100	0.12%	0	0%	0	0%	Dept. of Accounting, Providence University Assistant manager of Chang Wah Electromaterials Co., Ltd.	Corporate governance supervisor of Chang Wah Electromaterials Inc.	None	None	None	None	None
Audit Supervisor	ROC	Hsu, Liang-Fang	Female	Mar. 1, 2017	965,000	0.10%	0	0%	0	0%	Master of English Education, New York University Chairperson Office Special Assistant of Chang Wah Electromaterials Inc. Manager of Business Dept. and Management Dept. of Chang Wah Electromaterials Inc. Business Secretary of Wah Lee Industrial Corp.	Supervisor of SH Electronics Suzhou Co., Ltd. Supervisor of SH Electronics Chengdu Co., Ltd. Supervisor of SH Precision Chengdu Co., Ltd. Supervisor of CWTC (Shanghai) Inc. Supervisor of Shanghai Chang Wah Electromaterials Inc. Director of Shing Zheng Investment Co., Ltd.	None	None	None	None	None

Note 1: The change of par value to NT\$0.4 per share was approved by the Official Letter No. MOEA-Processing-III-Commerce-1110006264 on June 22, 2022 with the number of shares issued being 960,496,700 shares. Shares were replaced on September 5, 2022.

Note 2: The shareholding ratio is calculated based on 966,421,700 shares.

Note 3: The first (2013) employee stock option certificates issued by the Company expired on June 18, 2008, and there are no unexecuted share subscriptions.

Note 4: Due to reorganization, Senior Managers Chung-Chi Yang and Huang-Chieh Lin were promoted to Vice Presidents on July 1, 2022. Senior Manager, Pang-Chieh Pai took office on July 1, 2022.

Note 5: Chairperson and President or person of equivalent position (top manager) are the same person, are spouse or first-degree relative to each other: None.

3. Remuneration of Directors, President, and Vice President in the Most Recent Fiscal Year:
(1) Remuneration of Directors and Independent Directors:

Title	Name	Remuneration of Directors (Note 1)										Relevant Remuneration Received by Directors Who are Also Employees										Total of A, B, C, D, E, F and G and as a % of Net Income				Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary	
		Base Compensation (A)		Severance Pay (B)		Bonuses to Directors (C)		Allowances (D)		Total of A, B, C and D and as a % of Net Income		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Bonus (G)		The Company		Companies in the consolidated financial statements		Total		Total			%
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	Cash	Stock	The Company	Companies in the consolidated financial statements	Total	%	Total	%	Total	%		
Chairperson	Canon, Huang (Noe 2)	0	9,651	0	0	1,000	24	24	24	1,024	0.04%	10,675	0.38%	2,046	0	0	0	0	0	3,070	0.11%	12,721	0.45%	86,127			
	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang (Noe 2)																										
Juristic Person Director	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None		
	Kong-Dong Representative: Huang, Shou-Cyuan	0	3,437	0	0	3,000	24	24	24	3,072	0.11%	6,509	0.23%	13,071	125	0	0	0	0	12,691	0.45%	19,705	0.69%	20,994			
Independent Director	Lin, Yi-Jing	600	0	0	0	0	24	24	24	624	0.02%	624	0.02%	0	0	0	0	0	0	624	0.02%	624	0.02%	None			
	Lin, Ren-Lin	600	0	0	0	0	24	24	24	624	0.02%	624	0.02%	0	0	0	0	0	0	624	0.02%	624	0.02%	None			
Independent Director	Ou, Jih-Ruey	600	0	0	0	0	24	24	24	624	0.02%	624	0.02%	0	0	0	0	0	0	624	0.02%	624	0.02%	None			
	Total	1,800	14,888	0	0	4,000	168	168	168	5,968	0.21%	19,065	0.67%	11,540	15,117	0	0	0	0	17,633	0.62%	34,298	1.20%	None			

1. Please state the policy, system, standard and structure of remuneration payment to the Independent Director and state the reference to the amount of remuneration based on the responsibilities, risks, investment time and other factors.
2. Except as disclosed in the above table, the remuneration received by the director of the company for providing services to all companies in the financial report (such as serving as a consultant for non-employees, etc.) in the most recent year: none

Note: Handled in accordance with the Company's articles of association and the Rules Governing the Remuneration Directors.

(2) Remuneration of the President and Vice President:

Title	Name	December 31, 2020 / Unit: NT\$ thousands; %										Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary														
		Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Bonus (D)		Total of A, B, C and D and as a % of Net Income			%													
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	Total	%															
President	Hung, Chuen-Sing																									
Vice President	Li, Jih-Hong																									
Vice President	Lai, Hung-Chin	18,398	21,122	604	7,397	0	0	0	0	26,399	0.94%	29,976	1.05%	20,994												
Vice President	Wen, Wen-Yu																									
Vice President	Yang, Chung-Chi Lin																									
Vice President	Huang, Chieh																									

Compensation Paid to Presidents and Vice Presidents

Ranges	Names of Presidents and Vice Presidents	
	The Company	Parent Company and affiliates
Under NT\$1,000,000		
NT\$1,000,000 ~ NT\$1,999,999		
NT\$2,000,000 ~ NT\$3,499,999	Li, Jhih-Hong, Lu, Hung-Chin, Wen, Wen-Yu, Lin, Huang-Chieh	Li, Jhih-Hong, Lu, Hung-Chin, Wen, Wen-Yu, Lin, Huang-Chieh
NT\$3,500,000 ~ NT\$4,999,999		
NT\$5,000,000 ~ NT\$9,999,999	Hung, Chuen-Sing, Yang, Chung-Chi	Yang, Chung-Chi
NT\$10,000,000 ~ NT\$14,999,999		
NT\$15,000,000 ~ NT\$29,999,999		
NT\$30,000,000 ~ NT\$49,999,999		Hung, Chuen-Sing
NT\$50,000,000 ~ NT\$99,999,999		
NT\$100,000,000 and above		
Total	6	6

(3) Name of the Managers Who Distribute the Employee Bonus and the Situation of Distribution:

FY2021; Unit: 1,000 shares NT\$ thousands; %

	Title (Note 1)	Name (Note 1)	Employee Bonus - in Stock	Employee Bonus - in Cash (Note 2)	Total	Ratio of Total Amount to Net Income (%)
Managers	President	Hung, Chuen-Sing	0	0	0	0%
	Vice President	Li, Jih-Hong				
	Vice President	Lu, Hung-Chin				
	Vice President	Wen, Wen-Yu				
	Vice President	Yang, Chung-Chi				
	Vice President	Lin, Huang-Chieh				
	Senior Manager	Hsu, Pai-Hsiang				
	Senior Manager	Pai, Pang-Chieh				
	Senior Manager	Sun, Ming-Chuan				
	Senior Manager	Lin, Jun-Chi				
	Manager	Yan, Shu-Ping				
	CEO	Canon, Huang				

Note 1: Individual names and titles shall be disclosed, however, the profit distribution may be disclosed in summary.

Note 2: The employees remuneration in 2021 was approved by the board of directors on March 17, 2022.

Note 3: The scope of application of managers, as stipulated in Letter Taisaizhengsanzi No.0920001301 dated Mar. 27, 2003, is as follows:

- (1) President and the person of equivalent level
- (2) Vice President and the person of equivalent level
- (3) Senior Manager and the person of equivalent level
- (4) Financial department supervisor
- (5) Accounting department supervisor
- (6) Other persons who have to right to manage the affairs of the company and sign documents on behalf of the company

(4) Compare and explain the analysis of the total remuneration paid to the Director, President and Vice President of the Company in the most recent two years by the Company and all companies in the consolidated statement as a percentage of the net profit after tax in the individual financial reports, and explain the policy, standard, combination, and the procedure of setting remuneration and their correlation with business performance and future risks:

1. Analysis of the proportion of the total remuneration paid by the Company and all companies in the consolidated statements to the company's Directors, President and Vice Presidents in the net profit after tax in the individual financial reports in the most recent two years:

Unit: NT\$ thousands; %

Title	2020				2021			
	The Company		All companies in the consolidated financial statements		The Company		All companies in the consolidated financial statements	
	Total remuneration paid	Ratio of total amount to net income (%)	Total remuneration paid	Ratio of total amount to net income (%)	Total remuneration paid	Ratio of total amount to net income (%)	Total remuneration paid	Ratio of total amount to net income (%)
Director, President and Vice Presidents	10,874	0.63%	38,258	2.2%	34,413	1.22%	51,078	1.80%

2. The Company's remuneration policies, standards and combinations, procedures for determining remuneration, and their relationship with operating performance and future risks:

(1) Remuneration of Directors:

Remuneration of Directors includes compensation to Independent Directors, travel allowance, and compensation to Directors. Compensation to Independent Directors shall be paid regardless of whether the Company has generated profits. Travel allowance is paid based on the actual attendance at the Board meetings. As for compensation to Directors, it is determined based on the Articles of Incorporation and reviewed by the Remuneration Committee before submitting to the Board and shareholders' meeting for approval. Compensation to individual Directors takes into account Directors' performance evaluated in accordance with the "Board of Directors Performance Evaluation Measures", their involvement in continuing education and sustainability as well as their contributions to the Company's performance. Financial indicators such as profitability of the Company is included. The distribution plan would be reviewed by the Remuneration Committee and resolved by the Board of Directors before execution.

(2) Remuneration of President and Vice Presidents:

Remuneration of the President and Vice Presidents includes salary, bonus, and employee compensation. Salaries are determined based on the Company's personnel rules while bonus and employee compensation would take into account the positions and responsibilities assumed and whether there is a violation of ethical code or risk event such as damage to the corporate image or reputation, improper internal management and malpractice, besides profitability of the year and the Articles of Incorporation. The remuneration percentage is determined by considering the management's goal achievement rate, profitability, operational efficiency and degree of contribution in order to provide reasonable compensation. Reasonable and fair performance risk would be linked with the compensation and the Company would also refer to the salary levels among peers. The distribution of bonus and employee compensation is separately reviewed by the Remuneration Committee and resolved in the Board meeting.

(3) Future risks:

The remuneration policies and procedures are closely related to business performance and future risk exposure.

4. Implementation of Corporate Governance:

(1) Board of Directors:

A total of 8 (A) Board meetings were held between January 1, 2022 and December 31, 2022.

The attendances of Directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Chairperson	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	8	0	100%	None
Institutional Director	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	8	0	100%	None
Institutional Director	Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	8	0	100%	None
Institutional Director	Chang Wah Electromaterials Inc. Representative: Huang, Siou-Cyuan	8	0	100%	None
Independent Director	Lin, Yi-Jing	8	0	100%	None
Independent Director	Lin, Ren-Lin	8	0	100%	None
Independent Director	Chuang, Chen	8	0	100%	None

Note: The actual attendance rate (or as a nonvoting delegate) (%) is calculated on the basis of the number of Board meetings held and the actual number of attendances during the term of office.

Other mentionable items:

1.If the operation of the board is in one of the following circumstances, the date of Board of Directors Meeting, the period, the content of the motion, opinions of all the Independent Directors and the company's handling of Independent Directors' opinions should be stated:

- (1) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee. Article 14-3 of the Securities and Exchange Act is no longer applicable pursuant to Article 14-5 of the same Act.
- (2) In addition to the aforesaid matters, other board meeting decisions that have been opposed or reserved by independent directors with records or written statements: The company did not have the above-mentioned situations.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date of Board of Directors Meeting	Name of Director	Motion	Reason	Participation and Voting
Apr. 29, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Hung, Chuen-Sing	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
May 6, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Hung, Chuen-Sing	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
May 6, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	Signing of a plant leasing contract with JMC Electronics Co., Ltd.	Both Chairperson Canon Huang and Director Chuen-Sing Hung are directors of JMC Electronics Co., Ltd.	Except where the Chairperson Canon Huang and Director Chuen-Sing Hung recused themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Jun. 14, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Hung, Chuen-Sing	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Aug. 5, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Hung, Chuen-Sing	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.

Date of Board of Directors Meeting	Name of Director	Motion	Reason	Participation and Voting
Aug. 5, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Hung, Chuen-Sing	Details and date for the distribution of remuneration of Directors.	Being the Director	This motion, except for the non-participation of the directors in the discussion and voting due to avoidance of conflict of interests in accordance with the law, was passed unanimously by the remaining present directors. (As the motion was about their own interests of remuneration distribution, the directors were absent from the discussion and voting on their own remuneration in accordance with the law.)
Oct. 11, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Hung, Chuen-Sing	Ratification of obtaining and disposal of securities.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Oct. 11, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	2022 issuance of employee restricted stocks.	Being the Director	Except where the Chairperson Canon Huang and Director Chuen-Sing Hung recused themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Nov. 4, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Huang, Siou-Cyuan	Details and date for the distribution of remuneration of Directors.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Dec. 20, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Huang, Siou-Cyuan	Details and date for the distribution of remuneration of Directors.	The investment object is a juristic person director of the Company and the Directors are also directors of the investment object.	The motion was put to a vote on the investment object basis. Except where the investment object is a juristic person director of the Company and the Directors are also directors of the investment object, in which case the Directors shall recuse themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.
Dec. 20, 2022	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	2022 performance bonus and 2023 salary for the managers.	Being the Director	Except where the Chairperson Canon Huang and Director Chuen-Sing Hung recused themselves from the discussion and voting due to conflict of interest as required by laws, the motion passed unanimously by the remaining Directors in attendance.

3. The implementation of the Board of Directors' evaluation shall disclose the evaluation cycle and period, evaluation scope, method and evaluation content of the Board of Directors' self (or peer) evaluation.

- (1) The board of directors approve the "Board of Directors Performance Evaluation Measures" on December 18, 2020. Internal performance evaluations on the board and board members shall be conducted at least once every year. Evaluations by external independent institutions or experts on the board shall be carried out at a minimum of every three years.
- (2) In 2022, the Company commissioned the Taiwan Association of Board Governance, an external independent assessment institution, to evaluate the efficiency of the board of directors. The evaluation encompassed eight aspects: the board's composition, guidance, authorization, supervision, communication, self-discipline, internal control and risk management. Evaluation methods covered online self-assessment, document reviews as well as on-site visits in January 2023. Parties involved included the Chairperson, President, three Independent Directors, finance officer and internal audit officer. The evaluation results were reported to the board of directors on February 21, 2023.
- (3) The Company completed the 2022 Board performance evaluation in December 2022 and reported the outcome in the Board meeting on February 21, 2023 for review and improvement. The average scores of self-evaluation on Board performance and individual Board members were 4.72 and 4.75 (out of 5), respectively, indicating a sound operation of the Board. The average score of self-evaluation on Remuneration Committee and Audit Committee was 4.88 (out of 5), showing the Committees operate smoothly and comply with corporate governance, thereby effectively enhancing the Board functions.

(4) Details of execution:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Reason	Evaluation Content
Once every three years	From 2022/01/01 to 2022/12/31	Board efficiency	Document reviews and on-site visits by external independent institution	<ol style="list-style-type: none"> 1. Composition and structure of the board 2. Election and continuing education of directors 3. Participation in the operation of the Company 4. Improvement of the quality of board decision-making 5. Internal control 6. Environmental, social and corporate governance 7. Value creation
Once a year	From 2022/01/01 to 2022/12/31	Entire Board of Directors	Self-evaluation (Directors and Independent Directors perform evaluation)	<ol style="list-style-type: none"> 1. Participation in the operation of the company 2. Improvement of the quality of board decision-making 3. The composition and structure of the board of directors 4. Director selection and continuing education 5. Internal control
		Individual Directors	Self-evaluation (Directors and Independent Directors perform evaluation)	<ol style="list-style-type: none"> 1. Comprehension of company goals and tasks 2. Perception of Directors' Responsibility 3. Degree of participation in the company's operations 4. Internal relationship management and communication 5. Directors' professional and

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Reason	Evaluation Content
				continuing education 6. Internal control
		Functional Committees	Self-evaluation (Directors and Independent Directors perform evaluation)	1. Participation in the operation of the company 2. Perception of the responsibilities of functional committees 3. Improve the decision-making quality of functional committees 4. Composition of functional committees and member selection 5. Internal control

4. The objectives of strengthening the functions of the Board of Directors in the current and most recent year (such as setting up an audit committee, enhancing information transparency, etc.) and evaluation of the implementation:

Strengthening the functional objectives of the Board of Directors	Evaluation of Implementation
1. Continue to improve information transparency	The Company appoints dedicated personnel to be responsible for the disclosure of company information and the update of company website information according to laws and regulations.
2. Actively establish communication with stakeholders	1. The Company has spokespersons and acting spokespersons serving as the communication channel for stakeholders or they can go to the stakeholder section of the company's website to ask questions and give suggestions online. 2. Every year, the shareholders' meeting accepts shareholder proposals according to the schedule. Shareholders with the right to propose can apply to the Company during the acceptance period, and the Company will convene a Board of Directors meeting to review it according to regulations.
3. Improve the operational efficiency and decision-making ability of the Board of Directors	The Board of Directors of the Company has established "Rules and Procedures for Shareholders Meetings" in accordance with the "Measures for Board Meetings of Public Offering Companies", and the operation of the Board of Directors is handled in accordance with "Rules and Procedures for Board of Directors Meetings".
4. Strengthen supervisory capabilities	The Company has set a "Scope of Powers of Independent Directors" and established a Remuneration Committee and an Audit Committee to strengthen the corporate governance functions of the Board of Directors.
5. Strengthen professional knowledge	The Company provides the Directors with information on training courses every month and encourages them to participate in the courses in order to meet the requirements of Directors' training hours.
6. Purchase liability insurance for directors and managers	The Company has renewed director and manager liability insurance, and reported to the Board of Directors on December 20, 2022.

(2) Audit Committee:

In accordance with Article 14-4 of the Securities and Exchange Act, the Company has established the Audit Committee, which is composed of all Independent Directors of the Company.

1. Professional qualifications and experiences of Audit Committee members

Title (Note 1)	Conditions Name	Professional Qualification and Experience	Remarks
Independent director (Convener)	Lin, Yi-Jing	Please refer to the professional qualifications of Directors and independence of Independent Directors section in "III. Corporate Governance Report" (page 13 to 16) for details.	None
Independent director	Lin, Ren-Lin		None
Independent director	Ou, Jia-Ruey		None

Note: Please fill in Independent Director or Others. (Please identify the convener where appropriate.)

2. The Audit Committee is responsible for the fair presentation of the Company's financial statements; the appointment (discharge), independence and performance of the Company's CPAs; the effective implementation of internal controls; regulatory compliance; and controls over existing or potential risks of the Company. Its main powers are listed as follows:

- (a) To formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (b) To assess the effectiveness of the internal control system.
- (c) To formulate or amend procedures for material financial or business activities pursuant to Article 36-1 of the Securities and Exchange Act; for example, acquisition or disposal of assets, derivatives transactions, loans to other parties, and provision of endorsements or guarantees to other parties.
- (d) Matters involving Directors' personal interests.
- (e) Material asset or derivatives transactions.
- (f) Material loans to other parties or provision of endorsement or guarantees.
- (g) Offering, issuance, or private placement of equity-type marketable securities.
- (h) Appointment and discharge of CPAs or their compensation.
- (i) Appointment or discharge of a financial, accounting, or internal audit officer.
- (j) Annual and semi-annual financial reports.
- (k) Other material matters stipulated by the Company or the competent authorities.

3. Review financial reports

The Board has prepared the Company's 2021 business report, consolidated and parent company only financial statements and earnings distribution proposal. The consolidated and parent company only financial statements were audited by independent auditors, CPAs Kuo, Li-Yuan and Liao, Hung-Ju, of Deloitte & Touche with independent auditors' reports issued. The above-mentioned business report, consolidated and parent company only financial statements and earnings distribution proposal have been reviewed and determined to be accurate by the Audit Committee.

4. Assess the effectiveness of internal controls

The Audit Committee assessed the internal control system of the Company as of December 31, 2022. The assessment covered the level of achievement concerning the effectiveness and efficiency of operations; the reliability, timeliness and transparency of the financial reporting; and compliance with applicable laws and regulations. The design and execution of internal control systems were found to be effective.

5. CPAs

Audit Committee is responsible for assessing the independence of the Company's accounting firm to ensure the impartiality of financial reports. The Company's Financial Department had completed the independence evaluation of CPAs using the "Accountant Independence Evaluation Form" (which is in reference with No. 10 of the "Professional Ethics Bulletin" and Article 47 of the "Accountants Act"). The outcome was submitted to the Audit Committee before reporting to the Board on the same day of December 18, 2020 to approve the independence of CPAs Kuo, Li-Yuan and Liao, Hung-Ju of Deloitte & Touche, as they both met the Company's standards for independence. They were qualified to be the Company's CPAs in 2021.

6. A total of 8 (A) Audit Committee meetings were held between January 1, 2022 and December 31, 2022. The attendances of Independent Directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Independent director	Lin, Yi-Jing	8	0	100%	None
Independent director	Lin, Ren-Lin	8	0	100%	None
Independent director	Ou, Jia-Ruey	8	0	100%	None

Note: The actual attendance rate (or as a nonvoting delegate) (%) is calculated on the basis of the number of Audit Committee meetings held and the actual number of attendances during the term of office.

7. Other mentionable items:

(1) If there is any of the circumstances in the operation of the Audit Committee that are listed below, then the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.

A. Circumstances referred to in Article 14-5 of the Securities and Exchange Act.

Date of Audit Committee Meeting	Period	Motion	Opinion or Major Recommendation of Independent Director	Resolution of Audit Committee	Company's handling of the decision of Audit Committee
Mar. 17, 2022	4 th Time, 3 rd Session	The Company's 2021 IFRSs financial report.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's 2021 operation report.	None		
		The Company's Statement on Internal Control.	None		
		Ratification of obtaining and disposal of securities.	None		
		Revision of the Company's measures.	None		
		Conversion of the Company's first domestic secured convertible bonds for new shares.	None		
		Additional acquisitions of air conditioning equipment for new plants.	None		
		Acquisition of land and plants from MEKTEC Corporation.	None		
Issuance of employee restricted stocks.	None				

Date of Audit Committee Meeting	Period	Motion	Opinion or Major Recommendation of Independent Director	Resolution of Audit Committee	Company's handling of the decision of Audit Committee
Apr. 29, 2022	5 th Time, 3 rd Session	Ratification of obtaining and disposal of securities.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Amendments to the Company's Articles of Incorporation.	None		
May 6, 2022	6 th Time, 3 rd Session	Ratification of obtaining and disposal of securities.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Signing of a plant leasing contract with JMC Electronics Co., Ltd.	None		
Jun. 14, 2022	7 th Time, 3 rd Session	Ratification of obtaining and disposal of securities.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Aug. 5, 2022	8 th Time, 3 rd Session	Donations of 2022.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Ratification of obtaining and disposal of securities.	None		
Oct. 11, 2022	9 th Time, 3 rd Session	Ratification of obtaining and disposal of securities.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		2022 issuance of employee restricted stocks.	None		
Nov. 4, 2022	10 th Time, 3 rd Session	The 2023 audit plan.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Acquisition of 100% of Malaysian SH Electronics Sdn. Bhd. from the subsidiary, SH Asia Pacific Pte. Ltd.	None		
		Ratification of obtaining and disposal of securities.	None		
Dec. 20, 2022	11 th Time, 3 rd Session	Appointment and remuneration of accountants in 2022.	None	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Signing of a supplemental agreement with Ohkuchi Materials Co., Ltd. for acquisition of machinery and equipment.	None		
		Ratification of obtaining and disposal of securities.	None		

B. Other than the abovementioned matters, the resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors: None.

(2) If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

(3) Communications between the independent directors, the Company's chief internal auditor and CPA (e.g. the items, methods and results of audits of corporate finance or operations, etc.):

A. Communication methods of independent directors with internal audit supervisor and accountants:

- (A) The Company established an audit committee on December 10, 2015. The shareholders' meeting re-elected three independent directors for the 3rd term on July 22, 2022.
- (B) The accountant shall explain to the independent directors in the Audit Committee meeting at least once every six months on the results of the audit or review of the Company's financial statements and the impact of the revision and release of IFRSs on the Company.
- (C) The audit unit of the Company regularly submits various internal audit reports to the independent directors, and irregularly talks with them; since the establishment of the audit committee, the audit unit has had regular talks with the members of the Audit Committee at least once a quarter.
- (D) The audit supervisor, accountant and independent directors usually communicate directly through emails, phones or meetings as needed.

B. Summary of the communication between independent directors (Audit Committee) and accountants at regular meetings:

Date	Communication Keypoints	Suggestions of Independent Directors
Mar. 17, 2022	2021 IFRSs financial report.	None
Dec. 20, 2022	1. The key audit items of the accountant's audit report in new form in FY 2022. 2. Appointment and remuneration of accountants in FY 2023.	None
Mar. 16, 2023	2022 IFRSs financial report.	None

C. Summary of the communication between independent directors and internal audit supervisors at regular meetings:

Date	Communication Keypoints	Suggestions of Independent Directors
Mar. 17, 2022	1. Execution status of 2021 Q4 Audit Plan. 2. Passed the review of the Company's Statement on Internal Control.	None
May 6, 2022	Execution status of 2022 Q1 Audit Plan.	None
Aug. 6, 2022	Execution status of 2022 Q2 Audit Plan.	None
Nov. 4, 2022	1. Execution status of 2022 Q3 Audit Plan. 2. 2023 Audit Plan.	None
Mar. 16, 2023	1. Execution status of 2022 Q4 Audit Plan. 2. Passed the review of the Company's Statement on Internal Control.	None

(3) Composition, Responsibilities and Operations of the Remuneration Committee:

1. Composition of Operation of the Remuneration Committee

Title (Note 1)	Conditions Name	Professional Qualification and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
Independent Director (Convener)	Lin, Ren-Lin	Please refer to the professional qualifications of Directors and independence of Independent Directors section in “III. Corporate Governance Report” (page 13 to 16) for details.		0	None
Independent Director	Lin, Yi-Jing			3	None
Independent Director	Ou, Jia-Ruey			0	None

Note : Please fill in Independent Director or Others. (Please identify the convener where appropriate.)

2. Responsibilities of the Remuneration Committee:

- (1) Formulate and regularly review managers' performance evaluation and the policies, systems, standards and structures of directors and remuneration.
- (2) Regularly evaluate and determine the remuneration of directors and managers.

3. Operation of the Remuneration Committee:

- (1) There are 3 members of our Remuneration Committee.
- (2) Tenure of the fourth Remuneration Committee: July 22, 2021 to July 21, 2024.

A total of 4 (A) Remuneration Committee meetings were held between January 1, 2022 and December 31, 2022. The attendances were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Lin, Ren-Lin	4	0	100%	None
Committee Member	Lin, Yi-Jing	4	0	100%	None
Committee Member	Ou, Jia-Ruey	4	0	100%	None

Note: Attendance rate (%) is calculated based on the number of meetings of the Audit Committee during their tenure and the number of actual attendance.

Other mentionable items:

1. The date and period of the most recent Remuneration Committee meeting, the content of the motion, the results of the resolution, and the Company's handling of the Compensation Committee's opinion.

Date of Remuneration Committee meeting	Period	Motion	Resolution	Company's handling of the resolution
Mar. 17, 2022	3 rd Time, 4 th Session	2021 employee compensation distribution ratios and total provision	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		2021 bonus to the directors distribution ratios and total provision		
Aug. 5, 2022	4 th Time, 4 th Session	Ratification of employee promotions.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Mid-year performance bonus and salary adjustments of managerial officers.		
		Details and date of distribution of bonus to the Directors.		
Oct. 11, 2022	5 th Time, 4 th Session	2022 issuance of employee restricted stocks.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Dec. 20, 2022	6 th Time, 4 th Session	2022 performance bonus to the Managers and 2023 salaries.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		2023 work plans of the Remuneration Committee.		

2. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
- 3 Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(4) Implementation of Corporate Governance and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons:

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The company has formulated the "Pragmatic Guidelines for Corporate Governance" and disclosed the operation status on the Company's website and the Market Observation Post System. No material difference was found.	No material difference was found.
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		1. For issues such as shareholders’ suggestions or questions or disputes, in addition to the spokespersons and proxy spokespersons, the Company appoints a stock transfer agent to handle them.	(1) No material difference was found.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The company reports on the Market Observation Post System in accordance with the monthly shareholding change notifications of insiders (directors, supervisors, managers and major shareholders holding more than 10% of the shares), and assigns a stock transfer agency to handle stock affairs in accordance with the law. The Company has control over the list of major shareholders and the ultimate controllers of major shareholders in most cases.	(2) No material difference was found.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The Company has formulated relevant operating procedures in the internal control system in accordance to law. In addition to the "Measures for Group Enterprises, Specific Companies Transacting with Related Persons", the auditors regularly supervise the implementation of the procedures.	(3) No material difference was found.
(4) Does the company establish internal rules against insiders trading	✓		(4) The Company has formulated the "Procedures for Processing of Important Internal Information" and	(4) No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
with undisclosed information?			the "Measures Governing the Prevention against Insider Trading" to prohibit insiders from using undisclosed information on the market to trade securities.	
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The Company’s “Guidelines for Corporate Governance” in effect has stated that Board composition shall incorporate diversity and strive to implement diversity policy. Please refer to page 17 to 18 for the diversity policy, management plans and implementation of the Company.	(1) No material difference was found.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	(2) The Company follows the regulations of the competent authority to set up a remuneration committee and an audit committee, and has established operating standards; various functional committees have not been established due to the needs of business operations. In the future, the Company will be establish the committees in accordance with the regulations of the competent authority and based on company's operational needs.	(2) Other types of functional committees will be established based on actual needs.
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? And are the results of measurement reported to the Board and used as the reference for the remuneration, nomination and re-election of its members?	✓		(3) The Company has formulated the "Board of Directors Performance Evaluation Measures", and conducts regular performance evaluation every year and discloses relevant information on the Company's website. The results of the performance evaluation have been submitted to the Board of Directors on February 21, 2023, and used as a reference for the remuneration of individual Directors and the nomination for renewal.	(3) No material difference was found.
(4) Does the company regularly evaluate the independence of CPA	✓		(4) The Company’s Audit Committee assesses the independence of CPAs retained by the Company annually and	(4) No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>submits the assessment result to the board of directors. The latest assessment was approved by the Audit Committee on December 20, 2022 and resolved by the board of directors on the same date.</p> <p>The board of directors and the Audit Committee conduct comprehensive assessments based on the declarations of independence issued by the CPAs and relevant rules. Key items of the assessment are as follows:</p> <ol style="list-style-type: none"> Whether the non-audit services provided by CPAs would impair their independence regarding the audits. Whether the accounting firm has established a code of independence requiring the firms, personnel of the firm and persons subject to the code of independence to maintain their independence pursuant to the CPA code of professional ethics. Insider trading, misuse of internal information and misleading conduct in the securities or capital markets are strictly prohibited. Whether engagement partners and CPAs are regularly rotated in accordance with the pre-defined period. 	
4. Does the listed or company allocate appropriate number of competent corporate governance personnel, and appoint a supervisor of corporate governance to be responsible for corporate governance related matters (including but not limited to providing information required by Directors and	✓		<p>The Company has dedicated staff responsible for corporate governance related matters, but has not designated a corporate governance supervisor. The relevant progress made in 2022 is as follows:</p> <ol style="list-style-type: none"> Regularly provide information on the training courses for board members, so that all members of the Board of Directors can complete at least 6 hours 	No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
Supervisors for business execution, assisting Directors and Supervisors in complying with laws and regulations, and handling matters related to the meetings of the Board of Directors meeting and the shareholders meeting, and prepare the minutes of the shareholders meeting and the shareholders meeting, etc.)?			<p>of training courses; and provide the Board of Directors with the necessary information to perform the business, and assist the Board of Directors with complying with laws and regulations.</p> <p>2. Evaluate and purchase "Board and Manager Liability Insurance" for board members.</p> <p>3. Irregularly convene communication meetings for accountants, independent board of directors, and audit and accounting supervisors to implement the internal audit and control system. For details of the communication meeting records, please refer to the company's website. https://www.cwtcglobal.com/</p> <p>4. Drafted agenda of the Board of Directors are provided to the Directors seven days in advance. The Company convenes meetings and provides meeting materials, and the Directors are notified in advance if the issues require interest avoidance. The minutes of the meeting are completed within 20 days after the meeting.</p> <p>5. The Company was invited to join road shows in 2022, establishing diverse communication channels with investors.</p> <p>6. The Company processed the registration prior to the date of the shareholders meeting in accordance with the law, prepared meeting notices, meeting handbooks, and minutes of proceedings within the statutory time limit, and handled registration change matters during the amendment of the articles of association or the re-election of directors.</p>	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but	✓		The Company has set up the official website to include relevant financial business and product information to provide reference for interested parties; the Company has spokespersons and	No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
not limited to shareholders, employees, customers and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?			acting spokespersons to handle external communication matters and makes proper use of the public information system; the Company’s stakeholders are all You can contact us through our website. Once we receive any questions or suggestions from interested parties, we will reply as soon as possible (Website: https://www.cwtcglobal.com/) Please refer to Note for details of the identity of the stakeholders, issues of concern, communication channels and response methods.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company appointed the Stock Service Department of the SinoPac Securities Co., Ltd. to handle the affairs of the shareholders meeting.	No material difference was found.
7. Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has set up a website, and financial business and corporate governance information are disclosed in accordance with regulations "Company Official Website-Investor Section" (Website: https://www.cwtcglobal.com/) and “Market Observation Post System” (Website: https://mops.twse.com.tw/) in accordance with the regulations.	(1) No material difference was found.
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The Company has dedicated personnel responsible for the disclosure of the its major information and enters such information on the Market Observation Post System and the Company's website on time, and also implements the spokesperson system in accordance with the regulations; and uploads audiovisual information such as the investor conference on the company's website.	(2) No material difference was found.
(3) Does the company announce and report annual financial reports within two months after		✓	(3) The Company currently publishes the annual financial report and the financial report for the first, second and third quarters and the operation of	(3) Same as abstract explanation.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
the end of the fiscal year, and publish the financial reports for the first, second and third quarters and the operating conditions of each month before the prescribed deadline?			each month in accordance with the "Taipei Exchange Rules Governing Information Reporting by Companies with TPEX Listed Securities".	
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<ol style="list-style-type: none"> 1. The company has formulated the "Rules Governing the Terms of Reference of Independent Directors" to improve the Company's corporate governance system, and purchase the Director liability insurance in accordance with the rules: each compensation request and the cumulative compensation limit during the insurance period is US\$5 million. 2. Employees' rights and interests: The company protects the rights and interests of employees in accordance with the Labor Standards Act. 3. Employee care: The Company upholds the employees as its company's most important asset. It maintains a harmonious atmosphere through self-management by employees and mutual respect, and establishes various rules and systems to ensure the rights and interests of both the Company and employees. In addition, through the welfare committee and administrative organizations, various welfare benefits and care can be provided to employees in a timely manner for them work in a care-free manner. 4. Investor relations: A spokesperson and acting spokesperson system has been established and stock transfer agencies and stock service staff are in place to handle shareholder questions and suggestions. 5. Supplier relations: The Company regularly evaluates suppliers and adequately communicate with them to 	No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>maintain a good relationship.</p> <p>6. Stakeholder's rights: Stakeholders of the Company can contact us through the Company's website. Once we receive questions or suggestions from interested parties, we will reply as soon as possible (Website: https://www.cwtcglobal.com/)</p> <p>7. Implementation of risk management policies and risk measurement standards: The company conducts various risk management and evaluations in accordance with the regulations of the competent authority.</p> <p>8. Customer policy and implementation: The company regularly investigates customer satisfaction and has a customer complaint handling system to maintain a good and stable relationship with customers.</p> <p>9. Purchase of liability insurance for Directors and Supervisors by the Company: The Company has purchased liability insurance for the Directors and reports in the Board of Director meeting after signing a new insurance contract every year.</p> <p>10. For the training and education of the directors in 2022 and up to the publication of the annual report, please refer to page 46.</p>	
<p>9. Please explain the improvement regarding the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose efforts to be strengthened in the first priority and measures for the areas which have not yet improved:</p> <p>(1) The improvement:</p> <ol style="list-style-type: none"> 1. To enhance disclosures relating to professional qualification and experience, major tasks and operations of Audit Committee members. 2. Periodically disclose the implementation and outcome of internal performance evaluations on functional committees at the corporate website or annual report. <p>(2) Efforts and measures requiring strengthening in the first priority:</p> <ol style="list-style-type: none"> 1. Improve disclosures on the board of directors' annual CPA independence assessment and describe the assessment procedures in detail within the annual report. 2. Improve disclosures on the relevance between performance assessments and compensation of Directors and managerial officers. 				

Note: The status of stakeholders, issues of concern, communication channels and response methods in 2022.

Status of stakeholders	Issues of concern	Communication channels, response methods and communication frequency	Communication with stakeholders in 2022
Shareholders and Investors	<ul style="list-style-type: none"> ◆ Corporate governance ◆ Dividend policy ◆ Operational performance 	<ul style="list-style-type: none"> ◆ Market Observation Post System: The media or the Market Observation Post System immediately disclose important information, such as corporate governance, operating performance, and other relevant information that shareholders and investors are concerned about. ◆ Stakeholder section of the company website ◆ Convene shareholders' meeting once a year and publish the annual report ◆ Investor conference ◆ Consulting spokesperson ◆ Set up concierges of service and stakeholders for two-way communication <p>Stock service agent concierge information: Contact: Stock Service Department, SinoPac Securities Co., Ltd. Tel:(02)2381-6288</p> <p>Stakeholder concierge information: Contact: Ms. Hsu Tel: (07)36222663 ext.210 Email: michelle.hsu@cwtcglobal.com</p>	<ul style="list-style-type: none"> ◆ Real-time important information is published on the Market Observation Post System and the company website ◆ The Company has set up a special section for stakeholders on the company's website for shareholders and investors to ask questions and make suggestions. ◆ The regular shareholders meeting was held and the annual report was published on June 14, 2022. ◆ The Company was invited to participate in the investor conference on January 18, March 21, April 15, May 19, July 19, September 29, October 19 and October 20, 2022.
Employee	<ul style="list-style-type: none"> ◆ Employee benefits ◆ Labor Relations ◆ Complaint mechanism and channels 	<ul style="list-style-type: none"> ◆ Internal website or internal e-mail announcement: Various welfare matters (employee health check), Welfare Committee information (festival activities, dinner parties, lucky draws and employee travel, etc.), employee welfare plans, education and training courses, etc. ◆ Labor-management conference ◆ Stakeholder section of company website 	<ul style="list-style-type: none"> ◆ Announcements are regularly updated on the internal website or through the internal e-mails ◆ Annual health check once a year ◆ Hold a dinner party and departmental dinners ◆ In order to improve internal benefits and reward employees for financial planning, the employee stock ownership trust service was launched in 2020. ◆ Employee travel reimbursement ◆ Regularly arrange education and training courses for employees

Status of stakeholders	Issues of concern	Communication channels, response methods and communication frequency	Communication with stakeholders in 2022
			<ul style="list-style-type: none"> ◆ Convene labor-management meetings on a regular basis, inviting employees to participate in activities such as discussing labor conditions and labor benefits. ◆ The Company has set up a special section for stakeholders on the company's website for employees to ask questions and make suggestions.
Customer	◆ Customer service	◆ Dedicated customer service personnel	◆ Immediate response to customers

The trainings received by the Company's Directors in the most recent year and as of the publication date of the annual report:

Title	Name	Date	Course	Number of Hours
Chairperson	Canon, Huang	Jul. 29, 2022	Analysis of Important Laws and Regulations Concerning Cross-strait Investments, Joint Ventures and M&A	3
		Aug. 8, 2022	Corporate Governance and Securities Regulations	3
		Aug. 25, 2022	Seminar of Insider Equity Promotion for OTC/Emerging Companies	3
Representative of juristic person director	Huang, Siou-Cyuan	Aug. 8, 2022	Corporate Governance and Securities Regulations	3
		Sep. 16, 2022	Seminar of Financial Statement Fraud and Responsibilities of Directors	3
Representative of juristic person director	Hung, Chuan-Sing	Apr. 22, 2022	Taishin 30 - Transform to Net Zero Summit	3
		Oct. 7, 2022	Release Conference: Reference Guide for the Exercise of Power by Independent Director & Audit Committee	3
Representative of juristic person director	Tsai, Rong-Dong	Apr. 27, 2022	Analysis of Ransomware Threats and Formulation of Information Security Strategies for TWSE and TPEX-listed Companies	3
		Apr. 28, 2022	International Anti-Corruption and Whistleblower Protection Practices and Money Laundering Prevention Discussions	3
		Nov. 8, 2022	Analysis of International Climate Change Development Trends and Case Studies	3
Independent Director	Lin, Yi-Jing	Mar. 10, 2022	Independent Director and 2022 Annual General Meeting from A Global Perspective	1
		Jun. 22, 2022	ESG Legal Issues to be Considered by the Board	3
		Jul. 20, 2022	Sustainable Development Roadmap Forum	2
		Oct. 7, 2022	Release Conference: Reference Guide for the Exercise of Power by Independent Director & Audit Committee	3
Independent Director	Lin, Ren-Lin	Apr. 22, 2022	Taishin 30 - Transform to Net Zero Summit	3
		Jul. 20, 2022	Sustainable Development Roadmap Forum	2
		Aug. 25, 2022	Seminar of Insider Equity Promotion for OTC/Emerging Companies	3
Independent Director	Ou, Jia-Ruey	Sep. 23, 2022	Virtual World: Future Developments of Metaverse and Cryptocurrency Blockchains	3
		Nov. 18, 2022	Morning session on the third day of the 5th Global Corporate Sustainability Forum - New Energy	3

The trainings received by the Company's Manager in the most recent year and as of the publication date of the annual report:

Title	Name	Date	Course	Number of Hours
Accounting Supervisor	Lin, Chun-chi	2022/08/25~2022/08/26	Continuing Training Class for Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12

(5) Implementation of Corporate Social Responsibility and the Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish a governance structure for sustainability developments and set up an exclusively (or concurrently) dedicated sustainability unit with senior management authorized by the board to handle relevant issues under the supervision of the board?	✓		In the Company’s structure for sustainability development, the President is designated as the convener and the President Office is responsible for coordinating and managing relevant matters. The Board of Directors would supervise and give guidance on environmental, social and corporate governance issues within the sustainability development. The management team had reported to the board of directors on the outcome of actions taken and corporate strategies on May 6, August 5 and November 4 in 2022 and March 16 in 2023. In addition to monitoring the progress of strategies, the Board would urge the management team to make necessary adjustments. Please refer to page 55 for details on sustainability developments.	No material difference was found.
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		The Company has established the “Code of Practice for Sustainable Development” (formerly the Code of Practice for Corporate Social Responsibility) and disclosed it on the corporate website. The Code clearly states that our corporate social responsibility (CSR) policy is to implement corporate governance, develop a sustainable environment, maintain social welfare schemes, and enhance CSR disclosures as well as sets out potential risks and countermeasures. Please refer to page 55 for details on our promotion of sustainable developments.	No material difference was found.
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries? (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓ ✓		(1) In response to international trends and customer requirements, the company has established an environmental management system and received ISO 14001:2015 certification (on April 21, 2021, valid until April 17, 2025) . (2) The Company conducts waste treatment and recycling control based on the internal control of scraped products entering and exiting the warehouse; the raw materials used in the company’s products all comply with EU regulations and customer requirements for environmentally prohibited substances, namely the "Environmental Restricted Substance Control Standard" such as Restriction of Hazardous Substances (ROHS), halogen-free (HF), EU chemical policy (REACH), etc., and customer requirements for environmentally prohibited substances; and focus on the	(1) No material difference was found. (2) No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(3) Does the Company assess the potential risks and opportunities of climate change to businesses now and in the future, and take measures to respond to climate-related issues?</p> <p>(4) Does the company make statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water reduction, or other waste management?</p>	✓	✓	<p>improvement of product efficiency to achieve the purpose of low power consumption and reduction of environmental impact.</p> <p>(3) The Company has not yet assessed the current and future potential risks and opportunities to businesses in respect of climate change. Nor has it adopted measures to respond to climate-related issues, which will be included in the discussion in the future.</p> <p>(4) In order to create an energy-saving and carbon-reduction atmosphere, the Company leads all employees to implement energy-saving policies, actively promotes energy-saving measures, reduces Cost of sales, and enhances competitiveness. The policies adopted are as follows: ① The company has implemented energy-saving and carbon-reduction measures. The factory has completely shifted to energy-saving LED lamps. It advocates constant temperature of air-conditioning, and power and air-conditioning can be turned off at will to reduce energy waste. ②Continuously carry out garbage classification, recycling and reduction. ③Reduce lamp usage in non-office areas.</p>	<p>(3) Same as abstract explanation.</p> <p>(4) No material difference was found.</p>
<p>4. Social issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>(1) 1. Human right policy: The Company supports and respects international conventions on human rights including the “Universal Declaration of Human Rights”, the “Guiding Principles on Business and Human Rights” and the “Global Compact” of the United Nations as well as the “Declaration on Fundamental Principles and Rights at Work” of the International Labour Organization. It respects internationally-recognized fundamental policies and management schemes: (1) Diversity, inclusiveness and equal opportunity (2) Prohibition of forced labor and child labor (3) Provision of fair and reasonable salaries and working conditions (4) Provision of a safe, hygienic and healthy working environment</p>	<p>(1) No material difference was found.</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons						
	Yes	No	Abstract Illustration							
			<p>(5) Respect employees’ right to freedom of assembly and association</p> <p>2. Management measures concerning human rights risk: The Company carries out the human rights due diligence with reference to international standards and practices. It identifies potential human rights risk objects and issues, identifies parties liable and reviews the existing measures for mitigating human rights risk with employees being the focus.</p> <table border="1"> <thead> <tr> <th>Human Rights Issue</th> <th>Management Measure</th> </tr> </thead> <tbody> <tr> <td>Safe work place with an emphasis on the mental and physical well-being of employees.</td> <td> (1) Adopted the ISO 45001 Occupational health and safety management systems. (2) Implement Occupational health and safety plans. (3) Set up an employee lounge. (4) Encourage fitness clubs such as jogging and health activities. </td> </tr> <tr> <td>Fair and reasonable compensation</td> <td> (1) Provide compensation packages which are superior to the minimum requirements pursuant to local laws and regulations. (2) Continually adjust salaries based the macro environment and performance of employees. (3) Provide group insurance and travel insurance for employees on business trips. </td> </tr> </tbody> </table>	Human Rights Issue	Management Measure	Safe work place with an emphasis on the mental and physical well-being of employees.	(1) Adopted the ISO 45001 Occupational health and safety management systems. (2) Implement Occupational health and safety plans. (3) Set up an employee lounge. (4) Encourage fitness clubs such as jogging and health activities.	Fair and reasonable compensation	(1) Provide compensation packages which are superior to the minimum requirements pursuant to local laws and regulations. (2) Continually adjust salaries based the macro environment and performance of employees. (3) Provide group insurance and travel insurance for employees on business trips.	
Human Rights Issue	Management Measure									
Safe work place with an emphasis on the mental and physical well-being of employees.	(1) Adopted the ISO 45001 Occupational health and safety management systems. (2) Implement Occupational health and safety plans. (3) Set up an employee lounge. (4) Encourage fitness clubs such as jogging and health activities.									
Fair and reasonable compensation	(1) Provide compensation packages which are superior to the minimum requirements pursuant to local laws and regulations. (2) Continually adjust salaries based the macro environment and performance of employees. (3) Provide group insurance and travel insurance for employees on business trips.									

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
				<p>(4) Establish legal and reasonable rules and systems. Regularly monitor and manage employee attendance.</p> <p>Promotion of gender equality</p> <p>The human rights policy is implemented throughout the processes of talent selection, recruitment, nurturing and retention without gender discrimination.</p> <p>Prohibition of sexual harassment</p> <p>(1) The Company has established “Sexual Harassment Prevention Measures, Complaints and Disciplinary Measures”. (2) The Company has established a sexual harassment complaint channel.</p> <p>Protection of employee privacy</p> <p>(1) Employee information is kept confidential and managed by dedicated personnel. (2) Approval is required for information to be accessed by different departments.</p> <p>Prohibition of child and forced labor</p> <p>(1) Child labor is banned in accordance with local laws and regulations concerning minimum age of employment.</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(2) Monthly review on the overtime of each department and sent out reminders.</p> <p>(3) The human resource unit organizes regular talks with employees.</p> <p>3. Feedback and complaint channels: The Company respects the opinions and ideas of all parties and provides open and transparent communication channels, including complaint hotline/mailbox, annual labor-management meeting and interviews with employees after the probationary period. Employees can voice issues of organizational system and work environment, which demonstrates the Company’s emphasis on diverse opinions.</p>	
(2) Does the Company formulate and implement reasonable employee welfare measures (including salary, vacation and other benefits, etc.) and appropriately reflect operating performance or results in employee compensation?	✓		(2)The Company has formulated working rules and related personnel management regulations, which cover the basic wages, working hours, vacations, pension payments, labor and health insurance payments, occupational accident compensation, etc. of the employees hired by the company, all in compliance with the relevant provisions of the Labor Standards Act. The Employee Welfare Committee has been established with the members elected by the employees to handle various welfare issues; the Company's remuneration policy is based on personal ability, contribution to the company, performance and has a positive correlation with operating performance.	(1) No material difference was found.
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) The company attaches great importance to the health of colleagues. For mental health, there are unobstructed communication channels, employee interviews, gender equality complaint mailboxes and president mailboxes, as well as health seminars held irregularly; for physical health, it conducts new employee and annual physical examinations as a way to 2) The provide the employees with information on health management; for work health, in addition to maintaining a safe working environment, work safety-related training is	(1) No material difference was found.

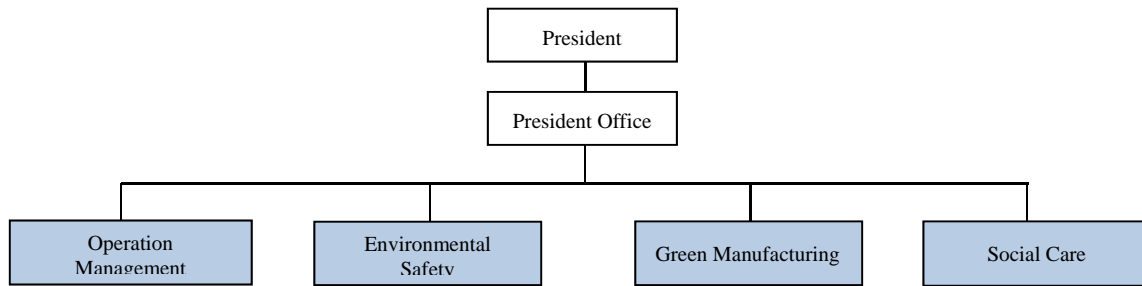
Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company provide its employees with career development and training sessions?	✓		held every year, disaster prevention and emergency response twice a year; training on chemicals safety and emergency response exercise are held once a year to enhance employees' safety awareness and strengthen their emergency response capabilities. (4) The Company will provide appropriate job titles, salary, grades to the employees based on their work level, personal ability, performance, etc. for them to fully deliver their abilities and create maximum profits; for employees whose performance does not meet the requirements, in addition to strengthening on-the-job training, the department supervisors should give appropriate care and guidance in order for them to catch up; for employees with good performance, in addition to being placed in greater roles according to their ability and willingness, they will be rewarded with promotion and provided with further training and development opportunities according to their career plans.	(1) No material difference was found.
(5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the Company follow relevant laws and international standards, and formulate relevant consumer protection policies and complaint procedures?	✓		(5) For the Company's product marketing and labeling, product labeling and delivery specifications are established and implemented in accordance with customer requirements; import and export operations are implemented in accordance with government regulations and import and export and bonded operation specifications. The Company has set up a complaint mechanism and channel for interested parties, and maintains a good communication channel with customers, provides transparent and effective customer complaint handling procedures for products and services. The customer complaint handling procedures contain steps for handling customer complaints and goods return and replacement procedures to protect the rights of customers in using the products. The company purchases product liability insurance for products which are in direct contact with consumers in order to protect them.	(2) No material difference was found.
(6) Does the Company formulate supplier management policies which require suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor human	✓		(6)The Company has set up a "Supplier Management Program". When purchasing, environmental safety and social impact are listed as evaluation items. The liability clauses in the proposed new version of the supplier contract will be included in the relevant provisions.	(3) No material difference was found.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
rights, and the implementation?			The Company conducts regular supplier evaluations on suppliers as a reference basis for the procurement unit to carry out procurement operations.	
5. Does the Company refer to the internationally accepted standards or guidelines for compiling reports to prepare corporate social responsibility reports and other reports that disclose the Company's non-financial information? Has the aforesaid report obtained the validation or assurance opinion of the third-party certification body?		✓	The Company has established the “Code of Practice for Sustainable Development” and compiles sustainability reports pursuant to the GRI standards issued by the Global Reporting Initiative annually. The 2021 sustainability report has been verified by PwC Taiwan according to the Standards on Assurance Engagement No. 10 and disclosed on the corporate website. The latest sustainability report is scheduled to be released in June 2023 with the third-party verification.	Same as abstract explanation.
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: No material difference was found.				
7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices (Such as the systems and measures adopted by the Company for environmental protection, community participation, social contribution, social services, social benefits, consumer rights, human rights, safety and health, and other social responsibility activities and implementation status):				
<p>(1) For environmental protection: The Company implements control in accordance with the laws and regulations regarding environmental protection, and promotes the ISO14001 environmental management system.</p> <p>(2) For consumer rights: The Company has dedicated personnel responsible for handling customer complaints for protection of consumer rights.</p> <p>(3) For human rights, safety and health:</p> <p>The Company upholds internationally recognized labor rights, such as freedom of association, collective bargaining rights, care for disadvantaged groups, prohibition of child labor, elimination of various forms of forced labor, elimination of hiring and employment discrimination, etc., and ensures our personnel policies are free of differential treatment based on gender, race, socio-economic class, age, marital and family status, etc. for equal and fair employment, recruitment terms, salary, benefits, training, evaluation and promotion opportunities. We also comply with international human rights treaties, including the “United Nations Universal Declaration of Human Rights”, “United Nations Guiding Principles on Business and Human Rights” and “International Labor Organization” to prevent any infringement or violation of human rights. For situations which jeopardize labor rights, the Company provides an effective and appropriate complaint mechanism to ensure a fair and transparent complaint process.</p> <p>The company strictly complies with local government labor laws and regulations, establishes appropriate management methods and procedures, and communicates and promotes them internally.</p> <p>The Company pays attention to the following human rights based on its operating projects and characteristics and proposes corresponding policies to facilitate the promotion of relevant internal action plans:</p> <p>1. Compliance with international human rights and legal requirements: The Company does not allow any violation of human rights, such as appointing children under the age of 16 for labor, and regularly inspects, controls and promotes the efforts in complying with such requirements.</p> <p>2. Provision of a fair working environment: The Company provides employees with fair employment opportunities, a good working environment and reasonable benefits in accordance with the Labor Standards Act, and ensures that the employees are not subject to any discrimination, harassment or any unfair treatment based on race, nationality,</p>				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Abstract Illustration													
<p>gender, religious beliefs, age, political positions, etc.</p> <p>3. Provision of a safe working environment: The Company has security personnel 24 hours a day a to help maintain the safety of the plant especially during night time. Its monitoring system, access control system, fire protection system and various machinery and equipment are regularly entrusted to professional companies for maintenance and inspection work once a month; disaster prevention and emergency response twice a year, training on chemical safety and emergency response exercise once a year; in accordance with the provisions of the Occupational Safety and Health Law, the Company appoints government-recognized agencies and professionals to implement operating environment monitoring operations twice a year to understand the actual state of exposure of the staff to the hazard factors in the factory. According to the law, on 2020.1.1, the Company appoints physicians and nurses from professional medical institutions to enter the plant to conduct employee health management for the prevention of human musculoskeletal hazards, protection of maternal health, prevention of diseases caused by abnormal workloads, etc., for safeguarding the physical and mental health of employees. The plant promotes 6S and disciplinary management, and the audit team members take turns to audit the 6S in the factory once a week, in order to beautify the working environment, strengthen the safety of the plant area, and improve work efficiency. In addition, work instructions for preventing illegal infringements in the workplace are established in accordance with the law, and a written statement prohibiting workplace violence in the workplace is posted on the bulletin to achieve a workplace with zero violence in the workplace.</p> <p>In addition, the Company has labor safety and health management personnel to implement management and control in accordance with government laws and regulations. Through regular labor-management meetings and various employee communication channels, communication between management and employees is established to fulfill the responsibility of respecting employees' human rights and protecting their rights.</p> <p>(4) Other social responsibility activities: In response to the recruitment and training program of Bureau of Labor, the company provides job opportunities for students under poverty line and senior job-seekers through recruitment.</p> <p>(5) Product certification: The Company has obtained ISO9001, IATF 16949 and ISO14001 certifications.</p> <table border="1"> <thead> <tr> <th>Certification</th> <th>Effective Period</th> <th>Date of Certification</th> </tr> </thead> <tbody> <tr> <td>ISO 9001: 2015</td> <td>Mar. 26, 2021~ Mar. 25, 2024</td> <td>Jan. 18, 2021~Jan. 19, 2021</td> </tr> <tr> <td>IATF 16949: 2016</td> <td>Mar. 26, 2021~ Mar. 25, 2024</td> <td>Jan. 18, 2021~Jan. 19, 2021</td> </tr> <tr> <td>ISO14001: 2015</td> <td>Apr. 17, 2025</td> <td>Apr. 21, 2022</td> </tr> </tbody> </table>					Certification	Effective Period	Date of Certification	ISO 9001: 2015	Mar. 26, 2021~ Mar. 25, 2024	Jan. 18, 2021~Jan. 19, 2021	IATF 16949: 2016	Mar. 26, 2021~ Mar. 25, 2024	Jan. 18, 2021~Jan. 19, 2021	ISO14001: 2015	Apr. 17, 2025	Apr. 21, 2022
Certification	Effective Period	Date of Certification														
ISO 9001: 2015	Mar. 26, 2021~ Mar. 25, 2024	Jan. 18, 2021~Jan. 19, 2021														
IATF 16949: 2016	Mar. 26, 2021~ Mar. 25, 2024	Jan. 18, 2021~Jan. 19, 2021														
ISO14001: 2015	Apr. 17, 2025	Apr. 21, 2022														

Promotion of Sustainable Development:

1. Structure for Promotion of Sustainable Development



2. Governance for Promotion of Sustainable Development

- (1) President Office: Align with corporate governance trends and comply with laws and regulations.
- (2) Environmental Management and Factory Unit: Draw up safety operation standards, examine and eliminate risk factors, operate environmental protection equipment, and treat sewage.
- (3) Group-level Environmental Safety Unit: Maintain labor relations, employee health and safety, and arrange various educational courses.

3. Risk Assessment for Promotion of Sustainable Development

Material Issues	Risk Evaluation Items	Risk Management Policies or Measures
Environmental	Environmental protection Climate change	Push for a reduction in process water consumption, build wastewater recycling facilities, and improve wastewater treatment efficiency with the target of increasing the recycling volume by 10% each year.
		Commit to energy saving and carbon reduction, carry out greenhouse gas inventory annually and set the goal of reducing carbon dioxide emissions each year.
Social	Workplace safety Employee recruitment and training	Conduct at least two plant-wide disaster prevention drills and emergency responses every year, covering earthquakes, fires, chemical leakage, etc. and incorporating scenario setting based on operation characteristics and hazard types.
		Give priority to locals in terms of recruitment and hiring. The Company’s training courses include orientation and on-the-job training. Courses are assessed with effectiveness evaluated to motivate employees and obtain appropriate authorization.
Corporate Governance	Regulatory Compliance	Ensure regulatory compliance of all personnel and operations by establishing a governance organization and implementing internal control mechanisms.

(6) Implementation of Ethical Corporate Management and Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company established the ethical corporate management policies approved by the Board and declare the policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish assessment mechanism for the risk of unethical conducts, regularly analyze and assess the operating activities with higher risk of unethical conducts in its business scope, establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company has formulated the "Code of Business Integrity Management", "Code of Ethical Conduct", "Business Integrity Procedures and Behavior Guidance" to specifically regulate the matters that directors, managers and employees of the Company should pay attention to when performing business.</p> <p>(2) The Company has established work rules and employee assessment and management methods, clearly specifying relevant rewards and punishment methods, and clearly stipulated the relevant operating procedures in the "Business Integrity Procedures and Behavior Guide", and the material violations of integrity will be subject to discharge or dismissal and the information such as the name of the violating person , date of violation,</p>	<p>(1) No material difference was found.</p> <p>(2) No material difference was found.</p>

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		<p>details of violation and handling of the violation will be internally published. It is also stipulated that if the Company makes political donations or charitable donations or sponsorships at an amount exceeding NT\$ 500,000 and NT\$100,000 respectively, it shall be reported to the Board of Directors for approval.</p> <p>(3) The Company’s work rules clearly stipulate that the employee found engaging in malpractice and will accepting bribes while on duty with concrete evidence verified to be true are deemed to be in violation of the labor contract or work rules, and the labor contract can be terminated, and the employee will be subject to the procedures stated in the "Business Integrity Procedures and Behavior Measures" for receiving illegitimate benefits and facilitation payments. In addition, the "Business Integrity Procedures and Behavior Guidance" also stipulate the handling of the personnel involved in dishonest conduct, and</p>	(3) No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			encourages internal and external personnel to report dishonest behaviors or improper conducts. If the report is verified to be true, the relevant unit of the Company should review the relevant internal control system and operating procedures, and proposed improvement measures to prevent the same behavior from recurring.	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p>	✓		(1) The Company has set up a "Supplier Management Program" which includes the environmental impact as an item of assessment when making a purchase. The Company's work rules and "Business Integrity Procedures and Behavior Guidance" prohibit employees from providing and accepting improper benefits when performing business duties.	(1) No material difference was found.
<p>(2) Has the Company set up a dedicated unit under the Board of Directors to enhance business integrity management and regularly (at least once a year) report to the Board of Directors</p>	✓		(2) The Company has established the Business Integrity Committee as the dedicated unit pursuant to the “Business Integrity Procedures and Behavior Guidance”. The Committee	(2) No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>of its integrity management policies, plans for preventing dishonest behaviors, and supervision of implementation?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p>	✓		<p>is responsible for matters set out below and has reported the implementation of business integrity to the board of directors on February 21, 2023.</p> <ol style="list-style-type: none"> 1. Assist with incorporating integrity and ethics into the corporate strategies and establish preventive measures to ensure business integrity. 2. Promote and coordinate training on integrity policy. 3. Formulate whistleblowing system and ensure the effectiveness of implementation thereof. 4. Assist the board of directors and management with auditing and assessing the effectiveness of preventive measures established concerning business integrity, regularly evaluate the Company’s compliance with relevant procedures and compile reports. <p>(3) The Company has set up the employee opinion mailboxes and the "employee grievance handling system" to provide employees with a channel for suggestions to strengthen labor-employment</p>	<p>(3) No material difference was found.</p>

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Has the Company has established an effective accounting system and internal control system for the realization of business integrity with the internal audit unit drawing up a relevant audit plan based on the assessment results of dishonest behavior risks, and verifying compliance with the plan for preventing dishonest behaviors based on it, or entrusted an accountant to perform the audit?	✓		<p>cooperation. If employees have rights and interests impaired or have other opinions, they can also directly use the administrative system by directly submitting complaints to the personnel unit. The personnel unit will work with the supervisor of each unit to immediately investigate and handle the complaints, or report them to a higher level, and notify the complainant of the results or the handling situation. All employees of the company can report violations or conflicts of interest to the human resources unit or directly to the President.</p> <p>(4) In order to reasonably ensure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations, the Company has established an accounting system, an internal control system and related management methods to realize the spirit of business integrity; the Company’s internal auditors regularly audit relevant compliance matters of all the units of the Company.</p>	(4) No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) The Company pays attention to the realization of the principle of integrity by all employees in its daily business. In 2022, the Company participated in the internal and external education and training programs (including related courses on integrity management, regulatory compliance and internal control) for a total of 151 person-hours.	(5) No material difference was found.
3. Operation of Company’s Integrity Channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The company has set up employee suggestion mailboxes and "employee grievance handling system" to provide employees with a channel for suggestions to strengthen labor-employment cooperation. In addition, in the "Business Integrity Procedures and Behavior Guidance", the Integrity Management Committee is designated as the dedicated unit, and the punishment, appeal system and disciplinary action have been established.	(1) No material difference was found.
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation	✓		(2) The handling of all employee issues will be given a high degree of confidentiality and timeliness, and the relevant	(2) No material difference was found.

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?			website to disclose information on business integrity and clearly states that it should try its best to ensure that the company's disclosure of information to the public is complete, fair, correct, timely and understandable.	difference was found.
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The company has formulated the "Code of Business Integrity ". The Business Integrity Committee is the dedicated unit to handle matters related to the operating procedures and report to the Board of Directors regularly. Its operation is consistent with the code of business integrity of listed and OTC companies and no material difference was found.</p> <p>6 Other important information to facilitate a better understanding of the company’s ethical corporate management policies: The Company submitted the "Corporate Integrity Management Report" to the Board of Directors on February 21, 2023 In accordance with the Code of Business Integrity.</p>				

(7) The query method for the Company’s Practice Guidelines for Corporate Governance and related regulations:

The Company has not yet formulated a corporate governance code. However, for the "Listed and OTC Companies Practice Guidelines for Corporate Governance” it has formulated relevant systems and regulations and published them on the Market Observation Post System and its website (which includes the Company’s Articles of Association, Rules of Procedures for Shareholders Meetings, Rules for the Exercise of Rights and Participation in Decisions by Legal Persons with Controlling Capability, Rules for Board of Directors Meetings, Methods for Director Election, Rules for the Scope of Responsibilities of Independent Directors, Code of Ethics, Procedures for Acquiring or Disposing of Assets, Procedures for Capital Loans to Others, Endorsement and Guarantee Procedures, Audit Committee Organizational Rules, Remuneration Committee Organizational Rules, Code of Business Integrity, Business Integrity Procedures and Behavior Guidance, and Corporate Social Responsibility Code of Practice) are available for investors to inquire at: <https://www.cwtcglobal.com/>.

(8) Other important information to facilitate a better understanding of the company’s implementation of corporate governance:

In order to establish a good internal processing and disclosure mechanism for material information , avoid improper information leakage, and ensure the consistency and correctness of the information published externally , the Company has formulated the "Internal Material Information Processing Procedures" .

(9) Implementation of Internal Control Systems:

1. Statement of Internal Control System:

Chang Wah Technology Co., Ltd.
Statement of Internal Control System

Date: March 16, 2023

The internal control system of the Company in 2022, according to the result of self-assessment is thus stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights") promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: 1.Control environment; 2.Risk assessments; 3.Control activities; 4.Information and communication; and 5.Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system established on Dec. 31, 2022, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting, the compliance of applicable law and regulations has been effective and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 16, 2023, and 0 of those 7 directors in presence oppose and all agree at the contents of this statement.

Chang Wah Technology Co., Ltd.

Chairperson: Canon, Huang

Signature:

President: Hung, Chuen-cheng

Signature:

2. Audit report of the accountant's project for review of internal control: none.

(10) In the most recent year and as of the publication date of the annual report, the punishment on the Company and its internal personnel in accordance with the law, or penalties imposed by the Company on its internal personnel for violating the provisions of the internal control system with the results which may have a significant impact on shareholder rights or securities prices should be specified for punishment content, main deficiencies and improvement: none.

(11) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Material resolutions of the regular shareholders' meeting:

Session	Date	Material resolution	Implementation
Regular Shareholders' Meeting	June 14, 2022	1. Passed the resolution to recognize the Company's FY2021 business report and financial statements.	Completed
		2. Passed the resolution to recognize the company's surplus distribution in FY2021.	Passed the resolution to distribute cash dividends of NT\$892,994,994 (NT\$2.40 per share) to shareholders. The Board of Directors resolved to set December 16, 2021 and June 25, 2022 as the record dates and January 12, 2022 and July 13, 2022 as the distribution dates for cash dividends from earnings distributions of the first and second half of 2021, respectively. The distributions were completed as scheduled.
		3. Passed the resolution to revise "Rules and Procedures for Shareholders Meetings".	Followed as revised.
		4. Passed the resolution to revise "Articles of Association".	Followed as revised.
		5. Passed the resolution to revise the "Procedures for Acquisition or Disposal of Assets".	Followed as revised.
		6. Passed the resolution to issue employee restricted stocks.	Completed.

2. Material resolutions of the board of directors meeting:

Session	Date	Material resolution
5 th Board of Directors Meeting, 5 th Session	March 17, 2022	1. Passed the 2021 employee dividends distribution ratios and total provision. 2. Passed the distribution ratios of 2021 bonus to the directors and total provision. 3. Passed the Company's 2021 IFRSs financial report. 4. Passed the Company's 2021 operation report. 5. Passed the 2021 surplus distribution. 6. Passed the Company's Statement on Internal Control. 7. Passed ratification of obtaining and disposal of securities. 8. Passed revision of the Company's measures.

Session	Date	Material resolution
		9.Passed the conversion of the first domestic secured convertible bonds for new shares. 10.Passed the additional acquisitions of air conditioning equipment for new plants. 11.Passed the acquisition of land and plants from MEKTEC Corporation. 12.Passed the issuance of employee restricted stocks. 13.Passed the date and place of 2022 shareholders meeting and the reason for the meeting.
5 th Board of Directors Meeting, 6 th Session	April 29, 2022	1.Passed whether to include shareholders' proposals in the upcoming annual shareholders' meeting. 2.Passed ratification of obtaining and disposal of securities. 3.Passed the amendments to the Company's "Articles of Incorporation".
5 th Board of Directors Meeting, 7 th Session	May 6, 2022	1.Passed the Company's 2022 Q1 IFRSs financial report. 2.Passed the ratification of obtaining and disposal of securities. 3.Pass the signing of a plant leasing contract with JMC Electronics Co., Ltd.
5 th Board of Directors Meeting, 8 th Session	June 14, 2022	Passed the ratification of obtaining and disposal of securities.
5 th Board of Directors Meeting, 9 th Session	August 5, 2022	1.Passed the Company's 2022 Q2 IFRSs financial report. 2.Passed matters associated with the establishment of share replacement procedures for the change in par value. 3.Passed the amendments to the Company's Rules Governing the Issuance of Employee Restricted Stocks for 2022. 4.Passed donations of 2022. 5.Passed the ratification of employee promotions. 6.Passed mid-year performance bonus and salary adjustments of managerial officers. 7.Passed the ratification of acquisition and disposal of marketable securities. 8.Passed the ratification of obtaining and disposal of securities.
5 th Board of Directors Meeting, 10 th Session	October 11, 2021	1.Passed the ratification of amendments to the Company's Rules Governing the Issuance of Employee Restricted Stocks for 2022. 2.Passed the ratification of obtaining and disposal of securities. 3.Passed 2022 issuance of employee restricted stocks.
5 th Board of Directors Meeting, 11 th Session	November 5, 2021	1.Passed the Company's 2022 Q3 IFRSs financial report. 2.Passed the 2023 Audit Plan. 3.Passed the changes of address of the Company's branch office in Japan. 4.Passed the acquisition of 100% of Malaysian SH Electronics Sdn. Bhd. from the subsidiary, SH Asia Pacific Pte. Ltd. 5.Passed the distribution of surplus in the first half of 2022. 6.Passed the Company's ratification of obtaining and disposal of securities.
5 th Board of Directors Meeting, 12 th Session	December 20, 2021	1.Passed the appointment and remuneration of accountants in 2023. 2.Passed the lines of credit of financial institutions in 2023. 3.Passed the 2023 budget plan. 4.Passed the 2022 group capital expenditure budget. 5.Passed the signing of a supplemental agreement with Ohkuchi Materials Co., Ltd. for acquisition of machinery and equipment. 6.Passed the ratification of obtaining and disposal of securities. 7.Passed the 2022 performance bonus and 2023 salary for the managers.
5 th Board of Directors Meeting, 13 th Session	February 21, 2023	1.Passed the additions/revisions to various measures of the Company. 2.Passed the release of Mr. Angus Shih, the representative of the juristic person director, from non-compete restrictions. 3.Passed ratification of obtaining and disposal of securities. 4.Passed the date and place of 2023 shareholders meeting and the reason for the meeting.
5 th Board of Directors Meeting, 14 th Session	March 16, 2023	1.Passed the 2022 employee dividends distribution ratios and total provision. 2.Passed the distribution ratios of 2022 bonus to the directors and total provision. 3.Passed the Company's 2022 IFRSs financial report. 4.Passed the Company's 2022 operation report.

Session	Date	Material resolution
		5. Passed the 2022 surplus distribution. 6. Passed the Company's Statement on Internal Control. 7. Passed whether to include shareholders' proposals in the upcoming annual shareholders' meeting. 8. Passed ratification of obtaining and disposal of securities.

- (12) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.
- (13) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D: None.

5. Information Regarding the Company's Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Lee-Yuan Kuo	2022Q1~2022Q4	7,490	1,021	8,511	None
	Hung-Ju Liao					

- (1) The amounts of non-audit fees and items of non-audit services: Including business registration, transfer pricing report, tax compliance audit, review fee for issuance of employee restricted stocks and travel as well as typing and printing expenses incurred by CPAs.
- (2) Change of the accounting firm with the audit fee paid during the year of change being less than the public fee of the previous year: None.
- (3) Audit fee reduced by more than 10% compared with the previous year: None.

6. Replacement of CPA : None. There was no replacement of CPAs in the past two years.

7. Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm: none.

8. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

(1) Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	January 1, 2022 to the Date Before Share Replacement (Note 1)		Share Replacement Date (Note 1) September 5, 2022 (Change of par value from NT\$1 to NT\$0.4 per share)		The Date after Share Replacement (Note 1) to December 31, 2022		Year to Date up to April 2, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Juristic Person Director	Yuan Yao Energy Technology Co., Ltd.	63,000	0	20,190,000	0	1,495,000	0	20,000	0
Representative of juristic person director	Yuan Yao Energy Technology Co., Ltd. Representative: Canon, Huang	0	0	3,885,000	0	0	0	0	0
Juristic Person Director and Major Shareholder	Chang Wah Electromaterials Inc.	(20,300,000)	0	269,951,955	0	0	0	0	0
Representative of juristic person director and President	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	0	0	3,508,185	0	0	0	0	0
Representative of juristic person director	Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	0	0	0	0	0	0	0	0
Representative of juristic person director	Chang Wah Electromaterials Inc. Representative: Huang, Siou-Cyuan (Note 2)	0	0	15,569,565	0	0	0	0	0
Representative of juristic person director	Chang Wah Electromaterials Inc. Representative: Angus, Shih (Note 2)	0	0	0	0	0	0	0	0
Independent Director	Lin, Yi-Jing	0	0	0	0	0	0	0	0
Independent Director	Lin, Ren-Lin	0	0	0	0	0	0	0	0
Independent Director	Ou, Jia-Ruey	0	0	0	0	0	0	0	0
Vice President	Li, Jhih-Hong	0	0	0	0	0	0	0	0
Vice President	Lu, Hung-Chin	0	0	45,570	0	0	0	0	0
Vice President	Wen, Wen-Yu	0	0	15,000	0	0	0	0	0

Title	Name	January 1, 2022 to the Date Before Share Replacement (Note 1)		Share Replacement Date (Note 1) September 5, 2022 (Change of par value from NT\$1 to NT\$0.4 per share)		The Date after Share Replacement (Note 1) to December 31, 2022		Year to Date up to April 2, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President	Yang, Chung-Chi	(13,000)	0	462,000	0	0	0	0	0
Vice President	Lin, Huang-Chieh	0	0	0	0	0	0	0	0
Senior Manager	Hsu, Pai-Hsiang	(10,000)	0	672,000	0	0	0	0	0
Senior Manager	Sun, Ming-Chuan	0	0	0	0	0	0	0	0
Senior Manager	Pai, Pang-Chieh (Note 3)	0	0	0	0	0	0	0	0
Finance Supervisor	Yan, Shu-Ping	0	0	681,060	0	0	0	0	0
Accounting Supervisor	Lin, Jun-Ji	(6,000)	0	0	0	0	0	0	0

Note 1 : The change of par value to NT\$0.4 per share was approved by the Official Letter No. MOEA-Processing-III-Commerce-1110006264 on June 22, 2022 with the number of shares issued being 960,496,700 shares. Shares were replaced on September 5, 2022.

Note 2 : Chang Wah Electromaterials Inc., the juristic person director, redesignated its authorized representative, Mr. Angus Shih, as a director on January 3, 2023, which was therefore the first date for documenting changes in shareholdings. The former director, Mr. Siou-Cyuan Huang, resigned on January 2, 2023, which was therefore, the last date for documenting changes in shareholdings.

Note 3 : Due to reorganization, Senior Manager Pang-Chieh Pai took office on July 1, 2022, which was therefore the first date for documenting changes in shareholdings.

(2) Those to whom the equities of the directors, managers and major are transferred are related parties: None.

(3) Those against whom the equities of the directors, managers and major are pledged are related parties: None.

9. Relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship of another:

April 2, 2023; Unit: Shares

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Second Degree of Kinship (Note 3)		Remark
	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Name	Relation	
Chang Wah Electromaterials Inc.	449,919,925	46.56%	0	0%	0	0%	None	None	None
Chang Wah Electromaterials Inc. Representative: Canon, Huang	6,475,000	0.67%	0	0%	0	0%	Yuan Yao Energy Technology Co., Ltd.	In Second Degree of Kinship with the Chairperson	None
							Besjie Investment Co., Ltd.	In Second Degree of Kinship with the Chairperson	None
Fubon Life Insurance Co., Ltd.	68,538,100	7.09%	0	0%	0	0%	None	None	None
Fubon Life Insurance Co., Ltd. Representative: Tsai, Ming-Hsing	0	0%	0	0%	0	0%	None	None	None
Besjie Investment Co., Ltd.	35,376,950	3.66%	0	0%	0	0%	None	None	None
Besjie Investment Co., Ltd. Representative: Huang, Sai-Ying	313,000	0.03%	0	0%	0	0%	Chang Wah Electromaterials Inc.	In Second Degree of Kinship with the Chairperson	None
							Yuan Yao Energy Technology Co., Ltd.	Chairperson the same person	None
Yuan Yao Energy Technology Co., Ltd.	35,165,000	3.64%	0	0%	0	0%	None	None	None
Yuan Yao Energy Technology Co., Ltd. Representative: Huang, Sai-Ying	313,000	0.03%	0	0%	0	0%	Chang Wah Electromaterials Inc.	In Second Degree of Kinship with the Chairperson	None
							Besjie Investment Co., Ltd.	Chairperson the same person	None
Huang, Siou-Cyuan	25,949,275	2.69%	0	0%	0	0%	None	None	None
Cathay Life Insurance Co., Ltd.	20,696,000	2.14%	0	0%	0	0%	None	None	None
Cathay Life Insurance Co., Ltd. Representative: Huang, Tiao-Kuei	0	0%	0	0%	0	0%	None	None	None

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Second Degree of Kinship (Note 3)		Remark
	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Name	Relation	
Investment account of the Singapore government entrusted to Citibank Taiwan	16,155,550	1.67%	0	0%	0	0%	None	None	None
Jin Chiao Li Co., Ltd.	15,165,050	1.57%	0	0%	0	0%	None	None	None
Jin Chiao Li Co., Ltd. Representative: Tsai, Kui-Chih	0	0%	25,949,275	2.69%	0	0%	Huang, Siou-Cyuan	Spouse	None
Shing Zheng Investment Co., Ltd.	14,738,642	1.53%	0	0%	0	0%	None	None	None
Shing Zheng Investment Co., Ltd. Representative: Pan, Chao-I	311,000	0.03%	0	0%	0	0%	None	None	None
Tai, Sung-Chi	14,350,000	1.48%	0	0%	0	0%	None	None	None

Note 1: All the top ten shareholders should be listed. If they are legal person shareholders, the names of the legal person shareholders and the names of the representatives should be listed separately.

Note 2: The calculation of the shareholding ratio refers to the calculation of the shareholding ratio in the name of shareholder, his/her spouse, his/her minor children or the name of others; the shareholding ratio is calculated based on 364,131,050 shares.

Note 3: The shareholders listed in the previous disclosure, including legal persons and natural persons, shall disclose their relationship in accordance with the issuer's financial report preparation standards.

10. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company:

December 31, 2022

Investee Company	Investment Made by the Company		Investment Made by Entities Directly or Indirectly Controlled by Directors, Supervisors, Managers		Total Investment	
	Shares	Percentage	Shares	Percentage	Shares	Percentage
CWTC (Shanghai) Inc.	NA(Note 2)	100%	—	—	NA (Note 2)	100%
Shing Zheng Investment Co., Ltd.	49,000,000	49%	—	—	49,000,000	49%
SH Asia Pacific Pte. Ltd.	21,206,103	100%	—	—	21,206,103	100%
Malaysian SH Electronics Sdn. Bhd.	23,000,000	100%	—	—	23,000,000	100%
SH Electronics Suzhou Co., Ltd.	—	—	NA (Note 2)	100%	NA (Note 2)	100%
WSP Electromaterials Ltd.	—	—	5,235,000	100%	5,235,000	100%
SH Electronics Chengdu Co., Ltd.	—	—	NA (Note 2)	100%	NA (Note 2)	100%
SH Precision Chengdu Co., Ltd.	—	—	NA (Note 2)	100%	NA (Note 2)	100%
Shanghai Chang Wah Electromaterials Inc.	—	—	NA (Note 2)	69%	NA (Note 2)	69%

Note 1: Investment by the Company accounted for using equity method.

Note 2: No shares are issued for the company is not a limited company.

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital:

April 2, 2023

Month/ Year	Offering Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
April 2022	-	700,000,000	700,000,000	384,198,680	384,198,680	Conversion of convertible bonds NT\$20,067,630.	None	Note 1
June 2022	0.4	1,750,000,000	700,000,000	960,496,700	384,198,680	Change of par value from NT\$1 to NT\$0.4 per share. Old shares were replaced.	None	Note 2
October 2022	0.4	1,750,000,000	700,000,000	966,421,700	386,568,680	Issue employee restricted stocks of NT\$2,370,000.	None	Note 3

Note 1: Approved by the Administration of Export Processing Zone, Ministry of Economic Affairs on April 6, 2022 by letter No. 1110003319.

Note 2: Approved by the Administration of Export Processing Zone, Ministry of Economic Affairs on June 22, 2022 by letter No. 1110006264.

Note 3: Approved by the Administration of Export Processing Zone, Ministry of Economic Affairs on October 26, 2022 by letter No. 1110011226.

April 2, 2023; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Registered common shares	966,421,700	783,578,300	1,750,000,000	Shares of a listed company traded OTC

Information about the comprehensive reporting system: No applicable.

(2) Shareholder Structure:

April 2, 2023

Quantity \ Shareholder	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	5	53	11,678	93	11,829
Shareholding (Shares)	0	89,491,100	637,055,188	195,806,472	44,068,940	966,421,700
Percentage	0	9.26%	65.92%	20.26%	4.56%	100.00%

(3) Shareholding Distribution Status:

April 2, 2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	1,357	305,645	0.03%
1,000 ~ 5,000	7,511	18,284,461	1.89%
5,001 ~ 10,000	1,263	10,304,393	1.07%
10,001 ~ 15,000	493	6,418,737	0.66%
15,001 ~ 20,000	270	5,013,223	0.52%
20,001 ~ 30,000	344	8,834,298	0.91%
30,001 ~ 40,000	130	4,730,046	0.49%
40,001 ~ 50,000	81	3,845,830	0.40%
50,001 ~ 100,000	183	12,867,375	1.33%
100,001 ~ 200,000	78	11,329,208	1.17%
200,001 ~ 400,000	42	11,571,088	1.20%
400,001 ~ 600,000	15	7,839,561	0.81%
600,001 ~ 800,000	8	5,723,560	0.59%
800,001 ~ 1,000,000	7	6,356,000	0.66%
1,000,001 or over	47	852,998,275	88.26%
Total	11,829	966,421,700	100.00%

(4) List of Major Shareholders: (Note)

April 2, 2023

Shareholder's Name	Shares	Shareholding	Percentage
Chang Wah Electromaterials Inc.		449,919,925	46.56%
Fubon Life Insurance Co., Ltd.		68,538,100	7.09%
Besjie Investment Co., Ltd.		35,376,950	3.66%
Yuan Yao Energy Technology Co., Ltd.		35,165,000	3.64%
Huang, Siou-Cyuan		25,949,275	2.69%
Cathay Life Insurance Co., Ltd.		20,696,000	2.14%
Investment account of the Singapore government entrusted to Citibank Taiwan		16,155,550	1.67%
Jin Chiao Li Co., Ltd.		15,165,050	1.57%
Shing Zheng Investment Co., Ltd.		14,738,642	1.53%
Tai, Sung-Chi		14,350,000	1.48%

Note: If there are less than ten shareholders with at least 5% ownership, the names of the top ten shareholders in terms of percentage of ownership, the amount and percentage of ownership should be disclosed.

(5) Market Price, Net Worth, Earnings, Dividends per Share and Related Information:

Unit: NT\$/thousand shares

Item		Year	2021	2022(Note 9)		As of April 2, 2023 (Note 8)
				Before Split	After Split	
Market Price per Share (Note 1)	Highest Market Price		115.50	113.50	37.30	44.85
	Lowest Market Price		52.30	68.50	27.85	29.35
	Average Market Price		83.00	34.68(Note 9)		38.31
Net Worth per Share (Note 2)	Before Distribution		22.24	10.49		—
	After Distribution		20.52	9.68(Note 10)		—
Earnings per Share	Weighted Average Shares		356,736	935,467		—
	EPS (Note 3)	Before Adjustment	4.81	3.01		—
		Adjusted	4.81	3.01		—
Dividends per Share	Cash Dividends		2.40	1.51(Note 10)		—
	Stock Dividends	Dividends from Retained Earnings	—	—		—
		Dividends from Capital Surplus	—	—		—
	Accumulated Undistributed Dividends (Note 4)		—	—		—
Return on Investment	Price / Earnings Ratio (Note 5)		17.26	11.52		—
	Price / Dividend Ratio (Note 6)		34.58	22.96(Note 10)		—
	Cash Dividend Yield Rate (%) (Note 7)		2.89	4.35(Note 10)		—

Note 1: The highest and lowest market prices for each year are listed, and the average market price for each year is calculated based on the value and volume of transactions for each year.

Note 2: Please use the number of shares issued at the end of the year as the basis and fill in the following year's shareholders' meeting to resolve the distribution.

Note 3: If there is a retroactive adjustment due to a no-compensation stock allotment, etc., the Earnings per share before and after the adjustment should be listed.

Note 4: If the conditions of issuance of equity securities provide that unpaid dividends for the current year may be accumulated and paid in the year of earnings, the dividends accumulated and unpaid as of the current year should be disclosed separately.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8: Net value and earnings per share should be presented for the most recent quarterly period ended on the printing date of the annual report, and the rest should be presented for the current year ended on the printing date of the annual report.

Note 9: The Company completed the change of par value in September 2022. After the split, the par value of was NT\$0.4 per share. The average market price is derived by converting the pre-split daily closing price of share based on the split ratio for the calculation of average closing price of share with a par value of NT\$0.4 for the year.

Note 10: The dividend amount for the second half of 2022 resolved by the Board of Directors Meeting on March 16, 2023 shall be included.

(6) Dividend Policy and Implementation Status:

1. Dividend Policy:

The amendments to the Company's Articles of Incorporation had been approved by the Company's shareholders in its meeting held in June 2020, which stipulate that earnings distribution or loss make-up may be made after the close of each semi-annual fiscal period. If there is any surplus at the end of each semi-annual fiscal period, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous semi-accounting year, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any remaining balance, the Company may give priority to the distribution of dividends from the preferred shares; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

The amendments to the Company's Articles of Incorporation had been approved by the Company's shareholders in its meeting held in June 2020. Before the amendment, if there is any surplus at the end of each semi-annual fiscal period, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous semi-accounting year, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except

when the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

The Company is in line with the overall environment and the growth characteristics of the industry, as well as the long-term financial planning of the Company, in order to achieve sustainable and stable business development. The Company's dividend policy is based on the residual dividend policy, which is based on the Company's future capital budget plan to measure the annual capital requirements, and the remaining earnings are distributed in the form of cash and stock dividends after reserving the necessary capital for financing. The distribution steps are as follows:

- (1) Determine the best capital budget.
- (2) Determine the amount of financing needed to meet the previous capital budget.
- (3) Determine the amount of capital to be financed by retained earnings.
- (4) The remaining earnings may be distributed to the shareholders in the form of dividends, after reserving an appropriate amount for operating needs, and the distribution should be no less than 10% of the Company's distributable earnings for the year, provided that the portion of cash dividends is no less than 10% of the total dividends to be paid.

2. Proposed Distribution of Dividend:

The Board of Directors Meeting of the Company resolved the following in the first half of 2022 and the second half of 2022:

	<u>Second half of 2022</u>	<u>First half of 2022</u>
Board of Directors Meeting Date of Resolution	<u>March 16, 2023</u>	<u>Nov. 4, 2022</u>
Legal reserve	<u>\$ 133,177</u>	<u>\$ 153,349</u>
Special reserve	<u>\$ 31,557</u>	<u>\$ 54,752</u>
Cash Dividends	<u>\$ 765,496</u>	<u>\$ 661,540</u>
Cash dividends per share (NT\$)	<u>\$ 0.81</u>	<u>\$ 0.70</u>

3. The dividend policy expected to change significantly: None.

- (7) The effect of the proposed free distribution on the Company's operating results and earnings per share:

There is no proposed free distribution for the Company's earnings distribution for the year ended December 31, 2022.

(8) Employees and Bonus to Directors:

1. The number or scope of employees and Bonus to Directors as set forth in the Articles of Incorporation:

The Company shall distribute compensation to employees at no less than 1% and no more than 12% of the Company's profitability for the year and shall distribute

compensation to directors at no more than 1.5% of the Company's profitability for the year. However, if the Company has accumulated deficits, the Company shall first make up for them.

Compensation to employees may be distributed in the form of shares or in cash to employees of parents or subsidiaries of the company meeting certain specific requirements that are entitled to receive shares or cash; such requirements shall be established by the board of directors.

Profit of the current year referred to in the first paragraph refers to the net income before taxation for the current year before the distribution of compensation to employees and compensation to directors.

The distribution of compensation to employees and compensation to directors shall be made by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. The basis for estimating the amount of employee and bonus to Directors, the basis for calculating the number of shares of employee compensation distributed by stock, and the accounting treatment if the actual amount of distribution differs from the estimated amount:

Employees and directors' compensation is calculated based on management's estimate of the amount that could be paid and the percentage set forth in the Articles of Incorporation. If the Board of Directors' meeting subsequently resolves that the actual amount of distribution differs materially from the estimated amount, the difference is recorded as profit or loss in the year of the resolution.

3. The approval of the distribution of remuneration in Board of Directors' Meeting:

(1) The amount of employee compensation and Bonus to Directors distributed in cash or stock. If there is any discrepancy between the amount and the estimated amount of expense recognized, the amount of the discrepancy, the reason for the discrepancy and the treatment of the discrepancy should be disclosed:

The Board of Directors' meeting held on March 16, 2023 approved the distribution of cash compensation to employees and remuneration to directors in the amount of \$32,969 thousands and \$4,000 thousands, respectively, which were not different from the amounts recognized in the consolidated financial statements for the year ended December 31, 2022.

(2) The amount of employee compensation distributed in stock and its proportion to the total amount of profit after tax and total employee compensation reported in the individual or separate financial statements for the period:

The Company did not distribute employee compensation in stock.

4. The actual distribution of employees and Bonus to Directors in the previous year:

(1) The actual allotment of employees and Bonus to Directors in the previous year was as follows:

FY2020 Distribution of Earnings	Distribution by Resolution	Actual Distribution
Bonus to Employees	NT\$18,693 thousands	NT\$18,693 thousands
Bonus to Directors	NT\$4,000 thousands	NT\$4,000 thousands
Date when the Resolution Passed by the Board	March 17, 2022	
Date when the Report Passed in the Shareholders' Meeting	June 14, 2022	

(2) If there is any difference between the above amount and the amount recognized for employees and Bonus to Directors, please state the difference, the reason for the difference and the treatment: No difference.

(9) Repurchase of the Company's shares

(1) Repurchase of the Company's shares by the Company (if completed)

April 2, 2023

Instance	First time of 2018 (Note 1)
Purpose	Transferred to employees
Buyback Period	May 10, 2018~July 6, 2018
Repurchased interval price	NT\$272.5~564
Type and Volume of Repurchased Shares	Ordinary shares 27,350,000 shares (Note 2)
Amount of Repurchased Shares	NT\$437,809,094
The ratio of the Repurchased Shares to the Planned Buyback Shares (%)	72.93%
Cancelled and Transferred Shares	5,985,000 shares (Note 2)
Cumulated holding Volume	21,365,000 shares (Note 2)
The ratio of the Cumulated holding Volume to the total issued shares (%)	2.21%

Note 1: In order to maintain both the rights of shareholders and the market mechanism, the repurchase of this time is not executed at its full scale.

Note 2: The change of share par value has been completed in September 2022. After the separation, the share par value is changed to NT\$ 0.4 for each share, thus the "type and volume of repurchased shares", the "cancelled and transferred shares" and the "cumulated holding volume" is adjusted.

(2) Repurchase of the Company's shares by the Company (if still in progress): None.

2. Corporate Bonds:

(1) Details of Corporate Bonds:

April 2, 2023

Type of corporate bond	First domestic secured convertible bonds
Issue date	July 19, 2021
Denomination	NT\$100,000
Issue price	NT\$120.56
Total amount	NT\$1,500,000,000
Coupon rate	Coupon rate of 0%
Tenure	5 years; maturity date: July 19, 2026
Outstanding principal	NT\$0
Corporate Bonds as of the Delisting Date on January 19, 2022	Converted to 20,067,630 ordinary shares

(2) Conversion of Convertible Bonds:

Type of corporate bond		First domestic secured bonds
Year		January 1, 2022 to January 19, 2022
Market price	Highest	138.60
	Lowest	125.45
	Average	127.42
Conversion Price		74.5
Issue Date and Conversion Price at Issuance		Issue date: July 19, 2021 Conversion price at issuance: NT\$75.0/share
Conversion Obligation		Issuance of new shares

3. Preferred Shares: None.

4. Global Depository Receipts: None.

5. Employee Stock Options: None.

6. Restrictions on the application of new shares for employees' rights:

(1) Status of Employee Restricted Stocks :

April 2, 2023

Type of Employee Restricted Stocks	First Issuance of Employee Restricted Stocks in 2022								
Date of Effective Registration and Total No. of Shares	111.09.19 ; 6,365,000 shares								
Issue Date	111.10.11								
No. of Employee Restricted Stocks issued	5,925,000 shares								
No. of Employee Restricted Stocks to be Issued	440,000 shares								
Issue Price	NT\$0 per share								
No. of Employee Restricted Stocks as a % to Total No. of Issued Shares	0.61%								
Vesting Conditions of Employee Restricted Stocks	<p>For employees who remain employed by the Company three years after the grant date of employee restricted stocks, the vesting percentage is determined by the outcomes of annual performance evaluations which assess employees' achievements via individual performance indicators: Individual performance indicator: Outcomes shall be A or above during the evaluation period.</p> <table border="1"> <thead> <tr> <th>Vesting Period</th> <th>Vesting Percentage</th> </tr> </thead> <tbody> <tr> <td>3 years after the grant date</td> <td>20%</td> </tr> <tr> <td>4 years after the grant date</td> <td>30%</td> </tr> <tr> <td>5 years after the grant date</td> <td>50%</td> </tr> </tbody> </table>	Vesting Period	Vesting Percentage	3 years after the grant date	20%	4 years after the grant date	30%	5 years after the grant date	50%
Vesting Period	Vesting Percentage								
3 years after the grant date	20%								
4 years after the grant date	30%								
5 years after the grant date	50%								
Restricted Rights of Employee Restricted Stocks	1. Except for inheritance, employees shall not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, unvested employee restricted stocks. After fulfilling the vesting conditions, employee restricted stocks will be								

	<p>transferred from the trust account to the employee's personal securities depository account pursuant to trust/custody agreement.</p> <p>2.The rights to attend, propose, speak, vote and elect in the shareholders' meetings shall comply with the trust/custody agreement.</p> <p>3.In addition to terms set out in the trust agreement, the rights of employee restricted stocks granted pursuant to the Rules prior to the fulfillment of vesting conditions include but not limited to: distribution of dividends, bonuses, and capital surplus and the subscription rights of new shares issued for capital increases, which are the same as ordinary shares issued by the Company.</p>
Custody of Employee Restricted Stocks	Deposited into a trust account
Action Plans where Employees Fail to Meet the Vesting Conditions	<ol style="list-style-type: none"> 1. Upon voluntary separation, dismissal, separation with severance packages, and retirement within five years from the grant date, the unvested shares will be reclaimed by the Company without costs. 2. For employees who are approved to take leave without pay within five years from the grant date, the rights of unvested employee restricted stocks are restored on the reinstatement date; however, the vesting periods shall be deferred by the period of unpaid leave and the number of employee restricted stocks vested shall be calculated pursuant to paragraph 3 of this Article. 3. For employees whose performance evaluations fail to satisfy the vesting conditions during the third to fifth years from the grant date, the unvested shares will be reclaimed by the Company without cost. 4. For employees who are transferred by the Company to other entities due to operational needs, the rights and obligations of the unvested employee restricted stocks will remain unaffected and subject to the Rules. 5. The Remuneration Committee is authorized to approve exceptions to the circumstances set out above where appropriate.
No. of Employee Restricted Stocks Reclaimed or Bought Back	0 shares
Number of Vested Employee Restricted Stocks	0 shares
Number of Unvested Employee Restricted Stocks	5,925,000 shares
No. of Unvested Employee Restricted Stocks as a % to Total No. of Issued Shares	0.61%
Effect on Shareholders' Equity	The dilutive effect on earnings per share is limited. Thus, the effect on shareholders' equity is immaterial.

(2) Names of managerial officers and top 10 employees receiving the employee stock options as well as the cumulative number of options received and exercised:

April 2, 2023

	Job Title	Name	No. of Shares Exercisable	No. of Shares Exercisable as a % to Total No. of Issued Shares	Exercised				Unexercised			
					No. of Shares	Exercise price	Value of Shares Exercised	No. of Shares as a % to Total No. of Issued Shares	No. of Shares	Exercise price	Value of Shares to be Exercised	No. of Shares as a % to Total No. of Issued Shares
Managerial Officers	CEO	Canon, Huang	4,735,000	0.49%	0	0	0	0	4,735,000	0	0	0.49%
	President	Hung, Chuen-Sing										
	Vice President	Li, Jhib-Hong										
	Vice President	Lu, Hung-Chin										
	Vice President	Lin, Huang-Chieh										
	Vice President	Yang, Chung-Chi										
	Vice President	Wen, Wen-Yu										
	Senior Manager	Hsu, Pai-Hsiang										
	Senior Manager	Sun, Ming-Chuan										
	Senior Manager	Lin, Jun-Chi										
	Senior Manager	Pai, Pang-Chieh										
	Manager	Yan, Shu-Ping										
Employees	Subsidiary President	Su, Zhen-Ping	825,000	0.09%	0	0	0	0	825,000	0	0	0.09%
	Subsidiary President	Miss Mah										
	Subsidiary Vice Preside	Lai, Chinh-Suan										
	Assistant Manager	He, Jen-Fu										
	Subsidiary Manager	Cheng, Chih-Chung										
	Subsidiary Manager	CJ Yong										
	Subsidiary Manager	Mao, Ya-Ping										
	Subsidiary Manager	Lu, Jian-Gui										
	Subsidiary Manager	Tsao, Yung										
	Subsidiary Manager	Miss Ng										

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

8. Financing Plans and Implementation: None.

V. Operational Highlights

1. Business Activities:

(1) Business Scope:

1. Main areas of business operations

Business Category Codes	Business Item
C805050	Industrial Plastic Products Manufacturing
CC01080	Electronic Parts and Components Manufacturing
F119010	Wholesale of Electronic Materials
F219010	Retail Sale of Electronic Materials
CA01130	Copper Material Rolls over Extends and Crowding
CA02010	Metal Architectural Components Manufacturing
CC01020	Electric Wires and Cables Manufacturing
CC01110	Computers and Computing Peripheral Equipment Manufacturing
CQ01010	Die Manufacturing
CA02090	Metal line Products Manufacturing
CA02990	Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
F106030	Wholesale of Die
F113010	Wholesale of Machinery
F113020	Wholesale of Household Appliance
F113050	Wholesale of Computing and Business Machinery Equipment
F113070	Wholesale of Telecom Instruments
F206030	Retail Sale of Die
F213010	Retail Sale of Household Appliance
F213030	Retail sale of Computing and Business Machinery Equipment
F213060	Retail Sale of Telecom Instruments
F213080	Retail Sale of Machinery and Equipment
F213100	Retail Sale of Pollution Controlling Equipment
F401010	International Trade
CC01040	Lighting Facilities Manufacturing
E603090	Illumination Equipment Construction
IG03010	Energy Technical Services
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue distribution

Unit: NT\$ thousands; %

Major Products \ Year	2021		2022	
	Sales Revenue	%	Sales Revenue	%
IC lead frame	9,670,223	75.59	11,618,752	80.51
Epoxy Resin	1,903,264	14.88	1,712,464	11.87
LED lead frame	953,721	7.46	652,821	4.52
Others	264,961	2.07	447,247	3.10
Total	12,792,169	100.00	14,431,284	100

3. Main products (service):

Our products are widely used in the IC industry and optoelectronics industry under the continuation of semiconductor industry:

Industries	Current Product Items
Integrated Circuit Industry (IC)	IC semiconductors are critical active components, and their applications are divided into four categories, including consumer electronics (including communications, personal mobility devices and information), automotive electronics, industrial electronics and others. Our products (IC lead frame) are divided into Stamped IC Lead Frame and Etched IC Lead Frame due to the complexity of the number of pins. In addition, it can also provide ICs with a variety of options in package design (package process options), which will have a high potential for IC design and development. Therefore, the demand for metal lead frames in the IC industry will continue to be stable, and our products are highly futuristic and are expected to continue to grow.
Optoelectronics Industry	Our products (EMC lead frame) are mainly used as one of the main materials for the production of light emitting diode (LED) packaging. The consumer market and applications of this industry (indoor and outdoor lighting, backlight modules, outdoor displays, automotive interior and exterior lighting, photographic flash and high brightness projectors...many applications) are still growing in the product lifecycle and are gradually expanding to replace the original light source as one of the new trends and energy saving synonyms. Our products have excellent characteristics in plastic selection (high heat resistance, yellowing resistance, UV resistance, small size and high current capability) and will continue to increase in demand in the market.

4. New products (service) development:

Based on the LED products	In the field of IC products
Metal lead frame for medium and high power applications.	Large size and high density lead frame.
Development of exclusive metal lead frame for automotive use (special coating).	Long-legs type lead frame.
Develop integrated packaging lead frame.	High leg (multi-row) type lead frame.
Development of Flip-Chip Flat Panel lead frame.	Flip-Chip flat panel lead frame.

(2) Industry Overview:

1. Current status and development of the industry:

The role of our company in the IC and LED industry supply chain is to provide materials for the packaging process after the production of wafers. In the same way as all IC and LED package manufacturers, we are the post-production material supplier in the whole industry chain.

The four main categories of ICs are analog ICs, logic ICs/ASICs, memory and microprocessors. In recent years, due to the prevalence of smart handheld devices, product appearance emphasizes on slim, short, multi-functional, power-saving, inexpensive, fast, aesthetic and 4C convergence, resulting in application processors and next-generation memory components and modules that are thinner, shorter and require higher transmission rates. This will be a major issue for material suppliers in the face of the future demand for packaging materials and packaging trends.

Light Emitting Diode (LED) has been widely used in the backlight module of lighting and flat panel liquid crystal display (TFT LCD), which has replaced the original CCFL light source in the backlight module application and created a wave of replacement. In the lighting market, international well-known manufacturers such as Philips, Osram and Cree have taken the lead in reducing prices, which has led to rapid growth in overall lighting demand. After the overall industry has reached an economic scale and become attractive at a price, other related industries have been introduced to use it.

Based on the light-emitting diode (LED) principle, light-emitting characteristics, light source effect and other special performance of the light source structure, automotive lighting, outdoor color (RGB) display screens with specific specifications and huge size and other industrial products that demand high specifications have gradually entered the application of LED products.

2. Upstream, midstream, and downstream industry linkages:

(1) IC Industries:

The supply chain of the semiconductor industry consists of IC design companies, which, after the completion of product design, are commissioned by professional foundries or IDM factories (integrated semiconductor factories, from IC design, manufacturing, packaging, testing to final sales) to produce semi-finished wafers, which are tested at the front end, then transferred to professional packaging factories for cutting and packaging, and finally to professional testing factories for post-testing, and the finished products are sold to system manufacturers for assembly and production as system products through sales channels. Therefore, the process is

divided into three stages: upstream IC design, midstream IC and wafer fabrication, and downstream IC packaging and testing. The upstream process is the process of using CAD and other auxiliary tools to express the specifications and functions of the customer's or self-developed products through the circuit design of the IC.

The midstream process is to take the wafer made by the foundry, print the basic circuit pattern on the photomask, and then fabricate the circuit and circuit components on the wafer by oxidation, diffusion, CVD, etching, and ion implantation. Since the circuit design on ICs is a layered structure, it is necessary to go through several iterations of photomask input, pattern creation, and circuit and component formation before a complete integrated circuit can be produced.

The downstream process is to test the electrical properties of the diced wafers before packaging, and then cover the wafers with plastic, ceramic or metal to protect them from contamination and to make them easier to assemble, in order to achieve electrical connection and heat dissipation between the wafer and the electronic system.

(2) LED Industries

LED (Light-Emitting Diode) is a semiconductor electronic component that converts electrical energy into light output under current drive, making it one of the major light sources in modern times. LEDs are divided into three stages: upstream Epitaxy, midstream Chip and downstream packaging. The upstream process mainly involves growing multiple layers of multi-material films of different thicknesses on a single chip; in general, the materials used and the structure of the epitaxial layer will determine the wavelength, brightness, quality, and other product characteristics of the LED, and therefore has the highest added value in the entire value chain.

The midstream chip manufacturing is based on the structure of the LED components, metal vapor deposition is performed first, and then the metal electrodes are made on the epitaxial crystal through photomask etching and heat treatment, followed by thinning and polishing of the substrate and cutting into very fine LED chips, which uses technologies in the process such as photomask, dry or wet etching, vacuum vapor deposition and die cutting.

The downstream packaging mainly uses DIE-Bond and Wire-Bond packaging technologies to fix LED chips in the lead frame, and after EMC packaging and testing, they are formed into LED components, and then these components are manufactured into various LED modules such as Lamp, Digital Display, Cluster and SMD through SMT (Surface Mount Technology) process to provide end-use products.

(3) lead frame industries

Metal lead frame industry description

Industries	Upstream	Midstream	Downstream	Product-related Applications
IC	Copper alloys, nickel-iron alloys, industrial epoxies	lead frame manufacturing plants	IC packaging plant	LCD panels, automobiles, computers and peripheral products, lighting fixtures, handheld consumer electronics, precision instruments, aerospace industry.
LED			LED packaging plant	

3. Trends of product development and competition:

(1) Product Development Trends

①IC

The carrier materials required in the semiconductor assembly process are lead frame and IC carrier board. The lead frames have different pin arrangements due to the complexity of the IC signal output and the size limitation of the packaged components, which makes the number of pins differently. The manufacturing is also divided into Stamped IC Leadframe, Etched IC Leadframe and Power/Signal Discrete/Other Leadframe due to the complexity of the number of pins.

Stamped lead frame requires a mold to be made in advance and the mold has to be costed, but the mold can be used continuously, so the average unit price of stamped lead frame is decreasing year by year. The etched lead frame is very different from the stamping process and the production volume has increased greatly. The lead frame for discrete components has fewer pins, and the pins are not as closely spaced as the first two, so the unit price is lower than the first two.

QFN and QFP lead frames are mostly etched processes, which are competitive with IC carrier boards in terms of cost and price as well as product stability, and the overall demand for etched lead frame products is still strong.

Due to the rapid development of the 5G and automotive electronics markets, high reliability packaging technologies are being emphasized in the market, meaning that they can maintain their functionality under various harsh environments, and therefore surface treatment to increase bonding will be the key to high-end lead frames. For example, in the automotive electronics market, the surface treatment and packaging method must be designed in a comprehensive manner to meet the requirements of weather resistance, vibration resistance and corrosion resistance. In addition, in the 5G infrastructure, the power devices must be able to withstand the special requirements of continuous heat generation, and the surface treatment must be specially designed to meet their needs.

②LED

At present, the LED packaging lead frame is mainly composed of plastic and copper (stamping or etching), and the plastic type is the most likely to affect the light emitting diode (LED) in providing a stable light source of the key materials, the main application materials are divided into two categories: thermoplastic injection (PPA, PCT) and thermosetting epoxy resin (EMC, SMC).

However, after PCT material was developed and promoted, it is better than PPA in terms of high temperature tolerance, long time yellowing at high temperature, reflectivity, low water absorption, UV resistance and light color stability, plus it contains ceramic fiber, so it has the shrinkage rate and good dimensional stability. It has better weather resistance and environmental adaptability, and is widely used for large outdoor LED displays in the early stage.

The EMC lead frame has better characteristics of high heat resistance, UV resistance, high current, small size and yellowing resistance, which brings new options for LED packaging factories pursuing uninterrupted cost reduction. The demand for EMC lead frame is increasing rapidly, and the price of EMC lead frame

is also decreasing after reaching the economic scale in a short time.

At present, EMC lead frame can be divided into Punch Type design and Mapping design, and most of the original LED packaging factories that directly import EMC with their original production equipment use Punch Type as the main importing force due to the limitation of equipment. The main reason is that the integrated design gives the packaging manufacturers a price advantage in the initial purchase of materials and can improve the production efficiency and yield in the process, and with the cost advantage in the multiplication effect at both ends, it is easy to get market orders. However, because of the high demand of process technology compared with the drop-in production process, it takes time to develop and expand the talents.

(2) Competitive market situation

According to a report by the Semiconductor Industry Association International (SEMI), the global semiconductor packaging materials market is growing rapidly with mobile electronics and increasing product functionality, leading to new forms of semiconductor packaging that require smaller, thinner and more complex materials than typical PC or industrial application-related packaging solutions of the past. SEMI estimates that the semiconductor packaging materials market will continue to be driven by portable smart mobile devices, but the automotive electronics market, big data, high-end computing computers and data centers are also key drivers for continued growth in the semiconductor packaging materials market.

Since packaging materials are a key to making semiconductor packaging designs thinner, lighter and more functional, providing the necessary reliability of the packaging system and achieving cost reductions. However, due to the slow growth of the industry as a whole, most manufacturers are pursuing low cost, resulting in low revenue growth and cost pressure on material suppliers, and the trend toward thinner packaging materials, the demand for some materials is gradually decreasing. The demand for some materials is decreasing.

The future trend of lead frame market, lead frame is still the key material of packaging technology, widely used in analog IC, power supply, LED and other lowerlead-count devices. According to SEMI's research, the global lead frame market will grow at a compound annual growth rate of 3.2% from 806.3 billion units in 2019 to 944.9 billion units in 2024, and the overall lead frame market turnover is expected to grow from US\$3.174 billion in 2019 to US\$3.268 billion in 2024.

In terms of package types, LFCSP (Leadframe chip scale package, mainly QFN), which is widely used in wireless communication, personal computer, automotive electronics and wireless transmission functions, is growing the fastest, mainly because its thin and short characteristics are very suitable for portable devices and wireless transmission, whether it is used in 3C electronic products, power management and automotive. The main reason is that its thin and light characteristics are very suitable for portable devices and wireless transmission, whether in 3C electronics, power management and automotive electronics. According to SEMI research, LFCSP is the fastest growing type in the overall lead frame market, since

2004, the annual CAGR is as high as 23%, if not including LFCSP, the overall lead frame market in the past 15 years, the CAGR is only 2.6%, therefore, SEMI concluded that LFCSP is the main factor driving the overall lead frame market growth. Therefore, SEMI concluded that LFCSP is the most important factor to drive the growth of the overall lead frame market. Looking ahead, SEMI estimates that the LFCSP shipment will grow from 124.4 billion units in 2019 to 173.5 billion units in 2024, the CAGR is estimated to reach 7%, far exceeding the annual compound growth rate of the overall lead frame market. On the other hand, the volume of SOT-based packaging lead frame shipments will grow from 281.3 billion units in 2019 to 315.6 billion units in 2024. From SEMI's forecast, the future lead frame development trend is bound to be thin, light, short and multi-functional at the same time, in the continued introduction of new technologies, LFCSP lead frame products in the cost and stability of the advantages will become more and more obvious, and become the mainstream of IC packaging applications, in addition, LFSCP in logic IC and analog IC applications will continue to increase, further replacing the original In addition, the application of LFSCP in logic ICs and analog ICs will continue to increase, further replacing the original QPF market.

(3) Research and Development:

1. Research and Development Expenses:

Unit: NT\$ thousands

Year	2022	As of April 2, 2023
Amount	422,484	100,102

2. Research and Development Achievements:

Year	Technologies and Products
2022	<ul style="list-style-type: none"> ① Development of carrier boards for VCSEL ② Development of carrier boards for EMC lead frame with side view LED for backlight applications in laptop ③ Development of single in-line design with no breakpoint. ④ Development of new cutting alignment method to mitigate the area deviation issue of discrete lead frame in packaging.
2023 (As of April 2)	<ul style="list-style-type: none"> ① Development of EMC metal substrate for LED plant grow lights. ② Development of EMC metal substrate for LED grille lights in new energy vehicles.

3. Future R&D Plans and the estimated investment in research and development in the most recent year and by the print date of the annual report:

(1) Future R&D Plans

Serial No.	Future R&D Plans
1	Continuing to develop new processes and production technologies to improve product performance (reliability, yield) and reduce costs to help increase our customers' competitiveness and expand overall market demand.
2	Develop EMC metal lead frames for ambient lighting in cars.
3	Develop EMC metal substrate for packaging of passive components.
4	Develop EMC metal lead frames for large-sized (100W * 300L) substrate.
5	Develop EMC metal substrate for large-sized (110W * 300L) substrate.
6	Optimized development of substrates for Mini LED packaging.
7	Optimize product designs for front lighting of cars, automotive display and outdoor lighting.
8	Optimize proprietary automotive (special coating) products to pass the stringent environmental cycle testing conditions for automotive applications.

(2) Estimated investment in R&D

The Company's research and development expenses will be gradually allocated according to the progress of new product and technology development, and the annual research and development expenses will be gradually increased according to the future growth of the Company's business scale in order to support future research and development plans and increase market competitiveness. The estimated research and development expenses for 2023 are approximately \$447,833 thousands.

(4) Long-term and Short-term Development:

1. Short-term Development:

The company will focus on the market development of stamping, etching and plating process, with the expansion of production capacity to strengthen the competitiveness of advantageous products in the market, in order to achieve stable growth in business volume; and assist customers to develop other areas of product application, so that the company can consolidate the existing market and make full use of advantageous resources and economies of scale to continue to reduce production costs, in order to provide customers with the most advantageous cost, the best quality and the most rapid service to provide customers with the most advantageous products and services at the best cost, quality and speed.

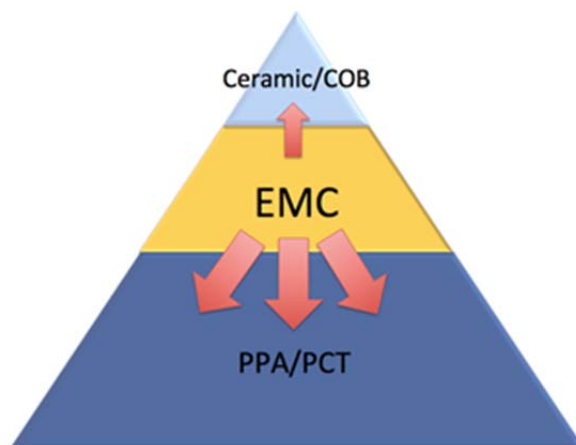
2. Long-term Development:

(1) IC lead frame development plan

We are actively engaged in the development of IC Pre-Molded Lead Frame (IC PMLF) products for IC packaging by using the similar technology structure of LED flat metal lead frame and combining with the automatic molding process technology, and with the advantage of many years of experience in semiconductor packaging. We are committed to diversification and product diversification in order to maintain our long term management.

(2)LED lead frame development plan

EMC lead frame is mainly used in medium power applications at this stage, and the company has introduced LED EMC QFN lead frame products into medium to high power and high power applications through process technology and innovation capability. In the low and medium power segment, we can increase the penetration of traditional PPA/PCT market by reducing the cost.



2. Market and Sales Overview

(1) Market Analysis:

1. Sales (Service) Region

Unit: NT\$ thousands

Region \ Year		2021		2022	
		Sale Revenue	%	Sale Revenue	%
Domestic Sale		3,274,922	25.60%	3,884,869	26.92%
Export	Asia	8,506,101	66.50%	9,276,519	64.28%
	Europe	897,028	7.01%	1,097,017	7.60%
	Others	114,118	0.89%	172,879	1.20%
	Subtotal	9,517,247	74.40%	10,546,415	73.08%
Total		12,792,169	100.00%	14,431,284	100.00%

2. Market Share (%):

According to SEMI data, the Company's market share is estimated to be 9.5% in 2021.

3. Future market supply, demand and growth:

Although the short-term volatility is high due to the impact of COVID-19 epidemic and supply-demand imbalance in 2020-2021, SEMI still believes that with the widespread application of automotive electronics and the popularization of electric vehicles, the automotive market will still be the main factor for the growth of semiconductor devices in the future. The compound annual growth rate is estimated to be 8.2% from 2019 to 2024. The five major application markets for automotive semiconductors are safety system, powertrain, car audio/video, chassis system and body electronics (each accounting for 15-18% of the total). Finally, in the analysis of automotive semiconductors by product category, Mckinsey research points out that micro

components (including MCU, MPU and DSP), analog products (including ASSP and ASIC) and optics and sensors will be the three main product areas of automotive semiconductors in the future.

SEMI believes that the next highest compound growth rate is 8.0% for data centers and 4.4% for smart mobile devices, mainly from the cloud, huge computing and 5G commercialization driven. In addition, due to the COVID 19 pandemic, it is estimated that the demand for telecommuting and distance education in 2020-2022, will also boom. Moreover, with the popularization of wifi 6, the demand for laptops and high computing center is also driven by its generation. In addition, with the popularization of wifi 6, the demand for laptops and high computing centers will also be driven by its generation.

According to the World Semiconductor Trade Statistics (WSTS) report in 2020, integrated ICs are expected to account for 45% of the total IC market in 2021, followed by memory ICs and logic ICs at 16% and 14%.

4. Competition Niche:

(1) Professional and stable process of technology and R&D team

Our R&D team has many years of semiconductor technology and experience, and we are able to grasp the key technology of our products appropriately, and we have the ability to develop new products by ourselves, so we can fully grasp the changes of the whole market, and make our products have the leading advantage of high cost performance.

(2) Ability to develop and design major equipment on your own

In the production process, stamping, debinding and electroplating are the main production processes. The improvement of product yield mainly depends on the stability and precision of the machines and equipment and the application of key parameters of the equipment. The main process equipments are developed and designed by ourselves, and the automatic equipments are manufactured by professional semiconductor equipment manufacturers, so that we can produce high quality and competitive products.

(3) Technology and equipment applications span a wide range of fields

The technology of our LED EMC lead frame is derived from Transfer Molding for IC packaging. With the accumulated experience of producing LED EMC lead frame, we are able to utilize the similar technology structure of LED flat metal lead frame and actively invest in the flat preformed wire support for IC packaging, and the main equipment has commonality, so we can utilize the production capacity to the maximum effect without investing large capital expenditure.

5. Development Vision of favorable, unfavorable Factors and response actions:

(1) Favorable Factors:

A. LF CSP packaged lead frame shall be the mainstream

According to the SEMI research report, the demand for the lead frame category of IC QFN, which is part of LFCSP, will reach 7% CAGR from 2019 to 2024, which is higher than the overall industry average of 3.2%.

The Company has significantly increased the proportion of semiconductor lead frame products through the transfer of investment companies, among which, the Company's main product QFN is classified as LFCSP, and the Company has placed special emphasis on the increase of QFN production capacity, which is expected to meet the huge demand of this market in the future.

B. Growing demand in lead frame application markets

Although the short-term volatility is high due to the COVID-19 pandemic and supply-demand imbalance in 2020-2021, SEMI still believes that with the widespread application of automotive electronics and the popularization of electric vehicles, the automotive market will remain the main factor for the growth of semiconductor devices in the future, with the annual compound growth rate of about 8.2%. The five major application markets for automotive semiconductors are safety systems, powertrain, automotive audio/video, chassis systems and body electronics (15-18% each), with the strongest growth in safety and powertrain applications in the future. Finally, in the analysis of automotive semiconductors by product category, Mckinsey's research points out that micro components (including MCU, MPU and DSP), analog products (including ASSP and ASIC) and optics and sensors will be the three main product areas of automotive semiconductors in the future.

LED smart lighting products are developed towards personalization and intelligent control to satisfy personal comfort, safety and energy saving, and their added value is much greater than that of traditional lighting products. Philips, OSRAM and Cree have invested in and launched smart-linked light bulb systems, which can set the lighting mode, time and dimming atmosphere through smartphones or positioning, enabling consumers to increase their willingness to retire and accelerate the growth momentum of the LED lighting industry.

To sum up, the rise of automotive IC and smart lighting IC applications and the potential market for LED lighting, driven by this trend, is very favorable to the long-term development of the lead frame application industry, and the lead frame application lighting products are extensive, coupled with the Company has successfully entered the supply chain of international brand manufacturers, the expanding trend of the smart lighting market will also drive the growth of the lead frame industry.

(2) Unfavorable Factors and Response actions:

A. Upstream raw material price fluctuations may lead to higher production costs

The Company's main raw materials are copper, ferro-nickel alloys and precious metals such as gold and palladium, etc. Fluctuations in raw material prices are closely related to the Company's production costs, which in turn affects profitability. In

recent years, international copper prices and precious metal prices have been highly volatile, making it difficult to control production costs. Fluctuations in raw material prices will affect the Company's ability to control costs.

Response actions:

The Company actively maintains close interaction with a number of upstream suppliers and keeps an eye on changes in raw material prices to ensure a stable supply of materials and to diversify the risk of concentration of supply. In addition, the Company has agreed with its sales customers to adjust the prices of copper and precious metals on a quarterly basis to appropriately reflect the increase in costs due to the increase in raw material prices. In addition, the company continues to invest in research and development, using various materials or composite materials as lead frame substrates, utilizing the characteristics of different materials to enhance the added value of products, actively establishing a vertically integrated process for products, and promoting the change of product material certification, which can not only enhance the added value of products, but also deepen its own process capabilities and reduce its dependence on upstream raw materials.

- B. Most imports and sales are denominated in foreign currencies, making profits vulnerable to changes in exchange rates

The Company's sales price quotation is mainly in U.S. dollars, and the foreign currency import quotation is mainly in Japanese yen and U.S. dollars, and the fluctuation of exchange rate will affect the Company's profit to a certain extent due to the volatility of international foreign exchange market.

Response actions:

The Company's imports of raw materials are also denominated in U.S. dollars to partially offset the exchange rate risk of its sales, and the Company tries to cover all purchase expenses with sales revenue in the same currency to achieve a natural hedging effect. In addition, the Company will adjust the selling price in response to the changes in the exchange rate and maintain good interaction with financial institutions in order to study the movements of the exchange rate for reference of hedging operations.

- C.R&D talent technical capability and risk of change

Lead frame companies need to master the key R&D and process technology in order to gain market dominance and competitive advantage in the market. The most important assets and the basis of business development are the strength of the research and development personnel and the accumulated experience of the process personnel in raw materials and machinery and equipment, and the research and development and process personnel need to accumulate experience and cultivate over a long period of time.

Response actions:

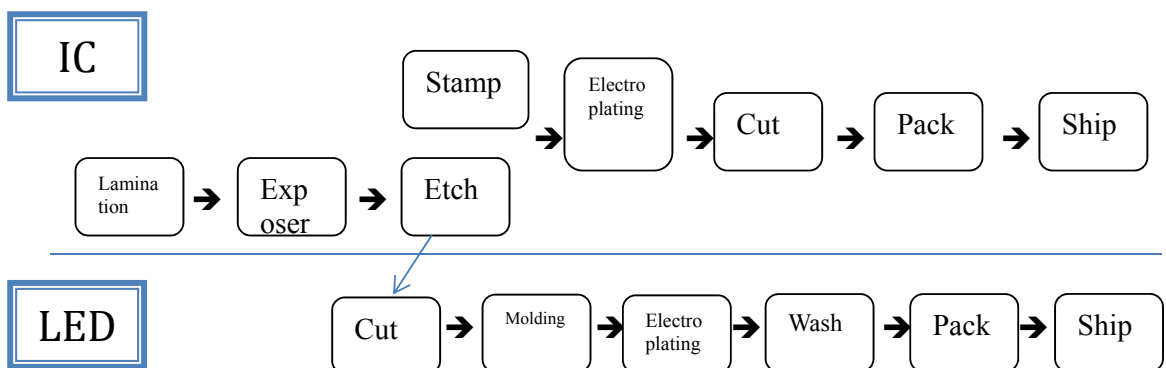
In order to enhance employees' loyalty to the Company, the Company promotes the participation of the staff and R&D personnel in the Company's management decisions and the sharing of management results by encouraging employees to subscribe to stock options, distributing employee compensation, employee stock ownership trusts, and distributing year-end bonuses, thereby creating a sense of identity. Since human resources are the basis of the company's operation, in addition to providing a good working environment and excellent employee benefits, we also promote the technical level of our R&D staff through technical exchanges and R&D experience transfer, so that employees can grow with the company and reduce the turnover rate and establish the foundation of the company's sustainable operation. In addition, we actively establish and implement a mechanism for the preservation and control of R&D results, intellectual property and patent rights to reduce the impact of staff turnover on the company.

(2) Main Use and Production Procedures of Main Products:

1. Major Products and Their Main Uses:

Leadframes can be divided into three categories according to the different chips used: IC Lead Frame, Optoelectronics Lead Frame and LED Lead Frame. Lead frame is one of the three major raw materials (lead frame, gold wire, and potting compound) for IC chip and LED die packaging. The role of the lead frame is to carry the semiconductor components or LED die, itself as a medium for the transmission of signals from the semiconductor components to the external printed circuit board wiring; or through the positive and negative current conduction on the lead frame to make the electronic and electric hole on the LED die to combine to produce light. It is also responsible for the LED die heat dissipation function, which plays a key role in the LED luminous efficiency. Leadframes are key materials for packaging technology and are widely used in analog ICs, power supplies, LEDs and other lower lead-count devices. The specifications are divided into stamped IC leadframes, etched IC leadframes, and power/signal/other discrete leadframes.

2. Major Products and Their Production Processes:



(3) Supply Status of Main Materials:

1. Major Materials

Major Materials	Major Suppliers	Supply Status
Copper Alloy Coils	Wieland 、Poongsan 、Nikko Metals	Good
Iron-Nickel Alloy Coils	Proterial(formerly, Hitachi Metals) 、 UMETOKU	Good
Silver	Metalor	Good
Gold, Palladium	Metalor 、JPC	Good
Epoxy Resin	Showa Denko Semiconductor Materials (Taiwan) Co., Ltd. 、Chang Wah Electromaterials Inc.	Good

2. Major Products

Major Products	Major Suppliers	Supply Status
lead frame	OM	Good
Epoxy Resin	Sumitomo Bakelite Co., Ltd. (Suchou)	Good

(4) The names of customers who have accounted for more than 10% of the total purchase (sales) in any of the last two years and the amount and proportion of their purchase (sales), together with the reasons for the increase or decrease:

1. Customers accounting for 10% or more of the total purchases of the Company and its subsidiaries in the last two years

Name:

Unit: NT\$ thousands ; %

Item	2021				2022			
	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Issuer
1	Manufacturer A	1,801,981	22.58	None	Manufacturer A	1,592,957	20.17	None
2	Manufacturer B	796,247	9.98	None (Note)	Manufacturer B	808,261	10.24	None
3	Manufacturer C	794,273	9.95	None	Manufacturer C	804,787	10.19	None
	Others	4,586,748	57.49	—	Others	4,690,557	59.40	—
	Net imports	7,979,249	100.00	—	Net imports	7,896,562	100.00	—

Note: The Company, which originally held 49% of OM, disposed of 44% of OM in April 2020 and lost its significant influence on the Company, which was an equity-method investee before April 2020.

2. Customers accounting for 10% or more of the total sales of the Company and its subsidiaries in the last two years

Name:

Unit: NT\$ thousands ; %

Item	2021				2022			
	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Issuer
1	Chang Wah Electromaterials Inc.	3,002,934	23.47	Parent Company	Chang Wah Electromaterials Inc.	3,103,011	21.50	Parent Company
	Others	9,789,235	76.53	—	Others	11,328,273	78.50	—
	Net sales	12,792,169	100.00	—	Net sales	14,431,284	100.00	—

(5) Production in the Last Two Years:

Unit: NT\$ thousands

Output		Year		2021			2022		
		Quantity Unit	Capacity	Quantity (Note 1)	Amount (Note 2)	Capacity	Quantity (Note 1)	Amount (Note 2)	
Major Products	Quantity Unit	Capacity	Quantity (Note 1)	Amount (Note 2)	Capacity	Quantity (Note 1)	Amount (Note 2)		
IC lead frame-in-house	KPC	165,283,374	142,770,526	8,855,047	169,602,645	122,953,785	8,359,538		
IC lead frame-trading	KPC	—	9,482,653	946,374	—	11,467,698	1,056,522		
Epoxy Resin-trading	KG	—	5,203,529	1,781,246	—	4,765,846	1,615,655		
LED lead frame-in-house	KPC	12,699,872	7,809,298	540,394	13,000,000	4,932,881	439,824		
Other (Note 3)	—	—	—	161,955	—	—	184,662		
Total		—	—	12,285,016	—	—	11,656,201		

Note 1: Incoming shipments from distributors included.

Note 2: Incoming value of the distributors included.

Note 3: The quantity is not disclosed because the quantity units are not consistent.

(6) Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Sales Value		Year		2021				2022			
		Local		Export		Local		Export			
Major Products	Quantity Unit	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount		
IC lead frame	KPC	8,168,022	2,667,473	118,577,398	7,002,750	6,283,228	3,500,079	116,418,553	8,118,673		
Epoxy Resin	KG	—	—	5,202,689	1,903,264	—	8,415	4,754,128	1,704,049		
LED lead frame	KPC	5,470,644	569,547	2,054,538	384,174	2,266,936	275,356	1,859,350	377,465		
Other	—	—	37,902	—	227,059	—	101,019	—	346,228		
Total		—	3,274,922	—	9,517,247	—	3,884,869	—	10,546,415		

3. The Number, Average Years of Service, Average Age and Educational Attainment of the Employees of the Company in the Last Two Years and by the Print Date of the Annual Report

Unit: Person

Year		2021	2022	As of April 2, 2023
Number of Employees	Sales Personnel	37	61	59
	Management Staff	146	174	169
	Research and Development Staff	213	266	199
	Production Staff	1,670	1,701	1,712
	Total	2,066	2,202	2,139
Average Age		36	37	37
Average Years of Service		9	9	9
Education	Ph.D.	0%	0%	0%
	Masters	2%	2%	3%
	Bachelor's Degree	31%	36%	35%
	Senior High School (and Below)	67%	62%	62%

4. Environmental Protection Expenditure:

None. In the most recent year and by the print date of the annual report, the losses suffered due to pollution of the environment (including compensation and environmental protection audit results of violations of environmental laws and regulations, the date of the penalty, the amount of the penalty, the provisions of the violation, the description of the violation, and the details of the penalty should be listed), and disclose the current and future estimated amounts and measures: None. The Company shall disclose the estimated amount of current and potential future losses and response measures: None.

5. Labor Relations:

(1) To present the company's various employee welfare plans, training and retirement systems and their implementation, as well as the agreements between employers and employees and measures to protect the rights and interests of employees:

1. Employee welfare measures and implementation:

The Company has established an Employee Welfare Committee in accordance with the law and has allocated welfare funds in accordance with the relevant laws and regulations, and has instructed the relevant units to plan and implement the following welfare policies:

A. Employee Insurance:

- (A) The company provides employees with labor and health insurance and labor retirement.
- (B) Group Insurance: The company provides group insurance for employees.

B. Employee bonuses and stock options: According to government regulations and the Company's related regulations.

C. Training courses: For the sustainable development of the company and to improve the quality of employees, various courses are held from time to time.

D. Group activities: Regular staff trips, departmental dinners, fun competitions and other activities, and funding to encourage employees to participate.

E. Gifts: such as birthday gifts, bonuses for the three festivals, etc. We also provide subsidies to our employees for weddings, funerals, etc.

2. Staff training and training situation:

In order to meet the need of the long-term development of the Company and to improve the working skills of our employees, and to achieve our business goals, the Company put emphasis on career development of our employees and the cultivation of talents. We have divided the education and training into the following three categories:

A. Pre-employment training: All new employees are required to receive pre-employment training to help them get familiar with the working environment and understand the company system and their rights and obligations.

B. On-the-job training: In-house training, selected training and external training, etc.

C. Manpower training: Considered as a long-term investment for employees, in addition to on-the-job training, we can also train employees by going abroad, visiting famous companies in China, attending various conferences and job rotations, etc.

3. The retirement system and its implementation:

In accordance with the Labor Pension Act, the Company contributes 6% of the employees' monthly wages to the individual labor pension accounts set up by the Labor Insurance Bureau, and the employees of the Company may voluntarily make additional contributions within the 6% of their monthly wages.

4. Agreements between labor and management and various measures to protect employees' rights and interests:

The Company has established a Labor Council in accordance with the law and holds regular meetings in accordance with the relevant laws and regulations. In addition to the labor matters submitted by each unit in accordance with the law, the meeting also appoints representatives of both parties to consult employees' proposals. Through this meeting, the opinions of both parties are fully communicated and negotiated, and no labor disputes have occurred.

5. Employee Benefit Plans:

In order to enhance internal welfare, reward employees for their financial planning, and increase employees' sense of participation in the company, and to achieve win-win benefits for both employers and employees, the company started the employee stock ownership trust business in 2020.

The Company contributes 100% of the company's public funds based on the employees' contributions; the employees can receive annual dividends and all the shares after five years.

- (2) In the most recent year and by the print date of the annual report, the losses suffered as a result of labor disputes (including labor inspection results in violation of the Labor Standards Law, the date of the sanction, the sanction number, the provisions of the law violated, the content of the law violated, and the content of the sanction) should be listed. The Company shall also disclose the estimated amount and response measures that may occur at present and in the future, and if it cannot be reasonably estimated, it shall state the fact that it cannot be reasonably estimated: None.

6. Information Security Management:

- (1) Describe the risk management structure, policy, management plans and resources allocated concerning information security.

1. Purpose and scope

A. Purpose: To maintain the normal operation of enterprise information system and mitigate operational risks due to human errors, external cyberattacks or force majeure events such as natural disasters, thereby ensuring business continuity.

B. Scope: Information system and software/hardware devices associated with business operations.

2. Information security management structure:

A. The Company has established an information security unit with dedicated personnel. Vice President Wen, Wen-Yu is the chief information security officer.

B. Information security policy is reviewed and modified regularly depending on the status quo to ensure an effective operation of the information security management system.

C. IT Department is in charge of information security promotion and handling of cyber incidents.

3. Information security control measures:

A. Threat protection:

(A) Install endpoint detection and response (EDR) software on personal computers and servers under the control of the master control unit. Update threat definition files regularly.

(B) Deploy patches through Windows Server Update Services (WSUS). Schedule restarts for changes to take effect.

(C) Establish Urchin Tracking Module (UTM) to prevent malicious attacks.

B. Information equipment control:

(A) Ban the use of personal computers on company premises.

(B) Disable USB ports on company computers. Applications are required for user access.

(C) Establish a network access control (NAC) platform to block access from unknown devices.

C. Account and personnel management:

(A) New employees shall sign non-disclosure agreements (NDA) when joining the Company. Information security is part of the orientation course.

(B) Accounts and accesses of information system are reviewed and controlled by the

information unit.

(C) Information security promotion is arranged regularly to raise employees' awareness.

D. System availability:

(A) Formulate backup plans in compliance with the 3-2-1 backup principle.

(B) Initiate virtual platforms and employ high availability (HA) mechanism.

(C) Monitor the operation efficiency of core systems through SYSLOG.

4. Resources allocated to information security management:

A. The Company allocated NT\$3.95 million for information security measures in the 2023 IT budget.

B. Information security unit performs safety assessments on information security assets annually and constantly align information security policies with advancements in relevant tools or technologies for current practices.

(2) In the most recent year and by the print date of the annual report, losses incurred due to major information security incidents, possible impacts and response measures shall be listed, unless a reasonable estimate cannot be made, in which case, the facts on why it cannot be made shall be stated: None.

7. Important Contracts

April 2, 2023

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales Agency	Party A: Chang Wah Technology Co., Ltd Party B: Chang Wah Electromaterials Inc.	Apr. 1, 2013~	Sales LED bracket agency	None
	Party A: Chang Wah Technology Co., Ltd Party B: Gold Sun Technology Co., Ltd.	Jan. 1, 2016~	Sales of products agency in mainland China	None
	Party A: Chang Wah Technology Co., Ltd Party B: Gold Sun Optoelectronics Co., Ltd.	Jan. 1, 2017~	Sales of products agency in mainland China	None
	Party A: Chang Wah Technology Co., Ltd Party B: Epita Pte. Ltd.	Jun. 1, 2015~	Pre-mold foundry and EMC bracket agent	None
	Party A: SH Electronics Taiwan Co., Ltd. (Note 2) Party B: Chang Wah Electromaterials Co., Ltd	Apr. 1, 2013~Next contract revision	IC lead frame agency	None
	Party A: SH Asia Pacific Pte. Ltd. Party B: JGsemi	Jan. 1, 2014 ~Next contract revision	IC lead frame agency	None
	Party A: SH Asia Pacific Pte. Ltd. Party B: Elexind S.p.A	Mar. 8, 2011 ~Next contract revision	IC lead frame agency	None
	Party A: SH Asia Pacific Pte. Ltd. Party B: Jihlin Co., Ltd.	Aug. 8, 2018~Next contract revision	IC lead frame agency	None
	Party A: Chang Wah Technology Co., Ltd Party B: CMT Corporation	Sep. 1, 2018~Next contract revision	IC lead frame agency	None
Sales Contracts	Party A: SH Electronics Chengdu Co., Ltd. Party B: Leshan Phoenix Semiconductor Co., Ltd.	Sep. 15, 2009~ Next contract revision	IC lead frame sales	None
	Party A: Chang Wah Technology Co., Ltd Party B: AOI Electronics Company	Mar. 2, 2018~Mar. 1, 2020	IC lead frame sales	None
	Party A: SH Electronics Chengdu Co., Ltd. Party B: ChengDu Advanced Power Semiconductor Co.Ltd	Apr. 3, 2015~Next contract revision	IC lead frame sales	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Texas Instruments Incorporated	Jan. 1, 2020~Next contract revision	IC lead frame sales	None
Purchasing Contracts	Party A: Chang Wah Technology Co., Ltd. Party B: Ohkuchi Material Co., Ltd.	Oct. 2, 2017~Oct. 1, 2019	IC lead frame purchase	None
Rental Contracts	Party A: Chang Wah Electromaterials Inc. Party B: SH Electronics Taiwan Co., Ltd. (Note 2)	Nov.1, 2015~Oct. 31, 2016 The contract will be automatically renewed for one year if both parties do not disagree.	Plant Leasing	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Metalor Coatings (Taiwan) Corporation.	Feb. 1, 2023~Jan. 31, 2026	Plant Leasing	None
	Party A: Chang Wah Technology Co., Ltd. Party B: MEKTEC Corporation	May 1, 2022~Feb 28, 2026	Plant Leasing	None
	Party A: JMC Electronics Co., Ltd. Party B: Chang Wah Technology Co., Ltd.	Sep. 1, 2021~Aug. 31, 2023	Plant Leasing	None
	Party A: JMC Electronics Co., Ltd. Party B: Chang Wah Technology Co., Ltd.	Jul, 1, 2022~Aug. 31, 2023	Plant Leasing	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Export Processing Zone Administration, MOEA.	Jan. 1, 2022~Dec. 31, 2031	Land Leasing	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Export Processing Zone Administration, MOEA.	May 1, 2013~Apr. 30, 2023	Land Leasing	None

Agreement	Counterparty	Period	Major Contents	Restrictions
	Party A: SH Asia Pacific Pte. Ltd. Party B: Singapore Post Center	Apr. 18, 2022~ Apr. 17, 2024	Office Leasing	None
	Party A: Malaysian SH Electronics Sdn. Bhd. Party B: Local State Authority	Apr. 1990~Mar. 2086	Land Leasing	None
	Party A: Malaysian SH Electronics Sdn. Bhd. Party B: Local State Authority	Mar. 2014~Dec. 2085	Land Leasing	None
	Party A: SH Electronics Suzhou Co., Ltd. Party B: China-Singapore Suzhou Industrial Park Development Group Co., Ltd.	Feb. 2004~Feb. 2054	Land Leasing	None
	Party A: SH Electronics Chengdu Co., Ltd. Party B: Chengdu Land and Resources Administration	Mar. 2002~Mar. 2052	Land Leasing	None
	Party A: Chengdu High Investment Co., Ltd. Party B: SH Precision Chengdu Co., Ltd. Party C: Chengdu High Investment Property Management Co. Party D: Chengdu High-tech Comprehensive Tax Zone Administration	Sep. 4, 2021~Sep. 3, 2023	Plant Leasing	None
Consignment Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: OSRAM Opto Semiconductors (China) Co., Ltd.	Oct. 2015~Next contract revision	Product Consignment	None
	Party A: Chang Wah Technology Co., Ltd. Party B: OSRAM Opto Semiconductors (Malaysia) Sdn.	Jan. 2015~Next contract revision	Product Consignment	None
	Party A: Chang Wah Technology Co., Ltd. Party B: On Semiconductor Trading Sarl.	Apr. 1, 2019~Mar. 30, 2021	Supplier Managed Inventory Program Agreement	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Texas Instruments Incorporated.	Jan. 1, 2020~Dec. 31, 2021	Supplier Inventory Consignment Agreement	None
	Party A: SH Electronics Taiwan co., Ltd. (Note 2) Party B: Shenzhen STS Microelectronics Co., Ltd.	Jan. 23, 2019~Next contract revision	Supplier Managed Inventory(SMI) Local Agreement	None
Construction Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: YIDA Construction Corp.	Apr. 7, 2021~Obtain the use permit	Land leasing for the construction of factory buildings	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Hsin Kao Hsing Yeh, Inc.	Dec. 21, 2021~60 days after obtaining the use permit	Electrical and mechanical engineering work at the new plants	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Acter Group Corporation Limited	Mar. 17, 2022~90 days after obtaining the use permit	Air conditioning work at the new plants	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Acter Group Corporation Limited	May 6, 2022~90 days after obtaining the use permit	Air conditioning work in the clean rooms on the first and third floors at the new plants	None
	Party A: Chang Wah Technology Co., Ltd. Party B: Acter Group Corporation Limited	Nov. 28, 2022~60 days after obtaining the use permit	Air conditioning work in the clean rooms on the fifth floor at the new plants	None
Stock Purchase and Sale Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: SH Asia Pacific Pte. Ltd.	Nov. 4, 2022	Sales of 100% of common stock of MSHE	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Fixed Assets Purchase and Sale Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: MEKTEC Corporation	Mar. 17, 2022	Acquisition of land and plants	None
Technical Support Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: Ohkuchi Material Co., Ltd. ; Sumitomo Metal Mining Co., Ltd.	Aug. 7, 2020~Mar. 31, 2023	Technical Support and Technology Transfer	None
Service Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: Shinyui trading (shanghai) co.	Jan. 1, 2016~	LED bracket design and mold development	None
Borrowing Contract	Party A: Chang Wah Technology Co., Ltd. Party B: First Bank and 7 other financial institutions	Dec. 23, 2020~Dec. 22, 2025	Repayment of liabilities of financial institutions and replenishment of medium-term operating revolver.	Note 1
	Party A: SH Electronics Suzhou Co., Ltd. Party B: Chang Wah Technology Co., Ltd.	Dec. 27, 2021~Dec. 22, 2022	Principal amount: US\$9,500 thousands Interest rate: 0.9%	None
	Party A: Mizuho Bank (China) Ltd. Party B: SH Electronics Suzhou Co., Ltd. Party C: SH Electronics Chengdu Co., Ltd.	Dec. 14, 2020~Dec. 13, 2025	Principal amount: US\$6,000 thousands Interest rate: 0.9~1%	None
	Party A: Mizuho Bank (China) Ltd. Party B: SH Electronics Suzhou Co., Ltd. Party C: SH Electronics Chengdu Co., Ltd.	Mar. 15, 2022~Mar. 14, 2027	Principal amount: US\$4,500 thousands Interest rate: 0.8%~3%	None
	Party A: SH Asia Pacific Pte. Ltd. Party B: Malaysian SH Electronics Sdn. Bhd.	Nov. 4, 2022~Nov. 3, 2027	Principal amount: US\$60,000 thousands Interest rate: 4.18%	None

Note 1: Current ratio should be maintained above 100%; Debt ratio should be maintained below 280%; Interest earned ratio should be maintained above 400%; Total stockholders' equity should be maintained above NT\$4 billion.

Note 2: For promotion of enterprise integration and enhanced operation efficiency to cope with future industrial developments and improve competitiveness, the Company carried out an absorption-type merger with its wholly-owned subsidiary, SH Electronics Taiwan Co., Ltd. The Company was the surviving entity while SH Electronics Taiwan Co., Ltd. was the dissolved entity. The record date of merger was set on January 1, 2022. The merger has been completed and approved by the Department of Commerce, Ministry of Economic Affairs.

VI. Financial Information

1. Condensed Balance Sheet, Statement of Comprehensive Income, and Audit Opinions of the Last Five Years

(1) Condensed Balance Sheet and Condensed Statement of Comprehensive Income

1. Condensed Balance Sheet

(1) Consolidated – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		5,790,664	6,502,446	7,413,573	10,080,244	12,255,703
Property, Plant and Equipment		2,441,270	2,209,926	2,251,962	2,474,834	3,585,714
Intangible assets		706,218	703,972	691,014	688,074	722,878
Non-current assets		850,027	1,127,628	1,807,613	1,598,911	2,264,357
Total assets		9,788,179	10,543,972	12,164,162	14,842,063	18,828,652
Current liabilities	Before distribution	2,757,603	2,963,698	3,215,572	4,335,495	5,672,796
	After distribution	3,358,028	3,281,570	3,541,741	4,981,618	6,438,292 (Note 2)
Non-current liabilities		1,859,213	2,593,864	3,522,331	2,094,836	2,982,443
Total liabilities	Before distribution	4,616,816	5,557,562	6,737,903	6,430,331	8,655,239
	After distribution	5,217,241	5,875,434	7,064,072	7,076,454	9,420,735 (Note 2)
Ordinary shares		364,131	364,131	364,131	381,240	386,569
Capital surplus	Before distribution	4,230,789	4,230,789	4,253,933	5,872,815	6,205,329
	After distribution	4,230,789	4,230,789	4,253,933	5,872,815	6,205,329
Retained earnings	Before distribution	955,796	841,268	1,231,931	2,546,017	4,103,617
	After distribution	355,371	523,396	905,762	1,899,894	3,338,121 (Note 2)
Other equity		(15,360)	(93,984)	(139,994)	(170,630)	(334,695)
Treasury stock		(437,809)	(437,809)	(384,142)	(342,001)	(586,013)
Non-controlling interest		73,816	82,015	100,400	124,291	398,606
Total equity	Before distribution	5,171,363	4,986,410	5,426,259	8,411,732	10,173,413
	After distribution	4,570,938	4,668,538	5,100,090	7,765,609	9,407,917 (Note 2)

Note 1: The above financial information of each year has been audited by CPA.

Note 2: The amount of the resolution of the Board of Directors Meeting on March 16, 2023.

(2) Parent Company Only – Based on IFRS

Unit: NT\$ thousands

Year		Financial Summary for The Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Item						
Current assets		1,878,464	2,421,078	3,520,740	5,022,119	5,888,222
Investments accounted for using the equity method		5,750,732	6,108,143	5,211,059	6,589,991	7,658,536
Property, Plant and Equipment		350,883	344,413	493,259	826,773	2,259,762
Intangible assets		6,648	13,770	22,127	29,505	163,666
Non-current assets		132,141	369,495	1,266,263	1,082,273	1,709,903
Total assets		8,118,868	9,256,899	10,513,448	13,550,661	17,680,089
Current liabilities	Before distribution	1,207,993	1,853,939	1,733,860	3,257,826	4,976,294
	After distribution	1,808,418	2,171,811	2,060,029	3,903,949	5,741,790 (Note 2)
Non-current liabilities		1,813,328	2,498,565	3,453,729	2,005,394	2,928,988
Total liabilities	Before distribution	3,021,321	4,352,504	5,187,589	5,263,220	7,905,282
	After distribution	3,621,746	4,670,376	5,513,758	5,909,343	8,670,778 (Note 2)
Ordinary shares		364,131	364,131	364,131	381,240	386,569
Capital surplus	Before distribution	4,230,789	4,230,789	4,253,933	5,872,815	6,205,329
	After distribution	4,230,789	4,230,789	4,253,933	5,872,815	6,205,329
Retained earnings	Before distribution	955,796	841,268	1,231,931	2,546,017	4,103,617
	After distribution	355,371	523,396	905,762	1,899,894	3,338,121 (Note 2)
Other equity		(15,360)	(93,984)	(139,994)	(170,630)	(334,695)
Treasury stock		(437,809)	(437,809)	(384,142)	(342,001)	(586,013)
Total equity	Before distribution	5,097,547	4,904,395	5,325,859	8,287,441	9,774,807
	After distribution	4,497,122	4,586,523	4,999,690	7,641,318	9,009,311 (Note 2)

Note 1: The above financial information of each year has been audited by CPA.

Note 2: The amount of the resolution of the Board of Directors Meeting on March 16, 2023.

2. Condensed Statement of Comprehensive Income

(1) Consolidated – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	9,784,851	9,320,275	9,678,146	12,792,169	14,431,284
Gross profit	1,801,598	1,580,824	1,804,906	3,405,690	4,385,586
Operating profit	1,093,951	832,870	960,286	2,210,299	3,121,660
Non-operating income and expenses	111,803	66,152	6,074	38,885	512,595
Net profit before tax	1,205,754	899,022	966,360	2,249,184	3,634,255
Net Profit from continuing operations	851,909	618,915	790,618	1,738,645	2,844,969
Net profit for the Year	851,909	618,915	790,618	1,738,645	2,844,969
Other comprehensive income (loss) for the Year, net of income tax	34,995	(83,358)	31,568	141,737	(23,262)
Total comprehensive income for the Year	886,904	535,557	822,186	1,880,382	2,821,707
Net profit attributable to owners of the Company	842,544	607,304	773,840	1,714,378	2,815,901
Total comprehensive income attributable to owners of the Company	878,856	527,358	803,801	1,856,491	2,812,447
Earnings per share (Note 2)	23.60	1.72	2.19	4.81	3.01

Note 1: The above financial information of each year has been audited by CPA.

Note 2: The change of share par value has been completed in September 2019. After the separation, the share par value is changed to NT\$ 1 for each share. The change of share par value has been completed in September 2022. After the separation, the share par value is changed to NT\$ 0.4 for each share.

(2) Parent Company Only – Based on IFRS

Unit: NT\$ thousands

Item	Financial Summary for The Last Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	3,406,101	3,495,028	3,517,381	4,817,610	8,760,470
Gross profit	385,656	320,455	276,762	633,108	2,051,038
Operating profit	234,501	158,345	126,989	421,294	1,570,497
Non-operating income and expenses	809,351	591,674	600,244	1,425,301	1,689,407
Net Profit before tax	1,043,852	750,019	727,233	1,846,595	3,259,904
Net Profit from continuing operations	842,544	607,304	773,840	1,714,378	2,815,901
Loss from discontinued operations	—	—	—	—	—
Net profit for the Year	842,544	607,304	773,840	1,714,378	2,815,901
Other comprehensive income (loss) for the Year, net of income tax	36,312	(79,946)	29,961	142,113	(3,454)
Total comprehensive income for the Year	878,856	527,358	803,801	1,856,491	2,812,447
Net profit attributable to owners of the Company	842,544	607,304	773,840	1,714,378	2,815,901
Total comprehensive income attributable to owners of the Company	878,856	527,358	803,801	1,856,491	2,812,447
Earnings per share (Note 2)	23.60	1.72	2.19	4.81	3.01

Note 1: The above financial information of each year has been audited by CPA.

Note 2: The change of share par value has been completed in September 2019. After the separation, the share par value is changed to NT\$ 1 for each share. The change of share par value has been completed in September 2022. After the separation, the share par value is changed to NT\$ 0.4 for each share.

(2) Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	CPA	Audit Opinion
2018	Deloitte & Touche	Yu-Hsiang Liu 、 Jui-Hsuan Hsu	Unqualified Opinion
2019	Deloitte & Touche	Yu-Hsiang Liu 、 Jui-Hsuan Hsu	Unqualified Opinion
2020	Deloitte & Touche	Yu-Hsiang Liu 、 Hung-Ju Liao	Unqualified Opinion
2021	Deloitte & Touche	Lee-Yuan Kuo 、 Hung-Ju Liao	Unqualified Opinion
2022	Deloitte & Touche	Lee-Yuan Kuo 、 Hung-Ju Liao	Unqualified Opinion

2. Five-Year Financial Analysis

1. Consolidated Financial Analysis – Based on IFRS

Item		Year	Financial Analysis for the Last Five Years (Note 1)				
			2018	2019	2020	2021	2022
Financial Structure (%)	Debt Asset Ratio		47.16	52.70	55.39	43.33	45.97
	Long-term Funds to Property, Plant and Equipment Ratio		287.98	343.01	397.37	424.54	366.90
Liquidity Analysis (%)	Current Ratio		209.98	219.40	230.55	232.51	216.04
	Quick Ratio		155.14	173.23	147.25	155.61	147.10
	Times Interest Earned		54.00	30.22	25.04	52.89	77.85
Operating Performance Analysis	Average Collection Turnover (times)		5.21	4.74	4.70	5.15	5.32
	Days Sales Outstanding		70	77	78	71	69
	Average Inventory Turnover (times)		5.91	5.67	5.76	5.17	4.32
	Average Payment Turnover (times)		8.07	7.14	6.99	7.69	8.82
	Average Inventory Turnover Days		62	64	63	71	85
	Property, Plant and Equipment Turnover (times)		4.11	4.00	4.34	5.41	4.76
	Total Assets Turnover (times)		1.03	0.91	0.85	0.95	0.86
Profitability Analysis	Return on Total Assets (%)		9.21	6.33	7.25	13.13	17.12
	Return on Equity (%)		16.58	12.14	15.13	25.19	31.18
	Pre-tax Income to Paid-in Capital Ratio (%)		331.13	246.89	265.39	617.69	940.13
	Net Margin (%)		8.70	6.64	8.17	13.59	19.71
	Earnings per Share (NT\$) (Note 2)		23.6	1.72	2.19	4.81	3.01
Cash Flow (%)	Cash Flow Ratio		52.76	49.47	30.70	38.16	71.52
	Cash Flow Adequacy Ratio		98.34	108.00	107.37	100.47	117.21
	Cash Flow Reinvestment Ratio		7.17	5.82	3.23	6.26	14.09
Leverage	Operating Leverage		3.14	3.75	3.37	2.21	1.93
	Financial Leverage		1.02	1.04	1.04	1.02	1.02

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

- Liquidity Analysis: Times interest earned increased mainly due to an increase in profit this year.
- Operating Performance Analysis: Average inventory turnover days increased mainly due to inventory adjustments of customers. The slowdown in inventory digestion led to an increase in ending inventories.
- Profitability Analysis: Return on total assets, return on equity, pre-tax income to paid-in capital, net margin and earnings per share increased mainly due to an increase in profit this year.
- Cash Flow: Cash flow ratio and cash flow reinvestment ratio increased mainly due to an increase in net cash flows from operating activities.

Note 1: The above financial information has been prepared in accordance with the financial statements audited by CPA.

Note 2: The change of share par value has been completed in September 2019. After the separation, the share par value is changed to NT\$ 1 for each share. The change of share par value has been completed in September 2022. After the separation, the share par value is changed to NT\$ 0.4 for each share.

Note 3: The formulas for the financial analysis are listed below:

1. Financial Structure
 - (1) Debt Asset Ratio = Total liabilities/Total assets.
 - (2) Long-term Funds to Property, Plant and Equipment Ratio = (Total stockholders' equity + Non-current liabilities)/Property, plant and equipment, net.
2. Liquidity Analysis
 - (1) Current Ratio = Current assets/Current liabilities.
 - (2) Quick Ratio = (Current assets – Inventory – Prepaid expense)/Current liabilities.
 - (3) Times Interest Earned = Net income before tax and interest expense/Interest expense.
3. Operating Performance Analysis
 - (1) Average Collection Turnover (including accounts receivable and notes receivable resulted from business operation) = Net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).
 - (2) Days Sales Outstanding = 365/Account receivable turnover.
 - (3) Average Inventory Turnover = Cost of goods sold/Average inventory.
 - (4) Average Payment Turnover (including accounts payable and notes payable resulted from business operation) = Cost of goods sold/Average balance of account payable (including accounts payable and notes payable resulted from business operation).
 - (5) Average Inventory Turnover Days = 365/Inventory turnover.
 - (6) Property, Plant and Equipment Turnover = Net sales/Average property, plant and equipment, net.
 - (7) Total Assets Turnover = Net sales/Average total assets.
4. Profitability Analysis
 - (1) Return on Total Assets (%) = [Post-tax profit or loss + Interest expenses × (1 – Tax rate)] / Average total assets.
 - (2) Return on Equity = Post-tax profit or loss/Average total stockholders' equity.
 - (3) Net Margin = Profit after tax/Net sales.
 - (4) Earnings per Share = (Profit or loss attributable to owners of the parent company – Preferred stock dividend)/Weighted average stock shares issued. (Note 4)
5. Cash Flow
 - (1) Cash Flow Ratio = Net cash flow from operating activities/Current liabilities.
 - (2) Net cash Flow Adequacy Ratio = Net cash flow from operating activities within five years/(Capital expenditure + inventory increase + cash dividend) within five year.
 - (3) Cash Flow Reinvestment Ratio = (Net cash flow from operating activities – Cash dividends)/(Total property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)
6. Leverage
 - (1) Operating Leverage = (Net sales – Variable cost of sales and expenses)/Operating income (Note 6).
 - (2) Financial Leverage = Operating income/(Operating income – Interest expenses).

Note 4: The above formula for calculating earnings per share shall take into consideration the following items in particular:

1. Based on the weighted average number of common shares, rather than the number of shares outstanding at the end of the year.
2. The weighted average number of shares shall be calculated by taking into account the outstanding period of any cash capital increase or treasury stock transactions.
3. Where there is a capital increase from earnings or capital surplus, the capital increase shall be adjusted retroactively in proportion to the capital increase in calculating the earnings per share for previous years and half years, without regard to the issuance period of the capital increase.
4. If the preferred stock is a non-convertible cumulative preferred stock, the current year's dividends (whether or not distributed) shall be reduced from net income after tax or by increasing net loss after tax. If the preferred stock is non-cumulative, the dividends shall be reduced from net income if there is a net income after tax; if there is a loss, no adjustment is required.

Note 5: The following items shall be taken into account when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increases in inventories are included only if the ending balance is greater than the opening balance, and are calculated as zero if inventories decrease at the end of the year.
4. Cash dividends include cash dividends of common shares and preferred shares.
5. Gross fixed assets represent the total fixed assets before accumulated depreciation.

Note 6: Issuers shall distinguish between fixed and variable costs of sales and operating expenses according to their nature, and where estimates or subjective judgments are involved, note the reasonableness and maintain consistency.

2. Parent Company Only Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt Asset Ratio	37.21	47.02	49.34	38.84	44.71
	Long-term Funds to Property, Plant and Equipment Ratio	1,969.56	2,149.44	1,779.91	1,244.94	562.17
Liquidity Analysis (%)	Current Ratio	155.50	130.59	203.06	154.16	118.33
	Quick Ratio	140.01	121.54	130.00	109.25	76.27
	Times Interest Earned	60.63	30.76	22.33	51.35	74.17
Operating Performance Analysis	Average Collection Turnover (times)	4.46	4.20	4.24	4.76	6.45
	Days Sales Outstanding	82	87	86	77	57
	Average Inventory Turnover (times)	22.49	18.27	23.51	16.02	7.91
	Average Payment Turnover (times)	5.62	4.58	4.46	4.54	6.37
	Average Inventory Turnover Days	16	20	16	23	46
	Property, Plant and Equipment Turnover (times)	9.53	10.05	8.40	7.30	5.68
	Total Assets Turnover (times)	0.43	0.40	0.36	0.40	0.56
Profitability Analysis	Return on Total Assets (%)	10.84	7.22	8.10	14.49	18.26
	Return on Equity (%)	16.58	12.14	15.13	25.19	31.18
	Pre-tax Income to Paid-in Capital Ratio (%)	286.66	205.98	199.72	507.12	843.29
	Net Margin (%)	24.73	17.38	22.00	35.59	32.14
	Earnings per Share (NT\$) (Note 2)	23.60	1.72	2.19	4.81	3.01
Cash Flow (%)	Cash Flow Ratio	19.34	3.39	78.41	10.99	46.75
	Cash Flow Adequacy Ratio	45.84	28.27	88.41	63.70	84.82
	Cash Flow Reinvestment Ratio	(2.55)	(6.96)	10.08	(1.02)	8.79
Leverage	Operating Leverage	2.18	2.73	3.18	1.85	1.78
	Financial Leverage	1.08	1.19	1.37	1.10	1.03

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

- Financial Structure: Long-term funds to property, plant and equipment ratio decreased mainly due to plant expansion in 2022 which resulted in an increased balance of property, plant and equipment at year-end.
- Liquidity Analysis: Current ratio and quick ratio decreased mainly due to increases in bank borrowings, dividend payable and other payables. Times interest earned increased mainly due to an increase in profit this year.
- Operating Performance Analysis: (1) Average collection turnover increased and days sales outstanding decreased mainly due to an increase in sales revenue.
(2) Average inventory turnover decreased and average inventory turnover days increased mainly due to inventory adjustments of customers. The slowdown in inventory digestion led to an increase in ending inventories.
(3) Average payment turnover increased mainly due to an increase in cost of goods sold.
- Profitability Analysis: Return on total assets, return on equity and pre-tax income to paid-in capital increased mainly due to an increase in profit this year.
- Cash Flow: Cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio increased mainly due to an increase in net cash flows from operating activities.

Note 1: The above financial information has been prepared in accordance with the financial statements audited by CPA.

Note 2: The change of share par value has been completed in September 2019. After the separation, the share par value is changed to NT\$ 1 for each share. The change of share par value has been completed in September 2022. After the separation, the share par value is changed to NT\$ 0.4 for each share.

Note 3: The formulas for the financial analysis are listed below:

1. Financial Structure

(1) Debt Asset Ratio = Total liabilities / Total assets.

(2) Long-term Funds to Property, Plant and Equipment Ratio = (Total stockholders' equity + Non-current liabilities) / Property, plant and equipment, net.

2. Liquidity Analysis

(1) Current Ratio = Current assets / Current liabilities.

(2) Quick Ratio = (Current assets – Inventory – Prepaid expense) / Current liabilities.

(3) Times Interest Earned = Net income before tax and interest expense / Interest expense.

3. Operating Performance Analysis

(1) Average Collection Turnover (including accounts receivable and notes receivable resulted from business operation) = Net sales / average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).

(2) Days Sales Outstanding = 365 / Account receivable turnover.

(3) Average Inventory Turnover = Cost of goods sold / Average inventory.

(4) Average Payment Turnover (including accounts payable and notes payable resulted from business operation) = Cost of goods sold / Average balance of account payable (including accounts payable and notes payable resulted from business operation).

(5) Average Inventory Turnover Days = 365 / Inventory turnover.

(6) Property, Plant and Equipment Turnover = Net sales / Average property, plant and equipment, net.

(7) Total Assets Turnover = Net sales / Average total assets.

4. Profitability Analysis

(1) Return on Total Assets (%) = [Post-tax profit or loss + Interest expenses × (1 – Tax rate)] / Average total assets.

(2) Return on Equity = Post-tax profit or loss / Average total stockholders' equity.

(3) Net Margin = Profit after tax / Net sales.

(4) Earnings per Share = (Profit or loss attributable to owners of the parent company – Preferred stock dividend) / Weighted average stock shares issued. (Note 4)

5. Cash Flow

(1) Cash Flow Ratio = Net cash flow from operating activities / Current liabilities.

(2) Cash Flow Adequacy Ratio = Net cash flow from operating activities within five years / (Capital expenditure + inventory increase + cash dividend) within five year.

(3) Cash Flow Reinvestment Ratio = (Net cash flow from operating activities – Cash dividends) / (Total property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage:

(1) Operating Leverage = (Net sales – Variable cost of sales and expenses) / Operating income (Note 6).

(2) Financial Leverage = Operating income / (Operating income – Interest expenses).

Note 4: The above formula for calculating earnings per share shall take into consideration the following items in particular:

1. Based on the weighted average number of common shares, rather than the number of shares outstanding at the end of the year.
2. The weighted average number of shares shall be calculated by taking into account the outstanding period of any cash capital increase or treasury stock transactions.
3. Where there is a capital increase from earnings or capital surplus, the capital increase shall be adjusted retroactively in proportion to the capital increase in calculating the earnings per share for previous years and half years, without regard to the issuance period of the capital increase.
4. If the preferred stock is a non-convertible cumulative preferred stock, the current year's dividends (whether or not distributed) shall be reduced from net income after tax or by increasing net loss after tax. If the preferred stock is non-cumulative, the dividends shall be reduced from net income if there is a net income after tax; if there is a loss, no adjustment is required.

Note 5: The following items shall be taken into account when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increases in inventories are included only if the ending balance is greater than the opening balance, and are calculated as zero if inventories decrease at the end of the year.
4. Cash dividends include cash dividends of common shares and preferred shares.
5. Gross fixed assets represent the total fixed assets before accumulated depreciation.

Note 6: Issuers shall distinguish between fixed and variable costs of sales and operating expenses according to their nature, and where estimates or subjective judgments are involved, note the reasonableness and maintain consistency.

3. Audit Committee's Report for the Most Recent Year:

Chang Wah Technology Co., Ltd.

Audit Committee Report

The Board of Directors had prepared and submitted the 2022 Financial Statements (including the parent company only and consolidated financial statements). The audit of the financial statements was completed by accountants Lee-Yuan Kuo and Hung-Ju Liao at Deloitte & Touche, and an audit report was issued. The audit of the aforementioned statements, along with issues such as the 2022 Annual Business Report and the report of earning distribution, submitted by the Board of Directors was reviewed by the Audit Committee, and no inconsistency was found. The audit report was issued in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Yours sincerely,

2023 Annual Shareholders' Meeting of Chang Wah Technology Co., Ltd.

Audit Committee of Chang Wah Technology Co., Ltd.

Committee Member: 林宜靜

Committee Member: 林任林

Committee Member: 歐嘉瑞

March 16, 2023

4. Financial statements for the most recent year:
Please refer to Annex I of the Annual Report.
5. Parent company only financial statements audited by CPA or the most recent year:
Please refer to Annex II of the Annual Report.
6. If the Company and its associates have experienced financial difficulties in the most recent year and by the print date of the annual report, the impact on the financial position of the Company shall be specified: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Financial Conditions-Analysis of Financial Status (Consolidated):

Unit: NT\$ thousands; %

Item \ Year	2021	2021	Difference	
			Amount	%
Current assets	10,080,244	12,255,703	2,175,459	21.58%
Property, plant and equipment	2,474,834	3,585,714	1,110,880	44.89%
Non-current assets	2,286,985	2,987,235	700,250	30.62%
Total assets	14,842,063	18,828,652	3,986,589	26.86%
Current liabilities	4,335,495	5,672,796	1,337,301	30.85%
Non-current liabilities	2,094,836	2,982,443	887,607	42.37%
Total liabilities	6,430,331	8,655,239	2,224,908	34.60%
Ordinary shares	381,240	386,569	5,329	1.40%
Capital surplus	5,872,815	6,205,329	332,514	5.66%
Retained earnings	2,546,017	4,103,617	1,557,600	61.18%
Other equity	(170,630)	(334,695)	(164,065)	(96.15%)
Treasury stock	(342,001)	(586,013)	(244,012)	(71.35%)
Non-controlling equity	124,291	398,606	274,315	220.70%
Total stockholders' equity	8,411,732	10,173,413	1,761,681	20.94%

Major changes in assets, liabilities and shareholders' equity in the last two years (changes of 20% or more, and differences of NT\$10 million or more):

Increase in current assets: This was mainly due to an increase in profit growth which resulted in an increase in cash flows from operating activities and consequently an increased balance of cash and cash equivalents at year-end.

Increase in property, plant and equipment: This was mainly due to increasing investments in the construction of new plants as well as machinery and equipment for capacity expansion. Also, the Company acquired land and plants in the Dafa Industrial Park for future expansion.

Increase in non-current assets: This was mainly due to an increase in the investment of marketable securities (recognized under financial assets at fair value through other comprehensive income).

Increase in current liabilities: This was mainly due to increases of NT\$802,227 thousand, NT\$239,837 thousand and NT\$113,170 thousand in short-term borrowings, income tax payable as a result of increasing profits and payables on equipment from plant expansion, respectively.

Increase in non-current liabilities: This was mainly due to an increase in long-term borrowings.

Increase in retained earnings: This is mainly due to the growth of revenue and increase in profitability.

Decrease in other equity: Other equity decreased as valuation loss on financial assets at fair value through other comprehensive income went up by NT\$233,566 thousand and unearned compensation increased by NT\$111,249 thousand, plus gain on translation of foreign operation of NT\$229,201 thousand and reclassification of gain on disposal of financial assets at fair value through other comprehensive income to retained earnings of NT\$48,451 thousand.

Increase in treasury stock: This was mainly due to an increase in subsidiaries' holding of the Company's stocks.

Increase in non-controlling equity: This was mainly due to the establishment of Shing Zheng Investment Co., Ltd. (a subsidiary with 49% of shares held by the Company and 51% of shares held by non-controlling interests), which led to an increase in non-controlling interests.

2. Financial Performance:

(1) Analysis of Financial Performance (Consolidated)

Unit: NT\$ thousands

Item \ Year	2021	2022	Increase/Decrease	Variation(%)
Operating Revenue	12,792,169	14,431,284	1,639,115	12.81%
Operating Cost	9,386,479	10,045,698	659,219	7.02%
Gross profit	3,405,690	4,385,586	979,896	28.77%
Operating expenses	1,195,391	1,263,926	68,535	5.73%
Operating profit	2,210,299	3,121,660	911,361	41.23%
Non-operating income and expenses	38,885	512,595	473,710	1218.23%
Net Profit before Tax	2,249,184	3,634,255	1,385,071	61.58%
Income tax expense	510,539	789,286	278,747	54.60%
Net Profit for the Year	1,738,645	2,844,969	1,106,324	63.63%
Total comprehensive income for the Year	1,880,382	2,821,707	941,325	50.06%

The main reasons for significant changes in operating income, net operating income, and net income before tax for the last two years (if the change is 20% or more, and the amount of change reaches NT\$10 million):

Increase in gross profit: This was mainly due to increasing capacity utilization rate and selling prices.

Increase in Non-operating income and expenses: This was mainly due to an increase of NT\$412,795 thousand in net foreign exchange gain from the foreign exchange loss in 2021 and an increase of NT\$55,904 thousand in interest income.

Increase in income tax expense: The increase of NT\$278,747 thousand in 2022 was mainly due to an increase in net profit before tax.

(2) The expected sales volume and its basis, the possible impact on the Company's future financial operations and the plan to respond to it

Please refer to the Operating Statement and Letter to Shareholders.

3. Analysis of Cash Flow:

(1) Analysis of Cash Flow (Consolidated)

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
\$3,685,370	\$4,056,925	\$2,116,725	\$5,625,570	None	None

1. Analysis of changes in cash flow for the year ended December 31, 2022:

- (1) Operating activities: Net cash inflow from operating activities increased by \$2,402,609 thousands, comparing to first-half year.
- (2) Investing activities: The acquisition of property, plant and equipment resulted in a net cash outflow from investing activities.
- (3) Financing activities: This was mainly due to increases in long-term and short-term borrowings which led to net cash generated from financing activities.

2. Cash shortage remediation measures and liquidity analysis:

- (1) There was no cash shortage during the year.
- (2) Liquidity analysis for the last two years:

Year	2022	2021	Increase (Decrease) %
Cash flow ratio(%)	71.52	38.16	87.42
Cash flow adequacy ratio(%)	117.21	100.47	16.66
Cash flow reinvestment ratio(%)	14.09	6.26	125.08

Analysis of the changes in the ratio of increase and decrease:

Cash flow ratio and cash flow reinvestment ratio increased mainly due to the increase in net cash inflow from operating activities.

(2) Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Estimated Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
\$5,625,570	\$3,245,540	\$3,045,415	\$5,825,695	None	None

1. Analysis of the changes in cash flow for the year ended December 31, 2023:

- (1) Net cash inflow from operating activities: Net cash inflow was generated due to stable profitability.
- (2) Net cash outflows from investing activities: The outflows were for plant construction, acquisition of land and plants, and additional production lines and equipment for capacity expansion as well as research and development of new product and technology.
- (3) Net cash outflow from financing activities: mainly due to the estimated cash dividends allotted.

2. Estimated cash shortage remedy: No cash shortage is expected.

4. The Impact of Major Capital Expenditures on Financial Operations:

The Company and its subsidiaries acquired property, plant and equipment in the amount of \$1,362,857 thousands in 2022, which was financed by its own funds and partly by bank loans.

5. Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

1. Reinvestment Policy:

The Company has established the "Procedures for the Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" issued by competent authorities. In addition, to enhance the supervision and management of our investee companies, we have established internal control system to control and manage the information disclosure, financial, business, inventory and financial management of our investee companies to maximize the effectiveness of our investee companies.

2. The main reasons for the profit or loss of the latest invested business and the improvement plan

Unit: NT\$ thousands

Name of Investee	2022 profit after tax	Main reasons for gain or loss	Improvement
CWTC (Shanghai) Inc.	8,856	Profit: Stable profit from the sale and purchase of semiconductor packaging and testing materials and equipment in China.	None
Shing Zheng Investment Co., Ltd.	24,467	Profit: Stable development of semiconductor industry.	None
SH Asia Pacific Pte. Ltd.	1,327,668	Profit: Mainly recognized investment income from our subsidiaries.	None
Malaysian SH Electronics Sdn. Bhd.	443,328	Profit: Stable development of semiconductor industry.	None
SH Electronics Suzhou Co., Ltd.	396,322	Profit: Stable development of semiconductor industry.	None
SH Precision Chengdu Co., Ltd.	273,073	Profit: Stable development of the semiconductor industry.	None
SH Electronics Chengdu Co., Ltd.	105,633	Profit: Stable development of the semiconductor industry.	None
WSP Electromaterials Ltd.	163,221	Profit: A holding company that recognizes investment income from its companies.	None
Shanghai Chang Wah Electromaterials Inc.	78,308	Profit: Stable annual profit from the sale and purchase of semiconductor packaging and testing materials and equipment in China.	None

3. Investment plan for the coming year: None.

6. Analysis and Assessment of Risks:

(1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

1. Effect of changes in interest rates and exchange rates on the Company's profit or loss and future measures

Unit: NT\$ thousands

Item	Year	2021			2022		
		Amount	As a percentage of operating revenue Net Ratio	Income before tax %	Amount	As a percentage of operating revenue Net Ratio	come before tax %
Interest income		18,504	0.14%	0.82%	74,408	0.52%	2.05%
Interest expenses		43,345	0.34%	1.93%	47,289	0.33%	1.30%
Net foreign exchange losses		(65,722)	(0.51%)	(2.92%)	347,073	2.41%	9.55%
Operating revenue		12,792,169			14,431,284		
Net profit before tax		2,249,184			3,634,255		

Resource: Financial Statements audited by CPA.

(1) Interest rate

The Company and its subsidiaries regularly evaluate money market interest rates and financial information to take appropriate measures in a timely manner and, depending on their cost of capital and possible rewards and risks, choose the most favorable use of funds to reduce the risk of changes in interest rates, and therefore, changes in interest rates will not have a material adverse effect on the Company's profit or loss.

(2) Foreign exchange rates

In response to exchange rate fluctuations, the Company collects quotes and information on international financial, exchange rate and interest rate commodities from banks at any time to keep abreast of exchange rate fluctuations, and takes the following foreign exchange hedging measures in a timely manner:

- ① The Company continue to strengthen the awareness of exchange rate hedge among our finance staff, and through our real-time online exchange rate system and enhanced interaction with financial institutions, we are able to judge the trend of exchange rate changes in response to the negative impact of exchange rate fluctuations.
- ② Before providing quotations to customers, we will consider and evaluate future exchange rate trends and factors affecting exchange rates to determine appropriate and reasonable quotations in order to avoid significant impact on the Company's profitability from exchange rate fluctuations.
- ③ To achieve a certain degree of natural hedge by trading in the same type of foreign currency debt, and to reduce the risk of exchange rate fluctuations by adjusting the position of foreign currency assets and liabilities in a timely manner.

(3) Inflation

Up to now, the Company has not experienced any significant impact on profit or loss due to inflation. In addition to paying close attention to the fluctuation of upstream raw material market prices, the Company maintains good interaction with suppliers and customers to appropriately adjust raw material inventories to reduce the impact of price

increases, which should effectively reduce the impact of inflation on the Company.

(2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

(1)Based on the principle of prudence and pragmatic management, the Company and its subsidiaries do not engage in high-risk and high-leverage investments, except for those focusing on the business areas of the Company and its subsidiaries.

(2)The Company and its subsidiaries engage in the lending of funds to others and the endorsement and guarantee of funds only between the Company and its subsidiaries. The "Procedures for Endorsement and Guarantee" and "Procedures for Lending of Funds to Others" have been established in accordance with the relevant regulations and have been implemented in accordance with the relevant procedures, and there is no material adverse effect on the Company's profit or loss.

(3)The Company and its subsidiaries engage in derivative financial instruments for hedging purposes and have established "Procedures for the Acquisition or Disposal of Assets" in accordance with the relevant regulations and have implemented them in accordance with the relevant operating procedures, which do not have a material adverse effect on the Company's profit or loss.

(3) Future Research & Development Projects and Corresponding Budget:

Please refer to Operation Review (3) and Technology and R&D Overview (page 88 to 89) in the Annual Report.

(4) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

The Company's operating are in compliance with the relevant domestic and foreign laws and regulations, and the relevant management is always aware of the changes in laws and regulations and provides real-time information for the Company's management's reference. In the most recent year and by the date of the annual report, the Company had no material adverse financial and business impact due to changes in domestic and foreign policies and laws and regulations.

(5) Effects of and Response to Changes in Technology (including information security risk) and the Industry Relating to Corporate Finance and Sales:

Our metal lead frames are used in a wide range of applications in the IC industry and the optoelectronics industry under the continuation of the semiconductor industry:

Industry	Current Product
IC Industry	IC semiconductors are the mainstay of active components in electronic components, and their applications are divided into four major categories, namely communication, information, consumer electronics and others (including automotive, industrial electronics and others). Our company is now moving into the manufacture and sale of IC Pre-Mold QFN lead frames, which can improve the process yield and output efficiency of IC products in the production (packaging), or assist in the use of consumable materials to reduce production costs. In addition, it can also provide ICs with a variety of options in package design (package process options), which will have a high potential for IC design and development. Therefore, the demand for metal lead frames in the IC industry will continue to be stable, and our products are highly futuristic and are expected to continue to grow.

Industry	Current Product
PV Industry	Our products (EMC lead frame) are mainly used as one of the main materials for the production of light emitting diode (LED) packaging. The market and applications of this industry (indoor and outdoor lighting, backlight modules, outdoor displays, automotive interior and exterior lighting, photographic flash and high brightness projectors...many applications) are still growing in the product lifecycle. Our products have excellent characteristics in plastic selection (high heat resistance, yellowing resistance, UV resistance, small size, and high current), and will continue to increase in market demand.

The Company's management team keeps abreast of industry trends and related technological changes, and evaluates the impact on the Company's operations. As of the date of the annual report, technological changes and industry changes have not had a significant impact on the Company's financial and business operations.

(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

Since its establishment, the Company has focused on its business operation, complied with relevant laws and regulations, and actively strengthened its internal management and improved its management quality and performance in order to continuously maintain its excellent corporate image and increase customers' trust in the Company. Therefore, in the most recent year and by the print date of the annual report, the Company has not experienced any operational crisis caused by the change of corporate image. However, the occurrence of corporate crisis may cause considerable damage to the company, so the Company will continue to implement various corporate governance requirements to reduce the occurrence of corporate risks and the impact on the Company.

(7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

(8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

The Company resolved to increase its investment in Taiwan and build a new plant in the Nanzi District to meet its future needs in the Board meeting on November 7, 2019, and determined the construction contractor of the new plant in the Board meeting on March 17, 2021. Also, the Company resolved to acquire land and plants in the Daliao District for capacity expansion to satisfy customer orders in the Board meeting on March 17, 2022. These plans were financed with cash flows from operations and long-term bank loans. By the print date of the annual report, there was no concerns on the Company's ability to meet payment obligations and carry out these plans as scheduled.

(9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

(1) **Purchasing sources:** The top three suppliers of the Company and its subsidiaries accounted for 20.17%, 10.24% and 10.19% of the total purchases in 2022. They are the long-term agent of IC packaging material suppliers in mainland China for the subsidiary Shanghai Chang Wah Electromaterials Inc.; the agent of lead frame suppliers in Japan for the Company (the Company intends to commerce in-house production through technology

transfer from Japanese companies) and the long-term supplier of precious metals (i.e., gold and palladium), which are key raw materials.

- (2)**Customers:** In 2022, the largest customer of the Company and its subsidiaries was the parent company, Chang Wah Electromaterials Inc., which was responsible for the sales of semiconductor packaging materials in Taiwan, accounting for 21.50% of the total sales; no other customers accounted for more than 10% of the total sales.
- (10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: Chang Wah Electromaterials Inc., the Company's Directors and major shareholders with over 10% of shareholding, transferred 20,300 thousand of the Company's shares in April, 2022 for the Group's strategic developments and to increase the liquidity of shares in the capital market. Chang Wah Electromaterials Inc. remained the largest shareholders of the Company after the transfer, which did not have material adverse effect or risk on the Company.
- (11) Effects of, Risks Relating to and Response to the Changes in Management Rights: None.
- (12) For litigation or non-litigation events, the Company and its directors, supervisors, presidents, beneficial owners, majority shareholders holding more than 10% of the shares, and affiliated companies should disclose any significant litigation, non-litigation or administrative dispute that has been determined or is still pending, the outcome of which may have a significant impact on shareholders' equity or securities prices. The facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the principal parties involved in the litigation, and the status of the litigation as of the date of publication of the annual report:
1. In the most recent year and by the print date of the annual report, the facts to be disclosed by the Company, including facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the principal parties involved in the litigation and the current status of the litigation if the outcome of the litigation, non-litigation or administrative dispute has been determined or is still pending: None.
 2. Directors, supervisors, presidents, beneficial owners, substantial shareholders and subsidiaries of the Company with a shareholding of more than 10%, in the most recent year and by the print date of the annual report, where litigation, non-litigation or administrative disputes have been determined or are currently pending, the outcome of which may have a material impact on the Company's shareholders' equity or securities prices:
Chang Wah Electromaterials Inc., the Company's director and a major shareholder holding more than 10% of the Company's shares, had the following litigation and non-litigation events in the recent year:
(1) In September 2016, Chipbond Technology Corporation filed a civil lawsuit against the Company for the exclusion of trade secret infringement. The main contents of the lawsuit include the prohibition of using or disclosing trade secrets learned from Chipbond Technology Corporation the destruction of related documents, the prohibition of the employees involved in the lawsuit from working for the Company for a specific period of time and the destruction of products infringing on trade secrets, and the claim for damages of NT\$1,765,137 thousand. The Company has

appointed a lawyer to issue a legal opinion on the aforementioned lawsuit and assessed that the lawsuit has not yet had a material adverse impact on the Company and the management has judged that it has not yet had a material impact on business and finance. As of March 15, 2022, the court's judgement was still pending. The final outcome of the lawsuit was yet to be determined by the judicial authorities.

(2) Other than the above, there are no other directors, supervisors, presidents, beneficial owners, shareholders holding 10% or more of the shares and subsidiaries that have significant litigation, non-litigation or administrative disputes as of the printing date of the annual report that have a material effect on the shareholders' equity or the price of the Company's securities.

(13) Other Major Risks and Response: None.

7. Other important matters: None.

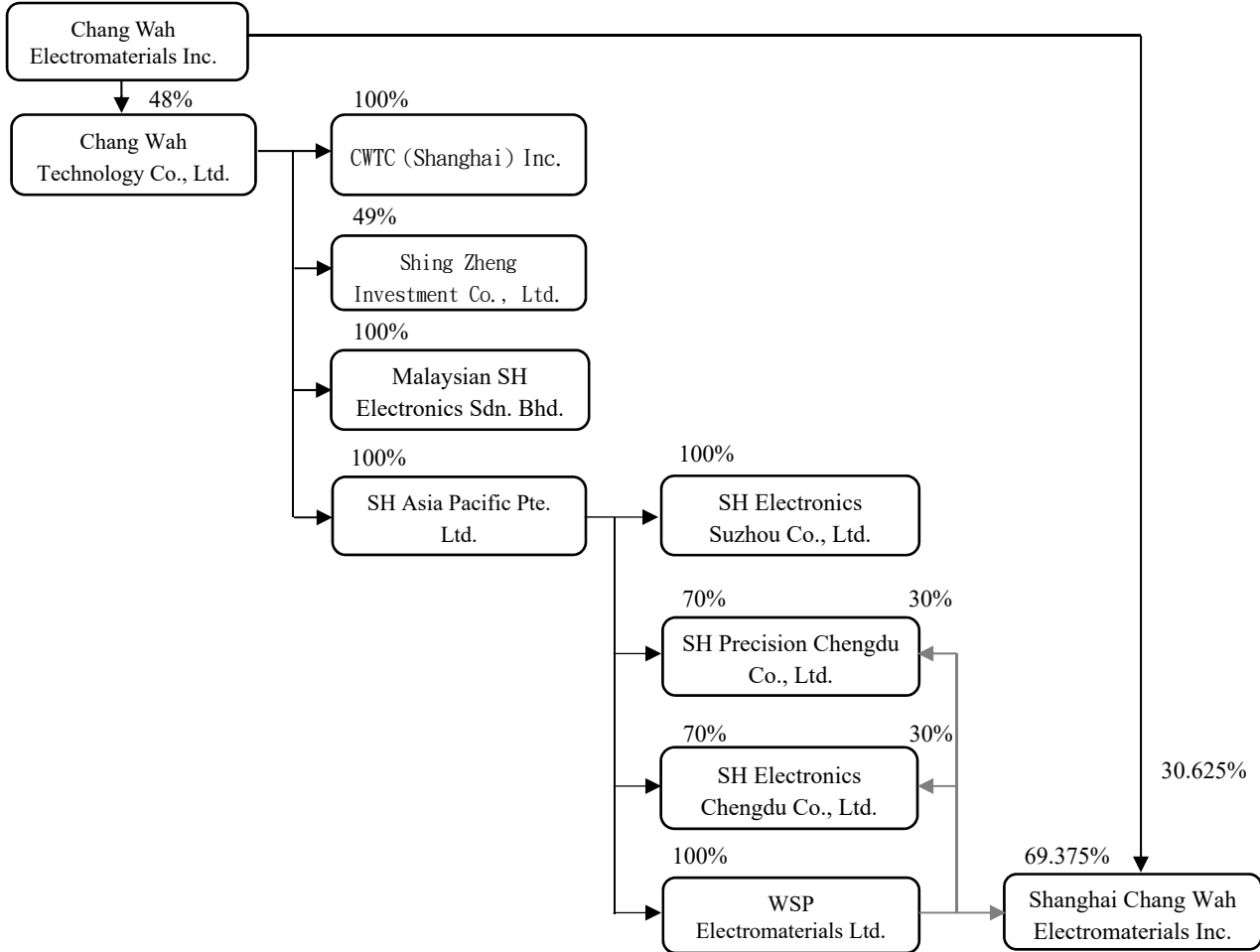
VIII. Special Disclosure

1. Information of the Associates:

(1) The consolidated business report of affiliated companies:

1. Organizational chart of affiliated companies for the year ended December 31, 2022

Date: December 31, 2022



2. Information of Affiliated Companies:

December 31, 2022

Name	Date of Incorporation	Address	Paid-in Capital (Note)	Business Scope
CWTC (Shanghai) Inc.	May 8, 2015	Room E01, 2/F, No. 207, Fute North Road, China (Shanghai) Free Trade Pilot Zone	61,420	Sales of lighting materials and equipment, telecommunications equipment, semiconductor materials and equipment, electronic products, machinery and equipment, etc.
Shing Zheng Investment Co., Ltd.	Jan. 22, 2022	1F., No. 295-2, Fengren Rd., Renwu Dist., Kaohsiung City 814010, Taiwan (R.O.C.)	1,000,000	General investment
SH Asia Pacific Pte. Ltd.	Jan. 11, 1977	10 Eunost Road 8, #05-04/05 Singapore Post Centre, Singapore 408600	421,369	Trading and investment in electronic components and electronic equipment
Malaysian SH Electronics Sdn. Bhd.	Apr. 13, 1989	Lot 5,7 & 9, Jalan Ragum 15/17 40200 Shah Alam Selangor Darul Ehsan, Malaysia	259,493	Manufacturing and sales of leadframes for semiconductor materials
SH Electronics Suzhou Co., Ltd.	Mar. 27, 2003	No. 123, Longtan Road, Suzhou Industrial Park, Jiangsu Province, China	767,750	Development, design, production and sales of leadframe semiconductor packaging materials and precision molds
SH Precision Chengdu Co., Ltd.	Oct. 23, 1998	No. 7, Xin Yuan South 2nd Road, Singapore Industrial Park, Chengdu Hi-Tech Zone, Sichuan Province, China	261,035	Development, production and sales of leadframe semiconductor materials and precision tooling
SH Electronics Chengdu Co., Ltd.	Feb. 22, 2008	No.6, West Zone, No.8, Kexin Road, West Park, Chengdu Hi-tech Zone, Sichuan Province, China	107,485	Development, production and sales of leadframe semiconductor materials and precision tooling
WSP Electromaterials Ltd.	Sep. 25, 1998	P.O Box 438, Road Town, Tortola, British Virgin Islands	160,767	International investment business
Shanghai Chang Wah Electromaterials Inc.	Apr. 5, 2005	Room 2101, Mega Plaza, 1027 Changning Road, Changning District, Shanghai, China	122,840	IC packaging materials and equipment distribution business

Note: Foreign currency capital has been converted to New Taiwan dollars based on the exchange rate at the balance sheet date.

3. Information on the same shareholders who are presumed to be in a controlling or subordinate relationship in accordance with Article 369-3 of the Company Act: None.

4. Industry covered by the business of the related company as a whole:

December 31, 2022

Name of related parties	Business Scope	Relationship
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	Mainland Sales Offices
Shing Zheng Investment Co., Ltd.	General investment	Not applicable as it is an investment company.
SH Asia Pacific Pte. Ltd.	Trading of electronic components and equipment; investing activities	Overseas Sales Offices
Malaysian SH Electronics Sdn. Bhd.	Manufacturing and selling leadframe and semiconductor materials	Overseas Manufacturing Locations
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	Manufacturing sites in China
SH Precision Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	Manufacturing sites in China
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	Manufacturing sites in China
WSP Electromaterials Ltd.	International investment activities	Holding Company
Shanghai Chang Wah Electromaterials Inc.	Acting as an agent for IC packaging materials and equipment	Our sales offices in China

5.The names of the Directors, Supervisors of and Presidents of the affiliated companies and their shareholdings or capital contributions to the companies:

December 31, 2022

Name	Title	Representative	Shares held	
			Shares (Contribution)	Percentage (Contribution Ratio)
CWTC (Shanghai) Inc.	Director	Xie, Jun-Ming	(Contribution US\$ 2,000,000)	(100%)
	Supervisor	Hsu, Liang-Fang		
	President	Su, Zhen-Ping		
Shing Zheng Investment Co., Ltd.	Director	Pan, Chao-I, Lu, Kuo-Ying, Hsu, Liang-Fang	49,000,000	49%
	President	Chen, Hsing-Chen		
SH Asia Pacific Pte. Ltd.	Director	Canon, Huang、Hung, Chuen-Sing、Andy Ng	21,206,103	100%
	President	Andy Ng		
Malaysian SH Electronics Sdn. Bhd.	Director	Hung, Chuen-Sing、ISHAK; PH MAH、Lai, Jin-Xuan、Xu, Bai-Xiang	23,000,000	100%
	President	PH MAH		
SH Electronics Suzhou Co., Ltd.	Director	Su, Zhen-Ping、Hung, Chuen-Sing、Ou Yang, Yan-Hong	Contribution Refer to Note 1.	(100%)
	Supervisor	Hsu, Liang-Fang		
	President	Su, Zhen-Ping		
SH Electronics Chengdu Co., Ltd.	Director	Hung, Chuen-Sing、Mao, Ya-Ping、Su, Zhen-Ping	Contribution Refer to Note 1.	(100%)
	Supervisor	Hsu, Liang-Fang		
	President	Zheng, Hui-Qing		
SH Precision Chengdu Co., Ltd.	Director	Hung, Chuen-Sing、Xie,Jun-Ming、Lu, Jian-Gui	Contribution Refer to Note 1.	(100%)
	Supervisor	Hsu, Liang-Fang		
	President	Zheng, Hui-Qing		
WSP Electromaterials Ltd.	Director	Chang Wah Technology Co., Ltd.	5,235,000	100%

Name	Title	Representative	Shares held	
			Shares (Contribution)	Percentage (Contribution Ratio)
WSP Electromaterials Ltd.	Director	Chang Wah Technology Co., Ltd.	5,235,000	100%
Shanghai Chang Wah Electromaterials Inc.	Director	Xie, Jun-Ming、Jheng, Yao-Jhan、Su, Zhen-Ping	Contribution Refer to Note 2.	(69%)
	Supervisor	Hsu, Liang-Fang		
	President	Xie, Jun-Ming		

Note 1: In March and June 2017, the Company acquired a total of 100% equity interest in SHAP at a cost of JPY\$9,000,000,000 and NT\$1,736,000,000, respectively, and indirectly acquired equity interests in MSHE, SH Electronics Suzhou Co., Ltd., SH Electronics Chengdu Co., Ltd. and SH Precision Chengdu Co., Ltd.

Note 2: In October 2017, the Company acquired 100% equity interest in WSP through its subsidiary SHAP with a capital contribution of US\$21,688,341, and indirectly acquired equity interest in Shanghai Chang Wah Electromaterials Inc., SH Electronics Chengdu Co., Ltd. and SH Precision Chengdu Co., Ltd.

6. Business Overview of Affiliated Companies:

Unit: NT\$ thousands

Name	Paid-in Capital	Total assets	Total liabilities	Net value	Operating Revenue	Operating Profit	Net Profit for the Year (After Tax)	Earnings per share(NT\$)(After Tax)
CWTC (Shanghai) Inc.	61,420	156,905	62,724	94,181	330,509	8,605	8,856	NA
Shing Zheng Investment Co., Ltd.	1,000,000	917,924	668	917,256	24,107	23,617	24,467	0.24(Note 1)
SH Asia Pacific Pte. Ltd.	421,369	6,203,008	127,628	6,075,380	775,131	45,328	1,327,668	62.61(Note 2)
Malaysian SH Electronics Sdn. Bhd.	259,493	2,777,064	2,220,280	556,784	2,819,227	543,123	443,328	19.28(Note 3)
SH Electronics Suzhou Co., Ltd.	767,750	1,739,486	555,362	1,184,124	2,763,815	522,732	396,322	NA
SH Electronics Chengdu Co., Ltd.	261,035	1,376,481	259,820	1,116,661	1,450,012	232,410	273,073	NA
SH Precision Chengdu Co., Ltd.	107,485	587,893	149,941	437,952	791,440	101,159	105,633	NA
WSP Electromaterials Ltd.	160,767	1,109,134	—	1,109,134	—	(82)	163,221	31.18(Note 4)
Shanghai Chang Wah Electromaterials Inc.	122,840	773,408	283,886	489,522	2,161,708	99,666	78,308	NA

Note 1: Each share is denominated in NT\$10.

Note 2: Each share is denominated in Singapore Dollar \$1.

Note 3: Each share is denominated in Malaysian Dollar \$1.

Note 4: Each share is denominated in US Dollar \$1.

(2) Consolidated financial statements of affiliated companies: Please refer to Appendix I.

(3) Relationship Report:

1. Declaration of the Company:

Declaration for the Affiliation Report

The affiliation report for the year ended December 31, 2022 was prepared in conformity with the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and the information disclosed was not significantly different from the notes to the financial statements for the aforementioned period.

Very truly yours,

Chang Wah Technology Co., Ltd.

By

Canon, Huang
Chairman

March 16, 2023

2. Independent Auditors' Review Opinion:

Audit Opinion from CPAs

Letter Chin-Gao No.11200326 dated April 2, 2023

Addressee: Chang Wah Technology Co., Ltd.

Subject: We express our opinions on the Company's 2022 affiliation report that it does not contain any material inconsistency.

Explanation:

- I. The Company's 2022 Affiliation Report dated March 16, 2023 was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and there was no material inconsistency between the information disclosed in the affiliation report and relevant information disclosed in the notes to the financial reports in the period above. The statement is as in the attachment.
- II. We verified that the Company prepared the Affiliation Report in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and there is no material discrepancy with the statement above.

Deloitte & Touche Taipei, Taiwan Republic of China

Lee Yuan Kuo, CPA

Hung Ju Liao, CPA

3. Relationship between the subordinate and controlling companies:

April 2, 2023; Unit: Shares; %

Controlling Company	Reason for Control	Shareholding and Pledge			Directors, Supervisors or Managerial Officers Appointed by Controlling Company	
		No. of Shares Held	Shareholding %	No. of Shares Pledged	Title	Name
Chang Wah Electromaterials Inc.	Parent company with control over the Company	449,919,925	46.56%	-	Director Director Director	Hung, Chuen-Sing; Tsai, Rong-Dong; Angus, Shih

4. Matters to be documented for transactions:

(1) Purchases and sales:

For the year ended December 31, 2022; Unit: NT\$ thousands

Transaction with Controlling Company				Transaction Terms with Controlling Company		General Terms		Reason for Difference	Notes/Accounts Receivable (Payable)		Overdue			Note
Purchase (Sale)	Amount	% to Total	Gross Profit on Sales	Unit Price (NT\$)	Terms	Unit Price (NT\$)	Terms		Balance	% to Total	Amount	Action Taken	Loss Allowance	
Purchase	8,297	0.11%	-	Note 1	Monthly settlement with payment between 60 and 90 days	Note 1	7 days after purchases to monthly settlement with payment in 120 days	2,544	0.27%	0	-	0	-	
Sales	3,103,011	21.50%	30%	Note 2	Monthly settlement with payment in 60 days	Note 2	Monthly settlement with payment between 15 and 120 days	538,830	21.01%	0	-	0	-	

Note 1: The transaction price could not be compared as the Company did not purchase similar products from the non-related parties.

Note 2: The transaction prices with related parties were not significantly different from the ones with non-related parties. As for commissions, service revenue and other operating revenue, there was no similar transaction for comparison.

(2) Property transaction: There was no material property transaction.

(3) Financing provided to others: None.

(4) Property leases:

For the year ended December 31, 2022; Unit: NT\$ thousands

Transaction Type (Lease out or Lease in)	Object of Lease		Lease Term	Nature	Rent Basis	Collection (Payment) Term	Compare to General Rents	Total Rent	Collection/Payment Status	Other Terms
	Name	Location								
Lease out	Houses and buildings	6F., No. 16, E. 7th St., Nanzi Dist., Kaohsiung City, Taiwan (R.O.C.)	2021/11/01 ~2024/10/31	Operating lease	Negotiation	Collection on a monthly basis	Normal	2,514	Collected in full	None

(5) Other significant transactions: None.

5. Endorsement and guarantee: None.

6. Other matters which have significant impact on finance and business: None.

2. Private Placement Securities in the Most Recent Years: None.

3. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:

(Unit: NT\$ thousands; Shares, %)

Name of Subsidiary	Paid-in Capital	Source of Fund	Shareholding % of the Company	Date of Acquisition or Disposal	Shares Acquired and Amount (Note 1)	Shares Disposed and Amount (Note 1)	Investment Gain (Loss)	No. of Shares Held and Amount as of April 30, 2022 (Note 2)	Pledge	Endorsement /Guarantee for the Subsidiary	Loans to the Subsidiary
Shing Zheng Investment Co., Ltd.	1,000,000	Cash flows from operation	49%	2022	14,465,642 shares NT\$497,984 thousand	0	0	None	None	0	0
				As of April 2, 2023	273,000 shares NT\$8,681 thousand	300,000 shares NT\$13,455 thousand	NT\$ 3,096 thousand	14,438,642 shares NT\$647,573 thousand	None	0	0

Note 1: The amount refers to the actual amount of acquisition or disposal.

Note 2: The shareholding amount was calculated using the closing price as of March 31, 2023.

4. Other necessary items to be supplemented: None.

IX. Any event that had a material impact on the rights of shareholders or the prices of securities provided in Clause 2, Paragraph 3, Article 36 of the Securities and Exchange Act occurred in the most recent year and by the print date of the annual report: None

2022 Consolidated Financial Statement

INDEPENDENT AUDITORS' REPORT

Chang Wah Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Chang Wah Technology Co., Ltd. (the “Company”) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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 statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2022 is described as follows:

Revenue Recognition of Specific Customers

Due to the pressure from having to meet expected targets and market expectations, the possibility of overstatement of sales may arise. The operating revenue in 2022 has grown substantially compared with that of 2021, especially revenue from specific customers which amount is significant to the overall operating revenue. Therefore, the revenue recognition of specific customers with significant sales amount and changes was deemed as a key audit matter.

Our audit procedures performed in response to the abovementioned key audit matter are as follows:

1. We obtained an understanding and tested the effectiveness of the implementation of internal controls over sales.
2. We selected appropriate samples from the sales revenue receipts of specific customers, examined purchase orders, shipping documents and proof of payments as pertaining to the same transaction counterparties.
3. We obtained details on sales returns and allowances for the year and after the reporting period and checked for major abnormalities in sales returns and allowances for the purpose of confirming the authenticity of the sales recognized before the balance sheet date.

Other Matter

We have also audited the parent company only financial statements of Chang Wah Technology Co., Ltd. as of and for the years ended December 31, 2022 and 2021 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 and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2023

Notice to Readers

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

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

Chang Wah Technology Co., Ltd. and Subsidiaries

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 5,625,570	30	\$ 3,685,370	25
Financial assets at fair value through profit or loss (Notes 4 and 7)	57,708	-	110,241	1
Notes receivable (Note 9)	7,948	-	530	-
Accounts receivable, net (Notes 4, 5 and 9)	2,001,042	11	2,100,042	14
Accounts receivable - related parties (Notes 4, 5, 9 and 32)	555,302	3	758,237	5
Other receivables (Note 32)	97,217	-	91,983	-
Inventories (Notes 4, 5 and 10)	2,456,090	13	2,195,670	15
Other financial assets - current (Note 11)	1,351,818	7	1,006,266	7
Other current assets	103,008	1	131,905	1
Total current assets	12,255,703	65	10,080,244	68
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	1,442,554	8	832,720	5
Property, plant and equipment (Notes 4, 13 and 32)	3,585,714	19	2,474,834	17
Right-of-use assets (Notes 4 and 14)	479,920	2	452,335	3
Investment properties (Notes 4, 6, 15 and 32)	140,610	1	8,219	-
Goodwill (Notes 4 and 16)	683,852	4	653,410	5
Other intangible assets (Notes 4 and 17)	39,026	-	34,664	-
Deferred tax assets (Notes 4, 5 and 26)	69,973	-	132,612	1
Prepayments for equipment	86,653	1	109,537	1
Other financial assets - non-current (Notes 11 and 33)	31,605	-	51,874	-
Other non-current assets (Note 22)	13,042	-	11,614	-
Total non-current assets	6,572,949	35	4,761,819	32
TOTAL	\$ 18,828,652	100	\$ 14,842,063	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 2,126,457	11	\$ 1,324,230	9
Contract liabilities - current (Notes 4 and 24)	331,044	2	126,975	1
Notes payable	170	-	-	-
Accounts payable (Note 20)	930,394	5	1,321,305	9
Accounts payable - related parties (Notes 20 and 32)	11,670	-	15,772	-
Dividends payable	651,505	3	246,872	2
Other payables (Notes 21, 22 and 32)	1,043,673	6	762,057	5
Current tax liabilities (Note 26)	504,723	3	264,886	2
Lease liabilities - current (Notes 4, 14 and 32)	18,677	-	10,619	-
Current portion of bonds payable (Notes 4 and 19)	-	-	215,168	1
Other current liabilities	54,483	-	47,611	-
Total current liabilities	5,672,796	30	4,335,495	29
NON-CURRENT LIABILITIES				
Contract liabilities - non-current (Notes 4 and 24)	81,977	1	47,178	-
Long-term borrowings (Note 18)	2,473,985	13	1,736,873	12
Deferred tax liabilities (Notes 4, 5 and 26)	327,471	2	242,189	2
Lease liabilities - non-current (Notes 4, 14 and 32)	76,668	-	56,281	-
Guarantee deposits received	6,374	-	6,221	-
Other non-current liabilities	15,968	-	6,094	-
Total non-current liabilities	2,982,443	16	2,094,836	14
Total liabilities	8,655,239	46	6,430,331	43
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 23)				
Share capital				
Ordinary shares	386,569	2	364,131	2
Capital collected in advance	-	-	17,109	-
Total share capital	386,569	2	381,240	2
Capital surplus	6,205,329	33	5,872,815	40
Retained earnings				
Legal reserve	633,251	4	346,521	2
Special reserve	225,382	1	105,738	1
Unappropriated earnings	3,244,984	17	2,093,758	14
Total retained earnings	4,103,617	22	2,546,017	17
Other equity	(334,695)	(2)	(170,630)	(1)
Treasury shares	(586,013)	(3)	(342,001)	(2)
Total equity attributable to owners of the Company	9,774,807	52	8,287,441	56
NON-CONTROLLING INTERESTS (Note 23)	398,606	2	124,291	1
Total equity	10,173,413	54	8,411,732	57
TOTAL	\$ 18,828,652	100	\$ 14,842,063	100

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

Chang Wah Technology Co., Ltd. and Subsidiaries

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 32)	\$ 14,431,284	100	\$ 12,792,169	100
OPERATING COSTS (Notes 10, 25 and 32)	<u>10,045,698</u>	<u>69</u>	<u>9,386,479</u>	<u>74</u>
GROSS PROFIT	<u>4,385,586</u>	<u>31</u>	<u>3,405,690</u>	<u>26</u>
OPERATING EXPENSES (Notes 9, 25 and 32)				
Selling and marketing expenses	231,934	2	210,236	2
General and administrative expenses	602,796	4	529,720	4
Research and development expenses	422,484	3	461,211	3
Expected credit losses (gains)	<u>6,712</u>	<u>-</u>	<u>(5,776)</u>	<u>-</u>
Total operating expenses	<u>1,263,926</u>	<u>9</u>	<u>1,195,391</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>3,121,660</u>	<u>22</u>	<u>2,210,299</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES (Notes 25 and 32)				
Interest income	74,408	-	18,493	-
Other income	164,610	1	108,677	1
Other gains and losses	320,866	2	(44,940)	-
Finance costs	<u>(47,289)</u>	<u>-</u>	<u>(43,345)</u>	<u>-</u>
Total non-operating income and expenses	<u>512,595</u>	<u>3</u>	<u>38,885</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	3,634,255	25	2,249,184	18
INCOME TAX EXPENSE (Notes 4 and 26)	<u>789,286</u>	<u>5</u>	<u>510,539</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>2,844,969</u>	<u>20</u>	<u>1,738,645</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	1,139	-	733	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(255,018)	(2)	191,576	1

(Continued)

Chang Wah Technology Co., Ltd. and Subsidiaries

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	\$ (228)	-	\$ 258	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	288,177	2	(63,443)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(57,332)</u>	<u>-</u>	<u>12,613</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(23,262)</u>	<u>-</u>	<u>141,737</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,821,707</u>	<u>20</u>	<u>\$ 1,880,382</u>	<u>15</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,815,901		\$ 1,714,378	
Non-controlling interests	<u>29,068</u>		<u>24,267</u>	
	<u>\$ 2,844,969</u>		<u>\$ 1,738,645</u>	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,812,447		\$ 1,856,491	
Non-controlling interests	<u>9,260</u>		<u>23,891</u>	
	<u>\$ 2,821,707</u>		<u>\$ 1,880,382</u>	
EARNINGS PER SHARE (Note 27)				
Basic	\$ 3.01		\$ 1.92	
Diluted	3.01		1.91	

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

(Concluded)

Chang Wah Technology Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owner of the Company										Other Equity		Total Equity		
	Share Capital			Retained Earnings			Unrealized Gains and Losses on Financial Assets Through Other Comprehensive Income				Unearned Employee Benefits	Treasury Shares		Total	Non-controlling Interests
	Ordinary Shares	Capital collected in advance	Capital surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Difference on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Financial Assets Through Other Comprehensive Income	Total					
BALANCE AT JANUARY 1, 2021	\$ 364,131	\$ 4,253,933	\$ 241,635	\$ 130,455	\$ 859,841	\$ 1,231,931	\$ 70,714	\$ (384,142)	\$ (139,994)	\$ (384,142)	\$ 5,525,859	\$ 100,400	\$ 5,426,259		
Appropriation of earnings	-	-	104,886	(24,717)	(104,886)	-	-	-	-	-	-	-	-		
Legal reserve	-	-	104,886	(24,717)	(104,886)	-	-	-	-	-	-	-	-		
Special reserve	-	-	-	(24,717)	24,717	(573,041)	-	-	-	-	(573,041)	-	(573,041)		
Cash dividends to shareholders	-	-	-	(24,717)	(653,210)	(573,041)	-	-	-	-	(573,041)	-	(573,041)		
Equity component of convertible bonds issued by the company (Note 19)	-	-	-	-	-	-	-	-	-	-	-	-	-		
Net profit for the year ended December 31, 2021	-	-	-	-	1,714,378	1,714,378	-	-	-	-	1,714,378	24,267	1,738,645		
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	587	587	(50,454)	-	191,980	141,526	142,113	(376)	141,737		
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	587	587	(50,454)	-	191,980	141,526	142,113	23,891	1,880,382		
Convertible bonds converted to ordinary shares	-	-	-	-	1,714,965	1,714,965	(50,454)	-	191,980	141,526	1,856,491	-	1,856,491		
Share-based payments (Note 23)	-	-	-	-	-	-	-	-	-	-	1,233,726	-	1,233,726		
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	86,862	-	86,862		
BALANCE AT DECEMBER 31, 2021	\$ 364,131	\$ 5,872,815	\$ 346,521	\$ 105,738	\$ 2,093,758	\$ 2,546,017	\$ 90,532	\$ (342,001)	\$ (170,630)	\$ 8,387,441	\$ 124,291	\$ 8,411,732			
Appropriation of earnings	-	-	286,730	119,644	(286,730)	-	-	-	-	-	-	-	-		
Legal reserve	-	-	286,730	119,644	(286,730)	-	-	-	-	-	-	-	-		
Special reserve	-	-	-	119,644	(119,644)	-	-	-	-	-	-	-	-		
Cash dividends to shareholders	-	-	-	-	(1,307,663)	(1,307,663)	-	-	-	-	(1,307,663)	-	(1,307,663)		
Net profit for the year ended December 31, 2022	-	-	-	-	2,815,901	2,815,901	-	-	-	-	2,815,901	29,068	2,844,969		
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	911	911	229,201	-	(4,365)	(3,454)	(3,454)	(19,808)	(23,262)		
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	911	911	229,201	-	(4,365)	(3,454)	2,812,447	9,260	2,821,707		
Convertible bonds converted to ordinary shares	-	-	-	-	2,816,812	2,816,812	(233,566)	-	(4,365)	-	2,812,447	-	2,812,447		
Purchase of the Company's shares by subsidiaries (Note 23)	20,068	(17,109)	-	-	-	-	-	-	-	-	213,086	-	213,086		
Cash dividends received by subsidiaries from the company	-	-	-	-	-	-	-	-	-	-	(244,012)	-	(497,984)		
Cash dividends received by subsidiaries from subsidiaries (Note 23)	-	-	-	-	-	-	-	-	-	-	(244,012)	-	(497,984)		
Share-based payments (Note 23)	-	-	-	-	-	-	-	-	-	-	7,102	-	7,102		
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	6,405	-	6,405		
BALANCE AT DECEMBER 31, 2022	\$ 386,569	\$ 6,905,329	\$ 633,251	\$ 245,382	\$ 3,244,984	\$ 4,109,617	\$ (19,485)	\$ (586,013)	\$ (334,692)	\$ 9,774,807	\$ 398,606	\$ 10,173,413			

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

Chang Wah Technology Co., Ltd. and Subsidiaries

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

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,634,255	\$ 2,249,184
Adjustments for:		
Depreciation expense	714,624	617,074
Amortization expense	13,207	11,186
Expected credit losses (gains)	6,712	(5,776)
Loss (gain) on financial assets at fair value through profit or loss	20,700	(26,480)
Finance costs	47,289	43,345
Interest income	(74,408)	(18,493)
Dividend income	(100,608)	(57,217)
Share-based compensation	6,405	44,663
Gain on disposal of property, plant and equipment	(423)	(4,768)
Impairment loss recognized on (reversal of) non-financial assets	103,731	(6,466)
Others	(9,716)	(14,661)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	30,418	3,808
Notes receivable	(7,418)	1,219
Accounts receivable	92,197	(568,777)
Accounts receivable - related parties	202,935	(171,548)
Other receivables	17,502	(44,822)
Inventories	(367,236)	(751,687)
Other current assets	26,017	(22,474)
Other non-current assets	11	(648)
Contract liabilities - current	204,069	76,022
Notes payable	170	-
Accounts payable	(390,911)	219,429
Accounts payable - related parties	(4,102)	12,732
Other payables	172,600	214,055
Other current liabilities	6,872	7,287
Net defined benefit liabilities	-	733
Contract liabilities - non-current	34,799	31,697
Other non-current liabilities	9,874	(668)
Cash generated from operations	4,389,565	1,837,949
Interest received	68,514	17,875
Dividends received	83,766	57,217
Interest paid	(27,572)	(28,242)
Income taxes paid	(457,348)	(230,483)
Net cash generated from operating activities	<u>4,056,925</u>	<u>1,654,316</u>

(Continued)

Chang Wah Technology Co., Ltd. and Subsidiaries

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

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (1,011,579)	\$ (601,600)
Proceeds from disposal of financial assets at fair value through other comprehensive income	141,813	660,057
Acquisition of property, plant and equipment	(1,362,857)	(758,388)
Proceeds from disposal of property, plant and equipment	453	9,269
Acquisition of intangible assets	(1,467)	(7,573)
Acquisition of investment properties	(261,628)	-
Decrease (increase) in other financial assets	(325,252)	406,414
Increase in other non-current assets	(399)	(1,618)
Increase in prepayments for equipment	<u>(146,609)</u>	<u>(105,095)</u>
Net cash used in investing activities	<u>(2,967,525)</u>	<u>(398,534)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,676,612	1,312,173
Repayments of short-term borrowings	(1,880,704)	(1,189,840)
Proceeds from issuance of convertible bonds	-	1,803,020
Redemption of corporate bonds	(775)	-
Proceeds from long-term borrowings	1,635,592	1,382,314
Repayments of long-term borrowings	(898,480)	(2,898,000)
Increase (decrease) in guarantee deposits received	72	(3,443)
Repayments of the principal portion of lease liabilities	(15,314)	(11,767)
Cash dividends paid	(888,535)	(467,445)
Acquisition of the parent company's shares held by subsidiaries	(497,984)	-
Treasury shares sold to employees	-	42,204
Increase in non-controlling interests	<u>510,000</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>640,484</u>	<u>(30,784)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>210,316</u>	<u>(41,163)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,940,200	1,183,835
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,685,370</u>	<u>2,501,535</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,625,570</u>	<u>\$ 3,685,370</u>

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

(Concluded)

Chang Wah Technology Co., Ltd. and Subsidiaries

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

1. GENERAL INFORMATION

Chang Wah Technology Co., Ltd. (the “Company”) was incorporated under the provisions of the Company Act on December 24, 2009. It mainly manufactures industrial plastic products and electronics components, and sells electronics components and machinery and tools.

The shares of the Company have been trading on the TPEx since September 2016. The subsidiary, SH Electronics Taiwan Co., Ltd. (SHT) merged with the Company in January 2022.

As of December 31, 2022 and 2021, the parent company, Chang Wah Electromaterials Inc. (CWE), owned 48% and 54%, respectively, of the Company’s issued ordinary shares for both years.

The consolidated financial statements of the Company and its subsidiaries are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 16, 2023.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries have assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

As of the date the consolidated financial statements were reported to the board of directors and authorized for issue, the Company and its subsidiaries are continuously assessing the possible impact that the initial application of the other standards and the amendments and interpretations will have on their financial position and financial performance and disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail.

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within 12 months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisitions up to the effective date of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

For details of the subsidiaries, including the shareholding percentages and nature of activities, please refer to Note 12, table 9 and 10.

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 closing 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 year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its subsidiaries' foreign operations (including subsidiaries in other countries that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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

f. Inventories

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

g. Property, plant, and equipment

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

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

Except for freehold land which is not depreciated, the 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 method are reviewed at the end of each reporting period,

with the effect of any changes in estimate accounted for on prospective basis.

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

h. Investment properties

Investment properties are properties held to earn rental.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

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

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company and its subsidiaries' cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorate based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Company and its subsidiaries dispose of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Other intangible assets

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

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

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

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

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

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

- l. Financial instruments

Financial assets and financial liabilities are recognized when the Company and its subsidiaries become a party to the contractual provisions of the instruments.

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

- 1) Financial assets

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

- a) Measurement categories

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

- i Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value. Any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; and any remeasurement of gains and losses on such financial assets are

recognized in other gains and losses. Fair value is determined in the manner described in Note 31.

ii Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by 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, commercial papers and bonds with repurchase agreements with original maturities within three 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 Company and its subsidiaries may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

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

b) Impairment of financial assets

The Company and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company and its subsidiaries always recognize lifetime expected credit losses (ECLs) for accounts receivables. For other financial instruments, the Company and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECLs represents 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. In contrast, Lifetime ECLs, represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

For internal credit risk management purposes, the Company and its subsidiaries consider the following situations as indications that a financial instrument is in default (without taking into account any collateral held by the Company and its subsidiaries):

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

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

c) Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

2) Equity instruments

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated separately for the purpose of repurchase. 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

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

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company is classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - others.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

m. Treasury shares

The Company's shares held by subsidiaries may be recognized as treasury shares based on the cost of acquisition and the Company's percentage of ownership in a subsidiary.

n. Revenue recognition

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

1) Revenue from the sale of goods

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

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

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

2) Commission and revenue from the rendering of services

Commission is charged on the basis of calculation as stated in the contract, while revenue from the rendering of services is from the procurement of raw materials on behalf of customers and the provision of technical support services. Since the period between the date of service transferred and

the date of collection is less than one year, the Company does not adjust the promised amount of consideration for the effect of the significant financing component.

3) Dividend income

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

o. Leases

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

1) The Company and its subsidiaries as lessor

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

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

When a lease includes both land and building elements, the Company and its subsidiaries assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company and its subsidiaries as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company and its subsidiaries use the lessee's 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 future lease payments resulting from a change in a lease term, an index or a rate used to determine those

payments, the Company and its subsidiaries remeasure the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

The Company and its subsidiaries negotiate with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company and its subsidiaries elect to apply the practical expedient to all of these rent concessions and, therefore, do not assess whether the rent concessions are lease modifications. Instead, the Company and its subsidiaries recognize the reduction in lease payments in profit or loss as other operating income in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

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

p. Government grants

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

Government grants related to income are recognized as a reduction of the related costs on a systematic basis over the periods in which the Company and its subsidiaries recognize as expenses the related costs that the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company and its subsidiaries should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost as well as gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained

earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company and its subsidiaries' defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

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

r. Share-based payment arrangements

The fair value at the grant date of the employee share options and restricted shares for employees are expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and other equity - unearned employee benefits. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of treasury shares transferred to employees is the date on which the number of shares that the employees purchase is confirmed.

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

s. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized on 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. If the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liabilities is not recognized.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date 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 balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and its subsidiaries expect, 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, in which case, the current and deferred taxes are also recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company and its subsidiaries consider the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimate. The Company and its subsidiaries review the estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimate are recognized in the period in which the estimates are revised in the revisions affect only that period or in the period of the revisions and future period the revisions affect both current and future period.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions on probability of default and loss given default. The Company and its subsidiaries use judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company and its subsidiaries' historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Company and its subsidiaries use judgment and estimates to determine the net realizable value of inventory at the end of the reporting

period. The net realizable value of inventories is mainly evaluated based on current market conditions and historical sales experience of similar products. Changes in market conditions may significantly affect the results of these estimates.

c. Income taxes

The realizability of deferred tax assets, which mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 253	\$ 286
Checking accounts and demand deposits	3,180,241	3,204,557
Cash equivalents (investments with original maturities of less than three months)		
Time deposits	2,445,076	342,127
Bonds with repurchase agreements	<u>-</u>	<u>138,400</u>
	<u>\$ 5,625,570</u>	<u>\$ 3,685,370</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 55,020	\$ 99,960
Domestic convertible bonds	2,688	8,865
Derivative financial assets (not under hedge accounting)		
Convertible bonds (Note 19)	<u>-</u>	<u>1,416</u>
	<u>\$ 57,708</u>	<u>\$ 110,241</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
Investments in equity instruments		
Domestic listed shares	<u>\$ 1,442,554</u>	<u>\$ 832,720</u>

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company and its subsidiaries' strategy of holding these investments for long-term purposes.

The Company entered into a securities-lending agreement with SinoPac Securities. During the lending period, the Company retains the risks and the returns of these financial assets; therefore, they were not excluded. As of December 31, 2022 and 2021, the carrying amounts of the securities lent out were NT\$11,536 thousand and NT\$0 thousand, respectively.

9. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2022	2021
Notes receivable - operating		
Measured at amortized cost		
Gross carrying amount	<u>\$ 7,948</u>	<u>\$ 530</u>
Accounts receivable		
Measured at amortized cost		
Gross carrying amount	\$ 2,009,188	\$ 2,101,385
Less: Allowance for impairment loss	<u>8,146</u>	<u>1,343</u>
	<u>\$ 2,001,042</u>	<u>\$ 2,100,042</u>
Accounts receivable - related parties		
Measured at amortized cost		
Gross carrying amount	<u>\$ 555,302</u>	<u>\$ 758,237</u>

For the Company and its subsidiaries' related credit management policies, refer to Note 31.

The Company and its subsidiaries measure the loss allowance for accounts receivable at an amount equal to lifetime expected credit losses. The lifetime expected credit losses on accounts receivable are estimated by reference to the past default experience of the customers, current financial position of the customers, economic condition of the industry in which the customers operate, as well as the industry outlook. The Company and its subsidiaries write off a account receivable when there is information 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, or when the accounts receivable are past due. For accounts receivable that have been written off, the Company and its subsidiaries continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivable.

December 31, 2022

	Not Past Due	Past Due 0 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Expected credit loss rate (%)	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 2,370,038	\$ 188,617	\$ 11,274	\$ 513	\$ 1,996	\$ 2,572,438
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(5,637)</u>	<u>(513)</u>	<u>(1,996)</u>	<u>(8,146)</u>
Amortized cost	<u>\$ 2,370,038</u>	<u>\$ 188,617</u>	<u>\$ 5,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,564,292</u>

December 31, 2021

	Not Past Due	Past Due 0 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Expected credit loss rate (%)	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 2,666,726	\$ 190,050	\$ -	\$ 1,110	\$ 2,266	\$ 2,860,152
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,343)</u>	<u>(1,343)</u>
Amortized cost	<u>\$ 2,666,726</u>	<u>\$ 190,050</u>	<u>\$ -</u>	<u>\$ 1,110</u>	<u>\$ 923</u>	<u>\$ 2,858,809</u>

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

	For the Year Ended December 31	
	2022	2021
Balance, beginning of year	\$ 1,343	\$ 7,197
Recognition (reversal) in current year	6,712	(5,776)
Effect of foreign currency exchange difference	<u>91</u>	<u>(78)</u>
Balance, end of year	<u>\$ 8,146</u>	<u>\$ 1,343</u>

10. INVENTORIES

	December 31	
	2022	2021
Raw materials and supplies	\$ 753,775	\$ 663,297
Work in progress	695,697	684,566
Finished goods	842,090	692,141
Merchandise	28,228	19,549
Consumable supplies	<u>136,300</u>	<u>136,117</u>
	<u>\$ 2,456,090</u>	<u>\$ 2,195,670</u>

The cost of inventories recognized as operating cost for the years ended December 31, 2022 and 2021 was NT\$9,972,395 thousand and NT\$9,380,816 thousand, respectively, which included items as follows:

	For the Year Ended December 31	
	2022	2021
(Reversal of) write-downs of inventories	\$ 103,731	\$ (6,466)
Revenue from sale of scraps	(883,003)	(822,800)

For the year ended December 31, 2021, reversal of write-downs of inventories was due to the rise in raw materials prices and the selling of obsolete inventories.

11. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
Current		
Restricted deposits for projects	\$ 768,328	\$ 1,006,266
Time deposits with original maturities of more than 3 months	<u>583,490</u>	<u>-</u>
	<u>\$ 1,351,818</u>	<u>\$ 1,006,266</u>
Non-current		
Pledged time deposits (Note 33)	<u>\$ 31,605</u>	<u>\$ 51,874</u>

Since the Company applied The Management, Utilization, and Taxation of Repatriated Offshore Funds Act, the earnings remitted from overseas subsidiary were recognized as restricted deposits for projects.

12. SUBSIDIARIES

a. The detailed information of subsidiaries is as follows:

Investor Company	Investee Company	Main Business and Products	Percentage of Ownership (%)		Note
			December 31, 2022	December 31, 2021	
The Company	CWTC (Shanghai) Inc. (CWTS)	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	100	100	
	SH Asia Pacific Pte. Ltd. (SHAP)	Trading of electronic components and electronics; investment activities	100	100	
	Shing Zheng Investment Co., Ltd. (Shing Zheng Investment)	Investment activities	49	-	Note 1
	SHT	Manufacturing of electronic components and tools; international trade	-	100	
SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd. (MSHE)	Manufacturing and selling lead frame and semiconductor materials	100	-	Note 2
	SH Electronics Chengdu Co., Ltd. (SHEC)	Researching, developing, manufacturing and selling of lead frame, semiconductor materials and precision tools	70	70	
	SH Precision Chengdu Co., Ltd. (SHPC)	Researching, developing, manufacturing and selling of lead frame, semiconductor materials and precision tools	70	70	
	SH Electronics Suzhou Co., Ltd. (SHS)	Researching, developing, manufacturing and selling of lead frame, semiconductor packaging materials and precision tools	100	100	
	Malaysian SH Electronics Sdn. Bhd. (MSHE)	Manufacturing and selling lead frame and semiconductor materials	-	100	Note 2
	WSP Electromaterials Ltd.	WSP Electromaterials Ltd. (WSP)	International investment activities	100	100
WSP Electromaterials Ltd.	Shanghai Chang Wah Electromaterials Inc. (CWES)	Acting as an agent for IC packaging materials and equipment	69	69	
	SH Electronics Chengdu Co., Ltd. (SHEC)	Researching, developing, manufacturing and selling of lead frame, semiconductor materials and precision tools	30	30	
	SH Precision Chengdu Co., Ltd. (SHPC)	Researching, developing, manufacturing and selling of lead frame, semiconductor materials and precision tools	30	30	

Note 1: The Company invested in and established Shing Zheng Investment in January 2022, and recognized it as a subsidiary due to substantial control over the latter. Furthermore, the Company participated in its capital increase in cash of NT\$200,000 thousand in April 2022 and acquired 20,000 thousand ordinary shares; after the acquisition of shares, the Company's percentage of shareholding increased to 49%.

Note 2: The Company purchased 100% equity interest in MSHE from its subsidiary SHAP for a total amount of USD18,700,415.81 due to the Group's internal organizational restructuring. The settlement date of the contract to purchase and sell shares is December 30, 2022.

b. The Company and its subsidiaries do not have any subsidiaries with significant non-controlling interests.

13. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2022

	Lands	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2022	\$ -	\$ 2,000,613	\$ 4,776,505	\$ 3,274,320	\$ 26,712	\$ 92,221	\$ 362,188	\$ 435,937	\$ 10,968,496
Additions	143,546	160,043	407,396	272,957	4,179	3,497	91,382	545,718	1,628,718
Disposals	-	(10,849)	(20,979)	(92,002)	(1,983)	(3,466)	(1,567)	-	(130,846)
Reclassification	89,373	59,440	-	-	-	-	(17,452)	-	131,361
Effect of foreign currency exchange difference	-	64,898	121,810	126,224	1,421	5,726	1,302	2,592	323,973
Balance at December 31, 2022	<u>232,919</u>	<u>2,274,145</u>	<u>5,284,732</u>	<u>3,581,499</u>	<u>30,329</u>	<u>97,978</u>	<u>435,853</u>	<u>984,247</u>	<u>12,921,702</u>
Accumulated depreciation									
Balance at January 1, 2022	-	(1,408,260)	(3,727,960)	(2,912,508)	(22,395)	(75,697)	(275,808)	-	(8,422,628)
Depreciation	-	(93,504)	(308,143)	(244,504)	(2,129)	7,946)	(31,864)	-	(688,090)
Disposals	-	10,849	20,979	91,974	1,983	3,464	1,567	-	130,816
Reclassification	-	(16,628)	-	-	-	-	11,705	-	(4,923)
Effect of foreign currency exchange difference	-	(52,702)	(104,232)	(115,885)	(1,243)	(4,750)	(1,273)	-	(280,085)
Balance at December 31, 2022	-	<u>(1,560,245)</u>	<u>(4,119,356)</u>	<u>(3,180,923)</u>	<u>(23,784)</u>	<u>(84,929)</u>	<u>(295,673)</u>	-	<u>(9,264,910)</u>
Accumulated impairment									
Balance at January 1, 2022	-	(29,736)	(13,059)	(27,966)	-	-	(273)	-	(71,034)
Effect of foreign currency exchange difference	-	-	(41)	-	-	-	(3)	-	(44)
Balance at December 31, 2022	-	<u>(29,736)</u>	<u>(13,100)</u>	<u>(27,966)</u>	-	-	<u>(276)</u>	-	<u>(71,078)</u>
Carrying amount at December 31, 2022	<u>\$ 232,919</u>	<u>\$ 684,164</u>	<u>\$ 1,152,276</u>	<u>\$ 372,610</u>	<u>\$ 6,545</u>	<u>\$ 13,049</u>	<u>\$ 139,904</u>	<u>\$ 984,247</u>	<u>\$ 3,585,714</u>

For the Year Ended December 31, 2021

	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1, 2021	\$ 1,996,945	\$ 4,434,211	\$ 3,168,507	\$ 25,724	\$ 86,691	\$ 323,062	\$ 324,032	\$ 10,359,172
Additions	20,641	403,716	243,857	2,712	9,997	42,798	115,048	838,769
Disposals	(193)	(28,737)	(105,519)	(1,374)	(2,990)	(3,295)	-	(142,108)
Reclassification	-	-	-	-	-	-	(1,926)	(1,926)
Effect of foreign currency exchange difference	(16,780)	(32,685)	(32,525)	(350)	(1,477)	(377)	(1,217)	(85,411)
Balance at December 31, 2021	<u>2,000,613</u>	<u>4,776,505</u>	<u>3,274,320</u>	<u>26,712</u>	<u>92,221</u>	<u>362,188</u>	<u>435,937</u>	<u>10,968,496</u>
Accumulated depreciation								
Balance at January 1, 2021	(1,347,076)	(3,541,520)	(2,800,263)	(22,154)	(71,837)	(251,067)	-	(8,033,917)
Depreciation	(75,037)	(236,633)	(246,195)	(1,796)	(8,030)	(28,359)	-	(596,050)
Disposals	193	23,672	104,007	1,228	2,987	3,274	-	135,361
Effect of foreign currency exchange difference	13,660	26,521	29,943	327	1,183	344	-	71,978
Balance at December 31, 2021	<u>(1,408,260)</u>	<u>(3,727,960)</u>	<u>(2,912,508)</u>	<u>(22,395)</u>	<u>(75,697)</u>	<u>(275,808)</u>	-	<u>(8,422,628)</u>
Accumulated impairment								
Balance at January 1, 2021	(29,736)	(15,296)	(27,966)	-	-	(295)	-	(73,293)
Disposals	-	2,225	-	-	-	21	-	2,246
Effect of foreign currency exchange difference	-	12	-	-	-	1	-	13
Balance at December 31, 2021	<u>(29,736)</u>	<u>(13,059)</u>	<u>(27,966)</u>	-	-	<u>(273)</u>	-	<u>(71,034)</u>
Carrying amount at December 31, 2021	<u>\$ 562,617</u>	<u>\$ 1,035,486</u>	<u>\$ 333,846</u>	<u>\$ 4,317</u>	<u>\$ 16,524</u>	<u>\$ 86,107</u>	<u>\$ 435,937</u>	<u>\$ 2,474,834</u>

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

Buildings	
Main building	10-35 years
Renovation	2-25 years
Machinery and equipment	2-10 years
Tooling equipment	2-5 years
Transportation equipment	3-5 years
Office equipment	2-5 years
Other equipment	2-10years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Land	\$ 430,846	\$ 435,336
Buildings	47,802	16,942
Transportation equipment	1,272	-
Other equipment	<u>-</u>	<u>57</u>
	<u>\$ 479,920</u>	<u>\$ 452,335</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 39,335</u>	<u>\$ 2,734</u>
Depreciation charge for right-of-use assets		
Land	\$ (10,370)	\$ (10,353)
Buildings	(13,193)	(8,477)
Transportation equipment	(116)	(904)
Other equipment	<u>(56)</u>	<u>(57)</u>
	<u>\$ (23,735)</u>	<u>\$ (19,791)</u>

Except for the additions to and depreciation of the right-of-use assets listed above, there was no significant sublease or impairment of the Company and its subsidiaries' right-of-use assets for the years ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	<u>\$ 18,677</u>	<u>\$ 10,619</u>
Non-current	<u>\$ 76,668</u>	<u>\$ 56,281</u>

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

	December 31	
	2022	2021
Land	1.9235-2.171	1.9235-2.171
Buildings	0.35-5.0932	0.35-5.0932
Transportation equipment	1.1033	-
Other equipment	-	1.52

c. Material leasing activities and terms

The Company lease land from the government. The lease term will expire in December 2031, and the Company has the option to extend or to terminate the lease contract. The Company does not have a purchase option to acquire the leased land at the expiration of the lease period. The government has the option to adjust the lease payments on the base on changes in announced land value.

The Company leases buildings from its associate, JMC Electronics Co., Ltd. (JMC). The lease term will expire in August 2023, and under certain conditions, the Company has the options to extend or to terminate the lease contract. The Company does not have bargain purchase option to acquire the leasehold buildings at the expiration of the lease period.

The main lease agreements of the subsidiaries SHEC, SHS, and MSHE are right-of-use agreements for the lease of land with lease terms of 50-97 years.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 12,594</u>	<u>\$ 8,335</u>
Expenses relating to low-value asset leases	<u>\$ 755</u>	<u>\$ 733</u>
Total cash outflow for leases	<u>\$ 29,968</u>	<u>\$ 24,112</u>

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

15. INVESTMENT PROPERTIES

	Land	Buildings	Total
For the year ended December 31, 2022			
Cost			
Balance at January 1, 2022	\$ -	\$ 33,434	\$ 33,434
Additions	185,026	76,602	261,628
Reclassification	<u>(89,373)</u>	<u>(41,988)</u>	<u>(131,361)</u>
Balance at December 31, 2022	<u>95,653</u>	<u>68,048</u>	<u>163,701</u>
Accumulated depreciation			
Balance at January 1, 2022	-	(25,215)	(25,215)
Depreciation	-	(2,799)	(2,799)

(Continued)

	Land	Buildings	Total
Reclassification	\$ <u>-</u>	\$ <u>4,923</u>	\$ <u>4,923</u>
Balance at December 31, 2022	<u>-</u>	<u>(23,091)</u>	<u>(23,091)</u>
Carrying amount at December 31, 2022	<u>\$ 95,653</u>	<u>\$ 44,957</u>	<u>\$ 140,610</u>
<u>For the year ended December 31, 2021</u>			
Cost			
Balance at January 1 and December 31, 2021	\$ <u>-</u>	\$ <u>33,434</u>	\$ <u>33,434</u>
Accumulated depreciation			
Balance at January 1, 2021	-	(23,982)	(23,982)
Depreciation	<u>-</u>	<u>(1,233)</u>	<u>(1,233)</u>
Balance at December 31, 2021	<u>-</u>	<u>(25,215)</u>	<u>(25,215)</u>
Carrying amount at December 31, 2021	<u>\$ -</u>	<u>\$ 8,219</u>	<u>\$ 8,219</u> (Concluded)

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

Buildings 10-35 years

The Company's investment properties are located at the Nanzih Technology Industrial Park and Daliao Dist., Kaohsiung. The Company's management was unable to reliably measure the fair value of the investment property located at the Nanzih Technology Industrial Park because the land belongs to the government, and the Company only holds the building's ownership. The market transactions are not frequent and comparable properties in the active market and alternative reliable measurements of fair value are not available; therefore, the Company and its subsidiaries determined that the fair value of the investment property is not reliably measurable. The fair value of the investment property located at the Daliao Dist., Kaohsiung was determined based on the valuation methodology carried out by an independent valuation firm (non-related party of the Company) on February 10, 2022. The fair value was assessed as NT\$138,096 thousand. The valuation was arrived at using the sales comparison approach and the cost comparison approach. Since there is no significant change in the transaction price of real estate in this area, there should be no significant difference between the fair value assessed in the current period and the aforementioned fair value assessed by the independent valuation firm.

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

	December 31	
	2022	2021
Year 1	\$ 7,871	\$ 5,034
Year 2	5,040	2,724
Year 3	2,520	2,095
Year 4	<u>210</u>	<u>-</u>
	<u>\$ 15,641</u>	<u>\$ 9,853</u>

16. GOODWILL

	For the Year Ended December 31	
	2022	2021
Balance, beginning of year	\$ 653,410	\$ 661,447
Effect of foreign currency exchange differences	<u>30,442</u>	<u>(8,037)</u>
Balance, end of year	<u>\$ 683,852</u>	<u>\$ 653,410</u>

The Company and its subsidiaries carried out impairment testing on the recoverable amount of goodwill at the end of the annual reporting period. The recoverable amount was determined based on the value in use calculation that used the cash flow projections in the financial budgets covering a 5-year period, using annual discount rates of 17.23% and 15.48% as of December 31, 2022 and 2021, respectively. Based on the assessment results, the recoverable amount exceeded the carrying amount; hence, the Company and its subsidiaries need not recognize any impairment loss on goodwill.

17. OTHER INTANGIBLE ASSETS

	December 31	
	2022	2021
Computer software	\$ 34,566	\$ 29,901
Patents	<u>4,460</u>	<u>4,763</u>
	<u>\$ 39,026</u>	<u>\$ 34,664</u>

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

Computer software	2-10 years
Patents	10-20 years

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Credit loans	<u>\$ 2,126,457</u>	<u>\$ 1,324,230</u>
Range of interest rate (%)	1.18-3.85	0-3.85

b. Long-term borrowings

	December 31	
	2022	2021
Credit loans		
Maturities before June 2030, interest rates at 0.47%-1.67% and 0%-1.1319% p.a., respectively	<u>\$ 2,473,985</u>	<u>\$ 1,736,873</u>

- 1) The Company has committed to maintain certain percentages and amounts for the current ratio, debt ratio, interest coverage ratio and total equity in the consolidated financial statements, and shareholding in its subsidiaries and seats on the board of directors during the loan period, which are reviewed at least once every six months. If the Company is not in compliance with the aforementioned restrictions on the financial ratios and amounts, the Company should make improvements by the end of the year of submission of the annual consolidated financial statements or by the end of the second quarter of the next year's consolidated financial statements. If the restrictions are met, the Company will be deemed as not in violation of the restrictions, however, the interest rate will be raised. The Company and its subsidiaries' consolidated financial statements as of the year ended December 31, 2022 was not in breach of the aforementioned restrictions.
- 2) The Company entered into a syndicated loan agreement with six banks led by Bank of Taiwan in January 2017 and the loan had been repaid in full in January 2021. The syndicated loan agreement was terminated in June 2021.
- 3) The Company entered into a syndicated loan agreement of NT\$7,200,000 thousand with seven banks led by First Commercial Bank in December 2020. The credit line can be used for loan A and loan B. The credit line of loan A is NT\$7,200,000 thousand (or equivalent amount in USD, RMB or JPY), and the joint credit line with loan B cannot exceed NT\$7,200,000 thousand. The credit line of loan B is NT\$5,760,000 thousand, which can be used on a revolving basis during the loan period (5 years from the initial drawdown date), and is used for the purpose of repaying the loans of financial institutions and enriching medium-term working capital. In addition, the Company may extend the loan period by 2 years after obtaining the consent of the seven banks, within the period of six months starting from 4 years after the initial drawdown date.
- 4) In September 2019, the Company obtained the approval letter from the Ministry of Economic Affairs (MOEA), Republic of China according to "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan." In accordance with the regulations, the Company is required to complete its investments within 3 years from the date of approval of the letter. The Ministry of Economic Affairs approved the change of the scheduled investment plan and the extension of the investment completion date to July 2024 due to the progress of the plant expansion and the significant increase in production capacity caused by the epidemic.

19. BONDS PAYABLE

a. Liability component

1) Secured domestic convertible bonds

For the year ended December 31, 2022

	Face Value	Discounts on bonds payable	Total
Balance, beginning of the year (included in current - portion of bonds payable)	\$ 221,200	\$ (6,032)	\$ 215,168
Converted into ordinary shares	(220,400)	5,903	(214,497)
Execution of redemption rights	(800)	21	(779)
Amortization	<u>-</u>	<u>108</u>	<u>108</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2021

	Face Value	Discounts on bonds payable (Note)	Total
Proceeds from issuance	\$ 1,500,000	\$ (44,569)	\$ 1,455,431
Converted into ordinary shares	(1,278,800)	35,263	(1,243,537)
Amortization	<u>-</u>	<u>3,274</u>	<u>3,274</u>
Balance, end of the year (included in current portion of bonds payable)	<u>\$ 221,200</u>	<u>\$ (6,032)</u>	<u>\$ 215,168</u>

Note: Including transaction costs of NT\$4,369 thousand.

2) Financial assets at FVTPL

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ 1,416	\$ -
Proceeds from issuance	-	7,950
Converted into ordinary shares	(1,411)	(6,778)
Execution of redemption rights	(4)	-
Adjustment for valuation	<u>(1)</u>	<u>244</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ 1,416</u>

b. Equity component

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ 52,430	\$ -
Proceeds from issuance (Note)	-	355,539
Converted into ordinary shares	(52,240)	(303,109)
Execution of redemption rights	<u>(190)</u>	<u>-</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ 52,430</u>

Note: Including transaction costs of NT\$1,073 thousand.

The Company issued first secured domestic convertible bonds in July 2021. The bonds were issued at 120.56% of the face value. The total amount issued was NT\$1,808,462 thousand with a face value of NT\$100 thousand each, zero coupon rate and issuance period of 5 years. Hua Nan Commercial Bank and E.SUN Commercial Bank acted as guarantee banks. According to the regulations, the liabilities and conversion rights are separately recognized as liabilities and capital surplus - options, respectively; the embedded derivatives (redemption rights and put options) are recognized separately from the contract and included in financial assets at FVTPL. Liability components of non-derivative bonds are measured at amortized cost using the effective interest method (effective interest rate is 0.6034%). The discount amortization is recognized in current profit or loss. The conversion method is as follows:

Conversion right of bondholders

From October 20, 2021 to July 19, 2026, bondholders may request the conversion of bonds into ordinary shares of the Company in accordance with regulations (except for the relevant period of suspension of transfer as stipulated). The conversion price at the time of issuance is NT\$75 per share (par value of NT\$1). In case of ex-rights or ex-dividend, it should be adjusted according to the conversion price adjustment formula. From December 16, 2021, the conversion price was adjusted to NT\$74.5 per share.

Put options of bondholders

The benchmark date for the creditors' right to sell back the bonds is July 19, 2024 (3 years after the issuance date). The bondholders may request the Company to redeem the bonds in cash at face value.

Redemption right of the Company

From October 20, 2021 (the day following the 3-month issuance period) to June 9, 2026 (40 days before the expiration date), if the closing price of the Company's ordinary shares exceeds the conversion price by 30% for 30 consecutive business days or when the outstanding balance of bonds is less than 10% of the total face value of the original issue, the Company may redeem the outstanding convertible bonds in cash at face value.

As of December 31, 2022, the abovementioned secured convertible bonds with a face value of NT\$1,499,200 thousand have been converted into 20,068 thousand ordinary shares (par value of NT\$1) of the Company. The benchmark date of capital increase on March 17, 2022, it is recorded under capital collected in advance. The portion of the net amount of conversion exceeding the par value of the ordinary shares is accounted for as capital surplus - convertible bond premium in the amount of NT\$262,367 thousand and NT\$1,521,726 thousand in 2022 and 2021, respectively; in addition, due to the exercise of the conversion right of bonds, the capital surplus - options recognized in the original issue decreased by NT\$52,240 thousand and NT\$303,109 thousand in 2022 and 2021, respectively.

The redemption right of this convertible bonds was exercised in January 2022 and the over-the-counter trading was terminated. The capital surplus - options recognized in the original issue by NT\$190 thousand was transferred to capital surplus - convertible bonds of expired share options.

20. ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Accounts payable	<u>\$ 930,394</u>	<u>\$ 1,321,305</u>
Accounts payable - related parties	<u>\$ 11,670</u>	<u>\$ 15,772</u>

The Company and its subsidiaries have in place financial risk management policies to ensure that all accounts payable will be repaid within the credit period.

21. OTHER PAYABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Salaries and bonuses	\$ 507,368	\$ 400,818
Purchase of equipment	226,557	113,387

(Continued)

	December 31	
	2022	2021
Employees' compensation and remuneration of directors	\$ 41,925	\$ 27,764
Others	<u>267,823</u>	<u>220,088</u>
	<u>\$ 1,043,673</u>	<u>\$ 762,057</u> (Concluded)

22. 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. Based on the LPA, the Company and its subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The subsidiaries in foreign countries contribute on a monthly basis a certain percentage of employees' monthly salaries and wages to their respective pension funds in accordance with the local laws and regulations.

b. Defined benefit plans

The Company, adopted a defined benefit plan under the Labor Standards Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company makes contributions equal to a certain percentage of total monthly salaries to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the 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 Company and its subsidiaries' defined benefit plans and other long-term employee benefit were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 4,771	\$ 5,168
Fair value of plan assets	(7,366)	(6,635)
Present value of other long-term employee benefit obligation appropriated	<u>10,639</u>	<u>6,683</u>
	8,044	5,216
Recognized under other payables	<u>(10,639)</u>	<u>(6,683)</u>
Net defined benefit plan assets (Note)	<u>\$ (2,595)</u>	<u>\$ (1,467)</u>

Note: Net defined benefit plan assets are recognized under other non-current assets.

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Present Value of Other Long-term Employee Benefit Obligation Appropriated	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	\$ 8,591	\$ (9,410)	\$ 3,463	\$ 2,644
Service cost				
Current service cost	226	-	480	706
Past service cost	-	-	3,141	3,141
Interest expense (income)	43	(48)	15	10
Recognized in profit or loss	<u>269</u>	<u>(48)</u>	<u>3,636</u>	<u>3,857</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(1,310)	-	(1,310)
Actuarial loss (gain)				
Changes in demographic assumptions	146	-	-	146
Changes in financial assumptions	-	-	24	24
Experience adjustments	431	-	500	931
Recognized in other comprehensive income (other long-term employee benefit obligation portion recognized in profit or loss)	<u>577</u>	<u>(1,310)</u>	<u>524</u>	<u>(209)</u>
Contributions from the employer	-	(136)	-	(136)
Plan assets paid	(4,269)	4,269	-	-
Benefits paid	-	-	(940)	(940)
	<u>(4,269)</u>	<u>4,133</u>	<u>(940)</u>	<u>(1,076)</u>
Balance at December 31, 2021	<u>5,168</u>	<u>(6,635)</u>	<u>6,683</u>	<u>5,216</u>
Service cost				
Current service cost	136	-	3,662	3,798
Interest expense (income)	26	(33)	28	21
Recognized in profit or loss	<u>162</u>	<u>(33)</u>	<u>3,690</u>	<u>3,819</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(580)	-	(580)
Actuarial loss (gain)				
Changes in financial assumptions	(566)	-	(187)	(753)
Experience adjustments	7	-	2,404	2,411
Recognized in other comprehensive income (the portion of other long-term employee benefits recognized in profit or loss)	<u>(559)</u>	<u>(580)</u>	<u>2,217</u>	<u>1,078</u>
Contributions from the employer	-	(118)	-	(118)
Benefits paid	-	-	(1,951)	(1,951)
	<u>-</u>	<u>(118)</u>	<u>(1,951)</u>	<u>(2,069)</u>
Balance at December 31, 2022	<u>\$ 4,771</u>	<u>\$ (7,366)</u>	<u>\$ 10,639</u>	<u>\$ 8,044</u>

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

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 3,316	\$ 3,271
General and administrative expenses	<u>2,720</u>	<u>1,110</u>
	<u>\$ 6,036</u>	<u>\$ 4,381</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 securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

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

3) Salary risk

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

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

	December 31	
	2022	2021
Discount rate (%)	1.5	0.50
Expected rate of salary increase (%)	2.5	2.25
Turnover rate (%)	0.0-10.0	0.0-10.0

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (170)</u>	<u>\$ (202)</u>
0.25% decrease	<u>\$ 178</u>	<u>\$ 213</u>

(Continued)

	December 31	
	2022	2021
Expected rate of salary increase		
0.25% increase	<u>\$ 173</u>	<u>\$ 206</u>
0.25% decrease	<u>\$ (166)</u>	<u>\$ (197)</u>
		(Concluded)

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

	December 31	
	2022	2021
Expected contributions to the plan for the next year	<u>\$ 96</u>	<u>\$ 96</u>
Average duration of the defined benefit obligation	14.7 years	16.1 years

23. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	<u>1,750,000</u>	<u>700,000</u>
Shares authorized	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Number of shares issued and fully paid (in thousands)	<u>966,422</u>	<u>364,131</u>
Shares issued	<u>\$ 386,569</u>	<u>\$ 364,131</u>

The Company had passed the revision of its articles of incorporation regarding par value per share in its shareholders' meeting in June 2022. The par value per share had been changed from NT\$1 to NT\$0.4, and the reissuance of the shares was completed on September 5, 2022.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distribute cash or transferred to share capital (Note)		
Additional paid-in capital	\$ 4,224,188	\$ 4,224,188
Conversions of bonds	1,784,093	1,521,726
Treasury share transactions	81,484	74,382
Expired options of convertible bonds	190	-
Expired employee share options	89	89
May be used to offset deficits only		
Share of changes in equity of subsidiaries	1	-

(Continued)

	December 31	
	2022	2021
<u>May not be used for any purpose</u>		
Restricted stocks for employees	\$ 115,284	\$ -
Warrants of convertible bonds	<u>-</u>	<u>52,430</u>
	<u>\$ 6,205,329</u>	<u>\$ 5,872,815</u>
		(Concluded)

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 once a year).

c. Retained earnings and dividend policy

Before the Company issued amended dividend regulation on shareholders' meeting in June 2022, that earnings distribution or loss make-up may be made after the close of each quarter. If there is any surplus at the end of each quarter, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous quarter, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any remaining balance, the Company may give priority to the distribution of dividends from the preferred shares; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

After the Company issued amended dividend regulation on shareholders' meeting in June 2022, that earnings distribution or loss make-up may be made after the close of each semi-annual fiscal period. If there is any surplus at the end of each semi-annual fiscal period, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous semi-accounting year, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any remaining balance, the Company may give priority to the distribution of dividends from the preferred shares; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

The Company is in line with the overall environment and the growth characteristics of the industry, as well as the long-term financial planning of the Company, in order to achieve sustainable and stable business development. The Company's dividend policy is based on the residual dividend policy, which is based on the Company's future capital budget plan to measure the annual capital requirements, and the remaining earnings are distributed in the form of cash and stock dividends after reserving the necessary capital for financing. The distribution steps are as follows:

- 1) Determine the best capital budget.
- 2) Determine the amount of financing needed to meet the previous capital budget.
- 3) Determine the amount of capital to be financed by retained earnings.
- 4) The remaining earnings may be distributed to the shareholders in the form of dividends, after reserving an appropriate amount for operating needs, and the distribution should be no less than 10% of the Company's distributable earnings for the year, provided that the portion of cash dividends is no less than 10% of the total dividends to be paid.

Legal reserve may be used to offset deficits. 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.

In accordance with the Rule issued by FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve.

The appropriations of earnings for 2021 and 2020 have been approved in the shareholder's meeting in June 2022 and July 2021, respectively. The appropriations and cash dividends per share were as follows:

	For the Second Half of Year, 2021	For the First Half of Year, 2021	For the Second Half of Year, 2020	For the First Half of Year, 2020
Resolution Date of the Company's board of directors in its meeting	March 17, 2022	November 5, 2021	March 17, 2021	November 9, 2020
Legal reserve	<u>\$ 133,381</u>	<u>\$ 55,332</u>	<u>\$ 49,554</u>	<u>\$ 35,428</u>
Special reserve (reversal)	<u>\$ 64,892</u>	<u>\$ (34,256)</u>	<u>\$ 9,539</u>	<u>\$ 21,111</u>
Cash dividends	<u>\$ 646,123</u>	<u>\$ 246,872</u>	<u>\$ 326,169</u>	<u>\$ 141,276</u>
Cash dividends per share (NT\$)	<u>\$ 1.72</u>	<u>\$ 0.68</u>	<u>\$ 0.92</u>	<u>\$ 0.40</u>

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

	For the Second Half of Year 2022	For the First Half of Year 2022
Resolution date of the Company's board of directors in its meeting	March 16, 2023	November 4, 2022
Legal reserve	<u>\$ 133,177</u>	<u>\$ 153,349</u>
Special reserve	<u>\$ 31,557</u>	<u>\$ 54,752</u>
Cash dividends	<u>\$ 765,496</u>	<u>\$ 661,540</u>
Cash dividend per share (NT\$)	<u>\$ 0.81</u>	<u>\$ 0.70</u>

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

d. Other equity items

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

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ (261,162)	\$ (210,708)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	286,533	(63,067)
Related income tax	<u>(57,332)</u>	<u>12,613</u>
Balance, end of the year	<u>\$ (31,961)</u>	<u>\$ (261,162)</u>

2) Unrealized gains and losses on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ 90,532	\$ 70,714
Recognized for the year		
Unrealized gains and losses - equity instruments	(233,566)	191,576
Related income tax	-	404
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>(48,451)</u>	<u>(172,162)</u>
Balance, end of the year	<u>\$ (191,485)</u>	<u>\$ 90,532</u>

3) Unearned employee benefits

	For the Year Ended December 31	
	2022	2021
Issuance of employee restricted stock awards	\$ (117,654)	\$ -
Share - based payment expense	<u>6,405</u>	<u>-</u>
Balance, end of the year	<u>\$ (111,249)</u>	<u>\$ -</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ 124,291	\$ 100,400
Share of net profit for the year	29,068	24,267
Other comprehensive income (loss) for the year		
Exchange differences on translating the financial statements of foreign operations	1,644	(376)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	(21,452)	-

(Continued)

	For the Year Ended December 31	
	2022	2021
Non-controlling interests from acquisition of subsidiaries	\$ 510,000	\$ -
Acquisition of the Company's shares held by subsidiaries	(253,972)	-
Change in non-controlling interest increased by capital increase of the subsidiary	1,635	-
Others	<u>7,392</u>	<u>-</u>
Balance, end of the year	<u>\$ 398,606</u>	<u>\$ 124,291</u> (Concluded)

f. Treasury shares

Purpose of Treasury Shares	Beginning of Year	Thousand Shares			December 31	
		Change The Par Value of Shares	Addition	Reduction	Thousand Shares	Amount
For the year ended December 31, 2022						
Transferring to employees	8,546	12,819	-	-	21,365	\$ 342,001
Shares held by subsidiaries	<u>-</u>	<u>-</u>	<u>7,088</u>	<u>-</u>	<u>7,088</u>	<u>244,012</u>
	<u>8,546</u>	<u>12,819</u>	<u>7,088</u>	<u>-</u>	<u>28,453</u>	<u>\$ 586,013</u>
For the year ended December 31, 2021						
Transferring of shares to employees	<u>9,599</u>	<u>-</u>	<u>-</u>	<u>1,053</u>	<u>8,546</u>	<u>\$ 342,001</u>

The Company's shares acquired and held by the subsidiary, Shing Zheng Investment for the purpose of investment are accounted for as treasury shares (subsidiaries recorded those shares as financial assets at FVTOCI) based on the percentage of ownership held by the Company. The Company does not hold more than 50% of the shares of Shing Zheng Investment; therefore, its rights to hold the Company's shares are the same as other ordinary shareholders. Refer to Table 3 for details of the subsidiaries' ownership of the Company's shares. As of December 31, 2022, the market value of the above treasury shares was NT\$210,519 thousand based on the Company's shareholding at the end of the year.

In accordance with the Securities and Exchange Act, treasury shares held by the Company shall not be pledged, and do not hold any shareholder rights.

In June 2021, the Company's board of directors had decided to transfer part of the treasury shares to its employees. Refer to Note 28 for more details.

24. OPERATING REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from sale of goods	\$ 14,199,268	\$ 12,717,655
Commission and revenue from the rendering of services	120,735	55,048
Dividend income	9,613	-
Other operating revenue	<u>101,668</u>	<u>19,466</u>
	<u>\$ 14,431,284</u>	<u>\$ 12,792,169</u>

- a. Refer to Note 4 for information relating to the contracts with customers.
- b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable	<u>\$ 2,564,292</u>	<u>\$ 2,858,809</u>	<u>\$ 2,113,849</u>
Contract liabilities (including current and non-current)			
Sale of goods	<u>\$ 413,021</u>	<u>\$ 174,153</u>	<u>\$ 66,434</u>

The changes in the balance of contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment.

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Sale of goods	<u>\$ 130,993</u>	<u>\$ 47,345</u>

- c. Disaggregation of revenue

For the year ended December 31, 2022

	Operating Segment					Total
	IC Lead Frames	LED Lead Frames	Resins Material	Investments	Others	
Type of revenue						
Sale of goods	\$ 11,618,752	\$ 652,821	\$ 1,712,464	\$ -	\$ 215,231	\$ 14,199,268
Commission and rendering of services	88,723	-	29,574	-	2,438	120,735
Dividend income	-	-	-	9,613	-	9,613
Others	<u>347</u>	<u>479</u>	<u>-</u>	<u>-</u>	<u>100,842</u>	<u>101,668</u>
	<u>\$ 11,707,822</u>	<u>\$ 653,300</u>	<u>\$ 1,742,038</u>	<u>\$ 9,613</u>	<u>\$ 318,511</u>	<u>\$ 14,431,284</u>

For the year ended December 31, 2021

	Operating Segment					Total
	IC Lead Frames	LED Lead Frames	Resins Material	Others	Total	
Type of revenue						
Sale of goods	\$ 9,670,223	\$ 953,721	\$ 1,903,264	\$ 190,447	\$ 12,717,655	
Commission and rendering of services	29,293	-	23,195	2,560	55,048	
Others	<u>6,542</u>	<u>544</u>	<u>-</u>	<u>12,380</u>	<u>19,466</u>	
	<u>\$ 9,706,058</u>	<u>\$ 954,265</u>	<u>\$ 1,926,459</u>	<u>\$ 205,387</u>	<u>\$ 12,792,169</u>	

- d. Partially completed contracts

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

	December 31	
	2022	2021
Sale of goods		
Full fill in 2022	\$ -	\$ 126,975
Full fill in 2023	331,044	45,395
Full fill in 2024 and subsequent year	<u>81,977</u>	<u>1,783</u>
	<u>\$ 413,021</u>	<u>\$ 174,153</u>

25. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividend income	\$ 90,995	\$ 57,217
Government grants	32,184	32,058
Tooling revenue	31,563	13,425
Others	<u>9,868</u>	<u>5,977</u>
	<u>\$ 164,610</u>	<u>\$ 108,677</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gain (loss)	\$ 347,073	\$ (65,722)
Gain (loss) arising from financial assets at fair value through profit or loss	(20,700)	26,480
Others	<u>(5,507)</u>	<u>(5,698)</u>
	<u>\$ 320,866</u>	<u>\$ (44,940)</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 43,313	\$ 35,717
Amortization of syndicated loan fee	2,880	2,407
Interest on lease liabilities	1,785	1,941
Amortization of discounts on bonds payable	108	3,274
Others	5	6
Less: Amounts included in the cost of qualifying assets	<u>(802)</u>	<u>-</u>
	<u>\$ 47,289</u>	<u>\$ 43,345</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized amount	\$ <u>802</u>	\$ <u>-</u>
Capitalization rates (%)	0.095-1.436	-
 d. Depreciation and amortization		
	For the Year Ended December 31	
	2022	2021
Depreciation expense		
Property, plant and equipment	\$ 688,090	\$ 596,050
Right-of-use assets	23,735	19,791
Investment properties	<u>2,799</u>	<u>1,233</u>
	<u>\$ 714,624</u>	<u>\$ 617,074</u>
Analysis of depreciation by function		
Operating costs	\$ 659,705	\$ 532,228
Operating expenses	52,120	83,613
Non-operating income and expenses	<u>2,799</u>	<u>1,233</u>
	<u>\$ 714,624</u>	<u>\$ 617,074</u>
Amortization expense		
Computer software	\$ 12,288	\$ 10,449
Patents	597	621
Other non-current assets	<u>322</u>	<u>116</u>
	<u>\$ 13,207</u>	<u>\$ 11,186</u>
Analysis of amortization by function		
Operating costs	\$ 3,057	\$ 1,013
Operating expenses	<u>10,150</u>	<u>10,173</u>
	<u>\$ 13,207</u>	<u>\$ 11,186</u>
 e. Employee benefits		
	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 74,458	\$ 66,870
Defined benefit plans	<u>129</u>	<u>221</u>
	74,587	67,091
Other employee benefits	<u>1,700,874</u>	<u>1,624,208</u>
	<u>\$ 1,775,461</u>	<u>\$ 1,691,299</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Analysis of employee benefits by function		
Operating costs	\$ 1,083,889	\$ 1,071,630
Operating expenses	<u>691,572</u>	<u>619,669</u>
	<u>\$ 1,775,461</u>	<u>\$ 1,691,299</u>
		(Concluded)

f. Compensation of employees and remuneration of directors

In accordance with the Company's Articles, the Company accrues employees' compensation and remuneration of directors at the rates of 1% to 12% and no higher than 1.5%, respectively, of the pre-tax profit before deduction for employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021, which have been approved by the Company's board of directors in March 2023 and 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
Employees' compensation - cash	<u>\$ 32,969</u>	<u>\$ 18,693</u>
Remuneration of directors - cash	<u>\$ 4,000</u>	<u>\$ 4,000</u>
<u>Accrual rate</u>		
Employees' compensation (%)	1.0	1.0
Remuneration of directors (%)	0.1	0.2

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

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

g. Others

	For the Year Ended December 31	
	2022	2021
Gain on disposal of property, plant and equipment (included in operating costs)	<u>\$ 423</u>	<u>\$ 4,768</u>

26. INCOME TAX

a. Income tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 736,505	\$ 452,813
Adjustments for prior years	(60,419)	(15,951)
Income tax on unappropriated earnings	21,099	3,419
Deferred tax		
In respect of the current year	92,169	68,560
Adjustments for prior years	(68)	1,698
	<u>\$ 789,286</u>	<u>\$ 510,539</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 3,634,255</u>	<u>\$ 2,249,184</u>
Income tax expense calculated at the statutory rate	\$ 1,335,728	\$ 774,446
Non-recognizable gains in determining taxable income	(336,885)	(102,538)
Income tax on unappropriated earnings	21,099	3,419
Unrecognized temporary differences	(170,169)	(150,535)
Adjustments for prior years	(60,487)	(14,253)
	<u>\$ 789,286</u>	<u>\$ 510,539</u>

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

	For the Year Ended December 31	
	2022	2021
Deferred tax		
Exchange differences on translating the financial statements of foreign operations	\$ 57,332	\$ (12,613)
Remeasurement of defined benefit plans	228	146
Unrealized gains and losses on financial assets at fair value through other comprehensive income	-	(404)
	<u>\$ 57,560</u>	<u>\$ (12,871)</u>

c. Current tax liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	<u>\$ 504,723</u>	<u>\$ 264,886</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
<u>Deferred tax assets</u>					
Temporary differences					
Loss on inventory valuation and obsolescence	\$ 20,657	\$ 13,301	\$ -	\$ 617	\$ 34,575
Difference between tax reporting and financial reporting - revenue recognition	6,286	2,028	-	-	8,314
Exchange differences on translating the financial statements of foreign operations	65,288	-	(57,332)	-	7,956
Others	<u>40,381</u>	<u>(22,376)</u>	<u>-</u>	<u>1,123</u>	<u>19,128</u>
	<u>\$ 132,612</u>	<u>\$ (7,047)</u>	<u>\$ (57,332)</u>	<u>\$ 1,740</u>	<u>\$ 69,973</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit from foreign subsidiaries accounted for using the equity method	\$ 242,110	\$ 82,207	\$ -	\$ -	\$ 324,317
Others	<u>79</u>	<u>2,847</u>	<u>228</u>	<u>-</u>	<u>3,154</u>
	<u>\$ 242,189</u>	<u>\$ 85,054</u>	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 327,471</u>

For the Year Ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
<u>Deferred tax assets</u>					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	\$ 52,675	\$ -	\$ 12,613	\$ -	\$ 65,288
Loss on inventory valuation and obsolescence	22,837	(2,003)	-	(177)	20,657
Difference between tax reporting and financial reporting - revenue recognition	3,775	2,511	-	-	6,286
Others	<u>45,553</u>	<u>(5,068)</u>	<u>337</u>	<u>(441)</u>	<u>40,381</u>
	<u>\$ 124,840</u>	<u>\$ (4,560)</u>	<u>\$ 12,950</u>	<u>\$ (618)</u>	<u>\$ 132,612</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit from foreign subsidiaries accounted for using the equity method	\$ 176,412	\$ 65,698	\$ -	\$ -	\$ 242,110
Others	<u>-</u>	<u>-</u>	<u>79</u>	<u>-</u>	<u>79</u>
	<u>\$ 176,412</u>	<u>\$ 65,698</u>	<u>\$ 79</u>	<u>\$ -</u>	<u>\$ 242,189</u>

e. Information on deductible temporary differences of deferred tax assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Unrealized expenditures and losses	<u>\$ 317,221</u>	<u>\$ 241,688</u>

f. Income tax assessments

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

27. EARNINGS PER SHARE

The effect of changing the par value of shares has been adjusted retrospectively in the calculation of earnings per share. The basic and diluted earnings per share in 2021 as a result of the retrospective adjustments are as follows:

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	<u>\$ 4.81</u>	<u>\$ 1.92</u>
Diluted earnings per share	<u>\$ 4.77</u>	<u>\$ 1.91</u>

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

	For the Year Ended December 31	
	2022	2021
Net profit for the year attributable to owners of the Company	\$ 2,815,901	\$ 1,714,378
Effect of potentially dilutive ordinary shares		
Convertible bonds	<u>-</u>	<u>315</u>
	<u>\$ 2,815,901</u>	<u>\$ 1,714,693</u>

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	935,470	891,840
Effect of potentially dilutive ordinary shares		
Employees' compensation	1,210	505
Employee restricted stock awards	79	-
Convertible bonds	<u>-</u>	<u>5,893</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>936,759</u>	<u>898,238</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumed 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 earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. SHARE-BASED PAYMENT ARRANGEMENTS

a. Transferred treasury shares to employees

For the purposes of motivating the employees and enhancing internal cohesion, in June 2021, the Company's board of directors transferred treasury shares that were purchased in 2018 to employees of the parent company, Company and its subsidiaries that met certain criteria. The grant date was July 8, 2021, 1,053 thousand shares (per value of NT\$1) had been transferred and the transfer price was NT\$40.2 per share.

The share-based payment arrangement on the grant date is calculated by using the closing price of the shares at the grant date less the performance price used to estimate the fair value of the share option.

b. Employee restricted stock awards

The issuance of employee restricted stock awards (RSAs) for the year 2022 of no more than 6,365 thousand ordinary shares (par value of NT\$0.4) has been approved by the Company's shareholders in their meeting held in June 2022. The grants will be made free of charge. Under the aforementioned resolution, the Company's board of directors approved the issuance of RSAs of 5,925 thousand shares (par value of NT\$0.4) in October 2022. The grant date and the issuance date will be on October 11, 2022. The fair value of employee restricted stock awards at the date of grant was \$30.6 per share.

Vesting conditions of the aforementioned arrangement are as follows:

- 1) Three years from the date of new employee restricted stocks for employees who are still in employment and achieved their individual KPI each year.
- 2) The maximum percentage of shares that can be vested in each year is 20% for three years, 30% for four years and 50% for five years.

Employee restricted stocks that have been granted but have not yet met the vesting conditions are as follows:

- 1) During each vesting period, no key management personnel granted RSAs, except for inheritance, may sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, any shares under the unvested RSAs. After the employee meets the vesting conditions, the shares will be transferred to the employee's personal pool account in accordance with the trust custody agreement.
- 2) The right of attendance, proposal, speech, vote and election should be executed in accordance with the contract of stock trust.
- 3) Except for the restrictions mentioned above, the right of restricted shares is the same as the issued ordinary shares of the Company before meeting the vesting conditions (including the right of interest, dividends, capital surplus; share option for cash capital increase).

29. NON-CASH TRANSACTIONS

The Company and its subsidiaries entered into the following non-cash investing activities that were not reflected in the statements of cash flows:

	For the Year Ended December 31	
	2022	2021
Investing activities affecting both cash and non-cash items		
Increase of property, plant and equipment	\$ 1,628,718	\$ 838,769
Decrease in prepayments for equipment	(153,773)	(118,240)
Decrease (increase) in payable for equipment (classified under other payables)	(111,286)	37,859
Capitalized interest	<u>(802)</u>	<u>-</u>
Cash paid	<u>\$ 1,362,857</u>	<u>\$ 758,388</u>
Increase of intangible assets	\$ 17,243	\$ 15,490
Decrease in prepayments for equipment	(15,994)	(14,313)
Decrease in payable for equipment (classified under other payables)	<u>218</u>	<u>6,396</u>
Cash paid	<u>\$ 1,467</u>	<u>\$ 7,573</u>

30. CAPITAL MANAGEMENT

The Company and its subsidiaries manage the capital to ensure that they will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The overall strategy of the Company and its subsidiaries did not change significantly in 2022.

The capital structure of the Company and its subsidiaries consist of net debt and equity. The Company and its subsidiaries' long-term borrowings are subject to certain capital and financial ratio restrictions based on signed contracts. Refer to Note 18 for more information.

The key management personnel of the Company and its subsidiaries reviews the capital structure periodically in consideration of the current operation in the industry and the future development and external environmental changes. As part of the review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company and its subsidiaries may adjust the amount of dividends paid to shareholders, the number of shares issued, repurchase and the amount of new debt issued or existing debt redeemed.

31. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non - derivatives				
Mutual funds	\$ 55,020	\$ -	\$ -	\$ 55,020
Domestic convertible bonds	<u>2,688</u>	<u>-</u>	<u>-</u>	<u>2,688</u>
	<u>\$ 57,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,708</u>
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Domestic listed shares	<u>\$ 1,442,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,442,554</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non - derivatives				
Mutual funds	\$ 99,960	\$ -	\$ -	\$ 99,960
Domestic convertible bonds	8,865	-	-	8,865
Derivatives				
Net redemption and put option of convertible bonds	<u>-</u>	<u>-</u>	<u>1,416</u>	<u>1,416</u>
	<u>\$ 108,825</u>	<u>\$ -</u>	<u>\$ 1,416</u>	<u>\$ 110,241</u>
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Domestic listed shares	<u>\$ 832,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 832,720</u>

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

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

The financial assets of the Company and its subsidiaries measured at fair value based on Level 3 are derivatives measured at FVTPL and equity instruments investment measured at FVTOCI. The reconciliations were as follows:

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ 1,416	\$ -
Additions	-	7,950
Conversions	(1,411)	(6,778)
Execution of redemption rights	(4)	-
Recognized in profit or loss (included in other gains and losses)	<u>(1)</u>	<u>244</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ 1,416</u>

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

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

The fair value of foreign non-listed stocks is measured by the market method with reference to the evaluation multiplier of companies of the same type and the Company's operating conditions.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
<hr/>		
Financial assets mandatorily classified as at FVTPL	\$ 57,708	\$ 110,241
Financial assets at amortized cost (Note 1)	9,675,404	7,700,328
Financial assets at FVTOCI - equity instruments	1,442,554	832,720
Financial liabilities		
<hr/>		
Financial liabilities at amortized cost (Note 2)	6,592,723	5,381,626

Note 1: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, refundable deposits (included in other non-current assets), and other financial assets.

Note 2: The balances included financial liabilities at amortized cost, which comprise short-term borrowings, notes payable, accounts payable (including related parties), other payables, current portion of bonds payable, long-term borrowings and guarantee deposits received.

d. Financial risk management objectives and policies

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

The significant financial activities of the Company and its subsidiaries are reviewed by the board of directors in accordance with relevant regulations and internal controls. The finance department follows the accountability and related financial risk control procedures required by the Company and its subsidiaries for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Company and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

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

There has been no change to the Company and its subsidiaries' exposure to market risks or the manner in which these risks are managed and measured in 2022.

a) Foreign currency risk

The Company and its subsidiaries were exposed to foreign currency risk due to sales, purchases and capital expenditures denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilizing foreign borrowings or foreign bond.

For the carrying amounts of the Company and its subsidiaries' significant non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 35.

The Company is mainly exposed to the USD. The following table details the Company's sensitivity to a 1% increase and decrease in the functional currency against the USD. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%.

	USD Impact	
	For the Year Ended December 31	
	2022	2021
Profit before income tax (Note)	\$ (38,380)	\$ (25,451)

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

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

b) Interest rate risk

The Company and its subsidiaries were exposed to interest rate risk because the Company and its subsidiaries borrowed funds at floating interest rates. The risk is managed by the Company and its subsidiaries by utilizing low-interest-rate financing methods. By taking advantage of the low interest rates, the Company and its subsidiaries can not only maintain low financing costs but have sufficient lines of credit for utilization.

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 95,345	\$ 66,900
Cash flow interest rate risk		
Financial assets	5,229,193	4,146,849
Financial liabilities	4,600,442	2,781,973

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Company and its subsidiaries' pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by NT\$46,004 thousand and NT\$27,820 thousand, respectively.

c) Other price risk

The Company and its subsidiaries are exposed to other price risk through its investments in equity securities and bonds. If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$577 thousand and NT\$1,088 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$14,426 thousand and NT\$8,327 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company and its subsidiaries. At the end of the year, the Company and its subsidiaries' maximum exposure to credit risk, which would cause a financial loss to the Company and its subsidiaries due to the failure of the counterparty to discharge its obligation is the carrying amount of financial assets recognized in the consolidated balance sheets.

The Company and its subsidiaries' transaction counterparties are all creditworthy companies, and the relevant business units grant credit lines to their customers based on the results of each credit check, and also regularly tracks customer collections. Therefore, no significant credit risk is expected.

There are a number of major customers when it comes to accounts receivable counterparties. They are mostly engaged in commercial activities, and have similar economic characteristics and similar ability to fulfill contracts affected by the economic or other conditions. Therefore, the Company and its subsidiaries were exposed to credit risk. The receivables balances (notes receivable, accounts receivable and other receivables, including related parties) with significant credit risk were as follows:

Customer	December 31	
	2022	2021
CWE (Parent company)	<u>\$ 564,701</u>	<u>\$ 735,192</u>

3) Liquidity risk

The Company and its subsidiaries manage liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company and its subsidiaries' operations and mitigate the effects of fluctuations in cash flows. The Company and its subsidiaries rely on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company and its subsidiaries' unused credit facilities were NT\$15,643,649 thousand and NT\$15,961,121 thousand, respectively.

The following table details the Company and its subsidiaries' remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company and its subsidiaries' can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time span regardless of the probability of the banks choosing to exercise their rights. To the extent that interest flows are at floating rate, the undiscounted amount was estimated by the interest rate at the balance sheet date.

	Less than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2022</u>				
Non-interest bearing liabilities	\$ 2,637,412	\$ 4,169	\$ 2,205	\$ 2,643,786
Lease liabilities	20,182	42,133	44,325	106,640
Variable interest rate liabilities	<u>2,154,242</u>	<u>1,486,724</u>	<u>1,025,946</u>	<u>4,666,912</u>
	<u>\$ 4,811,836</u>	<u>\$ 1,533,026</u>	<u>\$ 1,072,476</u>	<u>\$ 7,417,338</u>
<u>December 31, 2021</u>				
Non-interest bearing liabilities	\$ 2,346,006	\$ 3,684	\$ 2,537	\$ 2,352,227
Lease liabilities	12,154	23,195	43,449	78,798
Variable interest rate liabilities	1,054,255	1,004,243	736,942	2,795,440
Fixed interest rate liabilities	<u>500,330</u>	<u>-</u>	<u>-</u>	<u>500,330</u>
	<u>\$ 3,912,745</u>	<u>\$ 1,031,122</u>	<u>\$ 782,928</u>	<u>\$ 5,726,795</u>

32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, account balances and gains and losses were eliminated when preparing the consolidated financial statements. Besides information disclosed elsewhere in the other notes, details of transactions between the Company and its subsidiaries and their related parties are disclosed as follows:

a. Names of related parties and their relationships with the Company and its subsidiaries

<u>Related Party Name</u>	<u>Relationship</u>
CWE Wah Lee Industrial Corp.	Parent company Investment company that adopt equity method to evaluate the parent company
Dongguan Huagang International Trading Co., Ltd.	Subsidiary of investment company that adopt equity method to evaluate the parent company
Shanghai Yikang Chemicals & Industries Co., Ltd.	Subsidiary of investment company that adopt equity method to evaluate the parent company
JMC Chang Wah Energy Technology Inc. ThinFlex Corp.	Associate Associate Chairman of the Company served as the Company's key management personnel. (After the chairman of the Company had resigned the position in April 2021, the Company is no longer a related party since then)

b. Operating revenue

<u>Account Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Revenue from sales of goods	Parent company - CWE	\$ 3,008,336	\$ 2,968,131
	Subsidiary of investment company that adopt equity method to evaluate the parent company	63,342	92,378
Commission and revenue from rendering of services	Parent company	87,327	28,138
Dividend income	Parent company	7,047	-
	Associates	388	-
Other operating revenue	Parent company	<u>301</u>	<u>6,665</u>
		<u>\$ 3,166,741</u>	<u>\$ 3,095,312</u>

Sales to related parties were under normal terms applied to similar transactions in the market. Commission and revenue from the rendering of services, dividend income and other operating revenue are different from and not comparable with that of non-related parties. Payment terms are 30-90 days from the end of the month, and the general customer payment terms are 15-120 days from the end of the month.

c. Purchase of goods

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Subsidiaries of investment company that adopt equity method to evaluate the parent company	\$ 34,653	\$ 23,519
Investment company that adopt equity method to evaluate the parent company	15,265	10,674
Parent company	8,297	8,510
Chairman served as the Company's key management personnel	<u>-</u>	<u>283</u>
	<u>\$ 58,215</u>	<u>\$ 42,986</u>

The purchase price is different from and not comparable with that for non-related parties. Payment terms are 60-90 days from the end of the month, and the general customer payment terms are 7 days after purchasing to 120 days from the end of the month.

d. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 56,626	\$ 47,995
Share-based payments	5,476	-
Post-employment benefits	<u>976</u>	<u>582</u>
	<u>\$ 63,078</u>	<u>\$ 48,577</u>

e. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Year Ended December 31	
	2022	2021
Parent company	\$ 998	\$ 8,448
Associates	<u>-</u>	<u>8,000</u>
	<u>\$ 998</u>	<u>\$ 16,448</u>

The amount of the acquisition price and the payment terms were determined based on agreement by both parties.

f. Lease arrangements

Account Item	Related Party Category	December 31	
		2022	2021
Lease liabilities	Associates	<u>\$ 35,842</u>	<u>\$ 2,280</u>
Account Item	Related Party Category	For the Year Ended December 31	
		2022	2021
Interest expense	Associates	<u>\$ 128</u>	<u>\$ 3</u>

g. Other transactions with related parties

The Company leases a warehouse from its parent company, CWE under an agreement that expires in October 2024. The rental income amounted to NT\$2,514 thousand and NT\$2,517 thousand of the years ended December 31, 2022 and 2021, respectively.

h. Balance at period-end

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Accounts receivable - related parties		
Parent company - CWE	\$ 538,830	\$ 734,776
Subsidiaries of investment company that adopt equity method to evaluate the parent company	<u>16,472</u>	<u>23,461</u>
	<u>\$ 555,302</u>	<u>\$ 758,237</u>
Other receivables		
Parent company	<u>\$ 25,871</u>	<u>\$ 416</u>
Accounts payable - related parties		
Subsidiaries of investment company that adopt equity method to evaluate the parent company	\$ 4,942	\$ 7,756
Investment company that adopt equity method to evaluate the parent company	4,184	3,882
Parent company	<u>2,544</u>	<u>4,134</u>
	<u>\$ 11,670</u>	<u>\$ 15,772</u>
Other payables		
Parent company	\$ 716	\$ 500
Associate	<u>-</u>	<u>74</u>
	<u>\$ 716</u>	<u>\$ 574</u>

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries provided the following assets as collateral for guarantees for purchase performance and import tariffs:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Other financial assets		
Time deposits	<u>\$ 31,605</u>	<u>\$ 51,874</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company and its subsidiaries' commitments for the purchase of property, plant and equipment to which NT\$445,166 thousand was unpaid.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and its subsidiaries and the exchange rates between the foreign currencies and the respective functional currencies were disclosed. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands)
<u>December 31, 2022</u>				
Monetary foreign currency assets				
USD	\$ 112,300	30.71	(USD:NTD)	\$ 3,448,724
USD	54,609	6.9646	(USD:RMB)	1,677,037
JPY	536,776	0.2324	(JPY:NTD)	124,747
RMB	57,556	4.4094	(RMB:NTD)	253,786
MYR	4,517	0.2181	(MYR:USD)	30,262
Monetary foreign currency liabilities				
USD	27,216	30.71	(USD:NTD)	835,808
USD	14,716	6.9646	(USD:RMB)	451,938
JPY	158,408	0.2324	(JPY:NTD)	36,814
JPY	135,023	0.0076	(JPY:USD)	31,379
RMB	12,544	4.4094	(RMB:NTD)	55,313
MYR	7,995	0.2181	(MYR:USD)	53,556
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	238,535	30.71	(USD:NTD)	7,325,418
RMB	21,359	4.4094	(RMB:NTD)	94,181
<u>December 31, 2021</u>				
Monetary foreign currency assets				
USD	155,137	27.68	(USD:NTD)	4,294,187
USD	39,789	6.3674	(USD:RMB)	1,101,367
JPY	642,711	0.2405	(JPY:NTD)	154,572
RMB	40,806	4.3471	(RMB:NTD)	177,387
MYR	1,571	0.2296	(MYR:USD)	9,984
Monetary foreign currency liabilities				
USD	71,302	27.68	(USD:NTD)	1,973,645
USD	31,677	6.3674	(USD:RMB)	876,810
JPY	199,841	0.2405	(JPY:NTD)	48,062
MYR	7,088	0.2296	(MYR:USD)	45,044
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	177,189	27.68	(USD:NTD)	4,904,602
RMB	19,362	4.3471	(RMB:NTD)	84,170

Please refer to Note 25 for information relating to net foreign exchange gains and losses. Due to the variety of foreign currency transactions and functional currencies of each entity, it is impractical to disclose net foreign exchange gains and losses by each significant foreign currency.

36. ADDITIONAL DISCLOSURES

- a. Information about significant transactions and investees; b. Information on investees
 - 1) Financing provided to others (Table 1)
 - 2) Endorsements/guarantees provided (Table 2)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
 - 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (Table 4)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 5)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
 - 9) Trading in derivative instruments (Note 7)
 - 10) Intercompany relationships and significant intercompany transactions (Table 8)
 - 11) Information on investees: (Table 9)
- 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 gain 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 10)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 6)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses: (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)

- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services (None)
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 11)

37. SEGMENT INFORMATION

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

- Chang Wah Technology Co., Ltd. - for the main operating activities, refer to Note 1.
- CWTS - for the main operating activities, refer to Note 12.
- SHAP - for the main operating activities, refer to Note 12.
- Shing Zheng Investment - for the main operating activities, refer to Note 12.
- SHT - for the main operating activities, refer to Note 12.
- SHEC - for the main operating activities, refer to Note 12.
- SHPC - for the main operating activities, refer to Note 12.
- SHS - for the main operating activities, refer to Note 12.
- MSHE - for the main operating activities, refer to Note 12.
- WSP - for the main operating activities, refer to Note 12.
- CWES - for the main operating activities, refer to Note 12.

a. Segments revenues and operating results

Please refer to Table 12 for the analysis of the Company and its subsidiaries' revenue and results from continuing operations by reportable segment.

Segment profit represents the profit before tax earned by each segment not including interest income, non-operating incomes and expenses, share of profit of subsidiaries accounted for using the equity method, share of profit of subsidiaries, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2022	2021
Segment assets		
Chang Wah Technology Co., Ltd.	\$ 17,680,089	\$ 13,550,661
CWTS	156,905	204,794
SHAP	6,203,008	4,568,020
Shing Zheng Investment	917,924	-
SHT	-	2,014,119
SHEC	1,376,481	1,058,248
SHPC	587,893	551,085
SHS	1,739,486	1,668,346
MSHE	2,777,064	2,079,216
WSP	1,109,134	907,557
CWES	773,408	729,834
Adjustments and eliminations	<u>(14,492,740)</u>	<u>(12,489,817)</u>
	<u><u>\$ 18,828,652</u></u>	<u><u>\$ 14,842,063</u></u>
Segment liabilities		
Chang Wah Technology Co., Ltd.	\$ 7,905,282	\$ 5,263,220
CWTS	62,724	120,624
SHAP	127,628	124,138
Shing Zheng Investment	668	-
SHT	-	773,321
SHEC	259,820	225,154
SHPC	149,941	222,886
SHS	555,362	889,842
MSHE	2,220,280	328,506
CWES	283,886	323,989
Adjustments and eliminations	<u>(2,910,352)</u>	<u>(1,841,349)</u>
	<u><u>\$ 8,655,239</u></u>	<u><u>\$ 6,430,331</u></u>

c. Other segment information

For the year ended December 31, 2022	Depreciation and Amortization	Impairment Losses of Accounts Receivable Recognized (Reversed) in Profit and Loss	Losses (Gains) on Disposal of Property, Plant and Equipment	Impairment Losses (Reversal) of Non-financial Assets
Chang Wah Technology Co., Ltd.	\$ 350,891	\$ (1,137)	\$ -	\$ 47,390
CWTS	162	1,450	-	(136)
SHAP	3,248	-	-	-
SHEC	28,225	-	18	(2,151)
				(Continued)

	Depreciation and Amortization	Impairment Losses of Accounts Receivable Recognized (Reversed) in Profit and Loss	Losses (Gains) on Disposal of Property, Plant and Equipment	Impairment Losses (Reversal) of Non-financial Assets
SHPC	\$ 84,436	\$ -	\$ 92	\$ 188
SHS	125,218	-	2	41,825
MSHE	133,052	3,752	(57)	17,157
CWES	<u>2,599</u>	<u>2,647</u>	<u>(478)</u>	<u>(542)</u>
	<u>\$ 727,831</u>	<u>\$ 6,712</u>	<u>\$ (423)</u>	<u>\$ 103,731</u>
For the year ended December 31, 2021				
Chang Wah Technology Co., Ltd.	\$ 110,279	\$ 997	\$ (1,200)	\$ (5,974)
CWTS	143	-	-	-
SHAP	3,593	-	(8)	-
SHT	174,279	-	(128)	10,900
SHEC	30,869	(3,118)	(6)	(1,867)
SHPC	73,331	-	13	103
SHS	99,485	-	819	1,719
MSHE	133,872	(3,655)	(4,258)	(11,347)
CWES	<u>2,409</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 628,260</u>	<u>\$ (5,776)</u>	<u>\$ (4,768)</u>	<u>\$ (6,466)</u> (Concluded)

d. Revenue from major products and services

For the revenue analysis of the main products and services of the Company and its subsidiaries, please refer to Note 24.

e. Geographical information

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

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Taiwan	\$ 3,884,869	\$ 3,274,922	\$ 2,732,549	\$ 1,757,249
Asia	9,276,519	8,506,101	2,288,771	1,979,871
Others	<u>1,269,896</u>	<u>1,011,146</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,431,284</u>	<u>\$ 12,792,169</u>	<u>\$ 5,021,320</u>	<u>\$ 3,737,120</u>

Non-current assets exclude financial assets at FVTOCI, deferred tax assets, other financial assets, as well as refundable deposits and net defined benefit assets recognized under other non-current assets.

f. Information about major customers

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
CWE (Parent company)	<u>\$ 3,103,011</u>	<u>22</u>	<u>\$ 3,002,934</u>	<u>23</u>

Chang Wah Technology Co., Ltd. and Subsidiaries

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn (Note 4)	Interest Rate (%)	Nature of Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	The Company	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	\$ 429,940	\$ -	\$ -	0.9	1	\$ 1,714,538	-	\$ -	None	\$ -	\$ 3,909,923	Note 2	
1	SH Electronics Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	322,455	322,455	122,840	0.8-0.9	2	-	Repayments of borrowings	-	None	1,116,661	1,116,661	Note 3	
2	SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Other receivables	Yes	1,842,600	1,842,600	1,842,600	4.18	2	-	Financing of funds	-	None	6,075,380	6,075,380	Note 3	

Note 1: The nature of financing is as follows:

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

Note 2: The maximum amount of the total loan of funds provided by the Company for the companies or the parties which has business relationship or need short-term financing shall not exceed 40% of the net worth in the latest audited or reviewed financial statements of the Company, and the term of each loan shall not exceed one year.

Note 3: The maximum amount of the total loan of funds provided by subsidiary for the companies or the parties which need short-term financing shall not exceed net worth in the latest audited or reviewed financial statements of loan company. If the loan is made to a company in which the parent company has directly or indirectly, 100% of the ownership or voting rights of the Company, the amount shall not exceed the lender's net worth in its latest audited or reviewed financial statements. For other companies, the amount shall not exceed the lender's 40% of the net worth in its latest audited or reviewed financial statements. The term of each loan shall not exceed one year. If the loan is made to a company in which the parent company has directly or indirectly, 100% of the ownership or voting rights of the Company, the term of the loan shall not exceed five years.

Note 4: Amount was eliminated from the consolidated financial statements.

TABLE 2

Chang Wah Technology Co., Ltd. and Subsidiaries

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorsement/ Guarantee Provider	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
0	The Company	Shanghai Chang Wah Electromaterials Inc.	2	\$ 1,954,961 (Note 1)	\$ 119,508	\$ 119,508	\$ 119,508	\$ -	1.22	\$ 4,887,404	Yes	No	Yes	

Note 1: The amount of guarantees to any individual entity shall not exceed 20% of the Company's net worth. The maximum amount of guarantees shall not exceed 50% of the Company's net worth.

Note 2: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

- a. A company with which it does business.
- b. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
- c. A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
- d. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- e. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- f. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- g. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

TABLE 3

Chang Wah Technology Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
The Company	Stock - ordinary shares Chang Wah Electromaterials Inc.	Parent company	Financial assets at fair value through other comprehensive income	20,679,000	\$ 626,574	3.00	\$ 626,574
	Jmc Electronics Co., Ltd.	Associate	Financial assets at fair value through other comprehensive income	17,000	510	0.02	510
	Taiflex Scientific Co., Ltd.	-	Financial assets at fair value through other comprehensive income	4,832,000	199,079	2.31	199,079
	Greatek Electronics Inc.	-	Financial assets at fair value through other comprehensive income	224,000	10,752	0.04	10,752
	Everlight Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income	873,000	32,257	0.20	32,257
	Tian Zheng International Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income	478,000	22,848	1.44	22,848
	Chipbond Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	5,386,000	309,156	0.73	309,156
	Acter Group Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,191,000	120,887	1.04	120,887
	Ohkuchi Materials Co., Ltd.	-	Financial assets at fair value through other comprehensive income	50	-	5.00	-
	Convertible bonds Episil-Precision Inc.	-	Financial assets at fair value through profit or loss	28,000	2,688	-	2,688
	Fund Yuanta Taiwan High-yield Leading Company Fund B	-	Financial assets at fair value through profit or loss	7,000,000	55,020	-	55,020

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shing Zheng Investment Co., Ltd.	Stock - ordinary shares Chang Wah Electromaterials Inc.	Ultimate parent company	Financial assets at fair value through other comprehensive income	3,021,000	\$ 91,536	0.44	\$ 91,536	
	Chang Wah Technology Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income	14,465,642	429,630	1.51	429,630	
	Jmc Electronics Co., Ltd.	Associate	Financial assets at fair value through other comprehensive income	194,000	5,820	0.23	5,820	
	Tian Zheng International Precision Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income	484,000	23,135	1.46	23,135	

(Continued)

Note: Refer to Note 23, the Company's shares held by subsidiaries are treated as treasury shares.

TABLE 4

Chang Wah Technology Co., Ltd. and Subsidiaries

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount (Note 2)
The Company	Stock - ordinary shares Chang Wah Electromaterials Inc.	Financial assets at fair value through other comprehensive income	Note 1	-	-	20,679,000	\$ 710,160	-	\$ -	-	20,679,000	\$ 626,574
	Shing Zheng Investment Co., Ltd.	Investments accounted for using the equity method	-	-	-	490,000	-	-	-	-	49,000,000	482,949
	Malaysian SH Electronics Sdn. Bhd.	Investments accounted for using the equity method	SH Asia Pacific Pte. Ltd.	Subsidiary	-	574,415 (Note 3)	23,000,000	-	-	-	23,000,000	992,548
Shing Zheng Investment Co., Ltd.	Stock - ordinary shares											
	Chang Wah Technology Co., Ltd.	Financial assets at fair value through other comprehensive income	Note 1	-	-	14,465,642	497,984	-	-	-	14,465,642	429,630
SH Asia Pacific Pte. Ltd.	Stock - ordinary shares	Investments accounted for using the equity method	The Company	Parent company	23,000,000	517,628	-	574,415	556,760	17,655 (Note 3)	-	-

Note 1: Acquired through the open market.

Note 2: The amount of investments accounted for using the equity method includes equity in investees' net income and loss and shareholder adjustment items. Financial assets at fair value through other comprehensive income include adjustments for changes in value at fair value.

Note 3: The Company acquired all the shares of Malaysian SH Electronics Sdn. Bhd. from its subsidiary, SH Asia Pacific Pte. Ltd. The transaction was treated as an equity transaction with no effect on the gain or loss on disposal. SH Asia Pacific Pte. Ltd. recorded the difference between the carrying amount and the selling price under equity.

Note 4: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on the 10% of the equity attributable to the owners of the Company.

TABLE 5

Chang Wah Technology Co., Ltd. And Subsidiaries

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

Buyer	Property	Event Date	Transaction Amount (No Tax)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is a Related Party			Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date			
The Company	Land and factory at Daliao District, Kaohsiung	2022.04.11	\$ 450,000	Paid	Mektic Corporation	None	-	-	-	Based on independent professional appraisal reports	Expand production capacity to meet order demand	None

Note: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on the 10% of the equity attributable to the owners of the Company.

TABLE 6

Chang Wah Technology Co., Ltd. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company name	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Term	Ending Balance	
The Company	Chang Wah Electromaterials Inc.	Parent company	Sale	\$ (3,008,336)	(35)	60 days	Not significantly different	Note 32	\$ 515,973	37
	SH Asia Pacific Pte. Ltd.	Subsidiary	Sale	(344,556)	(4)	30 days	Not significantly different	30 days	21,904	2
	CWTC (Shanghai) Inc.	Subsidiary	Sale	(169,456)	(2)	180 days	Not significantly different	180 days	32,216	2
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent company	Sale	(854,112)	(30)	60 days	Not significantly different	60 days	238,655	37
SH Electronics Chengdu Co., Ltd.	The Company	Parent company	Sale	(864,621)	(60)	45 days	Not significantly different	45 days	153,627	61
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister company	Sale	(777,414)	(99)	60 days	Not significantly different	60 days	144,510	100
SH Electronics Suzhou Co., Ltd.	The Company	Parent company	Sale	(1,706,604)	(62)	15 days	Not significantly different	15 days	111,367	38
	Shanghai Chang Wah Electromaterials Inc.	Sister company	Sale	(173,960)	(6)	45 days	Not significantly different	45 days	20,429	7
	Malaysian SH Electronics Sdn. Bhd.	Sister company	Sale	(202,662)	(7)	30 days	Not significantly different	30 days	37,801	13

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

Note 2: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the Company.

TABLE 7

Chang Wah Technology Co., Ltd. and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
The Company	Chang Wah Electromaterials Inc.	Parent company	Accounts receivable \$ 536,625 (Note 1)	4.87 (Note 2)	\$ -	-	\$ 490,496	\$ -
The Company	SH Precision Chengdu Co., Ltd.	Subsidiary	Accounts receivable 113,068 (Note 5)	Note 3	-	-	69,959	-
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent company	Accounts receivable 238,655 (Note 5)	3.93	-	-	238,655	-
SH Electronics Chengdu Co., Ltd.	The Company	Parent company	Accounts receivable 153,627 (Note 5)	4.90	-	-	125,630	-
SH Electronics Suzhou Co., Ltd.	The Company	Parent company	Accounts receivable 111,367 (Note 5)	13.17	-	-	111,367	-
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister company	Accounts receivable 144,510 (Note 5)	5.49	-	-	144,510	-
SH Electronics Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Sister company	Other receivables 123,637 (Note 5)	Note 4	-	-	15,471	-
SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Sister company	Other receivables 1,842,600 (Note 5)	Note 4	-	-	522,070	-

Note 1: Amounts include receivables of rendering service for NT\$20,652 thousand.

Note 2: In January 2022, the Company absorbed and merged its subsidiary, SH Electronics Taiwan Co., Ltd., the calculation is based on the turnover rate.

Note 3: Amounts include purchases for raw materials on behalf of subsidiaries, hence the turnover rate is not applicable.

Note 4: Amounts include other receivables such as intercompany loan and interest receivable, hence the turnover rate is not applicable.

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

Note 6: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the Company.

TABLE 8

Chang Wah Technology Co., Ltd. and Subsidiaries

**INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Relationship	Transactions Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	The Company	SH Asia Pacific Pte. Ltd.	Parent to subsidiary	Sales	\$ 344,556	By contract terms	2.39
0	The Company	CWTC (Shanghai) Inc.	Parent to subsidiary	Sales	169,456	By contract terms	1.17
0	The Company	SH Precision Chengdu Co., Ltd.	Parent to subsidiary	Accounts receivable	113,068	By contract terms	0.60
1	SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Subsidiary to subsidiary	Other receivables	1,842,600	By contract terms	9.79
2	Malaysian SH Electronics Sdn. Bhd.	The Company	Subsidiary to parent	Sales	854,112	By contract terms	5.92
3	Malaysian SH Electronics Sdn. Bhd.	The Company	Subsidiary to parent	Accounts receivable	238,655	By contract terms	1.27
3	SH Electronics Chengdu Co., Ltd.	The Company	Subsidiary to parent	Sales	864,621	By contract terms	5.99
3	SH Electronics Chengdu Co., Ltd.	The Company	Subsidiary to parent	Accounts receivable	153,627	By contract terms	0.82
4	SH Precision Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Subsidiary to subsidiary	Other receivables	123,637	By contract terms	0.66
4	SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Subsidiary to subsidiary	Sales	777,414	By contract terms	5.39
4	SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Subsidiary to subsidiary	Accounts receivable	144,510	By contract terms	0.77
5	SH Electronics Suzhou Co., Ltd.	The Company	Subsidiary to parent	Sales	1,706,604	By contract terms	11.83
5	SH Electronics Suzhou Co., Ltd.	The Company	Subsidiary to parent	Accounts receivable	111,367	By contract terms	0.59
5	SH Electronics Suzhou Co., Ltd.	Shanghai Chang Wah Electromaterials Inc.	Subsidiary to subsidiary	Sales	173,960	By contract terms	1.21
5	SH Electronics Suzhou Co., Ltd.	Malaysian SH Electronics Sdn. Bhd.	Subsidiary to subsidiary	Sales	202,662	By contract terms	1.40

Note: Amount was eliminated from the consolidated financial statements.

TABLE 9

Chang Wah Technology Co., Ltd. and Subsidiaries

**INFORMATION ON INVESTEEES (EXCLUDING INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Share of Profit (Loss)	Net Income (Loss) of the Investee	Note
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Company	SH Asia Pacific Pte. Ltd.	Singapore	Trading of electronic components and equipment; investing activities	\$ 3,273,072	\$ 3,273,072	21,206,103	100	\$ 6,332,870	\$ 1,327,668	Notes 1, 2, 3	
The Company	Shing Zhong Investment Co., Ltd.	Taiwan	General Investments	490,000	-	49,000,000	49	482,949	24,467	Notes 2, 3	
The Company	Malaysian SH Electronics Sdn. Bhd.	Malaysia	Manufacturing and selling leadframe and semiconductor materials	574,290	-	23,000,000	100	992,548	443,328	Notes 1, 3	
SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Malaysia	Manufacturing and selling leadframe and semiconductor materials	-	517,628	-	-	-	443,328	Notes 1, 3	
SH Asia Pacific Pte. Ltd.	WSP Electromaterials Ltd.	British Virgin Islands	International investment activities	665,435	599,780	5,235,000	100	1,109,134	163,221	Notes 1, 3	

Note 1: Translated into NTD using the average exchange rate for the reporting period and exchange rate at the balance sheet date.

Note 2: The difference between the net income (loss) of investees and the investment income or loss recognized by the Company is the unrealized gains and losses from the intercompany transaction and the amortization of the investment cost premium.

Note 3: Amount was eliminated from the consolidated financial statements.

TABLE 10

Chang Wah Technology Co., Ltd. and Subsidiaries
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 2)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 3 and 4)	Carrying Amount as of December 31, 2022 (Note 4)	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	\$ 61,420	1	\$ 64,308	\$ -	\$ -	\$ 64,308	\$ 8,856	100	\$ 8,856	\$ 94,181	\$ -	
Shanghai Chang Wah Electromaterials Inc.	Acting as an agent for IC packaging materials and equipment	122,840	2	-	-	-	-	78,308	69	54,326	339,842	-	
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	261,035	2	-	-	-	-	273,073	100	273,337	1,316,797	385,258	Note 6
SH Precision Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	107,485	2	-	-	-	-	105,633	100	89,916	527,407	204,616	Note 6
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	767,750	2	-	-	-	-	396,322	100	398,367	1,174,658	-	

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by Investment Commission, MOEA (Notes 5)	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA (Note 1)
Chang Wah Technology Co., Ltd.	\$ 64,308	\$ 1,401,697	\$ -

Note 1: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, ROC and the amended Regulation Governing the Examination of Investment or Technical Cooperation in Mainland China dated August 29, 2008, the Company obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau of Ministry of Economic Affairs. The ceiling amount of the investment in Mainland China is not applicable to the Company.

Note 2: Methods of investment 1: Direct investment.

Methods of investment 2: Investments through a holding company registered in a third region.

Note 3: The basis for investment income (loss) recognition is the financial statement audited and attested.

Note 4: Amount was eliminated from the consolidated financial statements.

Note 5: This includes the investment of US\$2,000 thousand in CWTC (Shanghai) Inc., US\$23,279 thousand in SH Electronics Chengdu Co., Ltd., US\$8,035 thousand in SH Precision Chengdu Co., Ltd., US\$3,659 thousand in SH Electronics Suzhou Co., Ltd. and US\$8,670 thousand in Shanghai Chang Wah Electromaterials Inc. approved by the Ministry of Economic Affairs and were translated into NTD using the exchange rate of US\$1:NT\$30.71.

Note 6: The accumulated remittance of profit from investment by SH Electronics Chengdu Co., Ltd. is RMB91,422 thousand (US\$13,000 thousand); The accumulated remittance of profit from investment by SH Precision Chengdu Co., Ltd. is RMB49,921 thousand (US\$7,000 thousand).

TABLE 11**Chang Wah Technology Co., Ltd.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang Wah Electromaterials Inc.	449,919,925	46.55
Fubon Life Assurance Co., Ltd.	68,538,100	7.09

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

TABLE 12

Chang Wah Technology Co., Ltd. and Subsidiaries

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

For the year ended December 31, 2022

	CWTC	CWTS	SHAP	Shing Zheng Investment	SHEC	SHPC	SHS	MSHE	WSP	CWES	Adjustments and Eliminations	Total
Revenues from external customers	\$ 8,171,611	\$ 330,509	\$ 696,330	\$ 9,613	\$ 557,686	\$ 5,014	\$ 533,733	\$ 1,965,090	\$ -	\$ 2,161,698	\$ -	\$ 14,431,284
Inter-segment revenues	588,859	-	78,801	14,494	892,326	786,426	2,230,082	854,137	-	10	(5,445,135)	-
Segment revenues	\$ 8,760,470	\$ 330,509	\$ 775,131	\$ 24,107	\$ 1,450,012	\$ 791,440	\$ 2,763,815	\$ 2,819,227	\$ -	\$ 2,161,708	\$ (5,445,135)	\$ 14,431,284
Segment income (expense)	\$ 1,570,497	\$ 8,605	\$ 45,328	\$ 23,617	\$ 232,410	\$ 101,159	\$ 522,732	\$ 543,123	\$ (82)	\$ 99,666	\$ (25,395)	\$ 3,121,660
Interest income	41,374	611	14,727	820	9,896	1,355	12,052	7,912	1	982	(15,322)	74,408
Other non-operating income and expenses	381,451	114	22,431	237	56,893	4,365	(1,110)	46,148	-	7,723	(32,776)	485,476
Share of profits of subsidiaries accounted for using the equity method	1,311,132	-	1,259,193	-	-	-	-	-	163,302	-	(2,733,627)	-
Finance cost	(44,550)	(35)	(104)	-	-	(413)	(3,598)	(11,878)	-	(2,023)	15,312	(47,289)
Profit before tax	3,259,904	9,295	1,341,575	24,674	299,199	106,466	530,076	585,305	163,221	106,348	(2,791,808)	3,634,255
Income tax expense	444,003	439	13,907	207	26,126	833	133,754	141,977	-	28,040	-	789,286
Net profit	\$ 2,815,901	\$ 8,856	\$ 1,327,668	\$ 24,467	\$ 273,073	\$ 105,633	\$ 396,322	\$ 443,328	\$ 163,221	\$ 78,308	\$ (2,791,808)	\$ 2,844,969

For the year ended December 31, 2021

	CWTC	CWTS	SHAP	SHT	SHEC	SHPC	SHS	MSHE	WSP	CWES	Adjustments and Eliminations	Total
Revenues from external customers	\$ 4,306,244	\$ 332,655	\$ 421,754	\$ 2,533,120	\$ 481,383	\$ 4,447	\$ 766,101	\$ 1,687,865	\$ -	\$ 2,258,600	\$ -	\$ 12,792,169
Inter-segment revenues	511,366	-	69,409	681,104	959,490	777,891	1,799,228	772,963	-	11	(5,571,462)	-
Segment revenues	\$ 4,817,610	\$ 332,655	\$ 491,163	\$ 3,214,224	\$ 1,440,873	\$ 782,338	\$ 2,565,329	\$ 2,460,828	\$ -	\$ 2,258,611	\$ (5,571,462)	\$ 12,792,169
Segment income (expense)	\$ 421,294	\$ 9,936	\$ 12,089	\$ 473,490	\$ 222,078	\$ 87,051	\$ 422,611	\$ 492,917	\$ (77)	\$ 108,276	\$ (39,366)	\$ 2,210,299
Interest income	15,708	435	159	77	3,986	240	612	474	-	625	(3,823)	18,493
Other non-operating income and expenses	39,559	(11)	11,896	9,552	(5,006)	1,453	14,684	15,066	-	(6)	(23,450)	63,737
Share of profits of subsidiaries accounted for using the equity method	1,406,708	-	1,051,560	-	-	-	-	-	133,871	-	(2,592,139)	-
Finance cost	(36,674)	(41)	(62)	(3,849)	-	(604)	(3,858)	-	-	(2,129)	3,872	(43,345)
Profit before tax	1,846,595	10,319	1,075,642	479,270	221,058	88,140	434,049	508,457	133,794	106,766	(2,654,906)	2,249,184
Income tax expense	132,217	619	3,450	90,376	32,957	13,155	95,674	114,563	-	27,528	-	510,539
Net profit	\$ 1,714,378	\$ 9,700	\$ 1,072,192	\$ 388,894	\$ 188,101	\$ 74,985	\$ 338,375	\$ 393,894	\$ 133,794	\$ 79,238	\$ (2,654,906)	\$ 1,738,645

2022 Parent Company Only Financial Statement

INDEPENDENT AUDITORS' REPORT

Chang Wah Technology Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Chang Wah Technology Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2022 is described as follows:

Revenue Recognition of Specific Customers

Due to the pressure from having to meet expected targets and market expectations, the possibility of overstatement of sales may arise. The operating revenue in 2022 has grown substantially compared with that of 2021, especially revenue from specific customers which amount is significant to the overall operating revenue. Therefore, the revenue recognition of specific customers with significant sales amount and changes was deemed as a key audit matter.

Our audit procedures performed in response to the abovementioned key audit matter are as follows:

1. We obtained an understanding and tested the effectiveness of the implementation of internal controls over sales.
2. We selected appropriate samples from the sales revenue receipts of specific customers, examined purchase orders, shipping documents and proof of payments as pertaining to the same transaction counterparties.
3. We obtained details on sales returns and allowances for the year and after the reporting period and checked for major abnormalities in sales returns and allowances for the purpose of confirming the authenticity of the sales recognized before the balance sheet date.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the

parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2023

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.

Chang Wah Technology Co., Ltd.

PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,227,965	13	\$ 1,730,905	13
Financial assets at fair value through profit or loss (Notes 4 and 7)	57,708	-	110,241	1
Accounts receivable, net (Notes 4, 5 and 9)	730,691	4	730,669	5
Accounts receivable - related parties (Notes 4, 5, 9 and 32)	704,821	4	549,049	4
Other receivables (Note 32)	74,322	-	438,464	3
Inventories (Notes 4, 5 and 10)	1,282,188	7	412,891	3
Other financial assets - current (Note 11)	768,328	5	1,006,266	8
Other current assets	42,199	-	43,634	-
Total current assets	<u>5,888,222</u>	<u>33</u>	<u>5,022,119</u>	<u>37</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	1,322,063	8	832,720	6
Investments accounted for using the equity method (Notes 4 and 12)	7,658,536	43	6,589,991	49
Property, plant and equipment (Notes 4, 13 and 32)	2,259,762	13	826,773	6
Right-of-use assets (Notes 4 and 14)	80,299	-	28,462	-
Investment properties (Notes 4, 15 and 32)	140,610	1	-	-
Goodwill (Notes 4 and 16)	131,195	1	-	-
Other Intangible assets (Notes 4 and 17)	32,471	-	29,505	-
Deferred tax assets (Notes 4 and 26)	45,392	-	93,680	1
Prepayments for equipment	86,515	1	96,231	1
Other financial assets - non-current (Notes 11 and 33)	29,400	-	29,700	-
Other non-current assets (Note 22)	5,624	-	1,480	-
Total non-current assets	<u>11,791,867</u>	<u>67</u>	<u>8,528,542</u>	<u>63</u>
TOTAL	<u>\$ 17,680,089</u>	<u>100</u>	<u>\$ 13,550,661</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 2,100,000	12	\$ 1,172,065	9
Contract liabilities (Notes 4 and 24)	252,590	1	11,371	-
Notes payable	170	-	-	-
Accounts payable (Note 20)	386,599	2	421,934	3
Accounts payable - related parties (Notes 20 and 32)	506,540	3	790,493	6
Dividends payable	661,540	4	246,872	2
Other payables (Notes 21, 22 and 32)	703,254	4	333,733	2
Current tax liabilities (Note 26)	343,832	2	62,292	-
Lease liabilities - current (Notes 4, 14 and 32)	9,316	-	2,840	-
Current portion of bonds payable (Notes 4 and 19)	-	-	215,168	2
Other current liabilities	12,453	-	1,058	-
Total current liabilities	<u>4,976,294</u>	<u>28</u>	<u>3,257,826</u>	<u>24</u>
NON-CURRENT LIABILITIES				
Contract liabilities - non-current (Notes 4 and 24)	51,861	-	-	-
Long-term borrowings (Note 18)	2,473,985	14	1,736,873	13
Deferred tax liabilities (Notes 4, 5 and 26)	327,471	2	242,110	2
Lease liabilities - non-current (Notes 4, 14 and 32)	73,283	1	26,411	-
Other non-current liabilities	2,388	-	-	-
Total non-current liabilities	<u>2,928,988</u>	<u>17</u>	<u>2,005,394</u>	<u>15</u>
Total liabilities	<u>7,905,282</u>	<u>45</u>	<u>5,263,220</u>	<u>39</u>
EQUITY (Notes 4 and 23)				
Capital				
Ordinary shares	386,569	2	364,131	3
Capital collected in advance	-	-	17,109	-
Total capital	<u>386,569</u>	<u>2</u>	<u>381,240</u>	<u>3</u>
Capital surplus	6,205,329	35	5,872,815	43
Retained earnings				
Legal reserve	633,251	4	346,521	3
Special reserve	225,382	1	105,738	1
Unappropriated earnings	3,244,984	18	2,093,758	15
Total retained earnings	<u>4,103,617</u>	<u>23</u>	<u>2,546,017</u>	<u>19</u>
Other equity	(334,695)	(2)	(170,630)	(1)
Treasury shares	(586,013)	(3)	(342,001)	(3)
Total equity	<u>9,774,807</u>	<u>55</u>	<u>8,287,441</u>	<u>61</u>
TOTAL	<u>\$ 17,680,089</u>	<u>100</u>	<u>\$ 13,550,661</u>	<u>100</u>

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

Chang Wah Technology Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 32)	\$ 8,760,470	100	\$ 4,817,610	100
OPERATING COSTS (Notes 10, 25 and 32)	<u>6,707,648</u>	<u>77</u>	<u>4,184,408</u>	<u>87</u>
GROSS PROFIT	2,052,822	23	633,202	13
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>(1,784)</u>	<u>-</u>	<u>(94)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,051,038</u>	<u>23</u>	<u>633,108</u>	<u>13</u>
OPERATING EXPENSES (Notes 9, 25 and 32)				
Selling and marketing expenses	64,189	1	18,017	-
General and administrative expenses	218,092	2	78,688	2
Research and development expenses	199,397	2	114,112	2
Expected credit losses (gains)	<u>(1,137)</u>	<u>-</u>	<u>997</u>	<u>-</u>
Total operating expenses	<u>480,541</u>	<u>5</u>	<u>211,814</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>1,570,497</u>	<u>18</u>	<u>421,294</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Notes 25 and 32)				
Interest income	41,374	-	15,708	-
Other income	120,501	1	71,876	2
Other gains and losses	260,950	3	(32,317)	-
Finance costs	(44,550)	-	(36,674)	(1)
Share of profit of subsidiaries	<u>1,311,132</u>	<u>15</u>	<u>1,406,708</u>	<u>29</u>
Total non-operating income and expenses	<u>1,689,407</u>	<u>19</u>	<u>1,425,301</u>	<u>30</u>
PROFIT BEFORE INCOME TAX	3,259,904	37	1,846,595	39
INCOME TAX BENEFIT (Notes 4 and 26)	<u>444,003</u>	<u>5</u>	<u>132,217</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>2,815,901</u>	<u>32</u>	<u>1,714,378</u>	<u>36</u>

(Continued)

Chang Wah Technology Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ 1,139	-	\$ -	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(214,527)	(3)	191,576	4
Share of remeasurement of defined benefit plans of subsidiaries	-	-	587	-
Unrealized gains and losses on investments in equity instruments designated as at fair value through other comprehensive income (loss) of subsidiaries accounted for using the equity method	(19,039)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(228)	-	404	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	286,533	3	(63,067)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	(57,332)	-	12,613	-
Other comprehensive income for the year, net of income tax	(3,454)	-	142,113	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,812,447</u>	<u>32</u>	<u>\$ 1,856,491</u>	<u>39</u>
EARNINGS PER SHARE (Note 27)				
Basic	\$ 3.01		\$ 1.92	
Diluted	3.01		1.91	

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

Chang Wah Technology Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Capital			Retained Earnings				Other Equity					
	Ordinary Shares	Capital Collected in Advance	Capital Surplus	Unappropriated Earnings			Total	Exchange Differences on Translating the Financial Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value	Comprehensive Income	Total	Treasury Shares	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE AT JANUARY 1, 2021	\$ 364,131	\$ -	\$ 4,253,933	\$ 241,635	\$ 130,455	\$ 859,841	\$ 1,231,931	\$ (210,208)	\$ 70,714	\$ (139,994)	\$ (384,142)	\$ 5,325,859	
Appropriation of earnings	-	-	-	104,886	-	(104,886)	-	-	-	-	-	-	
Legal reserve	-	-	-	(24,717)	(24,717)	24,717	(573,041)	-	-	-	-	-	
Special reserve	-	-	-	-	(24,717)	(24,717)	(573,041)	-	-	-	-	(573,041)	
Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	
Equity component of convertible bonds issued by the Company (Note 19)	-	-	355,539	-	-	1,714,378	1,714,378	-	-	-	-	355,539	
Net profit for the year ended December 31, 2021	-	-	-	-	-	587	587	(50,454)	191,980	-	-	1,714,378	
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	-	-	-	-	-	142,113	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	587	587	(50,454)	191,980	-	-	1,856,491	
Convertible bonds converted to ordinary shares	-	17,109	-	-	-	1,714,965	1,714,965	(50,454)	191,980	-	-	1,235,726	
Share - based payment (Note 28)	-	-	-	-	-	-	-	-	-	-	42,141	86,867	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	172,162	172,162	-	(172,162)	-	-	-	
BALANCE AT DECEMBER 31, 2021	364,131	17,109	5,872,815	346,521	105,738	2,093,758	2,546,017	(261,162)	90,532	(170,630)	(342,001)	8,287,441	
Appropriation of earnings	-	-	-	286,730	-	(286,730)	-	-	-	-	-	-	
Legal reserve	-	-	-	-	119,644	(119,644)	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	(1,307,663)	(1,307,663)	-	-	-	-	(1,307,663)	
Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	
Net profit for the year ended December 31, 2022	-	-	-	286,730	119,644	(1,714,037)	(1,307,663)	-	-	-	-	(1,307,663)	
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	2,815,901	2,815,901	-	-	-	-	2,815,901	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	911	911	229,201	(233,566)	-	(4,365)	(3,454)	
Convertible bonds converted to ordinary shares (Note 19)	-	-	-	-	-	2,816,812	2,816,812	229,201	(233,566)	-	-	2,812,447	
Purchase of the Company's shares by subsidiaries (Note 23)	20,068	(17,109)	210,127	-	-	-	-	-	-	-	-	213,086	
Cash dividends received by subsidiaries from the Company	-	-	-	-	-	-	-	-	-	-	(244,012)	(244,012)	
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	7,102	
Share-based payment (Note 28)	-	-	-	-	-	-	-	-	-	-	-	1	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	48,451	48,451	-	(48,451)	-	-	6,405	
BALANCE AT DECEMBER 31, 2022	386,569	-	6,205,329	633,251	225,382	3,244,984	4,103,617	(31,961)	(191,485)	(111,249)	(586,013)	9,774,807	

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

Chang Wah Technology Co., Ltd.

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

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,259,904	\$ 1,846,595
Adjustments for:		
Depreciation expense	340,189	103,952
Amortization expense	10,702	6,327
Expected credit losses (gains)	(1,137)	997
Loss (gain) on financial assets at fair value through profit or loss	20,700	(26,480)
Finance costs	44,550	36,674
Interest income	(41,374)	(15,708)
Dividend income	(90,995)	(57,217)
Share-based compensation	5,608	9,865
Share of the profit of subsidiaries	(1,311,132)	(1,406,708)
Gain on disposal of property, plant and equipment	-	(1,200)
Impairment loss recognized on (reversal of) non-financial assets	47,390	(5,974)
Unrealized gain on transactions with subsidiaries	1,784	94
Others	(9,716)	(14,661)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	30,418	3,808
Accounts receivable	33,078	(331,326)
Accounts receivable - related parties	282,927	(203,655)
Other receivables	8,554	(29,249)
Inventories	(309,028)	(297,251)
Other current assets	9,250	(15,976)
Other non-current assets	11	-
Contract liabilities - current	180,559	4,640
Notes payable	170	-
Accounts payable	(183,247)	150,713
Accounts payable - related parties	(52,121)	432,683
Other payables	102,467	133,745
Other current liabilities	6,962	(2,247)
Contract liabilities - non-current	18,902	-
Other non-current liabilities	124	-
Cash generated from operations	2,405,499	322,441
Interest received	40,303	16,717
Dividends received	76,358	57,217
Interest paid	(26,303)	(22,068)
Income taxes paid	(169,457)	(16,320)
Net cash generated from operating activities	<u>2,326,400</u>	<u>357,987</u>

(Continued)

Chang Wah Technology Co., Ltd.

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

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (845,683)	\$ (601,600)
Proceeds from disposal of financial assets at fair value through other comprehensive income	141,813	660,057
Acquisition of property, plant and equipment	(999,239)	(322,511)
Proceeds from disposal of property, plant and equipment	-	1,200
Acquisition of long-term equity investments accounted for using the equity method	(290,000)	-
Decrease in other receivables - related parties	388,425	20,868
Acquisition of intangible assets	(131)	(6,395)
Net cash inflow on acquisition of subsidiary	40,895	-
Acquisition of investment property	(261,628)	-
Decrease in other financial assets	258,238	406,414
Increase in other non-current assets	(1,498)	(1,249)
Increase in prepayments for equipment	(145,816)	(94,645)
Net cash generated from (used in) investing activities	<u>(1,714,624)</u>	<u>62,139</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,676,612	856,283
Repayments of short-term borrowings	(1,854,096)	(410,000)
Proceeds from issuance of convertible bonds	-	1,803,020
Redemption of corporate bonds	(775)	-
Proceeds from long-term borrowings	1,635,592	1,382,314
Repayments of long-term borrowings	(898,480)	(2,898,000)
Proceeds from guarantee deposits received	213	-
Repayment of the principal portion of lease liabilities	(6,372)	(1,813)
Cash dividends paid	(892,995)	(467,445)
Treasury shares sold to employees	-	42,204
Acquisition of subsidiaries	(774,415)	-
Net cash generated from (used in) financing activities	<u>(114,716)</u>	<u>306,563</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	497,060	726,689
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,730,905</u>	<u>1,004,216</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,227,965</u>	<u>\$ 1,730,905</u>

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

Chang Wah Technology Co., Ltd.

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

1. GENERAL INFORMATION

Chang Wah Technology Co., Ltd. (the Company) was incorporated under the provisions of the Company Act on December 24, 2009. It mainly manufactures industrial plastic products and electronics components, and sells electronics components and machinery and tools.

The shares of the Company have been trading on the TPEx since September 2016. The subsidiary, SH Electronics Taiwan Co., Ltd. (SHT), merged with the Company in January 2022.

As of December 31, 2022 and 2021, the parent company, Chang Wah Electromaterials Inc. (CWE), owned 48% and 54%, respectively, of the Company's issued ordinary shares for both years.

The parent company only financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company's board of directors and authorized for issue on March 16, 2023.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

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

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

As of the date the parent company only financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

As of the date the parent company only financial statements were reported to the board of directors and authorized for issue, the Company is continuously assessing the possible impact that the initial application of the other standards and the amendments and interpretations will have on its financial position and financial performance and disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For readers' convenience, the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the parent company only financial statements shall prevail. However, the accompanying parent company only financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

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

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

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

The subsidiaries are incorporated in the parent company only financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between basis of parent company only and basis of consolidation are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and related equity.

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

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

Assets and liabilities that are not classified as current are classified as non-current.

d. Business combinations

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

e. Foreign currencies

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

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

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is 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 item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the parent company only financial statements, the financial statements of the Company and its foreign operations (including subsidiaries in other countries or using currencies different from the currency of the Company) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and 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.

f. Inventories

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

g. Investments accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiaries, a subsidiary is an entity that is controlled by the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transaction. Difference between the carrying amount of the investment and the fair value of consideration paid or received is directly recognized in equity.

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

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

Unrealized gains and losses resulting from downstream transactions with subsidiaries are eliminated in the parent company only financial statements. Profits and losses resulting from upstream transactions

and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Property, plant and equipment

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

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

Except for freehold land which is not depreciated, the 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. Investment properties

Investment properties are properties held to earn rentals.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

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

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or companies of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorate based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

k. Other intangible assets

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

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value. Any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31: Financial Instruments.

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

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

Cash equivalents include time deposits, commercial papers and bonds with repurchase agreements with original maturities within three 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 Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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.

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

b) Impairment of financial assets

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents 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 represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

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

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

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred 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 difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated separately for the purpose of repurchase. 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

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

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company is classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - others.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

n. Treasury shares

The Company's shares held by its subsidiaries may be recognized as treasury shares based on the cost of acquisition and the Company's percentage of ownership in a subsidiary.

o. Revenue recognition

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

1) Revenue from sale of goods

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

Revenue is measured at fair value, which is the transaction price (net of commercial discounts and quantity discounts) agreed to by the Company with customers. Estimated discount or other allowances of the consideration received are recognized as refund liabilities. For a contract where the period between the date the Company transfers a promised good to a customer and the date the

customer pays for that good is one year or less, the Company does not adjust the promised amount of consideration for any effect of a significant financing component.

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

2) Commission and revenue from the rendering of services

Commission is charged on the basis of calculation as stated in the contract, while revenue from the rendering of services is from the procurement of raw materials on behalf of customers and the provision of technical support services. Since the period between the date of service transferred and the date of collection is less than one year, the Company does not adjust the promised amount of consideration for the effect of the significant financing component.

p. Leases

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

1) The Company as lessor

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

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

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's 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, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as other operating income, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

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

q. Government grants

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as 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 as well as gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

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

s. Share-based payment arrangements

1) Employee share options and restricted shares for employees granted to the employees of the Company

The fair value at the grant date of the employee share options and restricted shares for employees are expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and other equity - unearned employee benefits. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of treasury shares transferred to employees is the date on which the number of shares that the employees purchase is confirmed.

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

2) Employee share options and restricted shares for employees granted to the employees of subsidiaries

Employee share options and restricted shares for employees granted by the Company to the employees of its subsidiaries for settlement by the Company's equity instruments are treated as capital contributions to the subsidiaries. The share options are measured at the fair value of the equity instruments on the grant date, and recognized over the vesting period as an increase in the carrying amount of the investments in the subsidiaries with a corresponding credit to capital surplus - employee share options, capital surplus - restricted shares for employees and other equity - unearned employee benefits.

t. Taxations

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If a temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimate. The Company reviews the estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future period.

Key sources of estimation uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimates to determine the net realizable value of inventory at the end of the reporting period. The net realizable value of inventories is mainly evaluated based on current market conditions and historical sales experience of similar products. Changes in market conditions may significantly affect the results of these estimates.

c. Income taxes

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 50	\$ 50
Checking accounts and demand deposits	1,035,803	1,431,623
Cash equivalents (investments with original maturities of less than three months)		
Time deposits	1,192,112	160,832
Bonds with repurchase agreements	<u>-</u>	<u>138,400</u>
	<u>\$ 2,227,965</u>	<u>\$ 1,730,905</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 55,020	\$ 99,960
Domestic convertible bonds	2,688	8,865
Derivative financial assets (not under hedge accounting)		
Convertible bonds (Note 19)	<u>-</u>	<u>1,416</u>
	<u>\$ 57,708</u>	<u>\$ 110,241</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Investments in equity instruments		
Domestic listed shares	<u>\$ 1,322,063</u>	<u>\$ 832,720</u>

These investments in equity instruments are not held for trading; instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

The Company entered into a securities-lending agreement with SinoPac Securities. During the lending period, the Company retains the risks and the returns of these financial assets; therefore, they were not excluded. As of December 31, 2022 and 2021, the carrying amounts of the securities lent out were NT\$11,536 thousand and NT\$0 thousand, respectively.

9. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Accounts receivable		
Measured at amortized cost		
Gross carrying amount	\$ 730,897	\$ 732,012
Less: Allowance for impairment loss	<u>206</u>	<u>1,343</u>
	<u>\$ 730,691</u>	<u>\$ 730,669</u>
Accounts receivable - related parties		
Measured at amortized cost		
Gross carrying amount	<u>\$ 704,821</u>	<u>\$ 549,049</u>

Refer to Note 31 for accounting policies related to credit limits and credit management.

The loss allowance for the Company's accounts receivable is recognized by using the lifetime expected credit loss. The lifetime expected credit losses on accounts receivable are estimated by reference to the past default experience of the customers, current financial position of the customers, economic condition of the industry in which the customers operate, as well as the industry outlook. The Company writes off a accounts receivable when there is information 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, or when the accounts receivable are past due. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable.

December 31, 2022

	Not Past Due	Past Due 0 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Expected credit loss rate	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 1,355,690	\$ 79,616	\$ 412	\$ -	\$ -	\$ 1,435,718
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(206)</u>	<u>-</u>	<u>-</u>	<u>(206)</u>
Amortized cost	<u>\$ 1,355,690</u>	<u>\$ 79,616</u>	<u>\$ 206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,435,512</u>

December 31, 2021

	Not Past Due	Past Due 0 to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due Over 90 Days	Total
Expected credit loss rate	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 1,175,999	\$ 101,686	\$ -	\$ 1,110	\$ 2,266	\$ 1,281,061
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,343)</u>	<u>(1,343)</u>
Amortized cost	<u>\$ 1,175,999</u>	<u>\$ 101,686</u>	<u>\$ -</u>	<u>\$ 1,110</u>	<u>\$ 923</u>	<u>\$ 1,279,718</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,343	\$ 346
Recognition (reversal) in current year	<u>(1,137)</u>	<u>997</u>
Balance, end of year	<u>\$ 206</u>	<u>\$ 1,343</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Raw materials	\$ 277,445	\$ 52,875
Supplies	45,478	4,048
Work in progress	421,544	55,289
Finished goods	403,499	80,197
Merchandise	98,871	213,407
Consumable supplies	<u>35,351</u>	<u>7,075</u>
	<u>\$ 1,282,188</u>	<u>\$ 412,891</u>

The cost of inventories recognized as operating cost for the years ended December 31, 2022 and 2021 was NT\$6,706,029 thousand and NT\$4,185,608 thousand, respectively, which included items as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
(Reversal of) write-downs of inventories	\$ 47,390	\$ (5,974)
Revenue from sale of scraps	<u>(245,549)</u>	<u>(4,046)</u>

For the year ended December 31, 2021, reversal of write-downs of inventories was due to the rise in raw materials prices and the selling of obsolete inventories.

11. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
<u>Current</u>		
Restricted deposits for projects	<u>\$ 768,328</u>	<u>\$ 1,006,266</u>
<u>Non-current</u>		
Pledged time deposits (Note 33)	<u>\$ 29,400</u>	<u>\$ 29,700</u>

Since the Company applied The Management, Utilization, and Taxation of Repatriated Offshore Funds Act, the earnings remitted from overseas subsidiary were recognized as restricted deposits for projects.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries		
SH Asia Pacific Pte. Ltd. (SHAP)	\$ 6,332,870	\$ 4,904,602
Malaysian SH Electronics Sdn. Bhd. (MSHE)	992,548	-
Shing Zheng Investment Co., Ltd. (Shing Zheng Investment)	482,949	-
CWTC (Shanghai) Inc. (CWTS)	94,181	84,170
SH Electronics Taiwan Co., Ltd. (SHT)	<u>-</u>	<u>1,601,219</u>
	7,902,548	6,589,991
Less: Shares held by subsidiaries accounted for as treasury shares (Note 23)	<u>244,012</u>	<u>-</u>
	<u>\$ 7,658,536</u>	<u>\$ 6,589,991</u>

The proportion of ownership and voting rights at the end of the year was as follows:

	December 31	
	2022	2021
SHAP	100%	100%
MSHE	100%	-
Shing Zheng Investment	49%	-
CWTS	100%	100%
SHT	-	100%

The Company purchased 100% equity interest in MSHE from its subsidiary SHAP for a total amount of USD18,700,415.81 due to the Group's internal organizational restructuring. The settlement date of the contract to purchase and sell shares is December 30, 2022.

The Company invested in and established Shing Zheng Investment in January 2022, and recognized it as a subsidiary due to substantial control over the latter. Furthermore, the Company participated in Shing Zheng Investment's capital increase in cash of NT\$200,000 thousand in April 2022 and acquired 20,000 thousand ordinary shares; after the acquisition of shares, the Company's percentage of shareholding increased to 49%.

On January 1, 2022, the subsidiary SHT, in which the Company's percentage of shareholding was 100%, merged with the Company. Assets acquired and liabilities assumed at the date of acquisition were as follows:

<u>Current assets</u>	
Cash and bank deposits	\$ 40,895
Accounts receivable, net	31,963
Accounts receivable - related parties	818,830
Other receivables	31,667
Inventories	644,784
Other current assets	10,699
<u>Non-current assets</u>	
Property, plant and equipment	361,990
Right-of-use assets	24,465
Investment properties	8,219
Intangible assets	3,089
Deferred tax assets	11,650
Prepayments for equipment	3,946
Other financial assets - non-current	20,000
Other non-current assets	1,922
<u>Current liabilities</u>	
Short-term borrowings	100,000
Contract liabilities - current	60,660
Accounts payable	147,912
Accounts payable - related parties	51,130
Other payables	254,153
Current tax liabilities	94,654
Lease liabilities	1,737
Other current liabilities	4,437
<u>Non-current liabilities</u>	
Contract liabilities - non-current	32,959
Deferred tax liabilities	79
Lease liabilities	23,415
Guarantee deposits received	783
Other non-current liabilities	<u>1,402</u>
Net assets	<u>\$ 1,240,798</u>

13. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2022

	Lands	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2022	\$ -	\$ 88,718	\$ 766,312	\$ 82,605	\$ 1,627	\$ 7,434	\$ 54,627	\$ 328,610	\$ 1,329,933
Additions	143,546	82,410	294,306	149,345	88	1,328	84,339	517,661	1,273,023
Disposals	-	-	(17,750)	(3,255)	-	(260)	(1,567)	-	(22,832)
Reclassification	89,373	59,440	-	-	-	-	(15,770)	-	133,043
Absorption and consolidation counted	-	537,596	1,404,269	899,170	3,844	12,550	215,038	69,885	3,142,352
Balance at December 31, 2022	<u>232,919</u>	<u>768,164</u>	<u>2,447,137</u>	<u>1,127,865</u>	<u>5,559</u>	<u>21,052</u>	<u>336,667</u>	<u>916,156</u>	<u>5,855,519</u>
Accumulated depreciation									
Balance at January 1, 2022	-	(29,948)	(369,019)	(70,259)	(68)	(3,876)	(26,627)	-	(499,797)
Depreciation	-	(29,423)	(191,287)	(71,451)	(371)	(2,402)	(29,210)	-	(530,144)
Disposals	-	-	17,750	3,255	-	260	1,567	-	22,832
Reclassification	-	(16,628)	-	-	-	-	11,705	-	(4,923)
Absorption and consolidation counted	-	(440,324)	(1,274,025)	(823,470)	(3,844)	(10,820)	(163,277)	-	(2,715,760)
Balance at December 31, 2022	-	<u>(516,323)</u>	<u>(1,822,581)</u>	<u>(961,925)</u>	<u>(4,283)</u>	<u>(16,838)</u>	<u>(205,842)</u>	-	<u>(3,527,792)</u>
Accumulated impairment									
Balance at January 1 and December 31, 2022	-	-	(3,363)	-	-	-	-	-	(3,363)
Absorption and consolidation counted	-	(29,736)	(6,838)	(27,966)	-	-	(62)	-	(64,602)
Balance at December 31, 2022	-	<u>(29,736)</u>	<u>(10,201)</u>	<u>(27,966)</u>	-	-	<u>(62)</u>	-	<u>(67,965)</u>
Carrying amount at December 31, 2022	<u>\$ 232,919</u>	<u>\$ 222,105</u>	<u>\$ 614,355</u>	<u>\$ 137,974</u>	<u>\$ 1,276</u>	<u>\$ 4,214</u>	<u>\$ 130,763</u>	<u>\$ 916,156</u>	<u>\$ 2,259,762</u>

For the year ended December 31, 2021

	Buildings	Machinery and Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1, 2021	\$ 88,388	\$ 542,122	\$ 76,907	\$ -	\$ 3,621	\$ 33,663	\$ 159,722	\$ 904,423
Additions	330	227,100	12,660	1,627	3,813	20,964	170,814	437,308
Disposals	-	(2,910)	(6,962)	-	-	-	-	(9,872)
Reclassification	-	-	-	-	-	-	(1,926)	(1,926)
Balance at December 31, 2021	<u>88,718</u>	<u>766,312</u>	<u>82,605</u>	<u>1,627</u>	<u>7,434</u>	<u>54,627</u>	<u>328,610</u>	<u>1,329,933</u>
Accumulated depreciation								
Balance at January 1, 2021	(24,923)	(288,336)	(70,947)	-	(3,435)	(20,160)	-	(407,801)
Depreciation	(5,025)	(83,593)	(6,274)	(68)	(441)	(6,467)	-	(101,868)
Disposals	-	2,910	6,962	-	-	-	-	9,872
Balance at December 31, 2021	<u>(29,948)</u>	<u>(369,019)</u>	<u>(70,259)</u>	<u>(68)</u>	<u>(3,876)</u>	<u>(26,627)</u>	-	<u>(499,797)</u>
Accumulated impairment								
Balance at January 1 and December 31, 2021	-	(3,363)	-	-	-	-	-	(3,363)
Carrying amount at December 31, 2021	<u>\$ 58,770</u>	<u>\$ 393,930</u>	<u>\$ 12,346</u>	<u>\$ 1,559</u>	<u>\$ 3,558</u>	<u>\$ 28,000</u>	<u>\$ 328,610</u>	<u>\$ 826,773</u>

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

Buildings	
Main building	10-35 years
Renovation	2-25 years
Machinery and equipment	2-6 years
Tooling equipment	2-5 years
Transportation equipment	3-5 years
Office equipment	3 years
Other equipment	2-10 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Land	\$ 43,245	\$ 23,157
Buildings	35,782	5,305
Transportation equipment	<u>1,272</u>	<u>-</u>
	<u>\$ 80,299</u>	<u>\$ 28,462</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 39,335</u>	<u>\$ 2,734</u>
Depreciation charge for right-of-use assets		
Land	\$ (2,630)	\$ (855)
Buildings	(4,444)	(1,229)
Transportation equipment	(116)	-
Other equipment	<u>(56)</u>	<u>-</u>
	<u>\$ (7,246)</u>	<u>\$ (2,084)</u>

Except for the additions to depreciation of the right-of-use assets listed above, there was no significant sublease or impairment of the Company's right-of-use assets for the years ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	<u>\$ 9,316</u>	<u>\$ 2,840</u>
Non-current	<u>\$ 73,283</u>	<u>\$ 26,411</u>

Discount rates (%) for lease liabilities were as follows:

	December 31	
	2022	2021
Land	1.9235-2.171	2.1710
Buildings	0.35-0.6661	0.35-1.0819
Transportation equipment	1.1033	-

c. Material leasing activities and terms

The Company leases land from the government. The lease period will expire in December 2031, and the Company has the option to extend or terminate the lease contract. The Company does not have a purchase option to acquire the leased land at the expiration of the lease period. The government has the option to adjust the lease payments based on changes in announced land value.

The Company entered into a lease contract with its associate, JMC Electronics Co., Ltd. (JMC). The lease term will expire in August 2023, and the Company has the option to extend or terminate the lease contract. The Company does not have bargain purchase option to acquire the leased buildings at the expiration of the lease period.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 4,086</u>	<u>\$ 855</u>
Expenses relating to low-value asset leases	<u>\$ 755</u>	<u>\$ 76</u>
Total cash outflow for leases	<u>\$ 12,304</u>	<u>\$ 3,355</u>

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

15. INVESTMENT PROPERTIES - DECEMBER 31, 2022

	Land	Buildings	Total
<u>For the year ended December 31, 2022</u>			
Cost			
Balance at January 1,2022	\$ -	\$ -	\$ -
Additions	185,026	76,602	261,628
Reclassification	(89,373)	(41,988)	(131,361)
Absorption and consolidation counted	<u>-</u>	<u>33,434</u>	<u>33,434</u>
Balance at December 31,2022	<u>95,653</u>	<u>68,048</u>	<u>163,701</u>
Accumulated depreciation			
Balance at January 1,2022	-	-	-
Depreciation	-	(2,799)	(2,799)
Reclassification	-	4,923	4,923
Absorption and consolidation counted	<u>-</u>	<u>(25,215)</u>	<u>(25,215)</u>
Balance at December 31,2022	<u>-</u>	<u>(23,091)</u>	<u>(23,091)</u>
Carrying amount at December 31,2022	<u>\$ 95,653</u>	<u>\$ 44,957</u>	<u>\$ 140,610</u>

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

Buildings 10-35 years

The Company's investment properties are located at the Nanzih Technology Industrial Park and Daliao Dist., Kaohsiung. The Company's management was unable to reliably measure the fair value of the investment property located at the Nanzih Technology Industrial Park because the land belongs to the government, and the Company only holds the building's ownership. The market transactions are not frequent and comparable properties in the active market and alternative reliable measurements of fair value are not available; therefore, the Company and its subsidiaries determined that the fair value of the investment property is not reliably measurable. The fair value of the investment property located at the Daliao Dist., Kaohsiung was determined based on the valuation methodology carried out by an independent valuation firm (non-related party of the Company) on February 10, 2022. The fair value was assessed as

NT\$138,096 thousand. The valuation was measured using the sales comparison approach and the cost comparison approach. Since there is no significant change in the transaction price of real estate in this area, there should be no significant difference between the fair value assessed in the current period and the aforementioned fair value assessed by the independent valuation firm.

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

	December 31, 2022
Year 1	\$ 7,871
Year 2	5,040
Year 3	2,520
Year 4	<u>210</u>
	<u>\$ 15,641</u>

16. GOODWILL - DECEMBER 31, 2022

The Company merged with its subsidiary, SHT, in January 2022 and recognized goodwill of NT\$131,195 thousand mainly relating to the control premium.

The Company carried out impairment testing on the recoverable amount of goodwill at the end of the annual reporting period. The recoverable amount was determined based on the value in use. The value in use calculation used the cash flow projections in the financial budgets covering a 5-year period, using an annual discount rate of 8.66% as of December 31, 2022. Based on the assessment result, the recoverable amount exceeded the carrying amount; hence, there was no need to recognize any impairment loss on goodwill.

17. OTHER INTANGIBLE ASSETS

	December 31	
	2022	2021
Computer software	\$ 28,011	\$ 24,742
Patents	<u>4,460</u>	<u>4,763</u>
	<u>\$ 32,471</u>	<u>\$ 29,505</u>

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

Computer software	2-10 years
Patents	10-20 years

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Credit loans	<u>\$ 2,100,000</u>	<u>\$ 1,172,065</u>
Range of interest rate (%)	1.18-1.83	0-0.74

b. Long-term borrowings

	December 31	
	2022	2021
Credit loans		
Maturities before June 2030, interest rates at 0.47%-1.67% and 0%-1.1319% p.a., respectively	<u>\$ 2,473,985</u>	<u>\$ 1,736,873</u>

- 1) The Company has committed to maintain certain percentages and amounts for the current ratio, debt ratio, interest coverage ratio and total equity in the consolidated financial statements, and shareholding in its subsidiaries and seats on the board of directors during the loan period, which are reviewed at least once every six months. If the Company is not in compliance with the aforementioned restrictions on the financial ratios and amounts, the Company should make improvements by the end of the year of submission of the annual consolidated financial statements or by the end of the second quarter of the next year's consolidated financial statements. If the restrictions are met, the Company will be deemed as not in violation of the restrictions, however, the interest rate will be raised. The Company's consolidated financial statements for the year ended December 31, 2022 was not in breach of the aforementioned restrictions.
- 2) The Company entered into a syndicated loan agreement with six banks led by Bank of Taiwan in January 2017. The loan had been repaid in full in January 2021. The syndicated agreement was terminated in June 2021.
- 3) The Company entered into a syndicated loan agreement of NT\$7,200,000 thousand with seven banks led by First Commercial Bank in December 2020. The credit line can be used for loan A and loan B. The credit line of loan A is NT\$7,200,000 thousand (or equivalent amount in USD, RMB or JPY), and the joint credit line with loan B cannot exceed NT\$7,200,000 thousand. The credit line of loan B is NT\$5,760,000 thousand, which can be used on a revolving basis during the loan period (5 years from the initial drawdown date), and is used for the purpose of repaying the loans of financial institutions and enriching medium-term working capital. In addition, the Company may extend the loan period by 2 years after obtaining the consent of the seven banks, within the period of six months starting from 4 years after the initial drawdown date.
- 4) In September 2019, the Company obtained the approval letter from the Ministry of Economic Affairs (MOEA), Republic of China according to "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan." In accordance with the regulations, the Company is required to complete its investments within 3 years from the date of approval of the letter. The Ministry of Economic Affairs approved the change of the scheduled investment plan and the extension of the investment completion date to July 2024 due to the progress of the plant expansion and the significant increase in production capacity caused by the epidemic.

19. BONDS PAYABLE

a. Liability component

1) Secured domestic convertible bonds

For the year ended December 31, 2022

	Face Value	Discounts on Bonds Payable	Total
Balance, beginning of the year (included in current - portion of bonds payable)	\$ 221,200	\$ (6,032)	\$ 215,168
Converted into ordinary shares	(220,400)	5,903	(214,497)
Execution of redemption rights	(800)	21	(779)
Amortization	<u>-</u>	<u>108</u>	<u>108</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2021

	Face Value	Discounts on Bonds Payable (Note)	Total
Proceeds from issuance	\$ 1,500,000	\$ (44,569)	\$ 1,455,431
Converted into ordinary shares	(1,278,800)	35,263	(1,243,537)
Amortization	<u>-</u>	<u>3,274</u>	<u>3,274</u>
Balance, end of the year (included in current - portion of bonds payable)	<u>\$ 221,200</u>	<u>\$ (6,032)</u>	<u>\$ 215,168</u>

Note: Including transaction costs of NT\$4,369 thousand.

2) Financial assets at FVTPL

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance, beginning of the year	\$ 1,416	\$ -
Proceeds from issuance	-	7,950
Converted into ordinary shares	(1,411)	(6,778)
Execution of redemption rights	(4)	-
Adjustment for valuation	<u>(1)</u>	<u>244</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ 1,416</u>

b. Equity component

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance, beginning of the year	\$ 52,430	\$ -
Proceeds from issuance (Note)	-	355,539
		(Continued)

	For the Year Ended December 31	
	2022	2021
Converted into ordinary shares	\$ (52,240)	\$ (303,109)
Execution of redemption rights	<u>(190)</u>	<u>-</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ 52,430</u> (Concluded)

Note: Including transaction costs of NT\$1,073 thousand.

The Company issued first secured domestic convertible bonds in July 2021. The bonds were issued at 120.56% of the face value. The total amount issued was NT\$1,808,462 thousand with a face value of NT\$100 thousand each, zero coupon rate and issuance period of 5 years. Hua Nan Commercial Bank and E. SUN Commercial Bank acted as guarantee banks. According to the regulations, the liabilities and conversion rights are separately recognized as liabilities and capital surplus – options, respectively; the embedded derivatives (redemption rights and put options) are recognized separately from the contract and included in financial assets at FVTPL. Liability components of non-derivative bonds are measured at amortized cost using the effective interest method (effective interest rate is 0.6034%). The discount amortization is recognized in current profit or loss. The conversion method is as follows:

Conversion right of bondholders

From October 20, 2021 to July 19, 2026, bondholders may request the conversion of bonds into ordinary shares of the Company in accordance with regulations (except for the relevant period of suspension of transfer as stipulated). The conversion price at the time of issuance is NT\$75 per share (par value of NT\$1). In case of ex-rights or ex-dividend, it should be adjusted according to the conversion price adjustment formula. From December 16, 2021, the conversion price was adjusted to NT\$74.5 per share.

Put options of bondholders

The benchmark date for the creditors' right to sell back the bonds is July 19, 2024 (3 years after the issuance date). The bondholders may request the Company to redeem the bonds in cash at face value.

Redemption right of the Company

From October 20, 2021 (the day following the 3-month issuance period) to June 9, 2024 (40 days before the expiration date), if the closing price of the Company's ordinary shares exceeds the conversion price by 30% for 30 consecutive business days or when the outstanding balance of bonds is less than 10% of the total face value of the original issue, the Company may redeem the outstanding convertible bonds in cash at face value.

As of December 31, 2022, the abovementioned secured convertible bonds with a face value of NT\$1,499,200 thousand have been converted into 20,068 thousand ordinary shares (par value of NT\$1) of the Company. The benchmark date of capital increase on March 17, 2022, it is recorded under capital collected in advance. The portion of the net amount of conversion exceeding the par value of the ordinary shares is accounted for as capital surplus - convertible bond premium in the amount of NT\$262,367 thousand and NT\$1,521,726 thousand in 2022 and 2021, respectively; in addition, due to the exercise of the conversion right of bonds, the capital surplus - options recognized in the original issue decreased by NT\$52,240 thousand and NT\$303,109 thousand in 2022 and 2021, respectively.

The redemption right of this convertible bonds was exercised in January 2022 and the over-the-counter trading was terminated. The capital surplus - options recognized in the original issue by NT\$190 thousand was transferred to capital surplus - convertible bonds of expired share options.

20. ACCOUNTS PAYABLE

	December 31	
	2022	2021
Accounts payable	<u>\$ 386,599</u>	<u>\$ 421,934</u>
Accounts payable - related parties	<u>\$ 506,540</u>	<u>\$ 790,493</u>

The Company has in place financial risk management policies to ensure that all payables are repaid within the credit period.

21. OTHER PAYABLES

	December 31	
	2022	2021
Salaries and bonuses	\$ 269,142	\$ 95,972
Purchases of equipment	204,156	56,808
Employees' compensation and remuneration of directors	36,969	22,693
Payables for chemical products	35,494	942
Processing expenses	-	54,941
Others	<u>157,493</u>	<u>102,377</u>
	<u>\$ 703,254</u>	<u>\$ 333,733</u>

22. RETIREMENT BENEFIT PLAN

a. Defined contribution plans

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

b. Defined benefit plans

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

The amounts included in the parent company only balance sheets in respect of the Company defined benefit plans and other long-term employee benefit were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 4,771	\$ -
Fair value of plan assets	(7,366)	-
Present value of other long-term employee benefit obligation appropriated	<u>10,639</u>	<u>-</u>
Recognized under other payables	<u>(10,639)</u>	<u>-</u>
Net defined benefit assets (Note)	<u>\$ (2,595)</u>	<u>\$ -</u>

Note: Net defined benefit plan assets are recognized under other non-current assets.

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Present Value of Other Long-Term Employee Benefit Obligation Appropriated	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	\$ -	\$ -	\$ -	\$ -
Absorption and consolidation counted	<u>5,168</u>	<u>(6,635)</u>	<u>6,683</u>	<u>5,216</u>
Service cost				
Current service cost	136	-	3,662	3,798
Interest expense (income)	<u>26</u>	<u>(33)</u>	<u>28</u>	<u>21</u>
Recognized in profit or loss	<u>162</u>	<u>(33)</u>	<u>3,690</u>	<u>3,819</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(580)	-	(580)
Actuarial loss (gain) Changes in financial assumptions	(566)	-	(187)	(753)
Experience adjustments	<u>7</u>	<u>-</u>	<u>2,404</u>	<u>2,411</u>
Recognized in other comprehensive income (the portion of other long-term employee benefits is recognized in profit or loss)	<u>(559)</u>	<u>(580)</u>	<u>2,217</u>	<u>1,078</u>
Contributions from the employer	-	(118)	-	(118)
Benefits paid	<u>-</u>	<u>-</u>	<u>(1,951)</u>	<u>(1,951)</u>
	<u>-</u>	<u>(118)</u>	<u>(1,951)</u>	<u>(2,069)</u>
Balance at December 31, 2022	<u>\$ 4,771</u>	<u>\$ (7,366)</u>	<u>\$ 10,639</u>	<u>\$ 8,044</u>

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

	For the Year Ended December 31 <u>2022</u>
Operating costs	\$ 3,316
General and administrative expenses	<u>2,720</u>
	<u>\$ 6,036</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 securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

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

3) Salary risk

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

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

	<u>December 31</u> 2022
Discount rate (%)	1.5
Expected rate of salary increase (%)	2.5
Turnover rate (%)	0.0-10.0

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

	<u>December 31</u> <u>2022</u>
Discount rate	
0.25% increase	<u>\$ (170)</u>
0.25% decrease	<u>\$ 178</u>
Expected rate of salary increase	
0.25% increase	<u>\$ 173</u>
0.25% decrease	<u>\$ (166)</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</u> <u>2022</u>
Expected contributions to the plan for the next year	<u>\$ 96</u>
Average duration of the defined benefit obligation	14.7 years

23. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Number of shares authorized (in thousands)	<u>1,750,000</u>	<u>700,000</u>
Shares authorized	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Number of shares issued and fully paid (in thousands)	<u>966,422</u>	<u>364,131</u>
Shares issued	<u>\$ 386,569</u>	<u>\$ 364,131</u>

The Company had passed the revision of its articles of incorporation regarding par value per share in its shareholders' meeting in June 2022. The par value per share had been changed from NT\$1 to NT\$0.4, and the reissuance of the shares was completed on September 5, 2022.

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
May be used to offset a deficit, distribute cash or transferred to share capital (Note)		
Additional paid-in capital	\$ 4,224,188	\$ 4,224,188
Convertible bonds premium	1,784,093	1,521,726
Treasury share transactions	81,484	74,382
Expired options of convertible bonds	190	-
Expired employee share options	89	89

(Continued)

	December 31	
	2022	2021
<u>May be used to offset deficits only</u>		
Share of change in equity of subsidiaries	\$ 1	\$ -
<u>May not be used for any purpose</u>		
Restricted stocks for employees	115,284	-
Warrants of convertible bonds	<u>-</u>	<u>52,430</u>
	<u>\$ 6,205,329</u>	<u>\$ 5,872,815</u>
		(Concluded)

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 once a year).

c. Retained earnings and dividend policy

After the Company issued amended dividend regulation on shareholders' meeting in June 2022, that earnings distribution or loss make-up may be made after the close of each quarter. If there is any surplus at the end of each quarter, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous quarter, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or the competent authority; if there is any remaining balance, the Company may give priority to the distribution of dividends from the preferred shares; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

Before the Company issued amended dividend regulation on shareholders' meeting in June 2022, that earnings distribution or loss make-up may be made after the close of each semi-annual fiscal period. If there is any surplus at the end of each semi-annual fiscal period, the Company shall first make up for losses, estimate and retain the taxable contributions and compensation to employees and directors, and set aside 10% of the legal reserve, except when the legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law or regulations prescribed by the competent authority. If there is any surplus, the remaining balance shall be added to the accumulated undistributed earnings of the previous semi-accounting year, and the board of directors shall prepare a proposal for the distribution of the earnings, which shall be resolved by the shareholders' meeting if the earnings are to be distributed by issuing new shares, or by the board of directors if the earnings are to be distributed in cash.

If there is any surplus in the Company's annual final accounts, the Company shall first pay taxes and make up for losses, and then set aside 10% as legal reserve, except when the accumulated legal reserve has reached the Company's total capital, and set aside or reverse the special reserve as required by law

or the competent authority; if there is any remaining balance, the Company may give priority to the distribution of dividends from the preferred shares; if there is any unappropriated earnings from prior years, the Board of Directors shall prepare a proposal for the distribution of earnings, which shall be resolved by the shareholders' meeting if the distribution is to be made by issuing new shares.

The Company is in line with the overall environment and the growth characteristics of the industry, as well as the long-term financial planning of the Company, in order to achieve sustainable and stable business development. The Company's dividend policy is based on the residual dividend policy, which is based on the Company's future capital budget plan to measure the annual capital requirements, and the remaining earnings are distributed in the form of cash and stock dividends after reserving the necessary capital for financing. The distribution steps are as follows:

- 1) Determine the best capital budget.
- 2) Determine the amount of financing needed to meet the previous capital budget.
- 3) Determine the amount of capital to be financed by retained earnings.
- 4) The remaining earnings may be distributed to the shareholders in the form of dividends, after reserving an appropriate amount for operating needs, and the distribution should be no less than 10% of the Company's distributable earnings for the year, provided that the portion of cash dividends is no less than 10% of the total dividends to be paid.

Legal reserve may be used to offset deficits. 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.

In accordance with the Rule issued by FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve.

The appropriations of earnings for 2021 and 2020 have been approved in the shareholder's meeting in June 2022 and July 2021, respectively. The appropriations and cash dividends per share were as follows:

	For the Second Half of Year, 2021	For the First Half of Year, 2021	For the Second Half of Year, 2020	For the First Half of Year, 2020
Resolution Date of the Company's board of directors in its meeting	March 17, 2022	November 5, 2021	March 17, 2021	November 9, 2020
Legal reserve	<u>\$ 133,381</u>	<u>\$ 55,332</u>	<u>\$ 49,554</u>	<u>\$ 35,428</u>
Special reserve (reversal)	<u>\$ 64,892</u>	<u>\$ (34,256)</u>	<u>\$ 9,539</u>	<u>\$ 21,111</u>
Cash dividends	<u>\$ 646,123</u>	<u>\$ 246,872</u>	<u>\$ 326,169</u>	<u>\$ 141,276</u>
Cash dividends per share (NT\$)	<u>\$ 1.72</u>	<u>\$ 0.68</u>	<u>\$ 0.92</u>	<u>\$ 0.40</u>

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

	For the Second Half of Year, 2022	For the First Half of Year, 2022
Resolution date of the Company's board of directors in its meeting	March 16, 2023	November 4, 2022
Legal reserve	<u>\$ 133,177</u>	<u>\$ 153,349</u>
Special reserve	<u>\$ 31,557</u>	<u>\$ 54,752</u>
Cash dividends	<u>\$ 765,496</u>	<u>\$ 661,540</u>
Cash dividend per share (NT\$)	<u>\$ 0.81</u>	<u>\$ 0.70</u>

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

d. Other equity items

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

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ (261,162)	\$ (210,708)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	286,533	(63,067)
Related income tax	<u>(57,332)</u>	<u>12,613</u>
Balance, end of the year	<u>\$ (31,961)</u>	<u>\$ (261,162)</u>

2) Unrealized gains and losses on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ 90,532	\$ 70,714
Recognized for the year		
Unrealized gains and losses - equity instruments	(214,527)	191,576
Share from subsidiaries accounted for using the equity method	(19,039)	-
Related income tax	-	404
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>(48,451)</u>	<u>(172,162)</u>
Balance, end of the year	<u>\$ (191,485)</u>	<u>\$ 90,532</u>

3) Unearned employee benefits

	For the Year Ended December 31	
	2022	2021
Issuance of employee restricted stock awards	\$ (117,654)	\$ -
Share - based payment expense	5,608	-
Share from subsidiaries accounted for using the equity method	<u>797</u>	<u>-</u>
Balance, end of the year	<u>\$ (111,249)</u>	<u>\$ -</u>

e. Treasury shares

Purpose of Treasury Shares	Thousand Shares				December 31	
	Beginning of Year	Change The Par Value of Shares	Addition	Reduction	Thousand Shares	Amount
For the year ended December 31, 2022						
Transferring to employees	8,546	12,819	-	-	21,365	\$ 342,001
Shares held by subsidiaries	-	-	7,088	-	7,088	244,012
	<u>8,546</u>	<u>12,819</u>	<u>7,088</u>	<u>-</u>	<u>28,453</u>	<u>\$ 586,013</u>
For the year ended December 31, 2021						
Transferring of shares to employees	<u>9,599</u>	<u>-</u>	<u>-</u>	<u>1,053</u>	<u>8,546</u>	<u>\$ 342,001</u>

The Company's shares acquired and held by the subsidiary, Shing Zheng Investment, for the purpose of investment are accounted for as treasury shares (subsidiaries recorded those shares as financial assets at FVTOCI) based on the percentage of ownership held by the Company. The Company does not hold more than 50% of the shares of Shing Zheng Investment; therefore, its rights to hold the Company's shares are the same as other ordinary shareholders. Refer to Table 3 for details of the subsidiaries' ownership of the Company's shares. As of December 31, 2022, the market value of the above treasury shares was NT\$210,519 thousand based on the Company's shareholding at the end of the year.

In accordance with the Securities and Exchange Act, treasury shares held by the Company shall not be pledged, and do not hold any shareholder rights.

In June 2021, the Company's board of directors had decided to transfer part of the treasury shares to its employees. Refer to Note 28 for more details.

24. OPERATING REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from sale of goods	\$ 8,663,682	\$ 4,774,122
Commission and revenue from the rendering of services	95,405	35,827
Other operating revenue	<u>1,383</u>	<u>7,661</u>
	<u>\$ 8,760,470</u>	<u>\$ 4,817,610</u>

a. Refer to Note 4 for information relating to the contracts with customers.

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable	<u>\$ 1,435,512</u>	<u>\$ 1,279,718</u>	<u>\$ 745,734</u>
Contract liabilities (including current and non-current)			
Sale of goods	<u>\$ 304,451</u>	<u>\$ 11,371</u>	<u>\$ 6,731</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment.

Revenue recognized in the current year from the satisfaction of performance obligations of the contract liabilities at the beginning of the year is as follows:

	For the Year Ended December 31	
	2022 (Note)	2021
Sale of goods	<u>\$ 88,596</u>	<u>\$ 6,731</u>

Note: The beginning contract liability recognized as income for the year ended December 31, 2022 included the amount absorbed in the consolidated subsidiary, SHT.

c. Disaggregation of revenue

For the year ended December 31, 2022

	Reportable Segments			Total
	IC Lead frames	LED Lead frames	Others	
<u>Type of goods or services</u>				
Sale of goods	\$ 7,956,956	\$ 652,332	\$ 54,394	\$ 8,663,682
Commission and rendering of services	95,405	-	-	95,405
Other	<u>347</u>	<u>479</u>	<u>557</u>	<u>1,383</u>
	<u>\$ 8,052,708</u>	<u>\$ 652,811</u>	<u>\$ 54,951</u>	<u>\$ 8,760,470</u>

For the year ended December 31, 2021

	Reportable Segments			Total
	IC Lead frames	LED Lead frames	Others	
<u>Type of goods or services</u>				
Sale of goods	\$ 4,031,066	\$ 743,056	\$ -	\$ 4,774,122
Commission and rendering of services	35,827	-	-	35,827
Other	<u>6,542</u>	<u>544</u>	<u>575</u>	<u>7,661</u>
	<u>\$ 4,073,435</u>	<u>\$ 743,600</u>	<u>\$ 575</u>	<u>\$ 4,817,610</u>

d. Partially completed contracts

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

	December 31	
	2022	2021
Sale of goods		
Fulfill in 2022	\$ -	11,371
Fulfill in 2023	252,590	-
Fulfill in 2024 and subsequent years	<u>51,861</u>	<u>-</u>
	<u>\$ 304,451</u>	<u>\$ 11,371</u>

25. PROFIT BEFORE INCOME TAX

Profit before income tax includes the items as follows:

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividend income	\$ 90,995	\$ 57,217
Government grants	15,407	14,547
Rental income	7,858	-
Others	<u>6,241</u>	<u>112</u>
	<u>\$ 120,501</u>	<u>\$ 71,876</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gain (loss)	\$ 284,906	\$ (55,365)
Gain (loss) arising from financial assets at fair value through profit or loss	(20,700)	26,480
Others	<u>(3,256)</u>	<u>(3,432)</u>
	<u>\$ 260,950</u>	<u>\$ (32,317)</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 41,281	\$ 30,427
Amortization of syndicated loan fee	2,880	2,407
Interest on lease liabilities	1,078	566
Amortization of discounts on bonds payable	108	3,274
Others	5	-
Less: Amounts included in the cost of qualifying assets	<u>(802)</u>	<u>-</u>
	<u>\$ 44,550</u>	<u>\$ 36,674</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized amount	\$ <u>802</u>	\$ <u>-</u>
Capitalization rates (%)	0.095-1.436	-
d. Depreciation and amortization		
	For the Year Ended December 31	
	2022	2021
Depreciation		
Property, plant and equipment	\$ 330,144	\$ 101,868
Right-of-use assets	7,246	2,084
Investment properties	<u>2,799</u>	<u>-</u>
	<u>\$ 340,189</u>	<u>\$ 103,952</u>
Analysis of depreciation by function		
Operating costs	\$ 316,184	\$ 66,403
Operating expenses	21,206	37,549
Non-operating income and expenses	<u>2,799</u>	<u>-</u>
	<u>\$ 340,189</u>	<u>\$ 103,952</u>
Amortization		
Computer software	\$ 9,835	\$ 5,689
Patents	597	621
Other non-current assets	<u>270</u>	<u>17</u>
	<u>\$ 10,702</u>	<u>\$ 6,327</u>
Analysis of amortization by function		
Operating costs	\$ 3,057	\$ 148
Operating expenses	<u>7,645</u>	<u>6,179</u>
	<u>\$ 10,702</u>	<u>\$ 6,327</u>
e. Employee benefits		
	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 23,487	\$ 5,657
Defined benefit plans	<u>129</u>	<u>-</u>
	23,616	5,657
Other employee benefits	<u>696,848</u>	<u>195,135</u>
	<u>\$ 720,464</u>	<u>\$ 200,792</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Analysis of employee benefits by function		
Operating costs	\$ 452,919	\$ 88,302
Operating expenses	<u>267,545</u>	<u>112,490</u>
	<u>\$ 720,464</u>	<u>\$ 200,792</u>
		(Concluded)

f. Compensation of employees and remuneration of directors

In accordance with the Company's Articles, the Company accrues employees' compensation and remuneration of directors at the rates of 1% to 12% and no higher than 1.5%, respectively, of the pre-tax profit before deduction for employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021, which have been approved by the Company's board of directors in March 2023 and 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
Employees' compensation - cash	<u>\$ 32,969</u>	<u>\$ 18,693</u>
Remuneration of directors - cash	<u>\$ 4,000</u>	<u>\$ 4,000</u>

	For the Year Ended December 31	
	2022	2021
Accrual rate		
Employees' compensation (%)	1.0	1.0
Remuneration of directors (%)	0.1	0.2

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2021 and 2020.

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

g. Others

	For the Year Ended December 31	
	2022	2021
Gain on disposal of property, plant and equipment (included in operating costs)	<u>\$ -</u>	<u>\$ 1,200</u>

26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 360,910	\$ 73,526
Adjustments for prior years	(25,666)	(8,573)
Income tax on unappropriated earnings	21,099	3,419
Deferred tax		
In respect of the current year	<u>87,660</u>	<u>63,845</u>
	<u>\$ 444,003</u>	<u>\$ 132,217</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 3,259,904</u>	<u>\$ 1,846,595</u>
Income tax expense calculated at the statutory rate	\$ 651,981	\$ 369,945
Non-recognizable gains in determining taxable income	(14,804)	(87,483)
Income tax on unappropriated earnings	21,099	3,419
Unrecognized temporary differences	(188,607)	(145,091)
Adjustment for prior years	<u>(25,666)</u>	<u>(8,573)</u>
	<u>\$ 444,003</u>	<u>\$ 132,217</u>

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

	For the Year Ended December 31	
	2022	2021
Deferred tax		
Exchange differences on translating the financial statements of foreign operations	\$ 57,332	\$ (12,613)
Remeasurement on defined benefit plan	228	-
Unrealized gains and losses on financial assets at fair value through other comprehensive income	<u>-</u>	<u>(404)</u>
	<u>\$ 57,560</u>	<u>\$ (13,017)</u>

c. Current tax liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	<u>\$ 343,832</u>	<u>\$ 62,292</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Absorption and Consolidation Counted	Balance, End of Year
<u>Deferred tax assets</u>					
Temporary differences					
Loss on inventory valuation and obsolescence	\$ 9,487	\$ 9,478	\$ -	\$ 5,192	\$ 24,157
Difference between tax-report and financial report - revenue recognition	2,748	2,028	-	3,538	8,314
Exchange differences on translating the financial statements of foreign operations	65,288	-	(57,332)	-	7,956
Others	<u>16,157</u>	<u>(14,112)</u>	<u>-</u>	<u>2,920</u>	<u>4,965</u>
	<u>\$ 93,680</u>	<u>\$ (2,606)</u>	<u>\$ (57,332)</u>	<u>\$ 11,650</u>	<u>\$ 45,392</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit from foreign subsidiaries accounted for using the equity method	\$ 242,110	\$ 82,207	\$ -	\$ -	\$ 324,317
Others	<u>-</u>	<u>2,847</u>	<u>228</u>	<u>79</u>	<u>3,154</u>
	<u>\$ 242,110</u>	<u>\$ 85,054</u>	<u>\$ 228</u>	<u>\$ 79</u>	<u>\$ 3,154</u>

For the year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translating the financial statements of foreign operations	\$ 52,675	\$ -	\$ 12,613	\$ 65,288
Loss on inventory valuation and obsolescence	10,682	(1,195)	-	9,487

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Unrealized exchange losses	\$ 11,543	\$ 1,741	\$ -	\$ 13,284
Others	<u>3,910</u>	<u>1,307</u>	<u>404</u>	<u>5,621</u>
	<u>\$ 78,810</u>	<u>\$ 1,853</u>	<u>\$ 13,017</u>	<u>\$ 93,680</u>
<hr/>				
Deferred tax liabilities				
<hr/>				
Temporary differences				
Share of profit from foreign subsidiaries accounted for using the equity method	<u>\$ 176,412</u>	<u>\$ 65,698</u>	<u>\$ -</u>	<u>\$ 242,110</u> (Concluded)

e. Income tax assessments

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

27. EARNINGS PER SHARE

The effect of changing the par value of shares has been adjusted retrospectively in the calculation of earnings per share. The basic and diluted earnings per share in 2021 as a result of the retrospective adjustments are as follows:

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	<u>\$ 4.81</u>	<u>\$ 1.92</u>
Diluted earnings per share	<u>\$ 4.77</u>	<u>\$ 1.91</u>

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Net profit for the year	\$ 2,815,901	\$ 1,714,378
Effect of potentially dilutive ordinary shares		
Convertible bonds	<u>-</u>	<u>315</u>
	<u>\$ 2,815,901</u>	<u>\$ 1,714,693</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in computation of basic earnings per share	935,470	891,840
Effect of potentially dilutive ordinary shares		
Employees' compensation	1,210	505
Employee restricted stock awards	79	-
Convertible bonds	<u>-</u>	<u>5,893</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>936,759</u>	<u>898,238</u>

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

28. SHARE-BASED PAYMENT ARRANGEMENTS

a. Transferred treasury shares to employees

For the purposes of motivating the employees and enhancing internal cohesion, in June 2021, the Company's board of directors transferred treasury shares that were purchased in 2018 to employees of the parent Company, Company and its subsidiaries that met certain criteria. The grant date was July 8, 2021, 1,053 thousand shares (per value of NT\$1) had been transferred and the transfer price was NT\$40.2 per share.

The share-based payment arrangement on the grant date is calculated by using the closing price of the shares at the grant date less the performance price used to estimate the fair value of the share option.

b. Employee restricted stock awards

The issuance of employee restricted stock awards (RSAs) for the year 2022 of no more than 6,365 thousand ordinary shares (par value of NT\$0.4) has been approved by the Company's shareholders in their meeting held in June 2022. The grants will be made free of charge. Under the aforementioned resolution, the Company's board of directors approved the issuance of RSAs of 5,925 thousand shares (par value of NT\$0.4) in October 2022. The grant date and the issuance date will be on October 11, 2022. The fair value of employee restricted stock awards at the date of grant was \$30.6 per share.

Vesting conditions of the aforementioned arrangement are as follows:

- 1) Three years from the date of new employee restricted stocks for employees who are still in employment and achieved their individual KPI each year.
- 2) The maximum percentage of shares that can be vested in each year is 20% for three years, 30% for four years and 50% for five years.

Employee restricted stocks that have been granted but have not yet met the vesting conditions are as follows:

- 1) During each vesting period, no key management personnel granted RSAs, except for inheritance, may sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, any shares under the unvested RSAs. After the employee meets the vesting conditions, the shares will be transferred to the employee's personal pool account in accordance with the trust custody agreement.
- 2) The right of attendance, proposal, speech, vote and election should be executed in accordance with the contract of stock trust.
- 3) Except for the restrictions mentioned above, the right of restricted shares is the same as the issued ordinary shares of the Company before meeting the vesting conditions (including the right of interest, dividends, capital surplus; share option for cash capital increase).

29. NON-CASH TRANSACTIONS

The Company entered into the following non-cash investing activities that were not reflected in the statements of cash flows:

	For the Year Ended December 31	
	2022	2021
Investing activities affecting both cash and non-cash items		
Increase in property, plant and equipment	\$ 1,273,023	\$ 437,308
Decrease in prepayments for equipment	(149,169)	(112,538)
Increase in payables for equipment (classified under other payables)	(123,813)	(2,259)
Capitalized interest	<u>(802)</u>	<u>-</u>
Cash paid	<u>\$ 999,239</u>	<u>\$ 322,511</u>
Increase in intangible assets	\$ 10,310	\$ 12,988
Decrease in prepayments for equipment	(10,310)	(12,988)
Decrease in payables for equipment (classified under other payables)	<u>131</u>	<u>6,395</u>
Cash paid	<u>\$ 131</u>	<u>\$ 6,395</u>

30. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The overall strategy of the Company did not change significantly in 2022.

The capital structure of the Company consists of net debt and equity of the Company. The Company's long-term borrowings are subject to certain capital and financial ratio restrictions based on signed contracts. Refer to Note 18 for more information.

The key management personnel of the Company reviews the capital structure periodically in consideration of the current operation in the industry and the future development and external environmental changes. As part of the review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of shares issued, repurchase and the amount of new debt issued or existing debt redeemed.

31. FINANCIAL INSTRUMENTS

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

The management of the Company believes the carrying amounts of financial assets and liabilities recognized in the financial statements approximate their fair values.

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

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non - derivatives				
Mutual funds	\$ 55,020	\$ -	\$ -	\$ 55,020
Domestic convertible bonds	<u>2,688</u>	<u>-</u>	<u>-</u>	<u>2,688</u>
	<u>\$ 57,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,708</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	<u>\$ 1,322,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,322,063</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non - derivatives				
Mutual funds	\$ 99,960	\$ -	\$ -	\$ 99,960
Domestic convertible bonds	8,865	-	-	8,865
Derivatives				
Net redemption and put option of convertible bonds	<u>-</u>	<u>-</u>	<u>1,416</u>	<u>1,416</u>
	<u>\$ 108,825</u>	<u>\$ -</u>	<u>\$ 1,416</u>	<u>\$ 110,241</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	<u>\$ 832,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 832,720</u>

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

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

The financial assets of the Company measured at fair value based on Level 3 are derivatives at FVTPL and equity instruments investment measured at FVTOCI The reconciliations were as follows:

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ 1,416	\$ -
Additions	-	7,950
Conversions	(1,411)	(6,778)
Execution of redemption rights	(4)	-
Recognized in profit or loss (included in other gains and losses)	<u>(1)</u>	<u>244</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ 1,416</u>

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

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

The fair value of foreign non-listed stocks is measured by the market method with reference to the evaluation multiplier of companies of the same type and the Company's operating conditions.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets mandatorily classified as at FVTPL	\$ 57,708	\$ 110,241
Financial assets at amortized cost (Note 1)	4,536,859	4,486,381
Financial assets at FVTOCI - equity instruments	1,322,063	832,720
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	6,171,410	4,670,266

Note 1: The balances included financial assets at amortized cost are comprised of cash and cash equivalents, accounts receivable (including related parties), other receivables, refundable deposits (included in other non-current assets), and other financial assets.

Note 2: The balances included financial liabilities at amortized cost are comprised of short-term borrowings, notes payable, accounts payable (including related parties), other payables, current portion of bonds payable, long-term borrowings and guarantee deposits received (recorded as other non-current liabilities).

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, accounts receivable, accounts payable, bonds payable, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets,

and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The significant financial activities of the Company are reviewed by the board of directors in accordance with relevant regulations and internal controls. The finance department follows the accountability and related financial risk control procedures required by the Company for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

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

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured in 2022.

a) Foreign currency risk

The Company was exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters and by natural hedges of foreign deposits, foreign borrowings or foreign bond.

For the carrying amounts of the Company's significant non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 35.

The Company is mainly exposed to the USD. The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the USD. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%.

	Impact on Profit or Loss (USD)	
	For the Year Ended December 31	
	2022	2021
Profit before income tax (Note)	\$ (26,129)	\$ (20,292)

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

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

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrows funds at floating interest rates. The risk is managed by the Company by utilizing low-interest-rate financing methods. By taking advantage of the low interest rates, the Company can not only maintain low financing costs but have sufficient lines of credit for utilization.

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 82,599	\$ 29,251
Cash flow interest rate risk		
Financial assets	2,997,405	2,356,177
Financial liabilities	4,573,985	2,629,808

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

If interest rates had been higher/lower 1% and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by NT\$45,740 thousand and NT\$26,298 thousand, respectively.

c) Other price risk

The Company is exposed to other price risk through its investments in equity securities and bonds. If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$577 thousand and NT\$1,088 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2022 and 2021 would have increased/decreased by NT\$13,221 thousand and NT\$8,327 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation is the carrying amount of financial assets recognized in the balance sheets.

The Company's transaction counterparties are all creditworthy companies, and the relevant business units grant credit lines to their customers based on the results of each credit check, and also regularly tracks customer collections. Therefore, no significant credit risk is expected.

There are a number of major customers when it comes to accounts receivable counterparties. They are mostly engaged in commercial activities, and have similar economic characteristics and similar ability to fulfill contracts affected by the economic or other conditions. The receivables balances (accounts receivable and other receivables, including related parties) with significant credit risk were as follows:

Customer	December 31	
	2022	2021
CWE (Parent company)	\$ 562,496	\$ 269,425
SH Electronics Suzhou Co., Ltd. (SHS)	<u>5,206</u>	<u>388,425</u>
	<u>\$ 567,702</u>	<u>\$ 657,850</u>

The Company provided endorsements for its investee companies as of December 31, 2022 and 2021. The maximum amount of credit risk for providing endorsements for the investee companies was NT\$119,308 thousand and NT\$107,537 thousand, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company had available unutilized credit facilities of NT\$14,076,756 thousand and NT\$14,008,503 thousand, respectively.

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. To the extent that interest flows are at floating rate, the undiscounted amount was estimated by the interest rate at the balance sheet date.

	Less than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2022</u>				
Non-interest bearing liabilities	\$ 2,258,103	\$ 861	\$ -	\$ 2,258,964
Lease liabilities	10,456	38,559	44,325	93,340
Variable interest rate liabilities	2,126,767	1,486,724	1,025,946	4,639,437
Financial guarantee liabilities	<u>119,308</u>	<u>-</u>	<u>-</u>	<u>119,308</u>
	<u>\$ 4,514,634</u>	<u>\$ 1,526,144</u>	<u>\$ 1,070,271</u>	<u>\$ 7,111,049</u>
<u>December 31, 2021</u>				
Non-interest bearing liabilities	\$ 1,793,032	\$ -	\$ -	\$ 1,793,032
Lease liabilities	3,340	7,918	25,737	36,995
Variable interest rate liabilities	899,705	1,004,243	736,942	2,640,890
Fixed interest rate liabilities	500,330	-	-	500,330
Financial guarantee liabilities	<u>107,537</u>	<u>-</u>	<u>-</u>	<u>107,537</u>
	<u>\$ 3,303,944</u>	<u>\$ 1,012,161</u>	<u>\$ 762,679</u>	<u>\$ 5,078,784</u>

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

32. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and related parties are disclosed below:

a. Names of related parties and their relationships with the Company

Related Party Name	Relationship
CWE Wah Lee Industrial Corp.	Parent company Investment company that adopts equity method to evaluate the parent company
JMC Chang Wah Energy Technology Co., Ltd.	Associate Associate
CWTS	Subsidiary
SHT	Subsidiary (The Company merged with it in January 2022)
SHAP	Subsidiary
SH Precision Chengdu Co., Ltd. (SHPC)	Subsidiary
SH Electronics Chengdu Co., Ltd. (SHEC)	Subsidiary
SHS	Subsidiary
MSHE	Subsidiary
Shanghai Chang Wah Electromaterials Inc. (CWES)	Subsidiary

b. Operating revenues

Account Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Revenue from sales of goods	Parent company - CWE	\$ 3,008,336	\$ 790,449
	Subsidiaries	580,781	503,676
Commission and revenue from the rendering of services	Parent company	87,327	28,138
	Subsidiaries	8,078	7,690
Other operating revenue	Parent company	<u>301</u>	<u>6,665</u>
		<u>\$ 3,684,823</u>	<u>\$ 1,336,618</u>

Sales to related parties were under normal terms applied to similar transactions in the market. Commission and revenue from the rendering of services are different from and not comparable with that of non-related parties. Payment terms are 30-180 days from the end of the month, and the general customer payment terms are 15-120 days from the end of the month.

c. Purchase of goods

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Subsidiary - SHS	\$ 1,714,538	\$ 897,709
Subsidiary - SHEC	867,111	911,820
Subsidiary - MSHE	852,859	773,965
Subsidiaries - SHT	-	517,627
Investment company that adopts equity method to evaluate the parent company	15,265	10,674
Parent Company	<u>1,428</u>	<u>6,182</u>
	<u>\$ 3,451,201</u>	<u>\$ 3,117,977</u>

The purchase price is different from and not comparable with that for non-related parties. Payment terms are 15-90 days from the end of the month, and the general customer payment terms are purchase 7 days after purchasing to 120 days from the end of the month.

d. Endorsements and guarantees provided for the related parties

Related Party Category/Name	December 31	
	2022	2021
Subsidiary - CWES		
Amount endorsed	\$ 119,308	\$ 107,537
Amount utilized	119,308	107,537

e. Receivables from related parties

Account Item	Related Party Category/Name	December 31	
		2022	2021
Other receivables	Subsidiary - SHS	<u>\$ -</u>	<u>\$ 387,520</u>
Interest income	Subsidiary - SHS	<u>\$ 2,697</u>	<u>\$ 3,743</u>

The Company provides unsecured short-term lending to its subsidiary. The interest rates are similar with the market interest rates. For the years ended December 31, 2021, the interest rate ranges was 0.9%-2%. As of December 31, 2022, the subsidiary was fully repaid.

f. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 39,961	\$ 18,742
Share-based payments	5,476	-
Post-employment benefits	<u>976</u>	<u>359</u>
	<u>\$ 46,413</u>	<u>\$ 19,101</u>

g. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Year Ended December 31	
	2022	2021
Parent company	\$ 998	\$ 8,448
Associates	-	8,000
Subsidiaries	-	49
	<u>\$ 998</u>	<u>\$ 16,497</u>

The amount of the acquisition price and the payment terms determined based on agreement by both parties.

h. Lease arrangements

Lease liabilities

Related Party Category/Name	December 31	
	2022	2021
Associates	\$ 35,842	\$ 2,280
Subsidiary - SHT	-	3,077
	<u>\$ 35,842</u>	<u>\$ 5,357</u>

Interest expense

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Associates	\$ 128	\$ 3
Subsidiary	-	38
	<u>\$ 128</u>	<u>\$ 41</u>

i. Other transactions with related parties

In 2021, the Company relied on the processing services provided by SHT; the processing expenses were recognized as operating costs and research and development expenses of NT\$137,828 thousand.

The Company leases a portion of its building to its parent company, CWE under an agreement that expires in October 2024. The rental income amounted to NT\$2,514 thousand of the year ended December 31, 2022.

j. Balance at period-end

	December 31	
	2022	2021
Accounts receivable - related parties		
Parent Company - CWE	\$ 536,625	\$ 269,147
Subsidiary - SHPC	113,068	150,326

(Continued)

	December 31	
	2022	2021
Subsidiary - CWTS	\$ 32,216	\$ 83,438
Subsidiaries - Others	<u>22,912</u>	<u>46,138</u>
	<u>\$ 704,821</u>	<u>\$ 549,049</u>
Other receivables		
Parent company	\$ 25,871	\$ 278
Subsidiary - SHS	5,206	388,425
Subsidiaries - Others	<u>910</u>	<u>961</u>
	<u>\$ 31,987</u>	<u>\$ 389,664</u>
Accounts payable - related parties		
Subsidiary - MSHE	\$ 238,655	\$ 193,082
Subsidiary - SHEC	153,627	199,717
Subsidiary - SHS	109,509	140,160
Investment company that adopts equity method to evaluate the		
Parent company	4,184	3,882
Parent company	565	2,314
Subsidiaries - SHT	<u>-</u>	<u>251,338</u>
	<u>\$ 506,540</u>	<u>\$ 790,493</u>
Other payables		
Subsidiaries - Others	\$ 15,110	\$ 11,223
Parent company	716	260
Subsidiary - SHT	<u>-</u>	<u>111,136</u>
	<u>\$ 15,826</u>	<u>\$ 122,619</u>

(Concluded)

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The company provided the following assets as collateral for import tariffs:

	December 31	
	2022	2021
Other financial assets		
Time deposits	<u>\$ 29,400</u>	<u>\$ 29,700</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's commitments for the purchase of property, plant and equipment to which NT\$403,937 thousand was unpaid.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of the Company and the exchange rates between the foreign currencies and the functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands)
<u>December 31, 2022</u>				
Financial assets				
Monetary items				
USD	\$ 112,300	30.71	(USD:NTD)	\$ 3,448,724
JPY	536,776	0.2324	(JPY:NTD)	124,747
RMB	57,556	4.4094	(RMB:NTD)	253,786
Financial liabilities				
Monetary items				
USD	27,216	30.71	(USD:NTD)	835,808
JPY	158,408	0.2324	(JPY:NTD)	36,814
RMB	12,544	4.4094	(RMB:NTD)	55,313
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	238,535	30.71	(USD:NTD)	7,325,418
RMB	21,359	4.4094	(RMB:NTD)	94,181
<u>December 31, 2021</u>				
Financial assets				
Monetary items				
USD	140,638	27.68	(USD:NTD)	3,892,869
JPY	637,150	0.2405	(JPY:NTD)	153,235
RMB	40,806	4.3471	(RMB:NTD)	177,387
Financial liabilities				
Monetary items				
USD	67,329	27.68	(USD:NTD)	1,863,680
JPY	151,946	0.2405	(JPY:NTD)	36,543
RMB	16,772	4.3471	(RMB:NTD)	72,911
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	177,189	27.68	(USD:NTD)	4,904,602
RMB	19,362	4.3471	(RMB:NTD)	84,170

Please refer to Note 25 for the Company's realized and unrealized foreign exchange gains and losses. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currency.

36. ADDITIONAL DISCLOSURES

- a. Information about significant transactions and investees; b. Information on investees
 - 1) Financing provided to others (Table 1)
 - 2) Endorsements/guarantees provided (Table 2)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
 - 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (Table 4)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 5)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
 - 9) Trading in derivative instruments (Note 7)
 - 10) Information on investees (Table 8)
- c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 6)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)

- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services (None)
- d. Information of major shareholders: list of 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 10)

37. SEGMENT INFORMATION

Segment information is not required to be disclosed in the parent company only financial statements.

TABLE 1

Chang Wah Technology Co., Ltd. and Subsidiaries

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	The Company	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	\$ 429,940	\$ -	\$ -	0.9	1	\$ 1,714,538	-	\$ -	None	\$ 3,909,923	\$ 3,909,923	Note 2	
1	SH Electronics Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	322,455	322,455	122,840	0.8-0.9	2	-	Repayments of borrowings	-	None	1,116,661	1,116,661	Note 3	
2	SH Asia Pacific Pte. Ltd.	SH Electronics Suzhou Co., Ltd. SH Electronics Sdn. Bhd.	Other receivables	Yes	1,842,600	1,842,600	1,842,600	4.18	2	-	Financing of funds	-	None	6,075,380	6,075,380	Note 3	

Note 1: The nature of financing is as follows:

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

Note 2: The maximum amount of the total loan of funds provided by the Company for the companies or the parties which has business relationship or need short-term financing shall not exceed 40% of the net worth in the latest audited or reviewed financial statements of the Company, and the term of each loan shall not exceed one year.

Note 3: The maximum amount of the total loan of funds provided by subsidiary for the companies or the parties which need short-term financing shall not exceed net worth on the latest audited or reviewed financial statements of loan company. If the loan is made to a company in which the parent company has directly or indirectly, 100% of the ownership or voting rights of the Company, the amount shall not exceed the lender's net worth its latest audited or reviewed financial statements. For other companies, the amount shall not exceed the lender's 40% of the net worth in its latest audited or reviewed financial statements. The term of each loan shall not exceed one year. If the loan is made to a company in which the parent company has directly or indirectly, 100% of the ownership or voting rights of the Company, the term of the loan shall not exceed five years.

TABLE 2

Chang Wah Technology Co., Ltd. and Subsidiaries

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorsement/ Guarantee Provider	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
0	The Company	Shanghai Chang Wah Electromaterials Inc.	2	\$ 1,954,961	\$ 119,308	\$ 119,308	\$ -	\$ -	1.22	\$ 4,887,404	Yes	No	Yes	

Note 1: The amount of guarantees to any individual entity shall not exceed 20% of the Company's net worth. The maximum amount of guarantees shall not exceed 50% of the Company's net worth.

Note 2: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

- a. A company with which it does business.
- b. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
- c. A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
- d. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- e. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- f. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- g. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

TABLE 3

Chang Wah Technology Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
The Company	Stock - ordinary shares Chang Wah Electromaterials Inc.	Parent company	Financial assets at fair value through other comprehensive income	20,679,000	\$ 626,574	3.00	\$ 626,574
	Jmc Electronics Co., Ltd.	Associate	Financial assets at fair value through other comprehensive income	17,000	510	0.02	510
	Taiflex Scientific Co., Ltd.	-	Financial assets at fair value through other comprehensive income	4,832,000	199,079	2.31	199,079
	Greatek Electronics Inc.	-	Financial assets at fair value through other comprehensive income	224,000	10,752	0.04	10,752
	Everlight Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income	873,000	32,257	0.20	32,257
	Tian Zheng International Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income	478,000	22,848	1.44	22,848
	Chipbond Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	5,386,000	309,156	0.73	309,156
	Acter Group Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,191,000	120,887	1.04	120,887
	Ohkuchi Materials Co., Ltd.	-	Financial assets at fair value through other comprehensive income	50	-	5.00	-
	Convertible bonds Episil-Precision Inc.	-	Financial assets at fair value through profit or loss	28,000	2,688	-	2,688
Fund	Yuanta Taiwan High-yield Leading Company Fund B	-	Financial assets at fair value through profit or loss	7,000,000	55,020	-	55,020

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Shing Zheng Investment Co., Ltd.	Stock - ordinary shares	Ultimate parent company	Financial assets at fair value through other comprehensive income	3,021,000	\$ 91,536	0.44	\$ 91,536	Note
	Chang Wah Electromaterials Inc.	Parent company	Financial assets at fair value through other comprehensive income	14,465,642	429,630	1.51	429,630	
	Chang Wah Technology Co., Ltd.	Associate	Financial assets at fair value through other comprehensive income	194,000	5,820	0.23	5,820	
	Jmc Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income	484,000	23,135	1.46	23,135	
	Tian Zheng International Precision Machinery Co., Ltd.							

(Concluded)

Note: Refer to Note 23, the Company's shares held by subsidiaries are treated as treasury shares.

TABLE 4

Chang Wah Technology Co., Ltd. and Subsidiaries

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount (Note 2)
The Company	Stock - ordinary shares Chang Wah Electromaterials Inc.	Financial assets at fair value through other comprehensive income	Note 1	-	-	20,679,000	\$ 710,160	-	\$ -	-	20,679,000	\$ 626,574
	Shing Zheng Investment Co., Ltd.	Investments accounted for using the equity method	-	-	-	490,000	-	-	-	-	49,000,000	482,949
	Malaysian SH Electronics Sdn. Bhd.	Investments accounted for using the equity method	SH Asia Pacific Pte. Ltd.	Subsidiary	-	574,415 (Note 3)	23,000,000	-	-	-	23,000,000	992,548
Shing Zheng Investment Co., Ltd.	Stock - ordinary shares Chang Wah Technology Co., Ltd.	Financial assets at fair value through other comprehensive income	Note 1	-	-	14,465,642	497,984	-	-	-	14,465,642	429,650
SH Asia Pacific Pte. Ltd.	Stock - ordinary shares Malaysian SH Electronics Sdn. Bhd.	Investments accounted for using the equity method	The Company	Parent company	23,000,000	517,628	-	574,415	556,760	17,655 (Note 3)	-	-

Note 1: Acquired through the open market.

Note 2: The amount of investments accounted for using the equity method includes equity in investees' net income and loss and shareholder adjustment items. Financial assets at fair value through other comprehensive income include adjustments for change in value at fair value.

Note 3: The Company acquired all the shares of Malaysian SH Electronics Sdn. Bhd. from its subsidiary, SH Asia Pacific Pte. The transaction was treated as an equity transaction with no effect on the gain or loss on disposal. SH Asia Pacific Pte. Ltd. recorded the difference between the carrying amount and the selling price under equity.

Note 4: Since the par value of the Company's share is NTS0.4, the transaction amount of 20% of the paid-in capital is calculated based on the 10% of the equity attributable to the owners of the Company.

TABLE 5

Chang Wah Technology Co., Ltd. And Subsidiaries

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

Buyer	Property	Event Date	Transaction Amount (No Tax)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party			Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date			
The Company	Land and factory at Daliao District, Kaohsiung	2022.04.11	\$ 450,000	Paid	Mektec Corporation	None	-	-	-	Based on independent professional appraisal reports	Expand production capacity to meet order demand	None

Note: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on the 10% of the equity attributable to the owners of the Company.

TABLE 6

Chang Wah Technology Co., Ltd. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company name	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Term	Ending Balance	
The Company	Chang Wah Electromaterials Inc. SH Asia Pacific Pte. Ltd.	Parent company	Sale	\$ (3,008,336)	(35)	60 days	Not significantly different	Note 32	\$ 515,973	37
	CWTC (Shanghai) Inc.	Subsidiary	Sale	(344,556)	(4)	30 days	Not significantly different	Note 32	21,904	2
			Sale	(169,456)	(2)	180 days	Not significantly different	Note 32	32,216	2
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent company	Sale	(854,112)	(30)	60 days	Not significantly different	60 days	238,655	37
SH Electronics Chengdu Co., Ltd.	The Company	Parent company	Sale	(864,621)	(60)	45 days	Not significantly different	45 days	153,627	61
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister company	Sale	(777,414)	(99)	60 days	Not significantly different	60 days	144,510	100
SH Electronics Suzhou Co., Ltd.	The Company	Parent company	Sale	(1,706,604)	(62)	15 days	Not significantly different	15 days	111,367	38
	Shanghai Chang Wah Electromaterials Inc.	Sister company	Sale	(173,960)	(6)	45 days	Not significantly different	45 days	20,429	7
	Malaysian SH Electronics Sdn. Bhd.	Sister company	Sale	(202,662)	(7)	30 days	Not significantly different	30 days	37,801	13

Note: Since the par value of the Company's share is NT\$ 0.4, the transaction amount of 20% of the paid-in capital is calculated based on the 10% of the equity attributable to the owners of the Company.

TABLE 7

Chang Wah Technology Co., Ltd. and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
The Company	Chang Wah Electromaterials Inc.	Parent company	Accounts receivable \$ 536,625 (Note 1)	4.87 (Note 2)	\$ -	-	\$ 490,496	\$ -
The Company	SH Precision Chengdu Co., Ltd.	Subsidiary	Accounts receivable 113,068	Note 3	-	-	69,959	-
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent company	Accounts receivable 238,655	3.93	-	-	238,655	-
SH Electronics Chengdu Co., Ltd.	The Company	Parent company	Accounts receivable 153,627	4.90	-	-	125,630	-
SH Electronics Suzhou Co., Ltd.	The Company	Parent company	Accounts receivable 111,367	13.17	-	-	111,367	-
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister company	Accounts receivable 144,510	5.49	-	-	144,510	-
SH Electronics Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Sister company	Other receivables 123,637	Note 4	-	-	15,471	-
SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Sister company	Other receivables 1,842,600	Note 4	-	-	522,070	-

Note 1: Amounts include receivables of rendering service for NT\$20,652 thousand.

Note 2: In January 2022, the Company absorbed and merged its subsidiary, SH Electronics Taiwan Co., Ltd., the calculation is based on the turnover rate.

Note 3: Amounts include purchases for raw materials on behalf of subsidiaries, hence the turnover rate is not applicable.

Note 4: Amounts include other receivables such as intercompany loan and interest receivable, hence the turnover rate is not applicable.

Note 5: Since the par value of the Company's share is NT\$0.4, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the Company.

TABLE 8

Chang Wah Technology Co., Ltd. and Subsidiaries

**INFORMATION ON INVESTEEES (EXCLUDING INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Company	SH Asia Pacific Pte. Ltd.	Singapore	Trading of electronic components and electronics; investment activities	\$ 3,273,072	\$ 3,273,072	21,206,103	100	\$ 6,332,870	\$ 1,327,668	\$ 1,297,390	Notes 1, 2
The Company	Shing Zheng Investment Co., Ltd.	Taiwan	General Investments	490,000	-	49,000,000	49	482,949	24,467	4,886	Note 2
The Company	Malaysian SH Electronics Sdn. Bhd.	Malaysia	Manufacturing and selling leadframe and semiconductor materials	574,290	-	23,000,000	100	992,548	443,328	-	Note 1
SH Asia Pacific Pte. Ltd.	Malaysian SH Electronics Sdn. Bhd.	Malaysia	Manufacturing and selling leadframe and semiconductor materials	-	517,628	-	-	-	443,328	443,328	Note 1
SH Asia Pacific Pte. Ltd.	WSP Electromaterials Ltd.	British Virgin Islands	International investment activities	665,435	599,780	5,235,000	100	1,109,134	163,221	163,221	Note 1

Note 1: Translated into NTD using the average exchange rate for the reporting period and exchange rate at the balance sheet date.

Note 2: The difference between the net income (loss) of investees and the investment income or loss recognized by the Company is the unrealized gains and losses from the intercompany transaction and the amortization of the investment cost premium.

TABLE 9

Chang Wah Technology Co., Ltd. and Subsidiaries
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 2)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	\$ 61,420	1	\$ 64,308	\$ -	\$ -	\$ 64,308	\$ 8,856	100	\$ 8,856	\$ 94,181	\$ -	
Shanghai Chang Wah Electromaterials Inc.	Acting as an agent for IC packaging materials and equipment	122,840	2	-	-	-	-	78,308	69	54,326	339,842	-	
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	261,035	2	-	-	-	-	273,073	100	273,337	1,316,797	385,258	Note 5
SH Precision Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	107,485	2	-	-	-	-	105,633	100	89,916	527,407	204,616	Note 5
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	767,750	2	-	-	-	-	396,322	100	398,367	1,174,658	-	

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by Investment Commission, MOEA (Note 4)	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA (Note 1)
Chang Wah Technology Co., Ltd.	\$ 64,308	\$ 1,401,697	\$ -

Note 1: Pursuant to the Jing-Shen-Zi Letter No. 09704604680 of the Ministry of Economic Affairs, ROC and the amended Regulation Governing the Examination of Investment or Technical Cooperation in Mainland China dated August 29, 2008, the Company obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau of Ministry of Economic Affairs. The ceiling amount of the investment in Mainland China is not applicable to the Company.

Note 2: Methods of investment 1: Direct investment.

Methods of investment 2: Investments through a holding company registered in a third region.

Note 3: The basis for investment income (loss) recognition is the financial statement audited and attested.

Note 4: This includes the investment of US\$2,000 thousand in CWTC (Shanghai) Inc., US\$23,279 thousand in SH Electronics Chengdu Co., Ltd., US\$8,035 thousand in SH Precision Chengdu Co., Ltd., US\$3,659 thousand in SH Electronics Suzhou Co., Ltd. and US\$8,670 thousand in Shanghai Chang Wah Electromaterials Inc. approved by the Ministry of Economic Affairs and were translated into NTD using the exchange rate of US\$1:NT\$ 30.71.

Note 5: The accumulated remittance of profit from investment by SH Electronics Chengdu Co., Ltd. is RMB91,422 thousand (US\$13,000 thousand); The accumulated remittance of profit from investment by SH Precision Chengdu Co., Ltd. is RMB49,921 thousand (US\$7,000 thousand).

TABLE 10**Chang Wah Technology Co., Ltd.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang Wah Electromaterials Inc.	449,919,925	46.55
Fubon Life Assurance Co., Ltd.	68,538,100	7.09

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Chang Wah Technology Co., Ltd.

Chairperson: Canon, Huang

CWTC Chang Wah Technology Co., Ltd.
Chang Wah Technology Co., Ltd.