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CHANG WAH TECHNOLOGY CO., LTD.

2020 Annual Report

Printed on April 30, 2021

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Name of CPA: CPA Liu, Yu-Hsiang, CPA Liao, Hung-Ju
Name of the Accounting Firm: Deloitte & Touche
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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/>

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I. Letter to Shareholders

Dear Shareholders,

Thank you shareholders for taking your time to participate in the 2021 Shareholders Meeting. The operation of 2020 is reported as follows:

1. Operating Performance in 2020

(1) Business Result
(Consolidated)

Unit: NT\$ thousands

Item	2020		2019		2018	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenue	9,678,146	100%	9,320,275	100%	9,784,851	100%
Operating cost	7,873,240	81%	7,739,451	83%	7,983,253	82%
Gross profit	1,804,906	19%	1,580,824	17%	1,801,598	18%
Gross profit margin	19%	—	17%	—	18%	—
Operating profit	960,286	10%	832,870	9%	1,093,951	11%
Net profit before tax	966,360	10%	899,022	10%	1,205,754	12%
Net profit after tax	790,618	8%	618,915	7%	851,909	9%

(Parent Company Only)

Unit: NT\$ thousands

Item	2020		2019		2018	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenue	3,517,381	100%	3,495,028	100%	3,406,101	100%
Operating cost	3,240,619	92%	3,174,573	91%	3,020,445	89%
Gross profit	276,762	8%	320,455	9%	385,656	11%
Gross profit margin	8%	—	9%	—	11%	—
Operating profit	126,989	4%	158,345	5%	234,501	7%
Net profit before tax	727,233	21%	750,019	21%	1,043,852	31%
Net profit after tax	773,840	22%	607,304	17%	842,544	25%

(2) Budget Implementation: The Company did not disclose the financial forecast in 2020.

(3) Analysis of financial structure, solvency and profitability:

(Consolidated)

Item	Year	2020	2019	2018
Financial structure				
Debt asset ratio		55%	53%	47%
Long-term capital to property, plant and equipment		397%	343%	288%
Net asset value per share (Note)		15.02	13.89	14.43
Solvency				
Current ratio		231%	219%	210%
Quick ratio		147%	173%	155%
Profitability				
Return on total assets		7%	6%	9%
Return on equity		15%	12%	17%
Net Margin		8%	7%	9%
Earnings per share(Note)		2.19	1.72	2.36

Note: 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 comparative period is the retroactively adjusted net asset value per share and Earnings per share.

(Parent Company Only)

Item	Year	2020	2019	2018
Financial structure				
Debt asset ratio		49%	47%	37%
Long-term capital to property, plant and equipment		1780%	2149%	1970%
Net asset value per share(Note)		15.02	13.89	14.43
Solvency				
Current ratio		203%	131%	156%
Quick ratio		130%	122%	140%
Profitability				
Return on total assets		8%	7%	11%
Return on equity		15%	12%	17%
Net Margin		22%	17%	25%
Earnings per share(Note)		2.19	1.72	2.36

Note: 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 comparative period is the retroactively adjusted net asset value per share and Earnings per share.

(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 2021

The semiconductor industry is expected to perform better than expected in 2020, benefiting from the demand for cloud computing and devices for remote work and learning; however, 2021 would still be expected to be a challenging year. Therefore, the Company will strive to develop in the area of smart manufacturing and to become one of the major suppliers of metal BGAs in the global market.

Based on our operating results, market supply, demand conditions and marketing policies, we estimate that our major sales volume in 2021 will increase by 5~10% compared to 2020.

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

Envisioning the upcoming 2021, with the US-China trade war reshuffling the global supply chain, the industry will move into the 5G era as new AI and 5G technology applications and technologies become more and more mature. The downstream of the wearable devices and the Internet of Things industries may continue to expand. New technologies such as digital currency and blockchain may increase their demand for memory, making the current global semiconductor output value reach US\$440 billion.

New applications are developing one after another, and 5G and AI will bring a new wave of growth momentum to the semiconductor industry. In the future, with AI, Internet of Things, blockchain and other technology applications gradually develop, it will be an important source to strengthen the semiconductor industry.

4. 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

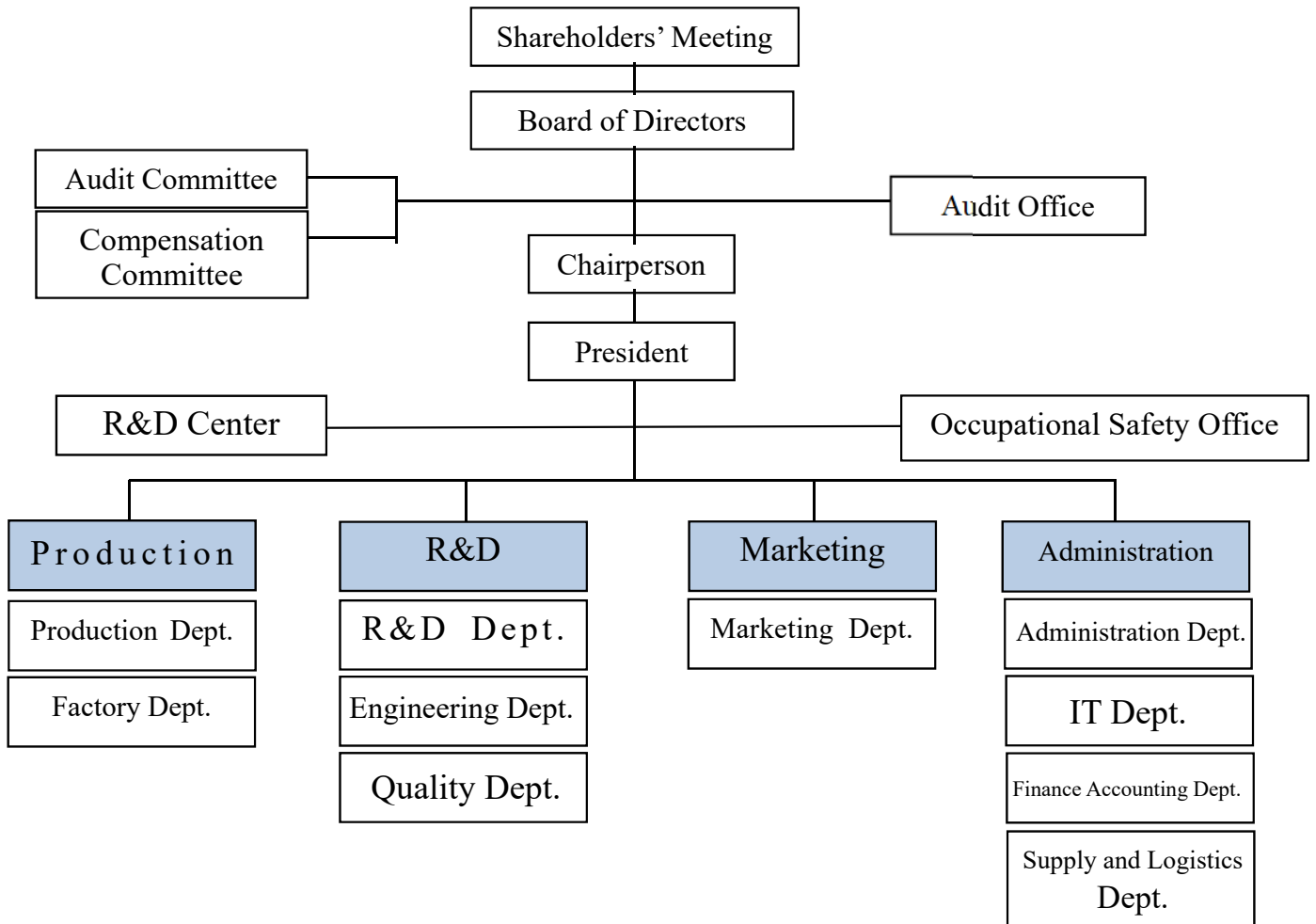
1. Date of Incorporation: December 24, 2009.
2. Company History (in the most recent year and by the print date of the annual report):

Year	Major Event
2020	<ol style="list-style-type: none">1. In January, Bridge Roots Fund L.P. overseas private equity funds returned capital distribution amount and income distribution to the Company. The private equity funds returned capital distribution amount of US\$1,620,000 and income distribution of US\$400,000 to the Company for a total of US\$2,020,000.2. In March, the board of directors resolved to proceed with cash capital increase in private common stocks/special shares or private placement of overseas or domestic corporate bonds. The resolution was submitted to the 2020 shareholders' meeting for discussion. The Bridge Roots Fund L.P. overseas private equity fund has a distribution of US\$260,000 in income, and the fund will be liquidated and dissolved in the future.3. In April, the board of directors resolved to dispose of the 44% of the common stocks of Ohkuchi Materials Co., Ltd..4. In June, the Bridge Roots Fund L.P. overseas private equity fund distributed US\$25,957.03 in income and the fund returned the remaining distributable amount.
2021	<ol style="list-style-type: none">1. In March, the board of directors resolved to build a new plant with NT\$390 million (excluding tax) to meet the company's future operational needs and capacity expansion.

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.
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 9, 2021

Title	Nationality/ Country of Origin	Name	Gender	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 3)	
							Shares	%	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)			Title	Name		Relation
Chairperson	ROC	Canon, Huang	Male	2018.05.08	3	2009.12.21	1,728,122	4.77%	17,590,000	4.83%	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. Chairperson of JMC Electronics Co., Ltd. Chairperson of SH Electronics Taiwan 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, How Wei Holding (Cayman) Co., Ltd. Chairperson of How Weih International Ltd. Chairperson of Hopetal (HK) Enterprise Holdings Ltd. Chairperson of SH Asia Pacific Pte.Ltd. Representative of juristic person director, WSP Electromaterials Ltd. Director of CWE Holding Co., Ltd. Director of CWER Co., Ltd. Director of Broadwell Worldwide Ltd. Chairperson of Silver Connection Co., Ltd. Representative of juristic person director, Yin Kang Co., Ltd. Representative of juristic person director, Yin Tai Co., Ltd.	None	None	None	None
Director	HK	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	Male	2018.05.08	3	2009.12.21	16,521,397	45.56%	194,738,970	53.48%	0	0%	0	0%	Hong Kong Polytechnic University General manager of Possehl 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. 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, SH Electronics Taiwan 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 Connection Co., Ltd.	None	None	None	None
Director	ROC	Chang Wah Electromaterials Inc. Representative: Chen, Bing-Hong (Note 4)	Male	2018.05.08	3	2009.12.21	16,521,397	45.56%	194,738,970	53.48%	0	0%	0	0%	Dept. of Textile Engineering, Feng Chia Univ. President of Wah Lee Industrial Corp. Director of Wah Lee Industrial Corp. Consultant of Wah Lee Industrial Corp. Director of Shanghai Hua Chang Trading Co., Ltd.	None	None	None	None	

Title	Nationality/ Country of Origin	Name	Gender	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 3)
							Shares	%	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)			Title	Name	
Director	ROC	Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	Male	2018.05.08	3	2009.12.21	16,521,397	45.56%	194,738,970	53.48%	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, JMC Electronics Co., 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/ Compensation Committee Member/Risk Management Committee Member/Corporate Governance and Nomination Committee Member of Meucures Life Insurance Co., Ltd.	None	None	None
Director	ROC	Chang Wah Electromaterials Inc. Representative: Chou, Kang-Chi (Note 4)	Male	2018.05.08	3	2009.12.21	16,521,397	45.56%	194,738,970	53.48%	0	0%	0	0%	Master of International Business Management, St. Thomas University (Minnesota) Chairman of Concord Securities Group	Chairperson and concurrently President of iROC Corporation Independent Director/Audit Committee Member/ Compensation Committee Member of C.C.P. Contact Probes Co., Ltd. Independent Director/Audit Committee Member/ Compensation Committee Member of Radium Life Tech Co., Ltd. Independent Director/ Compensation Committee Member of Chant Sincere Co., Ltd. Independent Director of Orient Pharma Co, Ltd Representative of juristic person director, Taichung Bank Securities Representative of juristic person director, Chang Wah Electromaterials Inc. Representative of juristic person director, Chang Wah Technology Co., Ltd. Representative of juristic person director, Super Dragon Technology Co., Ltd. Representative of juristic person director, ATrack Technology Inc. Remuneration Committee of TTY Biopharm Company Limited Vice Chairperson and representative of juristic person director of Chang Pwu Industrial Co., Ltd. Director of TemplateLang-e1 Vice Chairperson of Ka Shui International Holdings. Chairperson of Taiwan Public Relations Association Supervisor of ROC TSAA Vice President of ROC TPEA ROC SECURITIES ASSOCIATION Consultant	None	None	None
Director	ROC	Huang, Siou-Cyuan	Male	2018.05.08	3	2018.05.08	1,037,971	2.86%	10,379,710	2.85%	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 of Chang Wah Electromaterials Inc. Chairperson of Vizintocus Inc. Director of Chang Wah Technology Co., Ltd. Director of Vizio Inc.	None	None	None
Director	ROC	Chen, Cheng-Hong	Male	2018.05.08	3	2010.05.21	0	0%	0	0%	11,000	0%	0	0%	Master of EMBA, College of Management, National Sun Yat-Sen University	Independent Director of Sino Horizon Holding Limited(Sino Horizon Holding Co., Ltd.)	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	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 2)		
							Shares	%	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)			Title	Name		Relation	
Independent Director	ROC	Lin, Yi-Jing	Female	2018.05.08	3	2018.05.08	0	0%	0	0%	0	0%	0	0%	Dept. of Accounting, National Taiwan University Vice Chairperson and Partner of South District Director of Deloitte Touche Tohmatsu Limited(Taiwan)	Supervisor of CPDC Supervisor of ChinaSteel Management Consulting Corp. Director of Chang Wah Technology Co., Ltd.					
Independent Director	ROC	Lim, Ren-Lin	Male	2018.05.08	3	2018.05.08	0	0%	0	0%	0	0%	0	0%	Department of Accounting, Tunghai University Vice general manager, Deloitte & Touche Assistant manager, Deloitte & Touche Representative of juristic person supervisor, An Wei International Co., Ltd.	Certified public accountant, Ching Cheng Accounting Firm Responsible person, Ching Cheng Management Consultants Co., Ltd. Independent Director/Audit Committee Member/Compensation Committee Member of Drevloong Precision Inc. Independent Director/Audit Committee Member/Compensation Committee Member of Control Technology Co., Ltd. Supervisor of Ken Sean Industries Co., Ltd. Supervisor of Ken Sean Investment Co., Ltd. Independent Director/Audit Committee Member/Compensation Committee Member of Sun Rise E&T Corporation Independent Director/Audit Committee Member/Compensation Committee Member of Chang Wah Technology Co., Ltd.			None	None	None
Independent Director	ROC	Chuang, Chen	Male	2018.05.08	3	2018.05.08	0	0%	0	0%	0	0%	0	0%	Master of Information Management, the City University of New York General manager, KoInn Digital Technology Co., Ltd. Vice general manager, Hanyu Electronic Technology Co., Ltd. Manager, Waksin Lihwa 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
Independent Director	ROC	Chuang, Chen	Male	2018.05.08	3	2018.05.08	0	0%	0	0%	0	0%	0	0%	Dept. of Law, Chung Hsing University Judge and concurrently President of Kaohsiung Branch, Taiwan High Court Prosecutor of Taiwan Taipei District Court	Independent Director/Audit Committee Member/Compensation Committee Member of Chang Wah Technology Co., Ltd. Independent Director/Audit Committee Member/Compensation Committee Member of Thintlex Corporation Co., Ltd. Independent Director/Audit Committee Member/Compensation Committee Member of Chang Wah Technology Co., Ltd.			None	None	None

Note 1: The share par value was changed to NT\$ 1 with the approval in Sanshangzi No.1080006594 dated Jun. 24, 2019. The total number of shares issued is 364,131,050; new shares were issued on Sept. 9, 2019.

Note 2: The shareholding ratio is calculated based on 364,131,050 shares.

Note 3: Chairperson and President (top manager) are the same person, are spouse or first-degree relative to each other: None.

Note 4: Chang Wah Electromaterials Inc. appointed Representative Chou, Kang-Chi as the Director and the original Director, Chen Bing-Hong was discharged. (The new Director assumed his position on May 7, 2019)

Major shareholders of the institutional shareholders

April 21, 2020

Name of Institutional Shareholders	Major Shareholders (Note)
Chang Wah Electromaterials Inc.	Wah Lee Industrial Corp. (29.02%) ; Shin Shin Investment Co., Ltd.(8.32%) ; Fubon Life Insurance Co., Ltd. (6.79%) ; Yuan Yao Energy Technology Co., Ltd. (6.17%) ; Citibank custody of the Singapore government fund account (5.90%) ; Besijie Investment Co., Ltd. (3.11%) ; JMC Electronics Co., Ltd. (1.99%) ; Citibank International Personal Bank Singapore- The investment account entrusted by the manager, Government of Singapore Investment Limited (1.52%) ; Li, Wu-Fang (0.79 %) ; Kang Tai Investment Co., Ltd. (0.73%)

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 21, 2020

Name of Institutional Shareholders	Major Shareholders (Note)
Wah Lee Industries Co., Ltd.	Kang Tai Investment Co., Ltd. (7.20%) ; Fuhsih Investment Co., Ltd. (5.72%) ; Deh Wei Investment Co., Ltd. (4.76%) ; Dingbao Corp. (3.15%) ; Cathay Life Insurance Co., Ltd. (3.10%) ; Chang, Jui-chin (2.85%) ; Jing Zan Insurance Co., Ltd. (2.59%) ; Property trust account of employee stock ownership union of Wah Lee Industries Co., Ltd. entrusted to the China Trust Commercial Bank (2.03%) ; Chen, Jun-Ying (1.64%) ; Chang Wah Electromaterials Inc. (1.51%)
Shin Shin Investment Co., Ltd.	Canon, Huang (99.995%) ; Huang, Chiun-chieh (0.005%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Yuan Yao Energy Technology Co., Ltd.	Canon, Huang (98.03%) ; Huang, Hsing-lan (1.13%) ; Liao, Fang-lu (0.84%)
Citibank custody of the Singapore government fund account	Non-corporate, NA
Besijie Investment Co., Ltd.	Huang Si-ying (7.98%) ; Huang, Pei-mei (7.98%) ; Huang, Yu-chieh (5.93%) ; Chang, Shu-hui (78.11%)
JMC Electronics Co., Ltd.	Chang Wah Electromaterials Inc. (41.85%) ; ChipMO Technologies Inc. (10.00%) ; Canon, Huang (2.96%) ; AsusTek Computer Inc. (1.00%) ; Chang Wah Technology Co., Ltd. (0.92%) ; Li, Wan-shia (0.59%) ; Li, Sheng-Che (0.59%) ; Huang, Mei-hsueh (0.50%) ; Hsieh, Wen-Long (0.36%) ; Shen, Yi-Hong (0.35%)
Citibank International Personal Bank Singapore- The investment account entrusted by the manager, Government of Singapore Investment Limited	Non-corporate, NA
Kang Tai Investment Co., Ltd.	Fuhsih Investment Co., Ltd. (94.28%) ; Deh Wei Investment Co., Ltd. (5.72%)

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.

Information of Directors

April 30, 2021

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	Criteria	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11		12
Canon, Huang	None	None	✓	N	N	N	✓	N	N	✓	N	✓	✓	✓	✓	None	
Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	None	None	✓	N	N	✓	✓	N	N	✓	N	✓	✓	✓	✓	N	None
Chang Wah Electromaterials Inc. Representative: Chen, Bing-Hong (Note 2)	None	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N	None
Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	None	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N	3
Chang Wah Electromaterials Inc. Representative: Chou, Kang-Chi (Note 2)	None	None	✓	✓	N	✓	✓	N	N	✓	N	✓	✓	✓	✓	N	4
Huang, Siou-Cyuan	None	None	✓	N	N	N	✓	N	N	✓	N	✓	✓	✓	✓	None	
Chen, Cheng-Hong	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Lin, Yi-Jing	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	5	
Lin, Ren-Lin	None	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Chuang, Chen	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs

- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings or the Director, Supervisor or employee of the corporate shareholder who appoints the representative to act as the Director or Supervisor of the Company pursuant to Section 1 or Section 2, Article 27 of the Company Act
(not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).
- (6) Not a director, supervisor, or employee of another company who is not controlled by the same person as more than half of the director's seat or voting shares of the company (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).
- (7) The directors, supervisor or employee of another company or organization, who is not the same person with or the spouse of the Chairman, president, or person of equivalent positions of the Company.
(not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).
- (8) Directors, Supervisors, managers, or shareholders holding more than 5% of a specific company or organization with no financial or business dealings with the Company (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director of these companies mentioned above in accordance with the Act or local laws and regulations).
- (9) Professionals or owners, partners, directors, supervisors of sole proprietorships, partnerships, business owners of companies or organizations or their spouses who do not provide audit service to the Company or its affiliate companies or who have received a cumulative amount of remuneration in the past two years not exceeding NT\$500,000 for in business, legal, financial, accounting and other related services. However, this does not apply to members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M&A Special Committee, who perform their duties in accordance with the Securities Exchange Act or M&A related laws and regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

Note 2: Chang Wah Electromaterials Inc. appointed Representative Chou, Kang-Chi as the Director and the original Director, Chen Bing-Hong was discharged. (The new Director assumed his position on May 7, 2019)

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

April 9, 2021

Title	Nationality/ Country of Origin	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 4)
					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	2,338,790	0.64%	0	0%	0	0%	Hong Kong Polytechnic University General manager of Possehl 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, SH Electronics Taiwan 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 Connection Co., Ltd.	None	None	None	None	None
Vice President	ROC	Li, Jih-Hong	Male	Jul. 1, 2017	0	0.00%	0	0%	0	0%	Dept. of Electrical Engineering, National Yunlin University of Science and Technology VQA/Leader - Projector Leader and Electronics Testing Manager of Philips Manager of Chang Wah Electromaterials Inc. Project Manager of Siliconware Precision Industries Co., Ltd.	None	None	None	None	None	
Head of QA Dept.	ROC	He, Rong-Zong	Male	Apr. 1, 2015	10,480	0.00%	0	0%	0	0%	College of Management, I-Shou University QA Manager of Walton Advanced Engineering, Inc. QA Department Director of Vate Technology Co., Ltd.	None	None	None	None	None	
Head of Production Dept.	ROC	Yang, Chung-Chi	Male	Jun. 19, 2014	537,000	0.15%	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	

Title	Nationality/ Country of Origin	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 4)	
					Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)	Shares (Note 1)	% (Note 2)			Title	Name			Relation
Head of R&D Dept.	ROC	Hsu, Pat-Hsiang	Male	Jun. 19, 2014	470,000	0.13%	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	
Financial manager	ROC	Yan, Shu-Ping	Female	Apr. 30, 2015	454,040	0.12%	0	0%	0	0%	Dept. of Accounting, Providence University Assistant manager of Chang Wah Electromaterials Co., Ltd.	None	None	None	None	None	
Accounting Manager	ROC	Lin, Chun-Chi	Male	Mar. 17, 2017	6,000	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. Assistant Officer of Deloitte Touche Tohmatsu Limited (Taiwan)	Senior Financial Manager of SH Electronics Taiwan Co., Ltd.	None	None	None	None	
Audit Supervisor	ROC	Hsu, Liang-Fang	Female	Mar. 1, 2017	276,000	0.08%	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.	None	None	None	None	None

Note 1: The face value per share was changed to NT\$ 1 with the approval in Sanshangzi No.1080006594 dated Jun. 24, 2019. The total number of shares issued is 364,131,050; new shares were issued on Sept. 9, 2019.

Note 2: The shareholding ratio is calculated based on 364,131,050 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: 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:

December 31, 2020 /Unit: 千股; NT\$ thousands; %

Title	Remuneration of Directors (Note)										Relevant Remuneration Received by Directors Who are Also Employees				RATIO OF TOTAL COMPENSATION (A+B+C+D+E+F+G) TO NET INCOME (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
	Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)		Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employees Bonus (G)			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	Cash	Stock			
Chairperson	0	14,389	0	0	1,000	1,000	48	48	0.14%	1.95%	4,040	0	0	0	0	0	0.66%	2.46%	None
	0	0	0	0			0	0			0	0	0	0	0	0			None
Juristic Person Director	0	7,030	0	0	1,800	1,800	48	48	0.25%	1.14%	2,580	0	124	0	0	0	0.59%	2.24%	None
Representative: Tsai, Kong-Dong	0	0	0	0			48	48			0	0	0	0	0	0			None
Representative: Chou, Kang-Chi	0	0	0	0			48	48			0	0	0	0	0	0			None
Director	0	0	0	0	600	600	48	48	0.08%	0.08%	0	0	0	0	0	0	0.08%	0.08%	None
Director	0	0	0	0	600	600	48	48	0.08%	0.08%	0	0	0	0	0	0	0.08%	0.08%	None
Independent Director	600	600	0	0	0	0	48	48	0.08%	0.08%	0	0	0	0	0	0	0.08%	0.08%	None
Independent Director	600	600	0	0	0	0	48	48	0.08%	0.08%	0	0	0	0	0	0	0.08%	0.08%	None
Independent Director	600	600	0	0	0	0	42	42	0.08%	0.08%	0	0	0	0	0	0	0.08%	0.08%	None
Total	1,800	23,219	0	0	4,000	4,000	426	426	0.79%	3.49%	6,620	12,620	0	124	0	0	1.65%	5.10%	None

1. Please state the policy, system, standard and structure of remuneration payment to the Independent Director and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors. According to the "Director Remuneration Management Measures" of the Company, when an Independent Director performs his/her duties in the company, regardless of the Company's operating profit or loss, the Company may pay each Independent Director NT\$30,000 to NT\$50,000 per month per month; Article 5 of "Rules Governing the Scope of Powers of Independent Directors," Independent Director do not participate in the company's surplus distribution.

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:

December 31, 2020 /Unit: NT\$ thousands; 千股; %

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Bonus (D)			Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary	
		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	The Company	All companies in the consolidated financial statements			
CEO	Canon, Huang	4,040	4,040	0	0	0	0	0	0	0	0	0.52%	0.51%	None
President	Hung, Chuen-Sing	2,580	8,580	0	124	0	0	0	0	0	0	0.33%	1.10%	None
Vice President	Li, Jih-Hong	1,992	1,992	108	108	0	0	1,827	0	1,827	0	0.51%	0.50%	None

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

FY2020; 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	CEO	Canon, Huang	0	4,712	4,712	0.61%
	President	Hung, Chuen-Sing				
	Vice President	Li, Jih-Hong				
	Head of Department	He, Rong-Zong				
	Head of Department	Yang, Chung-Chi				
	Head of Department	Hsu, Pai-Hsiang				
	Manager	Lin, Jun-Chi				
	Manager	Yan, Shu-Ping				

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

Note 2: The employees remuneration in 2020 was approved by the board of directors on March 17, 2021.

Note 3: The scope of application of managers, as stipulated in Letter Taitsaizhengsanzi 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	2019				2020			
	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	10,950	1.80%	35,452	5.73%	16,773	2.17%	44,316	5.61%

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:

For the remuneration of the Directors of the Company, the Board of Directors is authorized to refer to the recommendations of the Compensation Committee and make decisions based on the Directors' participation in the company's operations and their value of contribution, as well as the industry's usual standards, and the Company's " Rules Governing the Remuneration of Directors".

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.

Profit of the current year referred to in the preceding 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) Remuneration of President and Vice Presidents:

The remuneration of the President and Vice Presidents includes salary, bonus, employee compensation and employee stock option certificates. The salary level is based on the positions held in the Company, the responsibility assumed and the contribution to the Company with the remuneration level in the industry considered for providing reasonable remuneration. The procedures for setting the remuneration are based on the company's overall operating performance, individual performance and the contribution to the Company's performance for providing reasonable remuneration.

(3) Future risks:

The individual remuneration paid by the company has been carefully evaluated internally and reviewed and resolved by the Salary and Compensation Committee with the Directors, so as not to cause major future risks.

4. Implementation of Corporate Governance:

(1) Board of Directors:

A total of 9 (A) meetings of the Board of Directors were held in the previous period. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Chairperson	Canon, Huang	9	0	100%	None
Institutional Director	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	9	0	100%	None
Institutional Director	Chang Wah Electromaterials Inc. Representative: Chou, Kang-Chi	9	0	100%	None
Institutional Director	Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	9	0	100%	None
Director	Huang, Siou-Cyuan	9	0	100%	None
Director	Chen, Cheng-Hong	9	0	100%	None
Independent Director	Lin, Yi-Jing	9	0	100%	None
Independent Director	Lin, Ren-Lin	9	0	100%	None
Independent Director	Chuang, Chen	8	1	89%	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.

Date of Board of Directors Meeting	Period	Motion	Opinions of Independent Directors	Opinion Handling
Mar. 18, 2020	12 th Time, 4 th Session	Change of appointment of CPA.	Passed unanimously	N/A
		The Company's Statement on Internal Control.	Passed unanimously	N/A
		Revision of the Company's measures.	Passed unanimously	N/A
		Lifting of non-competition restriction on the Legal Representative of the Director.	Passed unanimously	N/A
		Processing of cash capital increase in private common stocks/special shares or private placement of overseas or domestic corporate bonds.	Passed unanimously	N/A
		The Company's capital loan to its subsidiary SH Electronics Suzhou Co., Ltd. at the amount of US\$4.5 million.	Passed unanimously	N/A
		The Company's capital loan to Shanghai Chang Wah Electromaterials Inc. at the amount of US\$1.5 million.	Passed unanimously	N/A

Date of Board of Directors Meeting	Period	Motion	Opinions of Independent Directors	Opinion Handling
		Ratification of obtaining and disposal of securities.	Passed unanimously	N/A
Apr. 20, 2020	13 th Time, 4 th Session	The Company's transfer of 44% of the shares of Ohkuchi Materials Co., Ltd. to Sumitomo Metal Mining Co., Ltd.	Passed unanimously	N/A
May 8, 2020	14 th Time, 4 th Session	Ratification of obtaining and disposal of securities.	Passed unanimously	N/A
		Increase of investment in the common stocks of Chipbond Technology Corporation.	Passed unanimously	N/A
Jun. 30, 2020	15 th Time, 4 th Session	Ratification of obtaining and disposal of securities.	Passed unanimously	N/A
		Change of the nature of capital lending to the subsidiary SH Electronics Suzhou Co., Ltd.	Passed unanimously	N/A
Aug. 7, 2020	16 th Time, 4 th Session	Revision of the method of transferring the repurchased shares of Chang Wah Technology Co., Ltd. for transfer to the employees.	Passed unanimously	N/A
		Ratification of obtaining and disposal of securities.	Passed unanimously	N/A
		Details and date of distribution of bonus to the Directors.	Passed unanimously	N/A
		Purchase of machine equipment and intangible assets from Ohkuchi Materials Co., Ltd.	Passed unanimously	N/A
Nov. 9, 2020	17 th Time, 4 th Session	2020 audit plan.	Passed unanimously	N/A
		Ratification of obtaining and disposal of securities.	Passed unanimously	N/A
Dec. 18, 2020	18 th Time, 4 th Session	Application to banks for syndicated loans.	Passed unanimously	N/A
		Appointment and remuneration of accountants.	Passed unanimously	N/A
		The Company's capital loan to its subsidiary SH Electronics Suzhou Co., Ltd. at the amount of US\$9.8 million.	Passed unanimously	N/A
		Formulation of the "Practice Guidelines for Corporate Governance" and "Board of Directors Performance Evaluation Measures".	Passed unanimously	N/A
		The Company's entry into the agreement with Chang Wah Energy Technology Co., Ltd. for contracting the construction of solar photovoltaic power generation system.	Passed unanimously	N/A
		Ratification of obtaining and disposal of securities.	Passed unanimously	N/A
		The 2020 performance bonus and 2021 salary for the managers.	Passed unanimously	N/A
The transfer of the first-time repurchased shares to the employees.	Passed unanimously	N/A		
Mar. 17, 2021	19 th Time, 4 th Session	The Company's Statement on Internal Control.	Passed unanimously	N/A
		The Company's capital loan to its subsidiary SH Electronics Suzhou Co., Ltd. at the amount of US\$4.5 million.	Passed unanimously	N/A
		Ratification of obtaining and disposal of securities.	Passed unanimously	N/A
		Revision of the Company's measures.	Passed unanimously	N/A
		Selection of building contractor of new plants.	Passed unanimously	N/A
Apr. 20, 2021	20 th Time, 4 th Session	Results of the review of shareholders' proposals and nomination of candidates for directors (including independent directors).	Passed unanimously	N/A

(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
Mar. 18, 2020	Chang Wah Electromaterials Inc. Representative: Chou, Kang-Chi	Lifting of non-competition restriction on the Legal Representative of the Director.	Being the director	The motion, except for the non-participation of Director Chou Kang-Chi in the discussion and voting due to avoidance of conflict of interests in accordance with the law, was passed unanimously after the chairman consulted the remaining present Directors.
Mar. 18, 2020	Canon, Huang 、 Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong	Ratification of obtaining and disposal of securities.	Being the director	In addition to the ratification of the acquisition and disposal of the securities of Elite Semiconductor Microelectronics Technology Inc. and JMC Electronics Co., Ltd. securities. This motion, except for the temporary absence of Directors Canon, Huang, Hung, Chuen-Sing and Tsai, Rong-Dong due to avoidance of conflict of interests, was passed unanimously after the acting Chairman consulted the remaining present directors.
May 8, 2020	Canon, Huang 、 Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong	Ratification of obtaining and disposal of securities.	Being the Director	In addition to the ratification of the acquisition and disposal of the securities of Elite Semiconductor Microelectronics Technology Inc. and JMC Electronics Co., Ltd. securities. This motion, except for the temporary absence of Directors Canon, Huang, Hung, Chuen-Sing and Tsai, Rong-Dong due to avoidance of conflict of interests, was passed unanimously after the acting Chairman consulted the remaining present directors.
Jun. 30, 2020	Canon, Huang 、 Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong	Ratification of obtaining and disposal of securities.	Being the Director	In addition to the ratification of the acquisition and disposal of the securities of Elite Semiconductor Microelectronics Technology Inc. and JMC Electronics Co., Ltd. securities. This motion, except for the temporary absence of Directors Canon, Huang, Hung, Chuen-Sing and Tsai, Rong-Dong due to avoidance of conflict of interests, was passed unanimously after the acting Chairman consulted the remaining present directors.
Aug. 7, 2020	Canon, Huang 、 Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong	Ratification of obtaining and disposal of securities.	Being the Director	In addition to the ratification of the acquisition and disposal of the securities of Elite Semiconductor Microelectronics Technology Inc. and JMC Electronics Co., Ltd. securities. This motion, except for the temporary absence of Directors Canon, Huang, Hung, Chuen-Sing and Tsai, Rong-Dong due to avoidance of conflict of interests, was passed unanimously after the acting Chairman consulted the remaining present directors.
Aug. 7, 2020	Canon, Huang 、 Huang, Siou-Cyuan 、 Chang Wah	Discussion on details and date of distribution of bonus to the Directors.	Being the Director	This motion, except for the non-participation of the directors in the discussion and voting due to

Date of Board of Directors Meeting	Name of Director	Motion	Reason	Participation and Voting
	Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong Representative: Chou, Kang-Chi、Chen, Cheng- Hong、Lin, Ren-Lin、Lin, Yi-Jing、Chuang, Chen			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.)
Nov. 9, 2020	Canon, Huang	Ratification of obtaining and disposal of securities.	Being the Director	In addition to the ratification of the acquisition and disposal of the securities of Elite Semiconductor Microelectronics Technology Inc. and JMC Electronics Co., Ltd. securities. This motion, except for the temporary absence of Director Canon, Huang, due to avoidance of conflict of interests, was passed unanimously after the acting Chairman consulted the remaining present directors.
Dec. 18, 2020	Canon, Huang	The Company's entry into the agreement with Chang Wah Energy Technology Co., Ltd for contracting the construction of solar photovoltaic power generation system.	Being the Director	This motion, except for the temporary absence of Director Canon, Huang, due to avoidance of conflict of interests, was passed unanimously after the acting Chairman consulted the remaining present directors.
Dec. 18, 2020	Canon, Huang、Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong	Ratification of obtaining and disposal of securities.	Being the Director	In addition to the ratification of the acquisition and disposal of the securities of Elite Semiconductor Microelectronics Technology Inc. and JMC Electronics Co., Ltd. securities. This motion, except for the temporary absence of Directors Canon, Huang, Hung, Chuen-Sing and Tsai, Rong-Dong due to avoidance of conflict of interests, was passed unanimously after the acting Chairman consulted the remaining present directors.
Dec. 18, 2020	Canon, Huang、Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	2020 performance bonus and 2021 salary for the managers.	Being the Director	This motion, except for the temporary absence of Chairperson Canon, Huang, and Director Hung, Chuen-Sing due to avoidance of conflict of interests, was passed unanimously after the acting Chairman consulted the remaining present directors.
Dec. 18, 2020	Canon, Huang、Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	The transfer of the first-time repurchased shares to the employees.	Being the Director	This motion, except for the temporary absence of Chairperson Canon, Huang, and Director Hung, Chuen-Sing due to avoidance of conflict of interests, was passed unanimously after the acting Chairman consulted the remaining present directors.
Mar. 17, 2021	Canon, Huang、Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong	Ratification of obtaining and disposal of securities.	Being the Director	In addition to the ratification of the acquisition and disposal of the securities of Elite Semiconductor Microelectronics Technology Inc. and JMC Electronics Co., Ltd. securities. This motion, except for the temporary absence of Directors

Date of Board of Directors Meeting	Name of Director	Motion	Reason	Participation and Voting
				Canon, Huang, Hung, Chuen-Sing and Tsai, Rong-Dong due to avoidance of conflict of interests, was passed unanimously after the acting Chairman consulted the remaining present directors.
Mar. 17, 2021	Canon, Huang、Huang, Siou-Cyuan、Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong、Lin, Ren-Lin、Lin, Yi-Jing	Full re-election of Directors and nomination of candidates for Directors.	Being the Director	This motion was discussed and voted on a one-by-one basis. Except for the absence of the directors for avoiding conflict of interests, this motion was agreed to by the majority of the present directors and was therefore passed.
Mar. 17, 2021	Canon, Huang、Huang, Siou-Cyuan、Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong、Lin, Ren-Lin、Lin, Yi-Jing	Lifting of the non-competition restriction on new Directors	Being the Director	This motion was discussed and voted on a one-by-one basis. Except for the absence of the directors for avoiding conflict of interests, this motion was agreed to by the majority of the present directors and was therefore passed.
Apr. 20, 2021	Canon, Huang、Huang, Siou-Cyuan、Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing Representative: Tsai, Rong-Dong、Lin, Ren-Lin、Lin, Yi-Jing	Results of the review of shareholders' proposals and nomination of candidates for directors (including independent directors).	Being the Director	This motion was discussed and voted on a one-by-one basis. Except for the absence of the directors for avoiding conflict of interests, this motion was agreed to by the majority of the present directors and was therefore passed.

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.

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Reason	Evaluation Content
Once a year	From 2020/01/01 to 2020/12/31	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

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Reason	Evaluation Content
				5. Directors' professional and 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

The Company's board of directors passed the "Board of Directors Performance Evaluation Measures" on December 18, 2020 and completed the evaluation of the operations of 2020 Board o in December 2020, and submitted the evaluation to the Board of Directors on March 17, 2021.

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 18, 2020.

(2) Audit Committee:

A total of 8 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was 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	Chuang, Chen	7	1	88%	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.

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.

(1) Circumstances referred to in Article 14-5 of the Securities and Exchange Act.

Date of Board of Directors Meeting	Period	Motion	Resolution of Audit Committee	Company's handling of the decision of Audit Committee
Mar. 18, 2020	12 th Time, 4 th Session	The Company's FY2019IFRSs financial report.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's FY2019 operation report.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Change of appointment of the CPA.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's Statement on Internal Control.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Revision of the Company's measures.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Proposal to increase cash capital through private placement of ordinary shares/special shares or private placement of overseas or domestic convertible bonds.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's capital loan to its subsidiary SH Electronics Suzhou Co., Ltd. at the amount of US\$4.5 million.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's capital loan to Shanghai Chang Wah Electromaterials Inc. at the amount of US\$1.5 million.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Ratification of obtaining and disposal of securities.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Apr. 20, 2020	13 th Time, 4 th Session	The Company's transfer of 44% of the shares of Ohkuchi Materials Co., Ltd. to Sumitomo Metal Mining Co., Ltd.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
May 8, 2020	14 th Time, 4 th Session	Ratification of obtaining and disposal of securities.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Increase of investment in the common stocks of Chipbond Technology Corporation.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously

Date of Board of Directors Meeting	Period	Motion	Resolution of Audit Committee	Company's handling of the decision of Audit Committee
Jun. 30, 2020	15 th Time, 4 th Session	Ratification of obtaining and disposal of securities.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Change of the nature of Company's capital loan to SH Electronics Suzhou Co., Ltd.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Aug. 7, 2020	16 th Time, 4 th Session	Ratification of obtaining and disposal of securities.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Purchase machine equipment and intangible assets from Ohkuchi Materials Co., Ltd.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Nov. 9, 2020	17 th Time, 4 th Session	The 2021 audit plan.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Ratification of obtaining and disposal of securities.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Dec. 18, 2020	18 th Time, 4 th Session	Application to banks for syndicated loans.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Appointment and remuneration of accountants in 2021.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's capital loan to its subsidiary SH Electronics Suzhou Co., Ltd. at the amount of US\$9.8 million.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Formulation of the "Pragmatic Guidelines for Corporate Governance" and "Board of Directors Performance Evaluation Measures".	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's entry into the agreement with Chang Wah Energy Technology Co., Ltd. for contracting the construction of solar photovoltaic power generation system.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Ratification of obtaining and disposal of securities.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Mar. 17, 2021	19 th Time, 4 th Session	The Company's 2020 IFRSs financial report.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's 2020 operation report.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's Statement on Internal Control.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The Company's capital loan to its subsidiary SH Electronics Suzhou Co., Ltd. at the amount of US\$4.5 million.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Ratification of obtaining and disposal of securities.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Revision of the Company's measures.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Selection of building contractor of new plants.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously

- (2) 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.):
- 3-1 Communication methods of independent directors with internal audit supervisor and accountants:

- (1) The Company established an audit committee on December 10, 2015. The shareholders' meeting re-elected three independent directors for the 2nd term on May 8, 2018.
- (2) 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.
- (3) 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.
- (4) The audit supervisor, accountant and independent directors usually communicate directly through emails, phones or meetings as needed.

3-2.1 Summary of the communication between independent directors (Audit Committee) and accountants at regular meetings:

Date	Communication Keypoints	Suggestions of Independent Directors
Dec. 20, 2018	Appointment and remuneration of accountants in FY2019.	None
Mar. 19, 2019	2018 IFRSs financial report.	None
Aug. 9, 2019	2019 Q2 IFRSs financial report.	None
Dec. 19, 2019	1. The key audit items of the accountant's audit report in new form in FY 2019. 2. Appointment and remuneration of accountants in FY2020.	None
Mar. 18, 2020	FY2019 IFRSs financial report.	None
Dec. 18, 2020	1. The key audit items of the accountant's audit report in new form in FY 2020. 2. Appointment and remuneration of accountants in FY 2021.	None
Mar. 17, 2021	2020 IFRSs financial report.	None

3-2.2 Summary of the communication between independent directors and internal audit supervisors at regular meetings:

Date	Communication Keypoints	Suggestions of Independent Directors
Mar. 19, 2019	1. Execution status of 2018 Q4 Audit Plan. 2. Passed the review of the Company's FY2019 Statement on Internal Control.	None
May 6, 2019	Execution status of 2019 Q1 Audit Plan.	None
Aug. 9, 2019	Execution status of 2019 Q2 Audit Plan.	None
Nov. 7, 2019	1. Execution status of 2019 Q 3 Audit Plan. 2. 2019 Audit Plan.	None
Mar. 18, 2020	1. Execution status of 2019 Q4 Audit Plan. 2. Passed the review of the Company's 2020 Statement on Internal Control.	None
May 8, 2020	Execution status of 2020 Q1 Audit Plan.	None

Date	Communication Keypoints	Suggestions of Independent Directors
Aug. 7, 2020	Execution status of 2020 Q2 Audit Plan.	None
Nov. 9, 2020	1. Execution status of 2020 Q3 Audit Plan. 2. 2021 Audit Plan.	None
Mar. 17, 2021	1. Execution status of 2020 Q4 Audit Plan. 2. Passed the review of the Company's 2021 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)	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks (Note 3)	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Lin, Yi-Jing	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	5	Not applicable to the provision of Note 3
Independent Director	Lin, Ren-Lin	None	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Chuang, Chen	None	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Please fill in Director, Independent Director or Other.

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings or a director, supervisor, or employee of a corporate shareholder who is designated to act as a representative of the director or supervisor of the company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).
- (6) Not a director, supervisor or employee of another company who is not controlled by the same person as more than half of the directorships or voting shares of the company (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).

- (7) Not the same person with the Chairman, President or person of equivalent positions of the Company or spouse of the director, supervisor or employee of other companies or organizations (this, however, does not apply to the situation where the independent directors of the Company are concurrently the directors of its parent company, subsidiary or subsidiary that belongs to the same parent company in accordance with this law or the law of the country).
- (8) Directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that is not in financial or business dealings with the Company (this, however, does not apply to the specific company or organization holding more than 20% and less than 50% of the shares of the Company and the independent directors of the Company are concurrently the directors of its parent company, subsidiary or subsidiary that belongs to the same parent company in accordance with this law or the law of the country).
- (9) Professionals, sole proprietors, partnerships, companies or organizations or their owners, partners, directors, supervisors, managers or their spouses who do not provide audits for the Company or its affiliates or who have received a cumulative amount of remuneration in the past two years not exceeding NT\$500,000. However, this does not apply to members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their duties in accordance with the Securities Exchange Act or the relevant laws and regulations of the Business Mergers and Acquisitions Act.
- (10) Not been a person of any conditions defined in Article 30 of the Company Act.

Note3: If the member is a director, please specify whether the status is in compliance with Section 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".

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) The term of office of the current members: The third term: May 8, 2018 to May 7, 2021 in the most recent year and by the print date of the annual report, with four meetings of the Remuneration Committee. The qualification and the attendance record of the Remuneration Committee members 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	Chuang, Chen	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. 18, 2020	6 th Time, 3 rd Session	FY2019 employee compensation distribution ratios and total provision	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		FY2019 bonus to the directors distribution ratios and total provision	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Aug. 7, 2020	7 th Time, 3 rd Session	Details and date of distribution of bonus to the Directors.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Dec. 18, 2020	8 th Time, 3 rd Session	2020 performance bonus to the Managers and 2021 salaries.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		Transfer of first-time repurchased shares to the employees.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		The 2021 work plan of the Company's Remuneration Committee.	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
Mar. 17, 2021	9 th Time, 3 rd Session	2020 employee compensation distribution ratios and total provision	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously
		2020 bonus to the directors distribution ratios and total provision	Passed unanimously	Proposed in the Board of Directors Meeting and passed unanimously

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 (eg., 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 with undisclosed information?	✓		(4) The Company has formulated the "Procedures for Processing of Important Internal Information" and the "Measures Governing the Prevention against Insider Trading" to prohibit insiders from using undisclosed information on the market to trade securities.	(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>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	✓		<p>(1) The Company’s directors come from diverse backgrounds and generally possess the knowledge, professional experience, skills and competence necessary to perform their duties. The Company’s Board of Directors consist of nine directors (including three independent directors). Independent directors have a expertise in finance, legal affairs, or the company's business.</p> <p>According to the objective of diversified management, there must be at least one female director, and the overall expertise of the Board of Directors needs to include corporate strategy, accounting and taxation finance, law, administration and production management, the Company elected the fourth term of Directors in May 2018 and placed 9 Directors (Including 3 Independent Directors) with one of them being female. The professional background of Directors covers industry, accounting, technology, management and law, etc., and they have the knowledge, skills and competence necessary to perform their duties. The industry experience and professional abilities of each Director are diverse and complementary. Please refer to Note 1 for the implementation status.</p>	(1) No material difference was found.
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p>		✓	<p>(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.</p>	(2) Other types of functional committees will be established based on actual needs.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(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 March 17, 2021, 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 process of the Company's evaluation of the independence of CPA in 2021 is as follows: the Company's Financial Department completes the "Accountant Independence Evaluation Form" for CPA Kuo Li-yuan and Liao Hung-ju (the evaluation is in reference with "Professional Ethics Bulletin" No. 10 and Article 47 of the "Accountants Act"), the items evaluated all meet the company's independence evaluation standards, and they are adequate to serve as a certified accountant of the Company. The relevant evaluation form was sent to the Audit Committee on December 18, 2020 for approval and submitted to the Board of Directors on the same day for resolution.	(4) No material difference was found.
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 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.)?	✓		The Company has dedicated staff responsible for corporate governance related matters, but has not designated a corporate governance supervisor. The relevant progress made in 2020 is as follows: 1. 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 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. 2. Evaluate and purchase "Board and Manager Liability Insurance" for board members. 3. Irregularly convene communication meetings for accountants, independent board of directors, and audit 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	
			<p>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 participate in the investor conference in 1991 to establish diversified 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 not limited to shareholders, employees, customers and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>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 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 2 for details of the identity of the stakeholders, issues of concern, communication channels and response methods.</p>	No material difference was found.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		<p>The company appointed the Stock Service Department of the SinoPac Securities Co., Ltd. to handle the affairs of the shareholders meeting.</p>	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>7. Information Disclosure</p> <p>(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?</p> <p>(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)?</p> <p>(3) Does the company announce and report annual financial reports within two months after 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?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(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.</p> <p>(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.</p> <p>(3) The Company currently publishes the annual financial report and the financial report for the first, second and third quarters and the operation of each month in accordance with the "Taipei Exchange Rules Governing Information Reporting by Companies with TPEX Listed Securities".</p>	<p>(1) No material difference was found.</p> <p>(2) No material difference was found.</p> <p>(3) Same as abstract explanation.</p>
<p>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)?</p>	<p>✓</p>		<p>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 .</p> <p>2. Employees' rights and interests: The company protects the rights and interests of employees in accordance with the the Labor Standards Act.</p> <p>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</p>	<p>No material difference was found.</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>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.</p> <p>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.</p> <p>5. Supplier relations: The Company regularly evaluates suppliers and adequately communicate with them to 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 2020 and up to the publication of the annual report, please refer to page.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
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:				
(1) The improvement:				
The Company's Board of Directors passed the " Board of Directors Performance Evaluation Measures " on December 18, 2020 and completed the evaluation of the operation of Board of Directors in 2020 in December, 2020, and submitted a report to the Board of Directors on March 17, 2021.				
(2) Efforts and measures requiring strengthening in the first priority:				
1. In order to increase international visibility, the Company expects to disclose the English version of the information on the shareholders' meeting starting in the year of 2021.				
2. The Company participated in the 7th Corporate Governance Evaluation. Based on the results of this evaluation, the Company plans to improve the transparency of information and the content of the Company's webpage as the primary task, and continue to optimize the disclosed information based on new indicators, so as to realize the spirit of corporate governance in the company culture.				

Note 1: Implementation of the Board Members:Diversity Policy

The Board of Directors of the Company in 2020 consisted of 9 Directors (including 3 Independent Directors). The members have rich experience and expertise in areas such as operational judgment, accounting and financial analysis, operation management, crisis management, industry knowledge, international market outlook, leadership, decision-making ability and law and can therefore adequately implement the ideal goals of corporate governance.

In addition, the Directors of the Company with the employee status accounted for 22.22%, Independent Directors. 33.33%, and female Directors. 11.11% of the Board; three Independent Directors have assumed the position for less than 3 years.

Diversified Core Competency		Nationality	Gender	Also an employee of the Company	Independent Director Term and Experience			Business Judgement Skills	Accounting, Financial Analytical skills	Management Skills	Crisis Management Skills	Industry Knowledge	International Market Perspective	Leadership	Decision-making Skills	Laws
					Less than 3 years	3-9 years	More than 9 years									
Chairperson	Canon, Huang	ROC	Male	V				V		V	V	V	V	V		
Director	Chang Wah Electromaterials Inc.	HK	Male	V				V		V	V	V	V	V		
	Representative:Hung, Chuen- Sing															
Director	Chang Wah Electromaterials Inc.	ROC	Male					V	V	V	V	V	V	V		
	Representative:Tsai, Rong-Dong															
Director	Chang Wah Electromaterials Inc.	ROC	Male					V		V	V	V	V	V		
	Representative:Chou, Kang-Chi															
Director	Huang, Siou-Cyuan	ROC	Male					V		V	V	V	V	V		
Director	Chen, Cheng-Hong	ROC	Male					V	V	V	V	V	V	V		
Independent Director	Lin, Yi-Jing	ROC	Female		V			V	V							
Independent Director	Chuang, Chen	ROC	Male		V			V								V
Independent Director	Lin, Ren-Lin	ROC	Male		V			V		V	V	V	V	V		

Note2: The status of stakeholders, issues of concern, communication channels and response methods in 2020.

Status of stakeholders	Issues of concern	Communication channels, response methods and communication frequency	Communication with stakeholders in 2020
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 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 16, 2020. ◆ The Company was invited to participate in the investor conference on May 21, August 27 and September 8, 2020.
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 1991. ◆ Employee travel reimbursement ◆ Regularly arrange education and training courses for employees ◆ 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	<ul style="list-style-type: none"> ◆ Customer service 	<ul style="list-style-type: none"> ◆ Dedicated customer service personnel 	<ul style="list-style-type: none"> ◆ 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	Aug. 11, 2020	New Corporate Governance Norms and Trends Directors Must Know in 2020 and Analysis of Recent Cases	3
		Sep. 25, 2020	2020 Prevention against Insider Trading and Insider Equity Trading Seminar	3
		Nov. 11, 2020	ESG Indicators and Corporate Long-term Growth	3
Representative of juristic person director	Hung, Chuan-Sing	Sep. 25, 2020	2020 Prevention against Insider Trading and Insider Equity Trading Seminar	3
		Nov. 13, 2020	2020 Corporate Governance and Corporate Directors and Supervisors Conference	3
Representative of juristic person director	Tsai, Rong-Dong	Feb. 14, 2020	Key Technologies and Market Applications of 5G and IoT	3
		Jul. 31, 2020	The Inevitable Trend of CSR and Sustainable Governance	3
		Apr. 28, 2021	Enhancement of Corporate Sustainability-CSR、ESG and SDGs	3
Representative of juristic person director	Chou, Kang-Chi	Jun. 5, 2020	Corporate Governance and Securities Regulations	3
		Jun. 9, 2020	Criminal Legal Risks of Corporate Directors and Supervisors and Solutions- Starting from the Perspective of Prevention against Corporate Malpractice and Money Laundering	3
		Oct. 21, 2020	Business Integrity and ISO37001	3
		Mar. 18, 2021	Principal of Treating Customers Equally-Training Course for Directors and Supervisors	3
		Apr. 15, 2021	Directors and Supervisors' Responsibility and Risk Management Seminar held by Fubon Insurance	3
Director	Huang, Siou-Cyuan	Sep. 4, 2020	Operational Practices of Functional Committees of the Board of Directors	3
		Oct. 30, 2020	【Examination Committee Series Course】 How the Audit Committee Implements the Financial Report Review	3
Director	Chen, Cheng-Hong	Jun. 19, 2020	Comparison between the U.S. Economic Espionage Act and Taiwan's Trade Secret Act, Legal Responsibility and Case Analysis	3
		Nov. 13, 2020	Strengthen Corporate Governance with the Self-evaluation System of the Board of Directors	3
		Nov. 24, 2020	2020-The Year of Strategy Shift, Looking for New Growth Drivers	3
		Dec. 29, 2020	The Impact of International Implementation of the "Overseas Company Economic Substance Law" on Corporate Finance and Solutions	3
		Jan. 8, 2021	An Exploration of the Issue of Remuneration of Employees and Directors -Starting from the Perspective of Amendment to Article 14 of the Securities and Exchange Act	3
Independent Director	Lin, Yi-Jing	Sep. 25, 2020	2020 Prevention against Insider Trading and Insider Equity Trading Seminar	3
		Nov. 13, 2020	Prevention Measures against Insider Trading	3
Independent Director	Lin, Ren-Lin	Mar. 27, 2020	Industry 4.0 and How Companies Can Lead Innovation and Transformation	3
		Aug. 14, 2020	Introduction to Corporate Governance and Compliance with Relevant Laws and Regulations	3
Independent Director	Chuang, Chen	Nov. 13, 2020	Analysis of the Latest Corporate Governance Policies and Compliance Practices of Establishment of Audit of "Corporate Governance Officers"	6

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	2020/09/17~2020/09/18	Continuing Training Class for Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12

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 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?	✓		(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. ② Continuously carry out garbage classification, recycling and reduction. ③ Reduce lamp usage in non-office areas.	(4) No material difference was found.
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company's relevant systems and regulations are in compliance with the provisions of the Labor Law, and support and respect the "United Nations Universal Declaration of Human Rights" and the "United Nations Global Compact." The Company allocates employee pensions in accordance with regulations; establishes an employee welfare committee to handle various welfare matters; regularly holds labor and management meetings to communicate ideas and suggestions so as to achieve a harmonious win-win situation for both sides; all employee appointments, discharges and salary payment are executed in accordance with the Company's management system for protecting the rights and interests of employees; emphasizes its core values through newcomer education and training, and attaches importance to labor, business ethics, child labor, labor-management relations, working hours and fairness principles; to protect labor human rights, we are convinced that every employee should be treated fairly and humanely ; formulated "Sexual Harassment Prevention Measures; Appeals and Disciplinary Measures" and established the complaint channels to protect the rights and interests of female employees. The Company handled education and training for a total of 329 person/hour in 2020.	(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	
(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.	(2) 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 provide the employees with information on health management; for work health, in addition to maintaining a safe working environment, work safety-related training is 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.	(3) No material difference was found.
(4) Does the company provide its employees with career development and training sessions?	✓		(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.	(4) No material difference was found.
(5) With regard to customer health and safety, customer privacy, marketing and	✓		(5) For the Company’s product marketing and labeling, product labeling and delivery specifications are established and	(5) 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	
labeling of products and services, does the Company follow relevant laws and international standards, and formulate relevant consumer protection policies and complaint procedures?			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.	
(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 rights, and the implementation?	✓		(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. The Company conducts regular supplier evaluations on suppliers as a reference basis for the procurement unit to carry out procurement operations.	(6) No material difference was found.
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 currently does not fall within the scope of the law that requires the production of corporate social responsibility report. Therefore, it has not produced a report which discloses the company's non-financial information, such as a corporate social responsibility report. Such report will be compiled in the future according to the legal requirements and the company's operational needs.	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 implemenNo 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): (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. (2) For consumer rights: The Company has dedicated personnel responsible for handling customer complaints for protection of consumer rights. (3) For human rights, safety and health: The company upholds internationally recognized labor human rights, such as freedom of association, collective bargaining				

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>rights, care for disadvantaged groups, prohibition of child labor, elimination of various forms of forced labor, elimination of hiring and employment discrimination, etc., and confirms that its human resources use policies are free of differential treatment based on gender, race, socio-economic class, age, marital and family status, etc., to ensure equality and fairness in employment, employment conditions, salary, benefits, training, evaluation and promotion opportunities. The Company follows the international human rights conventions, including the norms of the "United Nations Universal Declaration of Human Rights" and the "United Nations Global Compact" to prevent any violations of human rights. For situations that endanger labor rights, the Company provides an effective and appropriate complaint mechanism to ensure the equality and transparency of the 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> <ol style="list-style-type: none"> 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. 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, gender, religious beliefs, age, political positions, etc. 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 operationstwice 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>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>													
8.			<p>The Company's products or corporate social responsibility report passing the verification standards of the relevant certification body it should be stated: The company has passed the certification of ISO9001, IATF 16949 and ISO14001.</p> <table border="1"> <thead> <tr> <th>Certification</th> <th>Effective Preiod</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. 18, 2022</td> <td>Apr. 4, 2020</td> </tr> </tbody> </table>	Certification	Effective Preiod	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. 18, 2022	Apr. 4, 2020	
Certification	Effective Preiod	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. 18, 2022	Apr. 4, 2020														

(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, 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</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	
			an amount exceeding NT\$ 500,000 and NT\$100,000 respectively, it shall be reported to the Board of Directors for approval.	
(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?	✓		(3) The Company’s work rules clearly stipulate that the employee found engaging in malpractice and 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 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.	(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	
<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> <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 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>✓</p> <p>✓</p> <p>✓</p>		<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.</p> <p>(2) In the "Business Integrity Procedures and Behavior Guidance", the Company designates the audit unit as a dedicated unit to implement the revision, implementation, and consulting services of these operating procedures and behavior guidance, and it reported to the Board of Directors on March 17, 2021 of the implementation of corporate business integrity in 2020.</p> <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 cooperation. If employees have rights and interests impaired or have other opinions, they can also directly use the</p>	<p>(1) No material difference was found.</p> <p>(2) No material difference was found.</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?	✓		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. (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.	(4) No material difference was found.
(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 2020, the Company participated in the internal and external education and training	(5) 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	
			programs (including related courses on integrity management, regulatory compliance and internal control) for a total of 105 person-hours.	
<p>3. Operation of Company’s Integrity Channel</p> <p>(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?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p>	<p>✓</p> <p>✓</p>		<p>(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.</p> <p>(2) The handling of all employee issues will be given a high degree of confidentiality and timeliness, and the relevant personnel who deal with the whistleblower in accordance with "Business Integrity Procedures and Behavior Guidance" shall declare in writing that the identity of the whistleblower and the content of the report will be kept confidential. In the case of serious violation of integrity, the violating</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 provide proper whistleblower protection?	✓		<p>employee shall be discharged or dismissed in accordance with relevant laws and regulations or the company’s personnel regulations, and the title and name of the violater, date of violation, facts of violation and the status of handling will be announced internally.</p> <p>(3) The Company is responsible for the confidentiality of the whistleblower. Relevant personnel who deal with the whistleblower in accordance with "Business Integrity Procedures and Behavior Guidance" shall declare in writing that the identity of the whistleblower and the content of the report will be kept confidential. The company promises to protect the whistleblower from the being improperly treated.</p>	(3) No material difference was found.
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	✓		The Company has set up a 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.	No material 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 Businesss 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>				

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
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 March 17, 2021 In accordance with the Code of Business Integrity.	

- (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 17, 2021

The internal control system of the Company in 2020, 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, 2020, 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 17, 2021, and 0 of those 9 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-Sing

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 16, 2020	1. Passed the resolution to recognize the Company's FY2019 business report and financial statements.	Completed
		2. Passed the resolution to recognize the company's surplus distribution in FY2019.	Passed the resolution to distribute cash dividends of NT\$437,956,902 (\$1.24 per share) to shareholders. The board of directors passed the resolution to set July 24, 2020 as the ex-dividend date, and August 12, 2020 as the date of cash dividend distribution. The distribution has been completed according to the above schedule.
		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 process cash capital increase, private placement of ordinary shares/special shares or private placement of overseas or domestic corporate bonds	In process.
		6. Passed the resolution to lift the non-competition restriction on the Legal Representative of the Director.	Completed.

2. Material resolutions of the board of directors meeting:

Session	Date	Material resolution
12 th Board of Directors Meeting, 4 th Session	March 18, 2020	<ol style="list-style-type: none"> 1. Present the minutes of the last Board of Directors meeting of the Company and report the execution. 2. Presented the minutes of the Company's last Remuneration Committee meeting. 3. Presented the Company's 2019 Q4 operation report.. 4. Reported the Company's progress of execution of budget for capital expenditure as of the end of December, 2019. 5. Reported the Company's use of amounts of capital from financial institutions as of the end of December, 2019. 6. Reported the Company's endorsement and guarantee as of the end of December, 2019. 7. Reported the Company's capital lending as of the end of December, 2019. 8. Reported the Company's investment in securities as of the end of December, 2019.

Session	Date	Material resolution
		9. Reported the Company's execution status of the 2019 Q4 Audit Plan. 10. Reported the Company's distribution of 2018 employee dividends in 2019. 11. Reported the Company's investment in mainland China in FY2019. 12. Reported the Company's implementation of corporate business integrity in FY2019. 13. Passed the Company's employee compensation distribution ratios in FY2019. 14. Passed the Company's bonus to Directors distribution ratios in FY2019. 15. Passed the Company's FY2019 IFRSs financial report. 16. Passed the Company's FY2019 operation report. 17. Passed the FY2019 surplus distribution. 18. Passed the change of appointment of CPA. 19. Passed the Company's Statement on Internal Control. 20. Passed the revision of the Company's measures. 21. Passed the lifting of non-competition restriction on the Legal Representative of the director. 22. Passed the processing of cash capital increase, private placement of ordinary shares/special shares or private placement of overseas or domestic corporate bonds. 23. Passed the Company's capital lending of US\$4.5 million to its subsidiary SH Electronics Suzhou Co., Ltd 24. Passed the Company's capital lending of US\$1.5 million to Shanghai Chang Wah Electromaterials Inc. 25. Passed the ratification of obtaining and disposal of securities. 26. Passed the date and place of 2020 shareholders meeting and the reason for the meeting.
4 th Board of Directors Meeting, 13 th Session	April 20, 2020	1. Presented the minutes of the Company's last Board of Directors Meeting and reported the execution status. 2. Passed the Company's disposal of 44% of the equities of Ohkuchi Materials Co., Ltd. to Sumitomo Metal Mining Co., Ltd. 3. Discussed whether shareholders' motions were included in this meeting of shareholders (no shareholder motions this time). 4. Passed the place and related matters of 2020 shareholders meeting.
4 th Board of Directors Meeting, 14 th Session	May 8, 2020	1. Presented the minutes of the Company's last Board of Directors Meeting and reported the execution status. 2. Presented the minutes of the Company's last Remuneration Committee meeting. 3. Reported the Company's 2020 Q1 IFRSs financial report. 4. Presented the Company's 2020 Q1 operation report. 5. Reported the Company's progress of execution of budget for capital expenditure as of the end of March, 2020. 6. Reported the Company's use of amounts of capital from financial institutions. as of the end of March, 2020. 7. Reported the Company's endorsement and guarantee as of the end of March, 2020. 8. Reported the Company's capital lending as of the end of March, 2020. 9. Reported the Company's investment in securities as of the end of March, 2020. 10. Reported the execution status of the Company's 2020 Q1 audit plan. 11. Passed the ratification of obtaining and disposal of securities. 12. Passed the increase of investment in the common stocks of Chipbond Technology Corporation.
4 th Board of Directors Meeting, 15 th Session	June 30, 2020	1. Presented the minutes of the Company's last Board of Directors Meeting and reported the execution status. 2. Passed the ratification of obtaining and disposal of securities. 3. Passed the change of the nature of capital lending to the subsidiary SH Electronics Suzhou Co., Ltd. 4. Passed the details of distribution of cash dividends of distribution of surplus of the second half of 2019.
4 th Board of Directors Meeting, 16 th Session	August 7, 2020	1. Presented the minutes of the Company's last Board of Directors Meeting and reported the execution status. 2. Presented the Company's 2020 Q2 operation report. 3. Reported the Company's progress of execution of budget for capital expenditure as of the end of June, 2020. 4. Reported the use of amounts of capital from financial institutions as of the end of June, 2020. 5. Reported the Company's endorsement and guarantee as of the end of June, 2020.

Session	Date	Material resolution
		<ol style="list-style-type: none"> 6. Reported the Company's capital lending as of the end of June, 2020. 7. Reported the Company's investment in securities as of the end of June, 2020. 8. Reported the Company's execution of the 2020 Q2 audit plan. 9. Reported the Company's execution of "Ability of Financial Statement Self-Preparation". 10. Passed the Company's 2020 Q2 IFRSs financial report. 11. Passed the revision of the method of buying back the shares of Chang Wah Technology Co., Ltd for transfer to the employees. 12. Passed the ratification of obtaining and disposal of securities. 13. Passed the details and date of bonus to the Directors. 14. Passed the purchase of machine equipment and intangible assests from Ohkuchi Materials Co., Ltd.
4 th Board of Directors Meeting, 17 th Session	November 9, 2020	<ol style="list-style-type: none"> 1. Presented the minutes of the Company's last Board of Directors Meeting and reported the execution status. 2. Presented the minutes of the Company's last Remuneration Committee meeting. 3. Presented the Company's 2020 Q3 IFRSs financial report. 4. Presented the Company's 2020 Q3 operation report. 5. Reported the Company's progress of execution of budget for capital expenditure as of the end of September, 2020. 6. Reported the Company's use of amounts of capital from financial institutions as of the end of September, 2020. 7. Reported the Company's endorsement and guarantee as of the end of September, 2020. 8. Reported the Company's capital lending as of the end of September, 2020. 9. Reported the Company's investment in securities as of the end of September, 2020. 10. Reported the Company's execution of the 2020 Q3 audit plan. 11. Passed the 2021 Audit Plan. 12. Passed the Company's ratification of obtaining and disposal of securities. 13. Passed the distribution of surplus in the first half of 2020.
4 th Board of Directors Meeting, 18 th Session	December 18, 2020	<ol style="list-style-type: none"> 1. Presented the minutes of the Company's last Board of Directors Meeting and reported the execution status. 2. Reported the Company's purchase of liability insurance for the directors and managers. 3. Passed the 2021 budget plan. 4. Passed the 2021 group capital expenditure budget. 5. Passed the lines of credit of financial institutions in 2021. 6. Passed the application to banks for syndicated loans. 7. Passed the appointment and remuneration of accountants in 2021. 8. Passed the Company's capital lending of US\$9.8 million to its subsidiary SH Electronics Suzhou Co., Ltd. 9. Passed the evaluation measures for the Practice Guidelines for Corporate Governance 及 and the performance of Board of Directors Meetings. 10. Passed the Company's entry of the solar power generation system construction contract with Chang Wah Energy Technology Co., Ltd. 11. Passed the ratification of obtaining and disposal of securities. 12. Passed the 2020 performance bonus and 2021 salary for the managers. 13. Passed the transfer of the first-time repurchased shares to the employees.
4 th Board of Directors Meeting, 19 th Session	March 17, 2021	<ol style="list-style-type: none"> 1. Presented the minutes of the Company's last Board of Directors Meeting and reported the execution status. 2. Presented the minutes of the Company's last Remuneration Committee meeting. 3. Presented the Company's 2020 Q4 operation report. 4. Reported the Company's progress of execution of budget for capital expenditure as of the end of December, 2020. 5. Reported the Company's use of amounts of capital from financial institutions as of the end of December, 2020. 6. Reported the Company's endorsement and guarantee as of the end of December, 2020. 7. Reported the Company's capital lending as of the end of December. 8. Reported the Company's investment in securities as of the end of December, 2020. 9. Reported the Company's execution of the 2020 Q4 audit plan. 10. Reported the Company's actual distribution of FY 2019 employee dividends in 2020. 11. Reported the Company's investment in mainland China in 2020. 12. Reported the Company's implementation of corporate business integrity in 2020. 13. Presented the Company's internal performance of the Board of Directors Meetings

Session	Date	Material resolution
		<p>in 2020.</p> <p>14. Passed the 2020 employee dividends distribution ratios and total provision.</p> <p>15. Passed the distribution ratios of 2020 bonus to the directors and total provision.</p> <p>16. Passed the Company's 2020 IFRSs financial report.</p> <p>17. Passed the Company's 2020 operation report.</p> <p>18. Passed the 2020 surplus distribution..</p> <p>19. Passed the Company's Statement on Internal Control.</p> <p>20. Passed the ratification of letter of comfort sent on behalf of the subsidiary Malaysian SH Electronics Sdn. Bhd. ("MSHE" hereinafter).</p> <p>21. Passed the ratification of letter of comfort sent on behalf of the subsidiary SH Precision Chengdu Co., Ltd. ("SHPC" hereinafter).</p> <p>22. Passed the Company's capital lending of US\$4.5 million to its subsidiary SH Electronics Suzhou Co., Ltd.</p> <p>23. Passed ratification of obtaining and disposal of securities.</p> <p>24. Passed revision of the Company's measures.</p> <p>25. Passed the selection of the contracted builder of the Company's new plants.</p> <p>26. Passed the total reelection of the directors and nomination of the candidates for directors.</p> <p>27. Passed the lifting of non-competition restriction on new Directors.</p> <p>28. Passed the date and place of 2021 shareholders meeting and the reason for the meeting.</p>
4 th Board of Directors Meeting, 20 th Session	April 20, 2021	<p>1. Presented the minutes of the Company's last Board of Directors Meeting and reported the execution status.</p> <p>2. Presented the minutes of the Company's last Remuneration Committee meeting.</p> <p>3. Passed the shareholder motions and review results of the nomination of the candidates for directors.</p>

(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

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Liu, Yu-Hsiang Liao, Hung-Ju	2020Q1~2020Q4	None

Unit: NT\$ thousands

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000		✓	
2	NT\$2,000,001 ~ NT\$4,000,000			
3	NT\$4,000,001 ~ NT\$6,000,000	✓		
4	NT\$6,000,001 ~ NT\$8,000,000			✓
5	NT\$8,000,001 ~ NT\$10,000,000			
6	Over NT\$100,000,000			

(1) The amounts of audit-fee and non-audit fees and items of non-audit services:

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note)	Subtotal		
Deloitte & Touche	Liu, Yu-Hsiang Liao, Hung-Ju	5,854	-	-	-	714	714	2020Q1~2020Q4	Non-audit expenses - others include 1. transfer of pricing report 2. accountant's travel and typing and printing expenses, totaling \$714 thousand.

Note: Please list non-audit fees separately according to the service items. If the "Others" item of the non-audited fees amounts to 25% of the total amount of the non-audit fees, the service items should be listed in the remarks column: mainly financial report printing fees, postage, and car fares.

(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

(1) Regarding the former CPA

Replacement Date	March 18, 2020		
Replacement reasons and explanations	The original CPA of the Company were Liu, Yu- Hsiang (CPA A) and Hsu, Jui-Hsuan(CPA B) from Deloitte & Touche. Due to internal restructuring at Deloitte & Touche , the CPA of the Company were changed to Liu, Yu-Hsiang (CPA C) and Liao, Hung-Ju (CPA D), beginning 2020Q1.		
Describe whether the Company terminated or the CPA did not accept the appointment	Status	Parties	
	Termination of appointment	CPA	The Company
	No longer accepted (continued) appointment	None	None
Other issues (except for unqualified issues) in the audit reports within the last two years	2020: None 2019: The review report of non-reserved opinions plus paragraphs with emphasized matters. Parent company only financial report: In September 2019, Chang Wah Technology Co., Ltd. changed the stock denomination from NT\$10 to NT\$1 and completed the stock exchange. In addition, the impact of the change in stock denomination on earnings per share has been retrospectively adjusted. Chang Wah Technology Co., Ltd. has applied the revised financial report preparation standards for securities issuers since 2019 and the International Financial Reporting Standards, International Accounting Standards, interpretation and interpretation pronouncements		

Replacement Date	March 18, 2020		
	<p>approved and validated by the Financial Supervisory Commission in 2019 and chose not to re-complie the comparison period information.</p> <p>Consolidated financial report: In September 2019, Chang Wah Technology Co., Ltd. changed the stock denomination from NT\$10 to NT\$1 and completed the stock exchange. In addition, the impact of the change in stock denomination on earnings per share has been retrospectively adjusted. Chang Wah Technology Co., Ltd. and its subsidiaries have applied the revised financial report preparation standards for securities issuers since 2019 and the International Financial Reporting Standards, International Accounting Standards, interpretation and interpretation pronouncements approved and validated by the Financial Supervisory Commission in 2019 and chose not to re-complie the comparison period information.</p>		
Differences with the company	Yes	None	Accounting principles or practices
		None	Disclosure of Financial Statements
		None	Audit scope or steps
		None	Others
	None	✓	
Remarks/specify details: None.			
Other Revealed Matters (the matters that shall be disclosed in accordance with Clause 1-4 to 1-7, Paragraph 6, Article 10 of the Guidelines)	None		

(2) Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	CPA Liu, Yu-Hsiang and CPA Liao, Hung-Ju
Date of appointment	March 18, 2020
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(3) Former accountant's reply to Item 1 and Item 2-3, Paragraph 6 Article 10 of these Standards:
Not applicable.

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	2020		As of April 30, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairperson	Canon, Huang	0	0	200,000	0
Juristic Person Director and Major Shareholder	Chang Wah Electromaterials Inc.	11,021,000	0	2,415,000	0
Representative of juristic person director and President	Chang Wah Electromaterials Inc. Representative: Hung, Chuen-Sing	20,000	0	150,000	0
Representative of juristic person director	Chang Wah Electromaterials Inc. Representative: Chou, Kang-Chi	0	0	0	0
Representative of juristic person director	Chang Wah Electromaterials Inc. Representative: Tsai, Rong-Dong	0	0	0	0
Director	Huang, Siou-Cyuan	0	0	0	0
Director	Chen, Cheng-Hong	0	0	0	0
Independent Director	Lin, Yi-Jing	0	0	0	0
Independent Director	Lin, Ren-Lin	0	0	0	0
Independent Director	Chuang, Chen	0	0	0	0
Vice President	Li, Jih-Hong	0	0	0	0
Head of Department	He, Rong-Zong	(4,000)	0	10,000	0
Head of Department	Yang, Chung-Chi	(123,740)	0	(72,000)	(150,000)
Head of Department	Hsu, Pai-Hsiang	(75,000)	350,000	(30,000)	(350,000)
Finance Supervisor	Yan, Shu-Ping	0	0	0	0
Accounting Supervisor	Lin, Jun-Ji	0	0	6,000	0

(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 9, 2021; 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)		備註
	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Name	Relation	
Chang Wah Electromaterials Inc.	194,738,970	53.48%	0	0%	0	0%	Canon, Huang	Representative	None
							Huang, Siou-Cyuan	Director	None
Chang Wah Electromaterials Co., Ltd Representative: Canon, Huang	17,590,000	4.83%	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
							Shin Shin Investment Co., Ltd.	Spouse of the Chairperson	None
							JMC Electronics Co., Ltd.	Chairperson the same person	None
Fubon Life Insurance Co., Ltd.	29,121,240	8.00%	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
Canon, Huang	17,590,000	4.83%	0	0%	0	0%	Chang Wah Electromaterials Inc.	Representative	None
							Yenyo Technology Co., Ltd.	Substantive related party	None
							Shin Shin Investment Co., Ltd.	Substantive related party	None
							JMC Electronics Co., Ltd.	Representative	None
Huang, Siou-Cyuan	10,379,710	2.85%	0	0%	0	0%	Chang Wah Electromaterials Inc.	Director	None
Yuan Yao Energy Technology Co., Ltd.	6,397,000	1.76%	0	0%	0	0%	Canon, Huang	Substantive related party	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)		備註
	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Name	Relation	
Yuan Yao Energy Technology Co., Ltd. Representative: Huang, Sai-Ying	0	0%	0	0%	0	0%	Chang Wah Electromaterials Inc.	In Second Degree of Kinship with the Chairperson	None
							Canon, Huang	In Second Degree of Kinship with the Chairperson	None
							Besjie Investment Co., Ltd.	Chairperson the same person	None
							Shin Shin Investment Co., Ltd.	In Second Degree of Kinship with the Chairperson	None
							JMC Electronics Co., Ltd.	In Second Degree of Kinship with the Chairperson	None
Jin Chiao Li Co., Ltd.	6,066,020	1.67%	0	0%	0	0%	None	None	None
Jin Chiao Li Co., Ltd. Representative: Tsai, Kui-Chih	0	0%	10,379,710	2.85%	0	0%	Huang, Siou-Cyuan	Spouse	None
Besjie Investment Co., Ltd.	4,978,980	1.37%	0	0%	0	0%	None	None	None
Besjie Investment Co., Ltd. Representative: Huang Si-Ying	0	0%	0	0%	0	0%	Chang Wah Electromaterials Inc.	In Second Degree of Kinship with the Chairperson	None
							Canon, Huang	In Second Degree of Kinship with the Chairperson	None
							Yuan Yao Energy Technology Co., Ltd.	Chairperson the same person	None
							Shin Shin Investment Co., Ltd.	In Second Degree of Kinship with the Chairperson	None
							JMC Electronics Co., Ltd.	In Second Degree of Kinship with the Chairperson	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)		備註
	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Shares	Shareholding % (Note 2)	Name	Relation	
Shin Shin Investment Co., Ltd.	4,246,680	1.13%	0	0%	0	0%	Canon, Huang	Substantive related party	None
Shin Shin Investment Co., Ltd. Representative: Chang, Shu-Hui	0	0%	17,590,000	4.83%	0	0%	Chang Wah Electromaterials Inc.	Spouse of the Chairperson	None
							Canon, Huang	Spouse	None
							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
							JMC Electronics Co., Ltd.	Spouse of the Chairperson	None
JMC Electronics Co., Ltd.	3,700,000	1.02%	0	0%	0	0%	Canon, Huang	Representative	None
JMC Electronics Co., Ltd. Representative: Canon, Huang	17,590,000	4.83%	0	0%	0	0%	Chang Wah Electromaterials Inc.	Chairperson the same person	None
							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
							Shin Shin Investment Co., Ltd.	Spouse of the Chairperson	None
Investment account of the Singapore government entrusted to Citibank Taiwan Investment account of the Singapore government entrusted to Citibank Taiwan	3,455,220	0.95%	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:

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%
SH Electronics Taiwan Co., Ltd.	41,000,000	100%	—	—	41,000,000	100%
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 Precision Chengdu Co., Ltd.	—	—	NA (Note 2)	100%	NA (Note 2)	100%
SH Electronics 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 30, 2021

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
June 2019	1	700,000,000	700,000,000	364,131,050	364,131,050	The amount of each share is changed from \$10 to \$1, and the new shares are fully exchanged.	None	Note

Note: Approved by the Administration of Export Processing Zone, Ministry of Economic Affairs on June 24, 2019 by letter No. 1080006594.

April 30, 2021; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Registered common shares	364,131,050	335,868,950	700,000,000	Shares of a listed company traded OTC

Information about the comprehensive reporting system: No applicable.

(2) Shareholder Structure:

April 9, 2021

Quantity \ Shareholder	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	10	38	7,948	58	8,054
Shareholding (Shares)	0	32,007,240	239,001,055	78,236,159	14,886,596	364,131,050
Percentage	0	8.79%	65.64%	21.48%	4.09%	100.00%

(3) Shareholding Distribution Status

April 9, 2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	466	84,668	0.02%
1,000 ~ 5,000	6,218	11,348,670	3.12%
5,001 ~ 10,000	672	5,625,962	1.54%
10,001 ~ 15,000	206	2,675,562	0.73%
15,001 ~ 20,000	122	2,282,240	0.63%
20,001 ~ 30,000	121	3,179,042	0.87%
30,001 ~ 50,000	86	3,555,830	0.98%
50,001 ~ 100,000	70	5,220,430	1.43%
100,001 ~ 200,000	30	4,079,344	1.12%
200,001 ~ 400,000	24	6,814,264	1.87%
400,001 ~ 600,000	9	4,576,210	1.26%
600,001 ~ 800,000	5	3,484,591	0.96%
800,001 ~ 1,000,000	4	3,734,248	1.03%
1,000,001 or over	21	307,469,989	84.44%
Total	8,054	364,131,050	100.00%

(4) List of Major Shareholders: (Note)

April 9, 2021

Shareholder's Name	Shares	Shareholding	Percentage
Chang Wah Electromaterials Inc.		194,738,970	53.48%
Fubon Life Insurance Co., Ltd.		29,121,240	8.00%
Canon, Huang		17,590,000	4.83%
Huang, Siou-Cyuan		10,379,710	2.85%
Yuan Yao Energy Technology Co., Ltd.		6,397,000	1.76%
Jin Chiao Li Co., Ltd.		6,066,020	1.67%
Besjie Investment Co., Ltd.		4,978,980	1.37%
Shin Shin Investment Co., Ltd.		4,246,680	1.17%
JMC Electronics Co., Ltd.		3,700,000	1.02%
Investment account of the Singapore government entrusted to Citibank Taiwan Investment account of the Singapore government entrusted to Citibank Taiwan		3,455,220	0.95%

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		2019	2020	As of March 31, 2021 (Note 8)
	Market Price per Share (Note 1)	Highest Market Price		325	63.60
	Lowest Market Price		34	17.20	54.5
	Average Market Price		49.94	44.67	65.71
Net Worth per Share (Note 2)	Before Distribution		14.23	15.02	—
	After Distribution		13.33	14.10 (Note 9)	—
Earnings per Share	Weighted Average Shares		353,191	353,198	—
	EPS (Note 3)	Before Adjustment	1.72	2.19	—
		Adjusted	1.72	2.19	—
Dividends per Share	Cash Dividends		1.24	1.32 (Note 9)	—
	Stock Dividends	Dividends from Retained Earnings	—	—	—
		Dividends from Capital Surplus	—	—	—
	Accumulated Undistributed Dividends (Note 4)		—	—	—
Return on Investment	Price / Earnings Ratio (Note 5)		29.03	20.40	—
	Price / Dividend Ratio (Note 6)		40.27	33.84 (Note 9)	—
	Cash Dividend Yield Rate (%) (Note 7)		2.48	2.96 (Note 9)	—

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 dividend amount for the second half of 2020 resolved by the Board of Directors Meeting on March 17, 2021 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 2020 and the second half of 2020:

	<u>Second half of 2020</u>	<u>First half of 2020</u>
Board of Directors Meeting Date of Resolution	<u>March 17, 2021</u>	<u>Nov. 9, 2020</u>
Legal reserve	<u>\$ 49,554</u>	<u>\$ 35,428</u>
Special reserve	<u>\$ 9,539</u>	<u>\$ 21,111</u>
Cash Dividends	<u>\$ 326,169</u>	<u>\$ 141,276</u>
Cash dividends per share (NT\$)	<u>\$ 0.92</u>	<u>\$ 0.40</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, 2020.

(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 17, 2021 approved the distribution of cash compensation to employees and remuneration to directors in the amount of \$7,386 thousand and \$4,000 thousand, respectively, which were not different from the amounts recognized in the consolidated financial statements for the year ended December 31, 2020.

- (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:

FY2019 Distribution of Earnings	Distribution by Resolution	Actual Distribution
Bonus to Employees	NT\$7,616 thousand	NT\$7,616 thousand
Bonus to Directors	NT\$4,000 thousand	NT\$4,000 thousand
Date when the Resolution Passed by the Board	March 18, 2020	
Date when the Report Passed in the Shareholders' Meeting	June 16, 2020	

- (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 30, 2021

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 10,940,000 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	1,341,000 shares
Cumulated holding Volume	9,599,000 shares (Note 2)
The ratio of the Cumulated holding Volume to the total issued shares (%)	2.64%

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 2019. After the separation, the share par value is changed to NT\$ 1 for each share, thus the “type and volume of repurchased 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: None.

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: None.

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 Equipments 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 Equipments
F401010	International Trade
CC01040	Lighting Facilities Manufacturing
E603090	Illumination Equipments 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	FY2019		FY2020	
		Sales Revenue	%	Sales Revenue	%
IC lead frame		7,384,823	79.23	7,407,616	76.54
Epoxy Resin		1,252,823	13.44	1,420,708	14.68
LED lead frame		604,915	6.49	704,665	7.28
Others		77,714	0.84	145,157	1.50
Total		9,320,275	100.00	9,678,146	100.00

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 (IC) Industry	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

<u>Industries</u>	<u>Upstream</u>	<u>Midstream</u>	<u>Downstream</u>	<u>Product-related Applications</u>
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

① IC

The carrier materials required in the semiconductor assembly process are lead frame and IC carrier board. The lead frame 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.

② LED

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 lower lead-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, LFCSP in logic IC and analog IC applications will continue to increase, further replacing the original. In addition, the application of LFCSP in logic ICs and analog ICs will continue to increase, further replacing the original QFP market.

(3) Research and Development:

1. Research and Development Expenses:

Unit: NT\$ thousands

Year	2020	As of April 30, 2021
Amount	228,583	90,073

2. Research and Development Achievements:

Year	Technologies and Products
2020	<ul style="list-style-type: none">① Successfully developed roughened surface technology for different applications② Successfully developed product with maximum viewable foot WF structure③ Development of carriers for car lights④ Development of carrier board for in-vehicle display lighting
2021 (As of April 30)	<ul style="list-style-type: none">① Development of carrier boards for Mini LED packaging② Carrier boards for developing indoor lighting products

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	Development of proprietary automotive (special coating) products to pass the stringent environmental cycle test conditions for automotive applications.
3	Optimize the Wettable Flank process to reduce the short circuit problem after Sawing.
4	Optimization of pre-cast cavity combined with gel coating type to develop 5G and face recognition.
5	Optimized development of substrates for Mini LED packaging.
6	Optimized development of car front lighting, car display and outdoor lighting products.
7	Development of composite packaging materials of premold lead frame.

(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 2021 are approximately \$225,708 thousand.

(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.

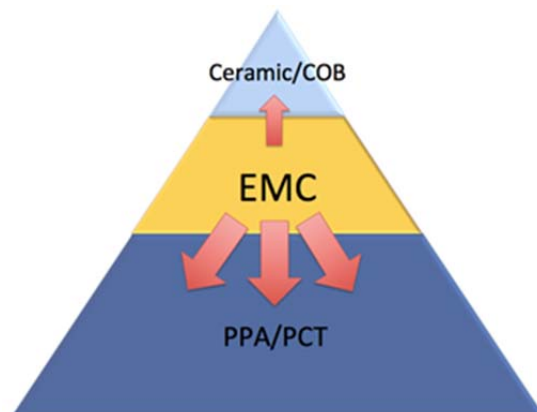
2. Long-term Development:

(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	FY2019		FY2020	
		Sale Revenue	%	Sale Revenue	%
Domestic Sale		2,094,708	22.47%	2,398,924	24.79%
Export	Asia	6,123,987	65.71%	6,390,551	66.03%
	Europe	961,186	10.31%	772,271	7.98%
	Others	140,394	1.51%	116,400	1.20%
	Subtotal	7,225,567	77.53%	7,279,222	75.21%
Total		9,320,275	100.00%	9,678,146	100.00%

2. Market Share (%):

According to SEMI data, the Company's market share is estimated to be 9.5% in 2020.

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:

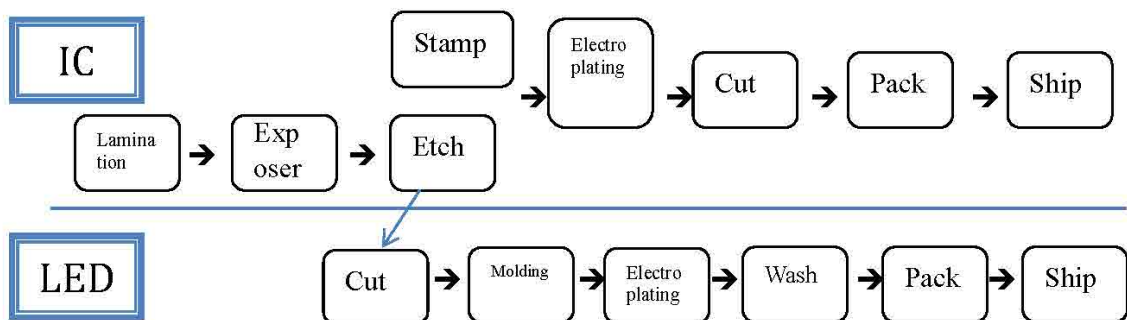
In order to enhance employees' loyalty to the Company, the Company promotes the participation of the staff and R&D personnel in the Company's management decisions and the sharing of management results by encouraging employees to subscribe to stock options, distributing employee compensation, employee 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	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	FY2019				FY2020			
	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	1,185,662	22.40	None	Manufacturer A	1,343,186	22.81	None
2	OM	893,790	16.88	Equity-method investees	OM	760,058	12.91	None (Note)
3	Manufacturer B	425,601	8.04		Manufacturer B	691,807	11.75	
	Others	2,789,054	52.68	—	Others	3,094,538	52.53	—
	Net imports	5,294,107	100.00	—	Net imports	5,889,589	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	FY2019				FY2020			
	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.	1,832,961	19.67	Parent Company	Chang Wah Electromaterials Inc.	2,359,558	24.38	Parent Company
	Others	7,487,314	80.33	—	Others	7,318,588	75.62	—
	Net sales	9,320,275	100.00	—	Net sales	9,678,146	100.00	—

(5) Production in the Last Two Years:

Unit: NT\$ thousands

Output		FY2019			FY2020		
		Capacity	Quantity (Note 1)	Amount (Note 2)	Capacity	Quantity (Note 1)	Amount (Note 2)
Major Products	Quantity Unit						
IC lead frame	KPC	169,855,080	132,226,605	7,111,699	177,983,214	127,156,299	7,427,079
Epoxy Resin	KG	—	3,308,874	1,182,128	—	3,903,278	1,327,883
LED lead frame	KPC	8,000,000	3,195,571	430,071	11,000,000	5,972,995	435,716
Other (Note 3)	—	—	—	39,014	—	—	104,525
Total		—	—	8,762,912	—	—	9,295,203

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		FY2019				FY2020			
		Local		Export		Local		Export	
Major Products	Quantity Unit	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
IC lead frame	KPC	6,116,794	1,761,091	111,771,664	5,623,732	5,221,512	1,975,005	105,874,007	5,432,611
Epoxy Resin	KG	—	—	3,308,874	1,252,823	—	—	3,903,278	1,420,708
LED lead frame	KPC	1,840,459	323,961	1,347,664	280,954	4,541,055	411,807	1,513,937	292,858
Other	—	—	9,656	—	68,058	—	12,112	—	133,045
Total		—	2,094,708	—	7,225,567	—	2,398,924	—	7,279,222

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		2019	2020	As of April 30, 2021
Number of Employees	Sales Personnel	74	49	49
	Management Staff	131	145	154
	Research and Development Staff	55	118	113
	Production Staff	1,657	1,615	1,652
	Total	1,918	1,927	1,968
Average Age		38	36	36
Average Years of Service		9	9	9
Education	Ph.D.	0%	0%	0%
	Masters	2%	2%	2%
	Bachelor's Degree	30%	27%	27%
	Senior High School (and Below)	68%	71%	71%

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. Important Contracts

April 30, 2020

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. Party B: Chang Wah Electromaterials Inc.	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: Chengdu ChuKuan Tech. Co., Ltd.(Note 5) 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: Chengdu ChuKuan Tech. Co., Ltd. (Note 5) 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 Technology Co., Ltd. Party B: Export Processing Zone Administration, MOEA.	Sep. 1, 2014~Aug. 31, 2024	Land Leasing	None
	Party A: SH Electronics Taiwan Co., Ltd. Party B: Chang Wah Technology Co., Ltd.	Nov. 1, 2015~Oct. 31, 2025	Plant Leasing	None
	Party A: Chang Wah Electromaterials Inc. Party B: SH Electronics Taiwan Co., Ltd.	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: SH Electronics Taiwan Co., Ltd. Party B: Metalor Coatings (Taiwan) Corporation.	Feb. 1, 2020~Jan. 31, 2023	Plant Leasing	None
	Party A: SH Electronics Taiwan Co., Ltd. Party B: Export Processing Zone Administration, MOEA.	May 1, 2013~Apr. 30, 2023	Land Leasing	None
	Party A: SH Asia Pacific Pte. Ltd. Party B: Singapore Post Center	Apr. 18, 2018~	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	

Agreement	Counterparty	Period	Major Contents	Restrictions
	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 Investement 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, 2019~Sep. 3, 2021	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 Invenyory Consignment Agreement	None
	Party A: SH Electronics Taiwan co., Ltd. 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	Land leasing for the construction of factory buildings	None
Stock Purchase and Sale Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: Sumitomo Metal Mining Co., Ltd.	Apr. 30, 2020	Sale of 44% of common stock of OM	None
Fixed Assets Purchase and Sale Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: Ohkuchi Material Co., Ltd. ; Sumitomo Metal Mining Co., Ltd.	Aug. 7, 2020	Purchase of OM machine equipment	None
Intangible Asset Purchase and Sale Agreement	Party A: Chang Wah Technology Co., Ltd. Party B: Ohkuchi Material Co., Ltd. ; Sumitomo Metal Mining Co., Ltd.	Aug. 7, 2020	Purchase of OM patent rights	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., Ltd.	Jan. 1, 2016~	LED bracket design and mold development	None
Borrowing Contract	Party A: Chang Wah Technology Co., Ltd. Party B: Bank of Taiwan and 6 other financial institutions	Feb. 17, 2017~Feb. 16, 2022	Item A: Purchase of SHAP shares Item B: To fund the medium-term operating working capital.	Note 1
	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 2
	Party A: SH Electronics Suzhou Co., Ltd. Party B: Chang Wah Technology Co., Ltd.	Dec. 25, 2020~Dec. 22, 2021	Principal amount: US\$9,800 thousands Interest rate: 0.9%	None
	Party A: SH Electronics Suzhou Co., Ltd. Party B: Chang Wah Technology Co., Ltd.	Mar. 23, 2021~Mar. 22, 2022	Principal amount: US\$4,500 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: 1%	None

Note 1: Debt ratio should be maintained at less than 300%, less than 250% and less than 200% from 2017, 2018 and 2019, respectively; Current ratio should be maintained at more than 100%; Interest earned ratio should be maintained at more than 300%; Total stockholders' equity should be maintained at more than NT\$1.8 billion.

Note 2: 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.

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)					
		2016 (before restatement)	2016 (after restatement)	2017	2018	2019	2020
Current assets		804,572	1,625,446	5,350,095	5,790,664	6,502,446	7,413,573
Property, Plant and Equipment		305,895	324,065	2,318,304	2,441,270	2,209,926	2,251,962
Intangible assets		2,424	2,950	693,039	706,218	703,972	691,014
Non-current assets		15,957	380,492	738,498	850,027	1,127,628	1,807,613
Total assets		1,128,848	2,332,953	9,099,936	9,788,179	10,543,972	12,164,162
Current liabilities	Before distribution	161,482	295,450	2,149,921	2,757,603	2,963,698	3,215,572
	After distribution	197,610	331,578	2,566,969	3,358,028	3,281,570	3,541,741(Note 2)
Non-current liabilities		1,600	3,250	1,819,795	1,859,213	2,593,864	3,522,331
Total liabilities	Before distribution	163,082	298,700	3,969,716	4,616,816	5,557,562	6,737,903
	After distribution	199,210	334,828	4,386,764	5,217,241	5,875,434	7,064,072(Note 2)
Ordinary shares		246,071	246,071	361,071	364,131	364,131	364,131
Capital surplus	Before distribution	651,735	651,735	4,298,323	4,230,789	4,230,789	4,253,933
	After distribution	651,735	651,735	4,224,753	4,230,789	4,230,789	4,253,933
Retained earnings	Before distribution	74,693	74,693	458,976	955,796	841,268	1,231,931
	After distribution	38,565	38,565	115,498	355,371	523,396	905,762(Note 2)
Other equity		(6,733)	(6,733)	(53,918)	(15,360)	(93,984)	(139,994)
Treasury stock		—	—	—	(437,809)	(437,809)	(384,142)
Commonly held forehand interests		—	929,404	—	—	—	—
Non-controlling interest		—	139,083	65,768	73,816	82,015	100,400
Total equity	Before distribution	965,766	2,034,253	5,130,220	5,171,363	4,986,410	5,426,259
	After distribution	929,638	1,998,125	4,713,172	4,570,938	4,668,538	5,100,090(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 17, 2021.

(2) Parent Company Only – Based on IFRS

Unit: NTS thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					
		2016 (before restatement)	2016 (after restatement)	2017	2018	2019	2020
Current assets		741,272	741,272	2,217,549	1,878,464	2,421,078	3,520,740
Investments accounted for using the equity method		62,857	992,261	5,039,087	5,750,732	6,108,143	5,211,059
Property, Plant and Equipment		305,879	305,879	363,509	350,883	344,413	493,259
Intangible assets		2,424	2,424	6,281	6,648	13,770	22,127
Non-current assets		15,957	15,957	50,858	132,141	369,495	1,266,263
Total assets		1,128,389	2,057,793	7,677,284	8,118,868	9,256,899	10,513,448
Current liabilities	Before distribution	161,023	161,023	849,930	1,207,993	1,853,939	1,733,860
	After distribution	197,151	197,151	1,266,978	1,808,418	2,171,811	2,060,029(Note 2)
Non-current liabilities		1,600	1,600	1,762,902	1,813,328	2,498,565	3,453,729
Total liabilities	Before distribution	162,623	162,623	2,612,832	3,021,321	4,352,504	5,187,589
	After distribution	198,751	198,751	3,029,880	3,621,746	4,670,376	5,513,758(Note 2)
Ordinary shares		246,071	246,071	361,071	364,131	364,131	364,131
Capital surplus	Before distribution	651,735	651,735	4,298,323	4,230,789	4,230,789	4,253,933
	After distribution	651,735	651,735	4,224,753	4,230,789	4,230,789	4,253,933
Retained earnings	Before distribution	74,693	74,693	458,976	955,796	841,268	1,231,931
	After distribution	38,565	38,565	115,498	355,371	523,396	905,762(Note 2)
Other equity		(6,733)	(6,733)	(53,918)	(15,360)	(93,984)	(139,994)
Treasury stock		—	—	—	(437,809)	(437,809)	(384,142)
Total equity attributable to owners of the Company	Before distribution	965,766	965,766	5,064,452	5,097,547	4,904,395	5,325,859
	After distribution	929,638	929,638	4,647,404	4,497,122	4,586,523	4,999,690(Note 2)
Commonly held forehand interests		—	929,404	—	—	—	—
Total equity	Before distribution	965,766	1,895,170	5,064,452	5,097,547	4,904,395	5,325,859
	After distribution	929,638	1,859,042	4,647,404	4,497,122	4,586,523	4,999,690(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 17, 2021.

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)					
	2016 (before restatement)	2016 (after restatement)	2017	2018	2019	2020
Operating revenue	456,226	1,667,978	7,505,222	9,784,851	9,320,275	9,678,146
Gross profit	135,800	218,933	1,444,087	1,801,598	1,580,824	1,804,906
Operating profit	57,330	96,948	836,728	1,093,951	832,870	960,286
Non-operating income and expenses	(3,097)	134,595	234,488	111,803	66,152	6,074
Net profit before tax	54,233	231,543	1,071,216	1,205,754	899,022	966,360
Net Profit from continuing operations	44,998	207,763	820,141	851,909	618,915	790,618
Net profit for the Year	44,998	207,763	820,141	851,909	618,915	790,618
Other comprehensive income (loss) for the Year, net of income tax	(3,098)	(84,820)	(63,687)	34,995	(83,358)	31,568
Total comprehensive income for the Year	41,900	122,943	756,454	886,904	535,557	822,186
Net profit attributable to owners of the Company	44,998	44,998	431,075	842,544	607,304	773,840
Total comprehensive income attributable to owners of the Company	41,900	41,900	373,226	878,856	527,358	803,801
Earnings per share (Note 2)	1.97	1.97	14.62	23.60	1.72	2.19

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.

(2) Parent Company Only – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					
	2016 (before restatement)	2016 (after restatement)	2017	2018	2019	2020
Operating revenue	443,248	443,248	1,458,688	3,406,101	3,495,028	3,517,381
Gross profit	129,789	129,789	213,923	385,656	320,455	276,762
Operating profit	54,604	54,604	103,151	234,501	158,345	126,989
Non-operating income and expenses	(787)	147,804	711,694	809,351	591,674	600,244
Net Profit before tax	53,817	202,408	814,845	1,043,852	750,019	727,233
Net Profit from continuing operations	44,998	193,589	735,795	842,544	607,304	773,840
Loss from discontinued operations	—	—	—	—	—	—
Net profit for the Year	44,998	193,589	735,795	842,544	607,304	773,840
Other comprehensive income (loss) for the Year, net of income tax	(3,098)	(73,246)	(33,658)	36,312	(79,946)	29,961
Total comprehensive income for the Year	41,900	120,343	702,137	878,856	527,358	803,801
Net profit attributable to owners of the Company	44,998	44,998	431,075	842,544	607,304	773,840
Total comprehensive income attributable to owners of the Company	41,900	41,900	373,226	878,856	527,358	803,801
Earnings per share (Note 2)	1.97	1.97	14.62	23.60	1.72	2.19

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.

(2) Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	CPA	Audit Opinion
2016	Deloitte & Touche	Liu, Yu-Hsiang、Hsu, Jui-Hsuan	Unqualified Opiniion
2017	Deloitte & Touche	Liu, Yu-Hsiang、Hsu, Jui-Hsuan	Unqualified Opiniion
2018	Deloitte & Touche	Liu, Yu-Hsiang、Hsu, Jui-Hsuan	Unqualified Opiniion
2019	Deloitte & Touche	Liu, Yu-Hsiang、Hsu, Jui-Hsuan	Unqualified Opiniion
2020	Deloitte & Touche	Liu, Yu-Hsiang、Liao, Hung-Ju	Unqualified Opiniion

2. Five-Year Financial Analysis

1. Consolidated Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Last Five Years (Note 1)					
		2016 (before restatement)	2016 (after restatement)	2017	2018	2019	2020
Financial Structure (%)	Debt Asset Ratio	14.45	12.80	43.62	47.16	52.70	55.39
	Long-term Funds to Property, Plant and Equipment Ratio	315.72	628.73	299.78	287.98	343.01	397.37
Liquidity Analysis (%)	Current Ratio	498.24	550.15	248.85	209.98	219.40	230.55
	Quick Ratio	441.36	483.90	185.21	155.14	173.23	147.25
	Times Interest Earned	—	—	20.56	54.00	30.22	25.04
Operating Performance Analysis	Average Collection Turnover (times)	3.09	3.26	6.39	5.21	4.74	4.70
	Days Sales Outstanding	118	112	57	70	77	78
	Average Inventory Turnover (times)	4.79	21.01	8.99	5.91	5.67	5.76
	Average Payment Turnover (times)	6.85	8.67	10.65	8.07	7.14	6.99
	Average Inventory Turnover Days	76	17	41	62	64	63
	Property, Plant and Equipment Turnover (times)	1.49	5.10	5.68	4.11	4.00	4.34
	Total Assets Turnover (times)	0.47	0.78	1.31	1.03	0.91	0.85
Profitability Analysis	Return on Total Assets (%)	4.64	9.73	15.14	9.21	6.33	7.25
	Return on Equity (%)	5.45	5.45	14.29	16.58	12.14	15.13
	Pre-tax Income to Paid-in Capital Ratio (%)	22.04	94.09	296.67	331.13	246.89	265.39
	Net Margin (%)	9.86	12.45	10.92	8.70	6.64	8.17
	Earnings per Share (NT\$) (Note 2)	1.97	1.97	14.62	23.6	1.72	2.19
Cash Flow (%)	Cash Flow Ratio	66.71	52.78	47.46	52.76	49.47	30.70
	Cash Flow Adequacy Ratio	71.22	62.90	88.71	98.34	108.00	107.37
	Cash Flow Reinvestment Ratio	3.80	4.11	7.05	7.17	5.82	3.23
Leverage	Operating Leverage	4.50	3.51	3.28	3.14	3.75	3.37
	Financial Leverage	1.00	1.00	1.07	1.02	1.04	1.04

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

- Profitability Analysis: Return on equity, net margin and earnings per share are increased for the profit increase within this year.
- Cash Flow: Cash flow ratio decrease to 30.70% from 49.47%; Cash flow reinvestment ratio decrease from 5.82% to 3.23% due to the decrease of net cash flow 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.

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 = $365 / \text{Account receivable turnover}$.
- (3) Average Inventory Turnover = $\text{Cost of goods sold} / \text{Average inventory}$.
- (4) Average Payment Turnover (including accounts payable and notes payable resulted from business operation) = $\text{Cost of goods sold} / \text{Average balance of account payable (including accounts payable and notes payable resulted from business operation)}$.
- (5) Average Inventory Turnover Days = $365 / \text{Inventory turnover}$.
- (6) Property, Plant and Equipment Turnover = $\text{Net sales} / \text{Average property, plant and equipment, net}$.
- (7) Total Assets Turnover = $\text{Net sales} / \text{Average total assets}$.

4. Profitability Analysis

- (1) Return on Total Assets (%) = $[\text{Post-tax profit or loss} + \text{Interest expenses} \times (1 - \text{Tax rate})] / \text{Average total assets}$.
- (2) Return on Equity = $\text{Post-tax profit or loss} / \text{Average total stockholders' equity}$.
- (3) Net Margin = $\text{Profit after tax} / \text{Net sales}$.
- (4) Earnings per Share = $(\text{Profit or loss attributable to owners of the parent company} - \text{Preferred stock dividend}) / \text{Weighted average stock shares issued. (Note 3)}$

5. Cash Flow

- (1) Cash Flow Ratio = $\text{Net cash flow from operating activities} / \text{Current liabilities}$.
- (2) Net cash Flow Adequacy Ratio = $\text{Net cash flow from operating activities within five years} / (\text{Capital expenditure} + \text{inventory increase} + \text{cash dividend}) \text{ within five year}$.
- (3) Cash Flow Reinvestment Ratio = $(\text{Net cash flow from operating activities} - \text{Cash dividends}) / (\text{Total property, plant and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$. (Note 4)

6. Leverage

- (1) Operating Leverage = $(\text{Net sales} - \text{Variable cost of sales and expenses}) / \text{Operating income (Note 5)}$.
- (2) Financial Leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

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.

Note 7: Operating performance and profitability, except for earnings per share, are calculated on a full-year basis.

2. Parent Company Only Financial Analysis – Based on IFRS

Item		Year	Financial Analysis for the Past Five Years (Note 1)						
			2016 (before restatement)	2016 (after restatement)	2017	2018	2019	2020	
Financial Structure (%)	Debt Asset Ratio		14.41	7.90	34.03	37.21	47.02	49.34	
	Long-term Funds to Property, Plant and Equipment Ratio		315.73	315.73	1,878.18	1,969.56	2,149.44	1,779.91	
Liquidity Analysis (%)	Current Ratio		460.35	460.35	260.90	155.50	130.59	203.06	
	Quick Ratio		405.49	378.66	249.64	140.01	121.54	130.00	
	Times Interest Earned		—	—	20.60	60.63	30.76	22.33	
Operating Performance Analysis	Average Collection Turnover (times)		4.04	4.04	3.29	4.46	4.20	4.24	
	Days Sales Outstanding		90	90	111	82	87	86	
	Average Inventory Turnover (times)		5.05	5.05	15.36	22.49	18.27	23.51	
	Average Payment Turnover (times)		6.75	6.75	4.34	5.62	4.58	4.46	
	Average Inventory Turnover Days		73	72	24	16	20	16	
	Property, Plant and Equipment Turnover (times)		1.44	1.44	4.35	9.53	10.05	8.40	
	Total Assets Turnover (times)		0.46	0.23	0.29	0.43	0.40	0.36	
Profitability Analysis	Return on Total Assets (%)		4.65	10.41	15.82	10.84	7.22	8.10	
	Return on Equity (%)		5.45	5.45	14.29	16.58	12.14	15.13	
	Ratio to Paid-in Capital (%)	Operating Profit		22.19	22.19	28.56	64.40	43.49	34.87
		Pre-tax Income		21.87	82.25	225.67	286.66	205.98	199.72
	Net Margin (%)		10.15	43.67	50.44	24.73	17.38	22.00	
	Earnings per Share (NT\$) (Note 2)		1.97	1.97	14.62	23.60	1.72	2.19	
Cash Flow (%)	Cash Flow Ratio		77.09	77.09	(5.94)	19.34	3.39	78.41	
	Cash Flow Adequacy Ratio		82.50	82.49	49.19	45.84	28.27	88.41	
	Cash Flow Reinvestment Ratio		5.29	2.86	(1.23)	(2.55)	(6.96)	10.08	
Leverage	Operating Leverage		4.57	4.57	3.13	2.18	2.73	3.18	
	Financial Leverage		1.00	1.00	1.67	1.08	1.19	1.37	

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

- Liquidity Analysis: Current ratio has increased from 130.59 to 203.06, mainly due to the increase in other financial assets at the end of the year; Times interest earned has decreased from 30.76 to 22.33, due to the increase in interest expenses during the year.
- Operating Performance Analysis: Average inventory turnover has increased and average inventory turnover days has decreased, mainly due to the decrease in inventory at the end of the year.
- Profitability Analysis: The increase in return on equity, net margin and earnings per share was mainly due to the increase in profit for the year. The decrease in the ratio to paid-in capital was mainly due to the decrease in operating income for the year.
- Cash Flow: The increase in cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio was mainly due to the increase in net cash inflow from operating activities as a result of the repatriation of cash dividends by subsidiaries.

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.

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 3)

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 4)

6. Leverage:

- (1) Operating Leverage = (Net sales – Variable cost of sales and expenses) / Operating income (Note 5).
- (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.

Note 7: Operating performance and profitability, except for earnings per share, are calculated on a full-year basis.

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 2020 Financial Statements (including the parent company only and consolidated financial statements). The audit of the financial statements was completed by accountants Yu-Hsiang Liu 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 2020 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,

2021 Annual Shareholders' Meeting of Chang Wah Technology Co., Ltd.

Audit Committee of Chang Wah Technology Co., Ltd.

Committee Member: 林宜靜

Committee Member: 林至球

Committee Member: 莊鎮

March 17, 2021

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	2019	2020	Difference	
			Amount	%
Current assets	6,502,446	7,413,573	911,127	14.01%
Property, plant and equipment	2,209,926	2,251,962	42,036	1.90%
Non-current assets	1,831,600	2,498,627	667,027	36.42%
Total assets	10,543,972	12,164,162	1,620,190	15.37%
Current liabilities	2,963,698	3,215,572	251,874	8.50%
Non-current liabilities	2,593,864	3,522,331	928,467	35.79%
Total liabilities	5,557,562	6,737,903	1,180,341	21.24%
Ordinary shares	364,131	364,131	—	0.00%
Capital surplus	4,230,789	4,253,933	23,144	0.55%
Retained earnings	841,268	1,231,931	390,663	46.44%
Other equity	(93,984)	(139,994)	(46,010)	(48.96%)
Treasury stock	(437,809)	(384,142)	53,667	12.26%
Non-controlling equity	82,015	100,400	18,385	22.42%
Total stockholders' equity	4,986,410	5,426,259	439,849	8.82%

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 non-current assets: This is mainly due to the increase in other financial assets - non-current, as a result of the application for repatriation of offshore funds and the restrictions on the use of the funds under the Act. The cash dividends repatriated by the subsidiaries were subject to the expected timing of the use of the funds, resulting in an increase in other financial assets - non-current.

Increase in non-current liabilities: This is mainly due to the increase in long-term loans of NT\$1,109,217 thousand for plant expansion and working capital requirements.

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

Decrease in other equity: This is mainly due to the loss of NT\$83,681 thousand from the translation of the financial statements of foreign operations, the increase of NT\$111,965 thousand from the valuation gain on financial assets through other comprehensive income, and the transfer of the gain on disposal of financial assets through other comprehensive income to retained earnings of NT\$74,294 thousand.

Increase in non-controlling equity: This is mainly due to the increase in net income of our subsidiary Shanghai Chang Wah Electromaterials Inc.

2. Financial Performance:

(1) Analysis of Financial Performance (Consolidated)

Unit: NT\$ thousands

Item \ Year	2019	2020	Increase/Decrease	Variation(%)
Operating Revenue	9,320,275	9,678,146	357,871	3.84%
Operating Cost	7,739,451	7,873,240	133,789	1.73%
Gross profit	1,580,824	1,804,906	224,082	14.18%
Operating expenses	747,954	844,620	96,666	12.92%
Operating profit	832,870	960,286	127,416	15.30%
Non-operating income and expenses	66,152	6,074	(60,078)	(90.82%)
Net Profit before Tax	899,022	966,360	67,338	7.49%
Income tax expense	280,107	175,742	(104,365)	(37.26%)
Net Profit for the Year	618,915	790,618	171,703	27.74%
Total comprehensive income for the Year	535,557	822,186	286,629	53.52%

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):

Decrease in Non-operating income and gains: The decrease in non-operating income of NT\$60,078 thousand was mainly due to the depreciation of the U.S. dollar. The net exchange loss of \$127,974 thousand for the year was \$110,081 thousand higher than the net exchange loss of \$17,893 thousand for the previous year. The net effect of dividend income was \$44,035 thousand, an increase of \$31,893 thousand compared with last year.

Decrease in income tax expense: The decrease of NT\$104,365 thousand was mainly due to the application of the special tax rate for the repatriation of offshore funds by our foreign subsidiary, SHAP, which resulted in the recognition of an income tax benefit of NT\$115,328 thousand.

(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
\$3,075,827	\$987,280	\$1,561,572	\$2,501,535	None	None

1. Analysis of changes in cash flow for the year ended December 31, 2020:

- (1) Operating activities: Net cash inflow from operating activities increased slightly by \$11,329 thousand, 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: To increase working capital, bank borrowings increased, resulting in a net cash inflow 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:

Amount \ Year	2020	2019	Increase (Decrease) %
Cash flow ratio(%)	30.70	49.47	(37.94)
Cash flow adequacy ratio(%)	107.37	108.00	(0.58)
Cash flow reinvestment ratio(%)	3.23	5.82	(44.50)

Analysis of the changes in the ratio of increase and decrease:
Cash flow ratio and cash flow reinvestment ratio decreased mainly due to the decrease 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
\$2,501,535	\$1,053,062	\$1,101,889	\$2,452,708	None	None

1. Analysis of the changes in cash flow for the year ended December 31, 2021:

- (1) Net cash inflow from operating activities: Net cash inflow was generated due to stable profitability.
- (2) Net cash outflows from investing activities: The construction of plants and additional production lines and equipment are required for capacity expansion and new product development.
- (3) Net cash outflow from financing activities: mainly due to the estimated cash dividends allotted and repayment of bank loans.

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 \$442,481 thousands in 2020, 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	2020 profit after tax	Main reasons for gain or loss	Improvement
CWTC (Shanghai) Inc.	3,936	Profit: Stable profit from the sale and purchase of semiconductor packaging and testing materials and equipment in China.	None
SH Electronics Taiwan Co., Ltd.	65,938	Profit: Stable development of semiconductor industry.	None
SH Asia Pacific Pte. Ltd.	591,496	Profit: Mainly recognized investment income from our subsidiaries.	None
Malaysian SH Electronics Sdn. Bhd.	211,099	Profit: Stable development of semiconductor industry.	None
SH Electronics Suzhou Co., Ltd.	151,527	Profit: Stable development of semiconductor industry.	None
SH Precision Chengdu Co., Ltd.	154,067	Profit: Stable development of the semiconductor industry.	None
SH Electronics Chengdu Co., Ltd.	58,624	Profit: Stable development of the semiconductor industry.	None
WSP Electromaterials Ltd.	84,395	Profit: A holding company that recognizes investment income from its companies.	None
Shanghai Chang Wah Electromaterials Inc.	54,785	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	2019			2020		
	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	42,609	0.46%	4.74%	29,137	0.30%	3.02%
Interest expenses	30,761	0.33%	3.42%	40,203	0.42%	4.16%
Net foreign exchange losses	(17,893)	(0.19%)	(1.99%)	(127,974)	(1.32%)	(13.24%)
Operating revenue	9,320,275			9,678,146		
Net profit before tax	899,022			966,360		

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 Operational highlights(3) Resear and Development (page 75) 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 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.
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

Industry	Current 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:

With the expansion of trade frictions between the U.S. and China, many Taiwanese and Chinese-invested enterprises have been affected. Taiwanese companies with deep trade relations with the U.S. and China need to strategically adjust their global supply chains, accelerate automation, and consider moving into niche markets in order to reduce the negative impact of trade frictions. At the Board of Directors' meeting on November 7, 2019, the Company resolved to increase its investment in Taiwan and build a new factory in the Nanzi Dist. to meet its future needs, and at the Board of Directors' meeting on March 17, 2021, the Company resolved to determine the constructor of the new factory.

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

(1) **Purchasing sources:** The top two suppliers of the Company and its subsidiaries accounted for 22.81% and 12.91% of the total purchase volume in FY2020, respectively, the subsidiary Shanghai Chang Wah Electromaterials Inc. represented the IC packaging material suppliers in China and the Company represented the lead frame suppliers in Japan; the former is a long-term agency trading business, and the latter will turn to self-production after obtaining the technology transfer from Japan.

(2) **Customers:** In FY2020, 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 24.38% 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%: None.

(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.
- (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

Information security risk assessment analysis and response measures.:

1. In order to implement information security management, the Company has established the "Electronic Computer Cycle" rule and implemented information asset security management in accordance with the rule, which is implemented as follows:
 - (1) All communication equipment (including DSU, HUB, ROUTER) in the information assets should be included in the regular maintenance plan, which should be carried out by the hardware and network engineers, and the relevant security controls such as log files should be set up for the firewall and reviewed regularly, and records should be left.
 - (2) All servers, personal computers and printer-related information equipment in the Information Assets are subject to all relevant maintenance in accordance with CE-108.
 - (3) The remote login management information system should be properly authorized by the supervisor, such as VPN application, to prevent improper remote data access.
 - (4) The System Log of each information security project should be reviewed regularly by a dedicated person or unit to track irregularities and establish a checklist to review the log records regularly.
 - (5) Effective computer virus prevention, detection and handling measures and regular automatic detection mechanism should be established.
 - (6) Outsourced operations should carefully assess potential security risks in advance and sign appropriate information security agreements with vendors to assign relevant security management responsibilities.
2. To conduct information security education and training for information-related duties and work to establish employee awareness of information security and to improve the company's information security standards. In addition, all employees are trained to use virus detection software to detect viruses in external media to improve the security of company information.

7. Other important matters: None.

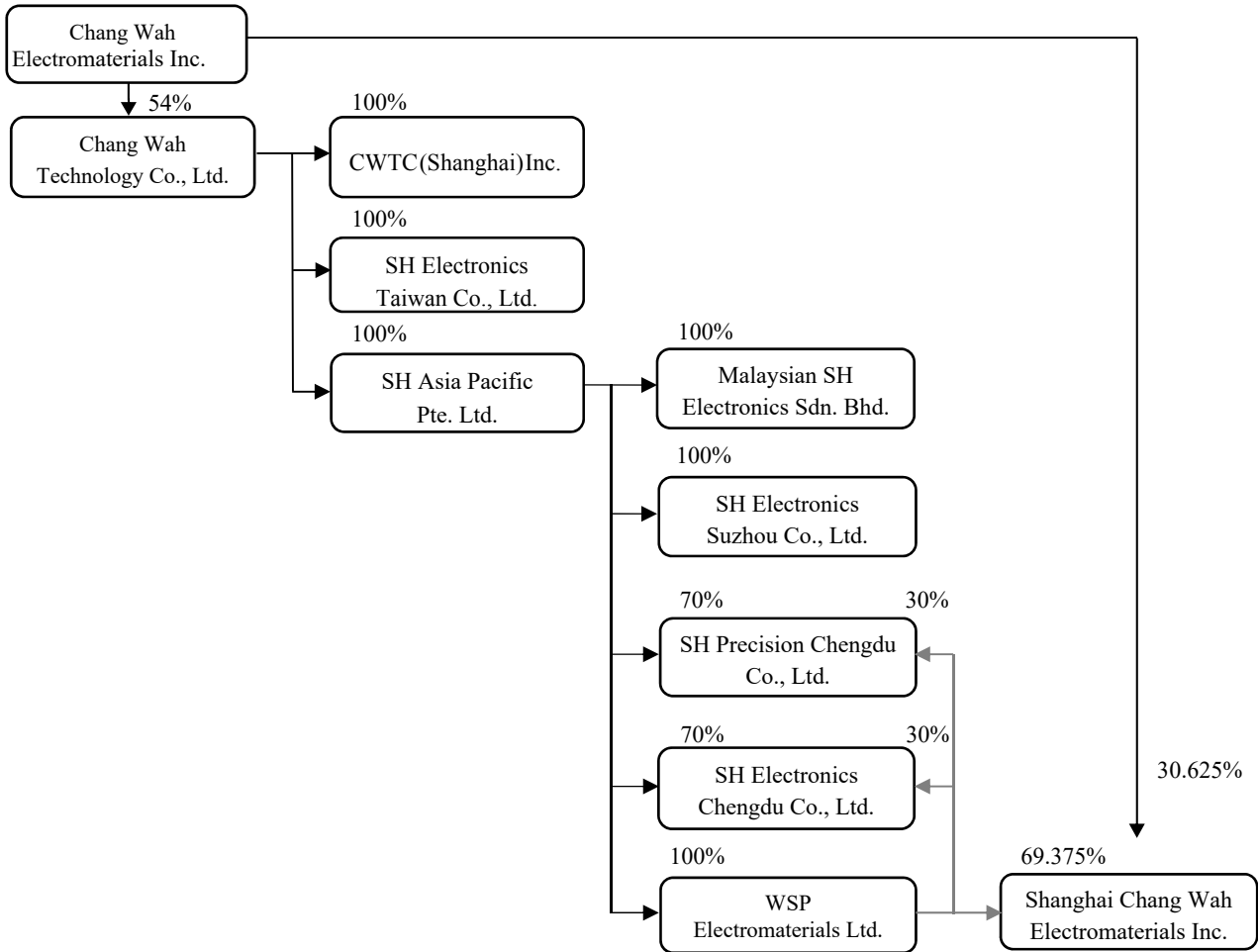
VIII. Special Disclosure

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, 2020

Date: Dec. 31, 2020



2. Information of Affiliated Companies:

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	56,960	Sales of lighting materials and equipment, telecommunications equipment, semiconductor materials and equipment, electronic products, machinery and equipment, etc.
SH Electronics Taiwan Co., Ltd.	Dec. 10, 2012	No. 16, E. 7th St., Nanzi Processing Export Zone, Nanzi Dist., Kaohsiung City	410,000	Manufacturing and international trade of electronic parts and molds
SH Asia Pacific Pte. Ltd.	Jan. 11, 1977	10 Eunost Road 8, #09-04 Singapore Post Centre, Singapore 408600	390,772	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	240,650	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	712,000	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	242,080	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	99,680	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	149,093	International investment business
Shanghai Chang Wah Electromaterials Inc.	Apr. 5, 2005	Room 2101, Mega Plaza, 1027 Changning Road, Changning District, Shanghai, China	113,920	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 ter of the Company Act: None.

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

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
SH Electronics Taiwan Co., Ltd.	Manufacturing of electronic components and mold; international trade	Domestic Manufacturing Locations
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, 2020

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		
SH Electronics Taiwan Co., Ltd.	Director	Canon, Huang 、 Hung, Chuen-Sing	41,000,000	100%
	President	Hung, Chuen-Sing		
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	Hung, Chuen-Sing 、 Su, Zhen-Ping 、 Ou Yang, Yan-Hong	Contribution Refer to Note 1.	(100%)
	Supervisor	Hsu, Liang-Fang		
	President	Su, Zhen-Ping		
SH Precision Chengdu Co., Ltd.	Director	Hung, Chuen-Sing 、 Zheng, Hui-Qing 、 Mao, Ya-Ping 、 Su, Zhen-Ping 、 Xie, Jun-Ming	Contribution Refer to Note 1.	(100%)
	Supervisor	Hsu, Liang-Fang		
	President	Zheng, Hui-Qing		
SH Electronics Chengdu Co., Ltd.	Director	Hung, Chuen-Sing 、 Zheng, Hui-Qing 、 Lu, Jian-Gui 、 Su, Zhen-Ping 、 Xie, Jun-Ming	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%
Shanghai Chang Wah Electromaterials Inc.	Director	Xie, Jun-Ming 、 Zhang, Rui-Sen 、 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 Precision Chengdu Co., Ltd. and SH Electronics 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 Precision Chengdu Co., Ltd. and SH Electronics 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.	56,960	158,987	84,226	74,761	229,642	3,667	3,936	NA
SH Electronics Taiwan Co., Ltd.	410,000	1,637,249	820,730	816,519	2,201,229	82,495	65,938	1.61 (Note 1)
SH Asia Pacific Pte. Ltd.	390,772	3,520,284	85,818	3,434,466	368,791	(5,933)	591,496	27.89 (Note 2)
Malaysian SH Electronics Sdn. Bhd.	240,650	1,688,793	288,001	1,400,792	2,014,200	268,122	211,099	9.18 (Note 3)
SH Electronics Suzhou Co., Ltd.	712,000	1,276,263	834,772	441,491	1,771,787	166,802	151,527	NA
SH Precision Chengdu Co., Ltd.	242,080	840,761	193,383	647,378	1,242,902	176,692	154,067	NA
SH Electronics Chengdu Co., Ltd.	99,680	452,493	198,345	254,148	644,479	54,098	58,624	NA
WSP Electromaterials Ltd.	149,093	783,636	—	783,636	—	(85)	84,395	16.12 (Note 4)
Shanghai Chang Wah Electromaterials Inc.	113,920	584,060	256,225	327,835	1,633,468	70,129	54,785	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:

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Chang Wah Technology Co., Ltd. as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chang Wah Technology Co., Ltd. and Subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

Chang Wah Technology Co., Ltd.

By

Canon, Huang
Chairman

March 17, 2021

- (3) Relationship Report: 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: None.
- 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

Appendix I. Financial statements for the most recent year

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, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as "the consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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, 2020. 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, 2020 is described as follows:

Revenue Recognition of Specific Products - IC lead frames

Due to the pressure from having to meet expected targets and market expectations, the possibility of overstatement of sales may arise, and the main risk lies in whether the transactions from the sale of IC lead frames, which accounted for the largest percentage of net operating revenue, actually occurred. Therefore, the revenue recognition of IC lead frames has been deemed as a key audit matter.

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

1. We understood the internal controls related to the revenue recognition of IC lead frames, evaluated the design of the key controls and tested the operating effectiveness of these controls.
2. We selected appropriate samples from the sales revenue receipts of IC lead frames, examined the payment and goods delivery receipts, and verified that the payment receiver is the same as the transaction counterparty to confirm the occurrence of revenue.
3. We obtained the receipts on sales returns and allowance after the reporting period and checked for material abnormalities in sales returns and allowance to verify that the sales transactions actually occurred before the balance sheet date.

Other Matter

We have also audited the standalone financial statements of Chang Wah Technology Co., Ltd. as of and for the years ended December 31, 2020 and 2019 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 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 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 Yu-Hsiang Liu and Hung-Ju Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2021

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)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,501,535	21	\$ 3,075,827	29
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	87,430	1	-	-
Notes receivable (Note 9)	1,749	-	1,218	-
Accounts receivable, net (Notes 4, 5 and 9)	1,525,411	12	1,589,690	15
Accounts receivable - related parties (Notes 4, 5, 9 and 32)	586,689	5	412,327	4
Other receivables (Note 32)	32,141	-	54,843	1
Current tax assets (Note 26)	3,268	-	184	-
Inventories (Notes 4, 5 and 10)	1,436,573	12	1,295,518	12
Other financial assets - current (Notes 11 and 33)	1,129,698	9	-	-
Other current assets	109,079	1	72,839	1
Total current assets	7,413,573	61	6,502,446	62
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	-	-	68,941	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	722,371	6	209,707	2
Investments accounted for using the equity method (Notes 4 and 13)	-	-	174,018	2
Property, plant and equipment (Notes 4, 14 and 32)	2,251,962	18	2,209,926	21
Right-of-use assets (Notes 4 and 15)	470,335	4	494,506	5
Investment properties (Notes 4 and 16)	9,452	-	10,685	-
Goodwill (Notes 4 and 17)	661,447	6	676,518	6
Other intangible assets (Notes 4 and 18)	29,567	-	27,454	-
Deferred tax assets (Notes 4 and 26)	124,840	1	104,990	1
Prepayments for equipment	136,231	1	20,504	-
Other financial assets - non-current (Notes 11 and 33)	334,864	3	32,802	-
Other non-current assets (Note 22)	9,520	-	11,475	-
Total non-current assets	4,750,589	39	4,041,526	38
TOTAL	\$ 12,164,162	100	\$ 10,543,972	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 33)	\$ 1,207,281	10	\$ 1,064,376	10
Contract liabilities - current (Notes 4 and 24)	50,953	-	71,425	1
Accounts payable (Note 20)	1,101,876	9	857,640	8
Accounts payable - related parties (Notes 20 and 32)	3,040	-	290,552	3
Dividends payable (Note 23)	141,276	1	120,085	1
Other payables (Notes 21, 22 and 32)	601,199	5	485,505	5
Current tax liabilities (Note 26)	58,356	1	42,264	-
Lease liabilities - current (Notes 4 and 15)	11,267	-	11,349	-
Other current liabilities	40,324	-	20,502	-
Total current liabilities	3,215,572	26	2,963,698	28
NON-CURRENT LIABILITIES				
Contract liabilities - non-current (Notes 4 and 24)	15,481	-	14,593	-
Long-term borrowings (Notes 19 and 33)	3,250,392	27	2,141,175	21
Deferred tax liabilities (Notes 4 and 26)	176,412	1	328,531	3
Lease liabilities - non-current (Notes 4 and 15)	63,579	1	75,935	1
Net defined benefit liabilities (Notes 4 and 22)	-	-	21,342	-
Guarantee deposits received	9,705	-	5,927	-
Other non-current liabilities	6,762	-	6,361	-
Total non-current liabilities	3,522,331	29	2,593,864	25
Total liabilities	6,737,903	55	5,557,562	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)				
Ordinary shares	364,131	3	364,131	3
Capital surplus	4,253,933	35	4,230,789	40
Retained earnings				
Legal reserve	241,635	2	172,384	2
Special reserve	130,455	1	-	-
Unappropriated earnings	859,841	7	668,884	6
Total retained earnings	1,231,931	10	841,268	8
Other equity	(139,994)	(1)	(93,984)	(1)
Treasury shares (Note 28)	(384,142)	(3)	(437,809)	(3)
Total equity attributable to owners of the Company	5,325,859	44	4,904,395	47
NON-CONTROLLING INTERESTS (Note 23)	100,400	1	82,015	-
Total equity	5,426,259	45	4,986,410	47
TOTAL	\$ 12,164,162	100	\$ 10,543,972	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			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 32)	\$ 9,678,146	100	\$ 9,320,275	100
OPERATING COSTS (Notes 10, 25 and 32)	<u>7,873,240</u>	<u>81</u>	<u>7,739,451</u>	<u>83</u>
GROSS PROFIT	<u>1,804,906</u>	<u>19</u>	<u>1,580,824</u>	<u>17</u>
OPERATING EXPENSES (Notes 9, 25 and 32)				
Selling and marketing expenses	176,075	2	171,072	2
General and administrative expenses	440,860	5	426,842	5
Research and development expenses	228,583	2	149,707	1
Expected credit losses (gains)	<u>(898)</u>	<u>-</u>	<u>333</u>	<u>-</u>
Total operating expenses	<u>844,620</u>	<u>9</u>	<u>747,954</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>960,286</u>	<u>10</u>	<u>832,870</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Notes 25 and 32)				
Interest income	29,137	-	42,609	-
Other income	149,641	1	50,344	1
Other gains and losses	(131,847)	(1)	(3,241)	-
Finance costs	(40,203)	-	(30,761)	-
Share of profit (loss) of associates	<u>(654)</u>	<u>-</u>	<u>7,201</u>	<u>-</u>
Total non-operating income and expenses	<u>6,074</u>	<u>-</u>	<u>66,152</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	966,360	10	899,022	10
INCOME TAX EXPENSE (Notes 4 and 26)	<u>175,742</u>	<u>2</u>	<u>280,107</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>790,618</u>	<u>8</u>	<u>618,915</u>	<u>7</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	2,096	-	(9,660)	-

(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			
	2020		2019	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ 109,675	1	\$ 39,476	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	1,871	-	1,932	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(102,994)	(1)	(143,024)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>20,920</u>	<u>-</u>	<u>27,918</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>31,568</u>	<u>-</u>	<u>(83,358)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 822,186</u>	<u>8</u>	<u>\$ 535,557</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 773,840		\$ 607,304	
Non-controlling interests	<u>16,778</u>		<u>11,611</u>	
	<u>\$ 790,618</u>		<u>\$ 618,915</u>	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 803,801		\$ 527,358	
Non-controlling interests	<u>18,385</u>		<u>8,199</u>	
	<u>\$ 822,186</u>		<u>\$ 535,557</u>	
EARNINGS PER SHARE (Note 27)				
Basic	\$ 2.19		\$ 1.72	
Diluted	2.19		1.72	

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)

	Equity Attributable to Owner of the Company										Other Equity		Total Equity
	Ordinary Shares (Note 23)	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings		Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-controlling Interests	Total Equity	
					Unappropriated Earnings	Total							
BALANCE AT JANUARY 1, 2019	\$ 364,131	\$ 4,230,789	\$ 61,580	\$ 53,918	\$ 840,298	\$ 955,796	\$ (15,333)	\$ (27)	\$ (437,809)	\$ 5,097,547	\$ 73,816	\$ 5,171,363	
Appropriation of earnings (Note 23)	-	-	-	-	(110,804)	-	-	-	-	-	-	-	
Legal reserve	-	-	110,804	(53,918)	53,918	(720,510)	-	-	-	(720,510)	-	(720,510)	
Special reserve	-	-	-	(53,918)	(777,396)	(720,510)	-	-	-	(720,510)	-	(720,510)	
Cash dividends	-	-	-	-	607,304	607,304	-	-	-	607,304	11,611	618,915	
Net profit for the year ended December 31, 2019	-	-	-	(53,918)	(777,396)	(720,510)	-	-	-	(720,510)	-	(720,510)	
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	(7,728)	(7,728)	(111,694)	39,476	-	(79,946)	(3,412)	(83,358)	
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	(7,728)	(7,728)	(111,694)	39,476	-	(72,218)	8,199	(53,557)	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	6,406	6,406	-	(6,406)	-	-	-	-	
BALANCE AT DECEMBER 31, 2019	364,131	4,230,789	172,384	130,455	668,884	841,268	(127,027)	33,043	(437,809)	4,904,395	82,015	4,986,410	
Appropriation of earnings (Note 23)	-	-	69,251	130,455	(69,251)	-	-	-	-	-	-	-	
Legal reserve	-	-	69,251	130,455	(69,251)	(459,148)	-	-	-	(459,148)	-	(459,148)	
Special reserve	-	-	-	130,455	(658,854)	(459,148)	-	-	-	(459,148)	-	(459,148)	
Cash dividends	-	-	-	-	773,840	773,840	-	-	-	773,840	16,778	790,618	
Net profit for the year ended December 31, 2020	-	-	-	-	1,677	1,677	(83,681)	111,965	-	29,961	1,607	31,568	
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	(69,251)	(69,251)	(83,681)	111,965	-	28,284	18,385	82,186	
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	(69,251)	(69,251)	(83,681)	111,965	-	28,284	18,385	82,186	
Share-based payments (Note 28)	-	23,144	-	-	-	-	-	-	53,667	76,811	-	76,811	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	74,294	74,294	-	(74,294)	-	-	-	-	
BALANCE AT DECEMBER 31, 2020	364,131	4,253,933	241,635	130,455	859,841	1,231,931	(210,708)	70,714	(384,142)	5,325,859	100,400	5,426,259	

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	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 966,360	\$ 899,022
Adjustments for:		
Depreciation expense	588,697	652,476
Amortization expense	11,009	13,702
Expected credit losses (gains)	(898)	333
Gain on financial assets at fair value through profit or loss	(18,541)	(20,656)
Finance costs	40,203	30,761
Interest income	(29,137)	(42,609)
Dividend income	(44,035)	(12,142)
Share-based compensation	23,065	-
Share of profit (loss) of associates	654	(7,201)
Loss (gain) on disposal of property, plant and equipment	18,459	(14,892)
Loss on disposal of investments accounted for using the equity method	15,995	-
Impairment loss recognized on non-financial assets	27,668	24,917
Others	(2,656)	(3,312)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	52	12,768
Notes receivable	(531)	31
Accounts receivable	65,270	11,740
Accounts receivable - related parties	(174,362)	(88,628)
Other receivables	20,603	(3,148)
Inventories	(168,138)	147,023
Other current assets	(36,240)	2,812
Other non-current assets	(819)	-
Contract liabilities - current	(20,472)	20,619
Notes payable	-	(530)
Accounts payable	244,236	121,109
Accounts payable from related parties	(287,512)	8,254
Other payables	16,844	(9,298)
Other current liabilities	19,822	(55,838)
Net defined benefit liabilities	(19,246)	(8,602)
Contract liabilities - non-current	888	(2,437)
Other non-current liabilities	401	5,336
Cash generated from operations	1,257,639	1,681,610
Interest received	31,236	38,583
Dividends received	44,035	12,329
Interest paid	(32,581)	(29,795)
Income taxes paid	(313,049)	(236,454)
Net cash generated from operating activities	<u>987,280</u>	<u>1,466,273</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	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (808,853)	\$ (207,208)
Proceeds from disposal of financial assets at fair value through other comprehensive income	421,522	75,661
Proceeds from disposal of investments accounted for using the equity method	137,788	-
Acquisition of property, plant and equipment	(442,481)	(516,280)
Proceeds from disposal of property, plant and equipment	2,451	31,847
Acquisition of intangible assets	(2,611)	(7,447)
Decrease (increase) in other financial assets	(1,431,727)	6,918
Decrease (increase) in other non-current assets	124	(1,174)
Increase in prepayments for equipment	<u>(222,584)</u>	<u>(18,446)</u>
Net cash used in investing activities	<u>(2,346,371)</u>	<u>(636,129)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	208,895	140,843
Repayments of short-term borrowings	(69,293)	(37,848)
Proceeds from long-term borrowings	1,999,217	1,595,342
Repayments of long-term borrowings	(892,000)	(1,050,000)
Increase (decrease) in guarantee deposits received	3,627	(1,391)
Repayments of the principal portion of lease liabilities	(11,194)	(11,206)
Cash dividends paid	(437,957)	(600,425)
Treasury shares sold to employees	<u>53,746</u>	<u>-</u>
Net cash generated from financing activities	<u>855,041</u>	<u>35,315</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(70,242)</u>	<u>(93,680)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(574,292)	771,779
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,075,827</u>	<u>2,304,048</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,501,535</u>	<u>\$ 3,075,827</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, 2020 AND 2019 (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 were approved for listing by the Taipei Exchange (TPEX) in July 2016 and have been trading on the TPEX since September 2016.

As of December 31, 2020 and 2019, the parent company, Chang Wah Electromaterials Inc., owned 54% and 51% of the Company’s issued ordinary shares, respectively.

The consolidated financial statements of the Company and its subsidiaries (collectively known as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on March 17, 2021.

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

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

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

As of the date the consolidated financial statements were approved by the board of directors and authorized for issue, the Group is continuously assessing the possible impact that the initial application of other standards and the amendments and interpretations will have on financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 4)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 5)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 6)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 7)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were approved by the board of directors and authorized for issue, the Group is continuously assessing the possible impact that the initial application of other standards and the amendments and interpretations will have on the financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than 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, Schedules 8 and 9.

e. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the 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 Group's foreign operations (including subsidiaries and associates 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 (attributed to the owners of the Company and non-controlling interests as appropriate).

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.

On the disposal of a foreign operation (i.e., a disposal of an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, work in progress, finished goods, merchandise, and consumable supplies. Inventories are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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 in associates

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

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

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

When impairment loss is evaluated, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

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

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

h. 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 for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

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.

i. 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 and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

j. Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's 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 Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 and intangible assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of their property, plant and equipment, right-of-use assets and intangible assets (other than goodwill) to determine whether there is any indication that those assets have suffered 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

m. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 is 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.

Financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, other financial assets and guarantee deposits paid, 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 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECL) for trade receivables. For other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group

measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL 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 ECL, 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 Group considers the following situations as indications that a financial instrument is in default (without taking into account any collateral held by the Group):

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

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

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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 in its entirety, the cumulative gain or loss 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. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

n. Revenue recognition

The Group identifies 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 Group 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 Group with customers. Estimated discounts or other allowances of the consideration received are recognized as guarantee deposits received. For a contract where the period between the date the Group transfers a promised good to a customer and the date the customer pays for that good is one year or less, the Group does not adjust the promised amount of consideration for any effect of a significant financing component.

The Group does not recognize sales revenue on materials delivered to subcontractors because the delivery does not involve a transfer of ownership.

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.

o. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. 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, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group are reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. 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 Group 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 future lease payments resulting from a change in a lease term, an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease.

The Group 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, 2021, 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 Group elects 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 Group recognizes 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 Group 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 Group recognizes as expenses the related costs that the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group 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 Group 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 and 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 is expensed on a straight-line basis over the vesting period, based on the 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. The expense is recognized in full at the grant date if the grants are vested immediately.

s. Taxation

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

1) Current tax

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

According to the Income Tax Act 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 provided to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized such deferred tax assets and liabilities are not recognized 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.

Deferred tax liabilities are recognized on taxable temporary differences associated with investments in subsidiaries and associates.

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 Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, 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 Group's 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 Group reviews the estimates and underlying assumptions on an ongoing basis. The effect of a change in an accounting estimate shall be recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

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

b. Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Group 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 282	\$ 192
Checking accounts and demand deposits	2,002,859	1,954,261
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	314,413	1,121,374
Bonds with repurchase agreements	<u>183,981</u>	<u>-</u>
	<u>\$ 2,501,535</u>	<u>\$ 3,075,827</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 87,430</u>	<u>\$ -</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Foreign private equity funds	<u>\$ -</u>	<u>\$ 68,941</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - EQUITY INSTRUMENTS - NON-CURRENT

	December 31	
	2020	2019
<u>Financial assets</u>		
Equity instruments		
Domestic listed shares	<u>\$ 722,371</u>	<u>\$ 209,707</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 Group's strategy of holding these investments for long-term purposes.

9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Notes receivable - operating		
At amortized cost		
Gross carrying amount	<u>\$ 1,749</u>	<u>\$ 1,218</u>
Accounts receivable		
At amortized cost		
Gross carrying amount	\$ 1,532,608	\$ 1,598,194
Less: Allowance for loss	<u>7,197</u>	<u>8,504</u>
	<u>\$ 1,525,411</u>	<u>\$ 1,589,690</u>
Accounts receivable from related parties		
At amortized cost		
Gross carrying amount	<u>\$ 586,689</u>	<u>\$ 412,327</u>

For the Group's related credit management policies, refer to Note 31.

The Group measures 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 using a provision matrix prepared by reference to the past collection experience of the customers and an increase in late payments over the credit period. The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g., when the debtor has been placed under liquidation, or when the accounts receivable are past due. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivable based on the Group's provision matrix.

December 31, 2020

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate (%)	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 1,934,338	\$ 171,682	\$ 15,026	\$ -	\$ -	\$ 2,121,046
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(7,197)</u>	<u>-</u>	<u>-</u>	<u>(7,197)</u>
Amortized cost	<u>\$ 1,934,338</u>	<u>\$ 171,682</u>	<u>\$ 7,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,113,849</u>

December 31, 2019

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate (%)	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 1,850,164	\$ 151,440	\$ 3,132	\$ 792	\$ 6,211	\$ 2,011,739
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(1,561)</u>	<u>(792)</u>	<u>(6,151)</u>	<u>(8,504)</u>
Amortized cost	<u>\$ 1,850,164</u>	<u>\$ 151,440</u>	<u>\$ 1,571</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 2,003,235</u>

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

	For the Year Ended December 31	
	2020	2019
Balance, beginning of year	\$ 8,504	\$ 8,269
Recognized (reversed) in current year	(898)	333
Amount written off	(316)	-
Effect of foreign currency exchange differences	<u>(93)</u>	<u>(98)</u>
Balance, end of year	<u>\$ 7,197</u>	<u>\$ 8,504</u>

10. INVENTORIES

	December 31	
	2020	2019
Raw materials	\$ 470,099	\$ 373,741
Work in progress	472,827	414,819
Finished goods	355,080	355,077
Merchandise	42,944	56,180
Consumable supplies	<u>95,623</u>	<u>95,701</u>
	<u>\$ 1,436,573</u>	<u>\$ 1,295,518</u>

Operating costs related to inventories for the years ended December 31, 2020 and 2019 was NT\$7,854,401 thousand and NT\$7,726,340 thousand, respectively, which included items as follows:

	December 31	
	2020	2019
Write-downs (reversal) of inventories	\$ 27,686	\$ (3,067)
Revenue from sale of scraps	(507,139)	(510,632)

11. OTHER FINANCIAL ASSETS

	For the Year Ended December 31	
	2020	2019
Current		
<hr/>		
Restricted deposits due to repatriation of funds	\$ 832,808	\$ -
Pledged time deposits	<u>296,890</u>	<u>-</u>
	<u>\$ 1,129,698</u>	<u>\$ -</u>
Non-current		
<hr/>		
Restricted deposits due to repatriation of funds	\$ 302,026	\$ -
Pledged time deposits	27,882	27,849
Deposits for reserve account	<u>4,956</u>	<u>4,953</u>
	<u>\$ 334,864</u>	<u>\$ 32,802</u>

Restricted deposits represent the Company's earnings repatriated from foreign subsidiaries based on the expected period of usage of the funds due to the application of "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act".

12. SUBSIDIARIES

a. The detailed information of subsidiaries is as follows:

Investor Company	Investee Company	Main Business and Products	Percentage of Ownership (%)	
			December 31, 2020	December 31, 2019
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
	SH Electronics Taiwan Co., Ltd. (SHT)	Manufacturing of electronic components and mold; international trade	100	100
SH Asia Pacific Pte. Ltd.	SH Electronics Chengdu Co., Ltd. (SHEC)	Researching, developing, manufacturing and selling of lead frames, semiconductor materials and precision mold	70	70
	SH Precision Chengdu Co., Ltd. (SHPC)	Researching, developing, manufacturing and selling of lead frames, semiconductor materials and precision mold	70	70
	SH Electronics Suzhou Co., Ltd. (SHS)	Researching, developing, manufacturing and selling of lead frames, semiconductor packaging materials and precision mold	100	100
WSP Electromaterials Ltd.	Malaysian SH Electronics Sdn. Bhd. (MSHE)	Manufacturing and selling lead frames and semiconductor materials	100	100
	WSP Electromaterials Ltd. (WSP)	International investment activities	100	100
	Shanghai Chang Wah Electromaterials Inc. (CWES)	Acting as an agent for IC packaging materials and equipment	69	69
	SH Electronics Chengdu Co., Ltd. (SHEC)	Researching, developing, manufacturing and selling of lead frames, semiconductor materials and precision mold	30	30
	SH Precision Chengdu Co., Ltd. (SHPC)	Researching, developing, manufacturing and selling of lead frames, semiconductor materials and precision mold	30	30

b. The Group does not have any subsidiaries with significant non-controlling interests.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2020	2019		
Material associate				
Ohkuchi Materials Co., Ltd. (OM)	\$ -	\$ 174,018		
Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights (%)	
			December 31 2020	December 31 2019
OM	Manufacturing IC lead frames	Japan	5	49

Since Ohkuchi Materials Co., Ltd. (OM) will terminate its lead frame manufacturing business, in April 2020, the Company disposed of 44% of OM's ownership for NT\$137,788 thousand (JPY490 million) and lost significant influence over OM; hence, the Company recognized a loss on disposal of investments of NT\$15,995 thousand. The remaining 5% interest held by the Company was recognized at the fair value of

the shares at the date of disposal of NT\$15,658 thousand, and transferred to financial assets at FVTOCI – non-current. The amount generated by this transaction recognized in profit or loss is calculated as follows:

	For the Year Ended December 31, 2020
Proceeds from disposal	\$ 137,788
Plus: Fair value of remaining investment (5%)	15,658
Less: Carrying amount of investment on the date of loss of significant influence	(175,123)
Plus: Share of other comprehensive income from associates accounted for using the equity method	<u>5,682</u>
Loss recognized (included in other gains and losses)	<u>\$ (15,995)</u>

The summarized financial information below represents amounts shown in OM's financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

	December 31, 2019
Current assets	\$ 777,957
Non-current assets	298,424
Current liabilities	<u>(721,243)</u>
Equity	<u>\$ 355,138</u>
Proportion of the Company's ownership (%)	49
Equity attributable to the Company	<u>\$ 174,018</u>

	For the Year Ended December 31	
	2020	2019
Operating revenue	<u>\$ 304,105</u>	<u>\$ 1,190,489</u>
Net profit (loss) for the year	<u>\$ (1,335)</u>	<u>\$ 14,695</u>
Dividends received from OM	<u>\$ -</u>	<u>\$ 208</u>

14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2020

Cost	Buildings	Machinery and Equipment	Molding Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Balance at January 1, 2020	\$ 2,051,390	\$ 4,341,783	\$ 3,030,241	\$ 28,016	\$ 94,788	\$ 318,087	\$ 156,220	\$ 10,020,525
Additions	18,336	207,035	228,810	-	6,061	12,341	171,162	643,745
Disposals	(56,080)	(89,205)	(55,650)	(1,722)	(12,601)	(8,409)	-	(223,667)
Reclassification	-	-	-	-	712	-	(4,577)	(3,865)
Effect of foreign currency exchange difference	<u>(16,701)</u>	<u>(25,402)</u>	<u>(34,894)</u>	<u>(570)</u>	<u>(2,269)</u>	<u>1,043</u>	<u>1,227</u>	<u>(77,566)</u>
Balance at December 31, 2020	<u>1,996,945</u>	<u>4,434,211</u>	<u>3,168,507</u>	<u>25,724</u>	<u>86,691</u>	<u>323,062</u>	<u>324,032</u>	<u>10,359,172</u>

(Continued)

	Buildings	Machinery and Equipment	Molding Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Accumulated depreciation								
Balance at January 1, 2020	\$ (1,310,896)	\$ (3,434,823)	\$ (2,648,759)	\$ (21,957)	\$ (78,202)	\$ (229,486)	\$ -	\$ (7,724,123)
Depreciation	(76,547)	(210,989)	(241,332)	(2,464)	(7,464)	(29,024)	-	(567,820)
Disposals	26,109	85,089	55,628	1,722	12,585	8,409	-	189,542
Reclassification	-	-	-	-	(534)	-	-	(534)
Effect of foreign currency exchange difference	14,258	19,203	34,200	545	1,778	(966)	-	69,018
Balance at December 31, 2020	<u>(1,347,076)</u>	<u>(3,541,520)</u>	<u>(2,800,263)</u>	<u>(22,154)</u>	<u>(71,837)</u>	<u>(251,067)</u>	<u>-</u>	<u>(8,033,917)</u>
Accumulated impairment								
Balance at January 1, 2020	(40,583)	(17,636)	(27,966)	-	-	(291)	-	(86,476)
Impairment loss recognized (reversed)	-	18	-	-	-	-	-	18
Disposals	10,847	2,368	-	-	-	-	-	13,215
Effect of foreign currency exchange difference	-	(46)	-	-	-	(4)	-	(50)
Balance at December 31, 2020	<u>(29,736)</u>	<u>(15,296)</u>	<u>(27,966)</u>	<u>-</u>	<u>-</u>	<u>(295)</u>	<u>-</u>	<u>(73,293)</u>
Carrying amount at December 31, 2020	<u>\$ 620,133</u>	<u>\$ 877,395</u>	<u>\$ 340,278</u>	<u>\$ 3,570</u>	<u>\$ 14,854</u>	<u>\$ 71,700</u>	<u>\$ 324,032</u>	<u>\$ 2,251,962</u>

(Concluded)

For the Year Ended December 31, 2019

	Buildings	Machinery and Equipment	Molding Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost								
Balance at January 1, 2019	\$ 2,082,975	\$ 4,260,110	\$ 2,955,481	\$ 28,618	\$ 99,359	\$ 285,952	\$ 197,843	\$ 9,910,338
Additions	18,026	262,725	200,796	-	4,098	38,283	(39,815)	484,113
Disposals	(10,710)	(93,080)	(61,135)	(84)	(6,281)	(2,827)	-	(174,117)
Effect of foreign currency exchange difference	(38,901)	(87,972)	(64,901)	(518)	(2,388)	(3,321)	(1,808)	(199,809)
Balance at December 31, 2019	<u>2,051,390</u>	<u>4,341,783</u>	<u>3,030,241</u>	<u>28,016</u>	<u>94,788</u>	<u>318,087</u>	<u>156,220</u>	<u>10,020,525</u>
Accumulated depreciation								
Balance at January 1, 2019	(1,264,218)	(3,349,823)	(2,490,635)	(19,666)	(77,758)	(208,076)	-	(7,410,176)
Depreciation	(85,739)	(235,932)	(270,524)	(2,820)	(8,647)	(27,344)	-	(631,006)
Disposals	10,710	81,478	55,458	85	6,260	2,907	-	156,898
Effect of foreign currency exchange difference	28,351	69,454	56,942	444	1,943	3,027	-	160,161
Balance at December 31, 2019	<u>(1,310,896)</u>	<u>(3,434,823)</u>	<u>(2,648,759)</u>	<u>(21,957)</u>	<u>(78,202)</u>	<u>(229,486)</u>	<u>-</u>	<u>(7,724,123)</u>
Accumulated impairment								
Balance at January 1, 2019	(40,583)	(18,009)	-	-	-	(300)	-	(58,892)
Impairment loss recognized (reversed)	-	(18)	(27,966)	-	-	-	-	(27,984)
Disposals	-	264	-	-	-	-	-	264
Effect of foreign currency exchange difference	-	127	-	-	-	9	-	136
Balance at December 31, 2019	<u>(40,583)</u>	<u>(17,636)</u>	<u>(27,966)</u>	<u>-</u>	<u>-</u>	<u>(291)</u>	<u>-</u>	<u>(86,476)</u>
Carrying amount at December 31, 2019	<u>\$ 699,911</u>	<u>\$ 889,324</u>	<u>\$ 353,516</u>	<u>\$ 6,059</u>	<u>\$ 16,586</u>	<u>\$ 88,310</u>	<u>\$ 156,220</u>	<u>\$ 2,209,926</u>

The Group determined that some of the equipment do not meet production needs or the requirements of the future business plan, therefore, no future cash flows are expected to arise from these equipment. The Group carried out a review of the recoverable amount of the related equipment, which led to the recognition of an impairment loss of NT\$27,984 thousand, which was recognized as operating costs for the year ended December 31, 2019.

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

Buildings	
Main building	15-35 years
Renovation	2-25 years
Machinery and equipment	
Electroplating equipment	6-10 years
Injection equipment	6 years
Cutting equipment	6-10 years
Others	2-10 years

(Continued)

Molding equipment	2-5 years
Transportation equipment	5-6 years
Office equipment	2-5 years
Other equipment	2-11years
	(Concluded)

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Land	\$ 447,724	\$ 462,551
Buildings	21,590	29,646
Transportation equipment	908	2,139
Other equipment	<u>113</u>	<u>170</u>
	<u>\$ 470,335</u>	<u>\$ 494,506</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 653</u>
Depreciation charge for right-of-use assets		
Land	\$ (10,404)	\$ (10,546)
Buildings	(7,943)	(8,406)
Transportation equipment	(1,240)	(1,229)
Other equipment	<u>(57)</u>	<u>(57)</u>
	<u>\$ (19,644)</u>	<u>\$ (20,238)</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 Group's right-of-use assets for the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	<u>\$ 11,267</u>	<u>\$ 11,349</u>
Non-current	<u>\$ 63,579</u>	<u>\$ 75,935</u>

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

	December 31	
	2020	2019
Land	1.9235-2.171	1.9235-2.171
Buildings	2.7072-5.0932	2.7072-5.0932
Transportation equipment	1.01-4.4694	1.01-4.4694
Other equipment	1.52	1.52

c. Material leasing activities and terms

The Group leases land from the government. The lease term will expire in August 2024, and the Group has the option to extend or to terminate the lease contract. The Group does not have a bargain 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 basis of changes in announced land value prices.

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

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 8,390</u>	<u>\$ 8,535</u>
Expenses relating to low-value asset leases	<u>\$ 1,211</u>	<u>\$ 1,262</u>
Total cash outflow for leases	<u>\$ (23,053)</u>	<u>\$ (24,000)</u>

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

16. INVESTMENT PROPERTIES

	Buildings
<hr/> For the Year Ended December 31, 2020 <hr/>	
Cost	
Balance at January 1 and December 31, 2020	<u>\$ 33,434</u>
Accumulated depreciation	
Balance at January 1, 2020	(22,749)
Depreciation expenses	<u>(1,233)</u>
Balance at December 31, 2020	<u>(23,982)</u>
Carrying amount at December 31, 2020	<u>\$ 9,452</u>
<hr/> For the Year Ended December 31, 2019 <hr/>	
Cost	
Balance at January 1 and December 31, 2019	<u>\$ 33,434</u>
Accumulated depreciation	
Balance at January 1, 2019	(21,517)
Depreciation expenses	<u>(1,232)</u>
Balance at December 31, 2019	<u>(22,749)</u>
Carrying amount at December 31, 2019	<u>\$ 10,685</u>

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

Buildings 25-35 years

The subsidiary's management was unable to reliably measure the fair value of investment property located at the Nanzih export processing zones because the land belongs to the government, and the subsidiary only has ownership of the buildings. 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 subsidiary determined that the fair value of the investment property is not reliably measurable.

The maturity analysis of lease payments of investment properties under operating leases at December 31, 2020 was as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Year 1	\$ 4,615	\$ 2,682
Year 2	2,520	2,095
Year 3	<u>210</u>	<u>-</u>
	<u>\$ 7,345</u>	<u>\$ 4,777</u>

17. GOODWILL

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 676,518	\$ 683,902
Effect of foreign currency exchange differences	<u>(15,071)</u>	<u>(7,384)</u>
Balance, end of year	<u>\$ 661,447</u>	<u>\$ 676,518</u>

The Group 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 13.70% and 11.93% as of December 31, 2020 and 2019, respectively. Based on the assessment results, the recoverable amount exceeded the carrying amount; hence, the Group need not recognize any impairment loss on goodwill.

18. OTHER INTANGIBLE ASSETS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Computer software	\$ 24,721	\$ 23,301
Patents	<u>4,846</u>	<u>4,153</u>
	<u>\$ 29,567</u>	<u>\$ 27,454</u>

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

Computer software 3-10 years
Patents 10-20 years

19. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2020	2019
Unsecured loans	\$ 953,281	\$ 1,064,376
Secured loans (Note 33)	<u>254,000</u>	<u>-</u>
	<u>\$ 1,207,281</u>	<u>\$ 1,064,376</u>
Interest rate range (%)	0.35-3.85	0.46-1.02

b. Long-term borrowings

	<u>December 31</u>	
	2020	2019
Syndicated bank loans (hosted by Bank of Taiwan)		
Syndicated loan B, interest rate at 1.797%	\$ 550,000	\$ 550,000
Less: Syndicated loan fee	<u>2,167</u>	<u>4,167</u>
	547,833	545,833
Credit loans		
Maturities before June 2030, interest rates at 0%-1.19% and 0.1%-1.39 % p.a.	<u>2,702,559</u>	<u>1,595,342</u>
	<u>\$ 3,250,392</u>	<u>\$ 2,141,175</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 for the years ended December 31, 2020 and 2019, 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 Group's consolidated financial statements for the years ended December 31, 2020 and 2019 were not in breach of the aforementioned restrictions.
- 2) The Company entered into a syndicated loan agreement of NT\$4,000,000 thousand with six banks led by Bank of Taiwan in January 2017 and the initial drawdown was in February 2017. The credit line can be used for loan A and loan B. The credit line of loan A is JPY7,350,000 thousand (or equivalent amount in NTD or USD), and cannot be used on a revolving basis. The loan is to be used only for the purpose of acquiring the shares of SHAP and its subsidiaries. The credit line of loan B is NT\$1,500,000 thousand (or equivalent amount in foreign currencies), and can be used on a revolving basis within the loan period (5 years from the initial drawdown date), and the purpose of the loan is to enrich medium-term working capital.
- 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. As of December 31, 2020, the Company has not utilized the credit line.

- 4) The collateral of the syndicated loan listed in no.2 above is 100% of the equity of SHAP that is held by the Company. Please refer to Note 33 for more details.
- 5) In September 2019, the Company obtained the business qualification verification letter from the “Action Plan for Welcoming Taiwanese Businessmen to Invest in Taiwan” hosted by the Ministry of Economic Affairs. As stated in the regulations, the Company is required to complete its investments within 3 years from the date of approval of the letter.

20. ACCOUNTS PAYABLE

	<u>December 31</u>	
	2020	2019
Accounts payable	<u>\$ 1,101,876</u>	<u>\$ 857,640</u>
Accounts payable from related parties	<u>\$ 3,040</u>	<u>\$ 290,552</u>

The Group has 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>	
	2020	2019
Salaries and bonuses	\$ 242,546	\$ 233,972
Purchase of equipment	158,287	59,720
Employees’ compensation and remuneration of directors and supervisors	16,841	17,019
Others (mainly insurance expense, pension and processing expenses etc.)	<u>183,525</u>	<u>174,794</u>
	<u>\$ 601,199</u>	<u>\$ 485,505</u>

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Based on the LPA, the Group makes 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

SH Electronics Taiwan Co., Ltd. (SHT), a domestic subsidiary of 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. SHT 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, SHT 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, SHT 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”); SHT has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 8,591	\$ 127,903
Fair value of plan assets	(9,410)	(106,561)
Present value of other long-term employee benefit obligation appropriated	<u>3,463</u>	<u>3,928</u>
	2,644	25,270
Recognized under other payables	<u>(3,463)</u>	<u>(3,928)</u>
Net defined benefit plan liabilities (assets) (Note)	<u>\$ (819)</u>	<u>\$ 21,342</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, 2019	<u>\$ 114,575</u>	<u>\$ (94,291)</u>	<u>\$ 4,296</u>	<u>\$ 24,580</u>
Service cost				
Current service cost	182	-	431	613
Interest expense (income)	<u>1,432</u>	<u>(1,233)</u>	<u>50</u>	<u>249</u>
Recognized in profit or loss	<u>1,614</u>	<u>(1,233)</u>	<u>481</u>	<u>862</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(2,991)	-	(2,991)
Actuarial loss (gain)				
Changes in demographic assumptions	205	-	42	247

(Continued)

	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)
Changes in financial assumptions	\$ 6,388	\$ -	\$ 67	\$ 6,455
Experience adjustments	<u>6,058</u>	<u>-</u>	<u>(310)</u>	<u>5,748</u>
Recognized in other comprehensive income (other long-term employee benefit obligation portion recognized in profit or loss)	<u>12,651</u>	<u>(2,991)</u>	<u>(201)</u>	<u>9,459</u>
Contributions from the employer	-	(8,983)	-	(8,983)
Plan assets paid	(937)	937	-	-
Benefits paid	<u>-</u>	<u>-</u>	<u>(648)</u>	<u>(648)</u>
	<u>(937)</u>	<u>(8,046)</u>	<u>(648)</u>	<u>(9,631)</u>
Balance at December 31, 2019	<u>127,903</u>	<u>(106,561)</u>	<u>3,928</u>	<u>25,270</u>
Service cost				
Current service cost	222	-	417	639
Gains on settlements	(7,756)	-	-	(7,756)
Interest expense (income)	<u>1,119</u>	<u>(970)</u>	<u>31</u>	<u>180</u>
Recognized in profit or loss	<u>(6,415)</u>	<u>(970)</u>	<u>448</u>	<u>(6,937)</u>
Remeasurement				
Return on plan assets (excluding amounts included in net interest)	-	(3,158)	-	(3,158)
Actuarial loss (gain)				
Changes in financial assumptions	5,107	-	70	5,177
Experience adjustments	<u>(4,045)</u>	<u>-</u>	<u>(141)</u>	<u>(4,186)</u>
Recognized in other comprehensive income (other long-term employee benefit obligation portion recognized in profit or loss)	<u>1,062</u>	<u>(3,158)</u>	<u>(71)</u>	<u>(2,167)</u>
Contributions from the employer	-	(12,563)	-	(12,563)
Settlements	(83,613)	83,613	-	-
Plan assets paid	(30,229)	30,229	-	-
Benefits paid	<u>(117)</u>	<u>-</u>	<u>(842)</u>	<u>(959)</u>
	<u>(113,959)</u>	<u>101,279</u>	<u>(842)</u>	<u>(13,522)</u>
Balance at December 31, 2020	<u>\$ 8,591</u>	<u>\$ (9,410)</u>	<u>\$ 3,463</u>	<u>\$ 2,644</u> (Concluded)

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

	For the Year Ended December 31	
	2020	2019
Operating costs	\$ (6,070)	\$ 601
General and administrative expenses	<u>(938)</u>	<u>60</u>
	<u>\$ (7,008)</u>	<u>\$ 661</u>

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

	December 31	
	2020	2019
Discount rate (%)	0.50	0.875
Expected rate of salary increase (%)	2.25	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	
	2020	2019
Discount rate		
0.25% increase	<u>\$ (255)</u>	<u>\$ (4,306)</u>
0.25% decrease	<u>\$ 266</u>	<u>\$ 4,503</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 257</u>	<u>\$ 4,364</u>
0.25% decrease	<u>\$ (248)</u>	<u>\$ (4,197)</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>2020</u>	<u>2019</u>
Expected contributions to the plan for the next year	<u>\$ 180</u>	<u>\$ 8,640</u>
Average duration of the defined benefit obligation	12.3 years	13.7 years

23. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of shares authorized (in thousands)	<u>700,000</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>364,131</u>	<u>364,131</u>
Shares issued	<u>\$ 364,131</u>	<u>\$ 364,131</u>

The amendments regarding the change of the par value per share to the Articles of Incorporation had been resolved in the shareholders' meeting in June 2019. The par value from NT\$10 to NT\$1 and it had been approved by the competent authority and made changes accordingly had changed. The reissuance of stocks had been completed on September 9, 2019.

In addition, the Company may issue preferred shares within its authorized shares and any may reserve 10,000 shares (in thousands) for issuing share subscription warrants.

b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
May be used to offset a deficit, distribute cash or transferred to share capital (Note)		
Additional paid-in capital	\$ 4,221,471	\$ 4,221,471
Treasury share transactions	23,144	-
May be used to offset a deficit only		
Exercised employee share options	9,229	9,229
Expired employee share options	<u>89</u>	<u>89</u>
	<u>\$ 4,253,933</u>	<u>\$ 4,230,789</u>

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

c. Retained earnings and 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.

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.

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

The appropriations of earnings for 2018 had been approved in the shareholders’ meetings in June 2019. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2018
Legal reserve	<u>\$ 84,029</u>
Special reserve	<u>\$ (38,558)</u>
Cash dividends to shareholders	<u>\$ 600,425</u>
Cash dividend per share (NT\$)	<u>\$ 17</u>

The appropriations of earnings for the first and second half of 2020 and 2019 have been approved by the Company’s board of directors, respectively. The appropriations and cash dividends per share were as follows:

	For the Second Half of Year, 2020	For the First Half of Year, 2020	For the Second Half of Year, 2019	For the First Half of Year, 2019
Resolution Date of the Company’s Board of Directors in its meeting	March 17, 2021	November 9, 2020	March 18, 2020	November 7, 2019
Legal reserve	<u>\$ 49,554</u>	<u>\$ 35,428</u>	<u>\$ 33,823</u>	<u>\$ 26,775</u>
Special reserve	<u>\$ 9,539</u>	<u>\$ 21,111</u>	<u>\$ 109,344</u>	<u>\$ (15,360)</u>
Cash dividends to shareholders	<u>\$ 326,169</u>	<u>\$ 141,276</u>	<u>\$ 317,872</u>	<u>\$ 120,085</u>
Cash dividends per share (NT\$)	<u>\$ 0.92</u>	<u>\$ 0.40</u>	<u>\$ 0.90</u>	<u>\$ 0.34</u>

The appropriations of earnings for 2019 had been approved in the shareholders’ meeting in June 2020.

The appropriations of earnings for 2020 are subject to the resolution in the shareholders’ meeting to be held in June 2021.

d. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Balance, beginning of the year	\$ (127,027)	\$ (15,333)
Recognized for the year		
Exchange differences arising from translating the financial statements of foreign operations	(98,919)	(139,612)
Related income tax	19,784	27,918
Reclassification adjustments		
Disposal of shares of associates accounted for using the equity method	(5,682)	-
Related income tax	<u>1,136</u>	<u>-</u>
Balance, end of the year	<u>\$ (210,708)</u>	<u>\$ (127,027)</u>

2) Unrealized gains and losses on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance, beginning of the year	\$ 33,043	\$ (27)
Recognized for the year		
Unrealized gains and losses - equity instruments	109,675	39,476
Related income tax	2,290	-
Cumulative unrealized gains or loss of equity instruments transferred to retained earnings due to disposal	<u>(74,294)</u>	<u>(6,406)</u>
Balance, end of the year	<u>\$ 70,714</u>	<u>\$ 33,043</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance, beginning of the year	\$ 82,015	\$ 73,816
Share of net profit for the year	16,778	11,611
Other comprehensive income (loss) for the year		
Exchange differences on translating the financial statements of foreign operations	<u>1,607</u>	<u>(3,412)</u>
Balance, end of the year	<u>\$ 100,400</u>	<u>\$ 82,015</u>

f. Treasury shares

Number of shares in thousands

Purpose of Treasury Shares	Beginning of Year	Thousand Shares			Number and Amount of Shares Held at December 31	
		Addition	Change in Par value	Reduction	Thousand Shares	Book Value
For the year ended December 31, 2020						
Transferring to employees	<u>10,940</u>	<u>-</u>	<u>-</u>	<u>1,341</u>	<u>9,599</u>	<u>\$ 384,142</u>
For the year ended December 31, 2019						
Transferring to employees	<u>1,094</u>	<u>-</u>	<u>9,846</u>	<u>-</u>	<u>10,940</u>	<u>\$ 437,809</u>

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 December 2020, the Company's board of directors had decided to transfer part of the treasury shares to its employees. Please refer to Note 28 for more details.

24. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from the sale of goods	\$ 9,649,029	\$ 9,295,328
Commission and revenue from the rendering of services	28,881	24,777
Other operating revenue	<u>236</u>	<u>170</u>
	<u>\$ 9,678,146</u>	<u>\$ 9,320,275</u>

a. Refer to Note 4 for information relating to the contracts with customers.

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable	<u>\$ 2,113,849</u>	<u>\$ 2,003,235</u>	<u>\$ 1,926,613</u>
Contract liabilities (including current and non-current)			
Sale of goods	<u>\$ 66,434</u>	<u>\$ 86,018</u>	<u>\$ 67,836</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:

	For the Year Ended December 31	
	2020	2019
Sale of goods	<u>\$ 67,791</u>	<u>\$ 49,029</u>

c. Disaggregation of revenue

For the year ended December 31, 2020

<u>Type of revenue</u>	Operating Segment				
	IC Lead Frames	LED Lead Frames	Resins Material	Others	Total
Sale of goods	\$ 7,407,616	\$ 704,665	\$ 1,420,708	\$ 116,040	\$ 9,649,029
Commission and rendering of services	-	-	-	28,881	28,881
Others	-	-	-	<u>236</u>	<u>236</u>
	<u>\$ 7,407,616</u>	<u>\$ 704,665</u>	<u>\$ 1,420,708</u>	<u>\$ 145,157</u>	<u>\$ 9,678,146</u>

For the year ended December 31, 2019

Type of revenue	Operating Segments				Total
	IC Lead Frames	LED Lead Frames	Resins Material	Others	
Sale of goods	\$ 7,384,823	\$ 604,915	\$ 1,252,823	\$ 52,767	\$ 9,295,328
Commission and rendering of services	-	-	-	24,777	24,777
Others	-	-	-	170	170
	<u>\$ 7,384,823</u>	<u>\$ 604,915</u>	<u>\$ 1,252,823</u>	<u>\$ 77,714</u>	<u>\$ 9,320,275</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	
	2020	2019
Sale of goods		
From 2020	\$ -	\$ 71,425
From 2021	50,953	14,593
From 2022 and thereafter	<u>15,481</u>	<u>-</u>
	<u>\$ 66,434</u>	<u>\$ 86,018</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	
	2020	2019
Government grants	\$ 83,183	\$ 14,590
Dividend income	44,035	12,142
Tooling revenue	16,077	14,669
Rental revenue	5,286	4,818
Others	<u>1,060</u>	<u>4,125</u>
	<u>\$ 149,641</u>	<u>\$ 50,344</u>

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

b. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net foreign exchange loss	\$ (127,974)	\$ (17,893)
Loss on disposal of investments accounted for using the equity method (Note 13)	(15,995)	-
Gain arising from financial assets at FVTPL	18,541	20,656
Others	<u>(6,419)</u>	<u>(6,004)</u>
	<u>\$ (131,847)</u>	<u>\$ (3,241)</u>

c. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 35,981	\$ 26,193
Interest on lease liabilities	2,323	2,817
Amortization of syndicated loan fee	2,000	2,000
Others	27	-
Less: Amounts included in the cost of qualifying assets	<u>128</u>	<u>249</u>
	<u>\$ 40,203</u>	<u>\$ 30,761</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized interest amount	<u>\$ 128</u>	<u>\$ 249</u>
Capitalization rate (%)	0.93-1.02	1.01

d. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Depreciation expense		
Property, plant and equipment	\$ 567,820	\$ 631,006
Right-of-use assets	19,644	20,238
Investment properties	<u>1,233</u>	<u>1,232</u>
	<u>\$ 588,697</u>	<u>\$ 652,476</u>
Analysis of depreciation by function		
Operating costs	\$ 529,506	\$ 596,356
Operating expenses	57,958	54,888
Non-operating income and expenses	<u>1,233</u>	<u>1,232</u>
	<u>\$ 588,697</u>	<u>\$ 652,476</u>

(Continued)

	For the Year Ended December 31	
	2020	2019
Amortization expense		
Computer software	\$ 10,257	\$ 9,520
Patents	462	670
Other non-current assets	<u>290</u>	<u>3,512</u>
	<u>\$ 11,009</u>	<u>\$ 13,702</u>
Analysis of amortization by function		
Operating costs	\$ 1,341	\$ 3,920
Operating expenses	<u>9,668</u>	<u>9,782</u>
	<u>\$ 11,009</u>	<u>\$ 13,702</u>

(Concluded)

e. Employee benefits

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 59,160	\$ 60,744
Defined benefit plans	<u>(7,385)</u>	<u>381</u>
	51,775	61,125
Other employee benefits	<u>1,253,532</u>	<u>1,202,731</u>
	<u>\$ 1,305,307</u>	<u>\$ 1,263,856</u>
Analysis by function		
Operating costs	\$ 857,676	\$ 866,881
Operating expenses	<u>447,631</u>	<u>396,975</u>
	<u>\$ 1,305,307</u>	<u>\$ 1,263,856</u>

In accordance with the Company's Articles, the Company distributed 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, 2020 and 2019, which had been approved by the Company's board of directors in March 2021 and 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Employees' compensation - cash	<u>\$ 7,386</u>	<u>\$ 7,616</u>
Remuneration of directors - cash	<u>\$ 4,000</u>	<u>\$ 4,000</u>
<hr/>		
Accrual rate		
Employees' compensation (%)	1.0	1.0
Remuneration of directors (%)	0.5	0.5

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, 2019 and 2018.

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

f. Others

	<u>For the Year Ended December 31</u>	
	2020	2019
Loss on disposal of property, plant and equipment - recognized as operating costs	<u>\$ (18,459)</u>	<u>\$ 14,892</u>

26. INCOME TAX

a. Income tax expense (benefit) recognized in profit or loss

	<u>For the Year Ended December 31</u>	
	2020	2019
Current tax		
In respect of the current year	\$ 339,338	\$ 177,606
Adjustments for prior years	(13,281)	(8,265)
Income tax on unappropriated earnings	-	9,720
Deferred tax		
In respect of the current year	(149,772)	100,790
Adjustments for prior years	<u>(543)</u>	<u>256</u>
	<u>\$ 175,742</u>	<u>\$ 280,107</u>

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

	<u>For the Year Ended December 31</u>	
	2020	2019
Profit before income tax	<u>\$ 966,360</u>	<u>\$ 899,022</u>
Income tax expense calculated at the statutory rate	\$ 336,152	\$ 303,091
Nondeductible expenses in determining taxable income	(31,383)	(14,868)
Investment credits	-	(2,945)
Income tax on unappropriated earnings	-	9,720
Taxation on overseas funds	141,283	-
Unrecognized temporary differences	(256,486)	(6,882)
Adjustments for prior years	<u>(13,824)</u>	<u>(8,009)</u>
	<u>\$ 175,742</u>	<u>\$ 280,107</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technology are allowed as deduction when calculating the income tax on unappropriated earnings. When calculating the tax on unappropriated

earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. Income tax expense (benefit) recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
Exchange differences on translating foreign operations	\$ (20,920)	\$ (27,918)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	(2,290)	-
Remeasurement of defined benefit plans	<u>419</u>	<u>(1,932)</u>
	<u>\$ (22,791)</u>	<u>\$ (29,850)</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	<u>\$ 3,268</u>	<u>\$ 184</u>
Current tax liabilities		
Income tax payable	<u>\$ 58,356</u>	<u>\$ 42,264</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2020

	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 difference on translation of foreign operations	\$ 31,755	\$ -	\$ 20,920	\$ -	\$ 52,675
Difference between tax reporting and financial reporting - property, plant and equipment	27,650	(7,678)	-	(367)	19,605
Loss on inventory valuation and obsolescence	19,144	4,034	-	(341)	22,837
Difference between tax reporting and financial reporting - revenue recognition	4,948	(1,173)	-	-	3,775
Remeasurement of defined benefit plans	4,482	(4,013)	(419)	-	50
Others	<u>17,011</u>	<u>7,026</u>	<u>2,290</u>	<u>(429)</u>	<u>25,898</u>
	<u>\$ 104,990</u>	<u>\$ (1,804)</u>	<u>\$ 22,791</u>	<u>\$ (1,137)</u>	<u>\$ 124,840</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Foreign income accounted for using the equity method of subsidiaries	\$ 321,912	\$ (145,500)	\$ -	\$ -	\$ 176,412
Unrealized gain on financial assets	4,157	(4,157)	-	-	-
Gain from bargain purchase	<u>2,462</u>	<u>(2,462)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 328,531</u>	<u>\$ (152,119)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,412</u>

For the Year Ended December 31, 2019

	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 difference on translation of foreign operations	\$ 3,837	\$ -	\$ 27,918	\$ -	\$ 31,755
Difference between tax reporting and financial reporting - property, plant and equipment	27,382	1,319	-	(1,051)	27,650
Loss on inventory valuation and obsolescence	20,214	(1,221)	-	151	19,144
Difference between tax reporting and financial reporting - revenue recognition	9,237	(4,289)	-	-	4,948
Remeasurement of defined benefit plans	4,271	(1,721)	1,932	-	4,482
Others	<u>3,536</u>	<u>13,902</u>	<u>-</u>	<u>(427)</u>	<u>17,011</u>
	<u>\$ 68,477</u>	<u>\$ 7,990</u>	<u>\$ 29,850</u>	<u>\$ (1,327)</u>	<u>\$ 104,990</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Foreign income accounted for using the equity method of subsidiaries	\$ 215,483	\$ 106,429	\$ -	\$ -	\$ 321,912
Unrealized gain on financial assets	-	4,157	-	-	4,157
Gain from bargain purchase	2,462	-	-	-	2,462
Unrealized exchange gains and losses	<u>1,550</u>	<u>(1,550)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 219,495</u>	<u>\$ 109,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 328,531</u>

e. Information on deductible temporary differences of deferred tax assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Unrealized expenditures and losses	<u>\$ 230,369</u>	<u>\$ 225,301</u>

f. Income tax assessments

The income tax returns of the Company and its domestic subsidiary, SHT, through 2018 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

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>	
	<u>2020</u>	<u>2019</u>
Net profit for the year attributable to owners of the Company	<u>\$ 773,840</u>	<u>\$ 607,304</u>

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	353,198	353,191
Effect of dilutive potential ordinary shares		
Employees' compensation	<u>206</u>	<u>306</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>353,404</u>	<u>353,497</u>

Since the Company offered to settle the compensation paid to employees in cash or shares, 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. Employee share option plan of the Company

To attract and retain professional talent, enhance employees' loyalty and sense of belonging to the Company and to jointly create benefits for the Company and its shareholders, the issuance of 500,000 options of employee share options had been resolved in the Company's board of directors' meeting in June 2014. The share options are granted to qualified employees of the Company, and each option entitles the holder the right to subscribe for one ordinary share of the Company. The options granted are valid for 5 years and exercisable according to the vesting period in the table below after the second year from the grant date. The options were granted at an exercise price which was not less than the net value per share of the Company at the grant date, based on its most recent audited financial statements. Should there be any subsequent changes in the Company's issuance of ordinary shares after the shares have been granted, the exercise price is adjusted accordingly based on the agreed formula. Should the exercise price after the adjustment be higher than that before the adjustment, it will not be adjusted.

Vesting Period	Exercisable percentages (%) (Cumulative)
Second year from the grant date	50
Third year from the grant date	75
Fourth year from the grant date	100

Information on options was as follows:

Employee Share Options	For the Year Ended December 31, 2019
Balance, beginning of the year	1,000
Options expired	<u>(1,000)</u>
Balance, end of the year	<u> -</u>

As of December 31, 2019, no employee share options were outstanding.

b. Transfer of treasury shares to the Company's employees

For the purposes of motivating the employees and enhancing internal cohesion, in December 2020, the Company's board of directors had decided to transfer treasury shares that were purchased in 2018 to the employees of the Group that met certain criteria. In 2020, 1,341 thousand shares were transferred and the transfer price was NTD40.2 per share. The Company recognized NT\$23,065 thousand as share-based compensation costs.

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. After the transfer, the Company recognized NTD23,144 thousand as capital surplus - treasury shares.

29. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing activities that were not reflected in the statements of cash flows:

	For the Year Ended December 31	
	2020	2019
Investing activities affecting both cash and non-cash items		
Acquisition of property, plant and equipment	\$ 643,745	\$ 484,113
Decrease in prepayments for equipment	(108,754)	(17,722)
Decrease (increase) in payable for equipment (recognized under other payables)	(92,382)	50,138
Capitalized interest	<u>(128)</u>	<u>(249)</u>
Cash paid	<u>\$ 442,481</u>	<u>\$ 516,280</u>
Acquisition of intangible assets	\$ 8,374	\$ 12,659
Decrease in prepayments for equipment	(4,537)	(5,792)
Decrease (increase) in payable for equipment (recognized under other payables)	<u>(1,226)</u>	<u>580</u>
Cash paid	<u>\$ 2,611</u>	<u>\$ 7,447</u>

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the entities in the Group 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 Group did not change significantly in 2020.

The capital structure of the Group consists of net debt and equity. The Group's long-term borrowings are subject to certain capital and financial ratio restrictions based on signed contracts. See Note 19 for more information.

Key management personnel of the Group review the capital structure on a regular basis. As part of the review, the key management personnel consider 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 Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

31. FINANCIAL INSTRUMENTS

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

The management of the Group believes 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, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ <u>87,430</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>87,430</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed shares	\$ <u>722,371</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>722,371</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign private equity fund	\$ <u>-</u>	\$ <u>-</u>	\$ <u>68,941</u>	\$ <u>68,941</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed shares	\$ <u>209,707</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>209,707</u>

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2020 and 2019.

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

	Financial Assets at FVTPL Foreign Private Equity Fund	Financial Assets at FVTOCI Equity Instruments	Total
<u>For the Year Ended December 31, 2020</u>			
Balance, beginning of the year	\$ 68,941	\$ -	\$ 68,941
Purchases	-	15,658	15,658

(Continued)

	<u>Financial Assets at FVTPL</u> Foreign Private Equity Fund	<u>Financial Assets at FVTOCI</u> Equity Instruments	Total
Reduction of capital and distribution of earnings	\$ (69,289)	\$ -	\$ (69,289)
Recognized in profit or loss (recorded as other gains and losses)	348	-	348
Recognized in other comprehensive income	<u>-</u>	<u>(15,658)</u>	<u>(15,658)</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>For the Year Ended December 31, 2019</u>			
Balance, beginning of the year	\$ 61,053	\$ -	\$ 61,053
Reduction of capital	(11,778)	-	(11,778)
Recognized in profit or loss (recognized as other gains and losses)	<u>19,666</u>	<u>-</u>	<u>19,666</u>
Balance, end of the year	<u>\$ 68,941</u>	<u>\$ -</u>	<u>\$ 68,941</u> (Concluded)

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

The fair value of foreign private equity funds is determined using the net asset valuation report provided by fund management companies. The fair value of unlisted equity securities is determined using the market approach. In the market approach, the fair values are estimated with reference to the value multipliers of comparable companies and the Company's operating condition.

c. Categories of financial instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
Fair value through profit or loss		
Mandatorily classified as at fair value through profit or loss	\$ 87,430	\$ 68,941
Financial assets at amortized cost (Note 1)	6,117,118	5,171,794
Financial assets at fair value through other comprehensive income - equity instruments	722,371	209,707
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	6,314,769	4,965,260

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, guarantee deposits paid, and other financial assets (including current and non-current).

Note 2: The balances included financial liabilities at amortized cost, which comprise short-term borrowings, accounts payable (including related parties), dividends payable, other payables, long-term borrowings and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, notes and accounts receivable, accounts payable, borrowings and lease liabilities. The Group'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 Group 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 Group's financial activities are governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities 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 Group's exposure to market risks or the manner in which these risks are managed and measured in 2020.

a) Foreign currency risk

The Group was 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 Group's significant non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 36.

The Company is mainly exposed to the USD and JPY.

The following table details the Company's sensitivity to a 1% increase and decrease in the functional currency against the USD and JPY. 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		JPY Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2020	2019	2020	2019
Pre-tax profit	\$ (32,520)	\$ (18,982)	\$ 1,065	\$ 1,194

Note: These were mainly attributable to the exposure on outstanding USD and JPY 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 and JPY will fluctuate based on different contracts and the business cycle.

b) Interest rate risk

The Group was exposed to interest rate risk because the Group borrowed funds at floating interest rates. The risk is managed by the Group by utilizing low-interest-rate financing methods. By taking advantage of the low interest rates, the Group can not only maintain low financing costs but have sufficient lines of credit for utilization.

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial liabilities	\$ 74,846	\$ 87,284
Cash flow interest rate risk		
Financial assets	2,769,863	1,977,193
Financial liabilities	4,457,673	3,205,551

The sensitivity analysis below was determined based on the Group'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 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased by NT\$44,577 thousand and NT\$32,056 thousand, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in domestic listed shares. If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by NT\$874 thousand and NT\$689 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, 2020 and 2019 would have increased/decreased by NT\$7,224 thousand and NT\$2,097 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 Group. As at the balance sheet date, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group 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 Group'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. Therefore, the Group is 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	
	2020	2019
Company A	\$ 554,808	\$ 406,693
Company B	<u>28,635</u>	<u>164,698</u>
	<u>\$ 583,443</u>	<u>\$ 571,391</u>

The Group provided endorsements for its investee companies for the year ended December 31, 2019. The maximum amount of credit risk for providing endorsements for the investee companies was NT\$338,100 thousand.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Group's unused credit facilities were NT\$14,523,794 thousand and NT\$7,218,822 thousand, respectively.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities from the earliest date on which they are 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, 2020</u>				
Non-interest bearing liabilities	\$ 1,847,621	\$ 7,293	\$ 2,182	\$ 1,857,096
Lease liabilities	13,192	28,184	47,482	88,858
Variable interest rate instruments	<u>1,237,658</u>	<u>2,354,672</u>	<u>905,160</u>	<u>4,497,490</u>
	<u>\$ 3,098,471</u>	<u>\$ 2,390,149</u>	<u>\$ 954,824</u>	<u>\$ 6,443,444</u>

(Continued)

	Less than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2019</u>				
Non-interest bearing liabilities	\$ 1,753,782	\$ 3,644	\$ 2,283	\$ 1,759,709
Lease liabilities	13,702	37,376	52,810	103,888
Variable interest rate instruments	1,093,223	1,972,214	196,004	3,261,441
Financial guarantee liabilities	<u>338,100</u>	<u>-</u>	<u>-</u>	<u>338,100</u>
	<u>\$ 3,198,807</u>	<u>\$ 2,013,234</u>	<u>\$ 251,097</u>	<u>\$ 5,463,138</u> (Concluded)

The amounts included above for financial guarantee liabilities 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 balance sheet date, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

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 Group and its related parties are disclosed as follows:

a. Names of related parties and their relationships with the Group

<u>Related Party Name</u>	<u>Relationship</u>
Chang Wah Electromaterials Inc.	Parent company
Wah Lee Industrial Corp.	Parent company's investments accounted for using the equity method
Dongguan Huagang International Trading Co., Ltd.	Subsidiary of parent company's investments accounted for using the equity method
Shanghai Yikang Chemicals & Industries Co., Ltd.	Subsidiary of parent company's investments accounted for using the equity method
JMC Electronics Co., Ltd. (JMC)	Associate
Ohkuchi Materials Co., Ltd. (OM)	Investment accounted for using the equity method (44% of its ownership was disposed of in April 2020, which results in the Group losing significant influence, and therefore is no longer a related party since April 2020)

b. Operating revenue

Account Item	Related Party Category	For the Year Ended December 31	
		2020	2019
Revenue from sales of goods	Parent company	\$ 2,348,581	\$ 1,823,456
	Subsidiaries of parent company's investments accounted for using the equity method	74,673	56,806
	Associates	5	68
Commission and revenue from rendering of services	Parent company	10,977	9,505
		<u>\$ 2,434,236</u>	<u>\$ 1,889,835</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 30-90 days from the end of the month, and the general customer payment terms are 30-120 days from the end of the month.

c. Purchase of goods

Related Party Type/Name	For the Year Ended December 31	
	2020	2019
Investments accounted for using the equity method - OM	\$ 271,269	\$ 893,790
Parent company	5,379	6,725
Subsidiaries of the parent company's investments accounted for using the equity method	3,261	2,047
Parent company's investments accounted for using the equity method	<u>2,381</u>	<u>1,155</u>
	<u>\$ 282,290</u>	<u>\$ 903,717</u>

The purchase price is different from and not comparable with that for non-related parties. Payment terms are 30-120 days from the end of the month, and the general customer payment terms are 15-120 days from the end of the month.

d. Endorsements and guarantees provided for the related parties - as of December 31, 2019 only

Related Party Category/Name	December 31, 2019
Investments accounted for using the equity method - OM	
Amount endorsed	\$ 338,100
Amount utilized	256,956

The Company provided endorsements and guarantees for its investee companies based on its shareholding percentages, and were cancelled on April 30, 2020.

e. 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	
	2020	2019
Short-term employee benefits	\$ 46,924	\$ 43,812
Share-based payments	6,708	-
Post-employment benefits	<u>589</u>	<u>593</u>
	<u>\$ 54,221</u>	<u>\$ 44,405</u>

f. Acquisition of property, plant and equipment

Related Party Type/Name	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Parent company - CWE	<u>\$ 50,394</u>	<u>\$ 3,868</u>

The amount of the acquisition price and the payment terms were determined based on agreement by both parties.

g. Other transactions with related parties

SHT leases a warehouse from its parent company, CWE under an agreement that expires in October 2021, and the rent is paid monthly. The annual rental expense amounted to NT\$2,517 thousand for both of the years ended December 31, 2020 and 2019.

h. Balance at period-end

	December 31	
	2020	2019
Accounts receivable from related parties		
Parent company - CWE	\$ 554,743	\$ 393,576
Subsidiaries of the parent company's investments accounted for using the equity method	<u>31,946</u>	<u>18,751</u>
	<u>\$ 586,689</u>	<u>\$ 412,327</u>
Other receivables		
Parent company - CWE	<u>\$ 65</u>	<u>\$ 13,117</u>
Accounts payable - related parties		
Parent company	\$ 1,528	\$ 2,750
Subsidiaries of the parent company's investments accounted for using the equity method	1,033	1,112
Parent company's investments accounted for using the equity method	479	404
Investments accounted for using the equity method - OM	<u>-</u>	<u>286,286</u>
	<u>\$ 3,040</u>	<u>\$ 290,552</u>

(Continued)

	<u>December 31</u>	
	2020	2019
Other payables		
Parent company	\$ 49,563	\$ 933
Investments accounted for using the equity method	<u>-</u>	<u>4,526</u>
	<u>\$ 49,563</u>	<u>\$ 5,459</u>
		(Concluded)

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Group provided the following assets as collateral for some of their short-term and long-term borrowings, guarantees for purchase performance and import tariffs:

	<u>December 31</u>	
	2020	2019
Other financial assets		
Time deposits and reserve accounts	<u>\$ 329,728</u>	<u>\$ 32,802</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's commitments for the purchase of property, plant and equipment amounted to approximately NT\$235,611 thousand, of which NT\$159,477 thousand was unpaid.

35. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

During the Company's board of directors' meeting that was held in March 2021, the board had agreed to sign a contract of intent for building factories. The estimated contracted amount is approximately NT\$390 million, and the final amount is yet to be determined, pending the agreement of both parties on the content of the contract.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group 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, 2020</u>			
Monetary foreign currency assets			
USD	\$ 135,215	28.48 (USD:NTD)	\$ 3,850,927
USD	32,364	6.5249 (USD:RMB)	921,729
JPY	135,848	0.2763 (JPY:NTD)	37,535
RMB	27,688	4.3648 (RMB:NTD)	120,852
MYR	10,697	0.2384 (MYR:USD)	72,630
			(Continued)

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands)
Monetary foreign currency liabilities				
USD	\$ 23,540	28.48	(USD:NTD)	\$ 670,415
USD	29,854	6.5249	(USD:RMB)	850,229
JPY	521,216	0.2763	(JPY:NTD)	144,012
MYR	11,345	0.2384	(MYR:USD)	77,028
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	137,738	28.48	(USD:NTD)	3,922,784
RMB	17,128	4.3648	(RMB:NTD)	74,761
<hr/> December 31, 2019 <hr/>				
Monetary foreign currency assets				
USD	75,110	29.98	(USD:NTD)	2,251,788
USD	38,655	6.9762	(USD:RMB)	1,158,883
JPY	741,368	0.276	(JPY:NTD)	204,618
RMB	23,263	4.2975	(RMB:NTD)	99,974
MYR	8,448	0.2346	(MYR:USD)	59,413
Monetary foreign currency liabilities				
USD	21,829	29.98	(USD:NTD)	654,435
USD	28,619	6.9762	(USD:RMB)	857,987
JPY	1,173,997	0.276	(JPY:NTD)	324,023
MYR	10,530	0.2346	(MYR:USD)	74,056
Non-monetary items				
Financial assets at FVTPL				
USD	2,300	29.98	(USD:NTD)	68,941
Subsidiaries accounted for using the equity method				
USD	157,653	29.98	(USD:NTD)	4,726,432
RMB	16,209	4.2975	(RMB:NTD)	69,659
Associates accounted for using the equity method				
JPY	630,497	0.276	(JPY:NTD)	174,018
(Concluded)				

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.

37. 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: None
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 9) Trading in derivative instruments: None
 - 10) Intercompany relationships and significant intercompany transactions (Table 7)
 - 11) 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 5)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the 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 10)

38. 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.
- Shanghai Chang Wah Technology Co., Ltd. - for the main operating activities, refer to Note 12.
- SHAP - for the main operating activities, refer to Note 12.
- SH Electronics Taiwan Co., Ltd. - for the main operating activities, refer to Note 12.
- SH Electronics Chengdu Co., Ltd. - for the main operating activities, refer to Note 12.
- SH Precision Chengdu Co., Ltd. - for the main operating activities, refer to Note 12.
- SH Electronics Suzhou Co., Ltd. - 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.
- Shanghai Chang Wah Electromaterials Inc. - for the main operating activities, refer to Note 12.

a. Segments revenues and operating results

Please refer to Table 11 for the analysis of the Group's 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 associates, 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	
	2020	2019
Segment assets		
Chang Wah Technology Co., Ltd.	\$ 10,513,448	\$ 9,256,899
Shanghai Chang Wah Technology Co., Ltd.	158,987	150,170
SHAP	3,520,284	4,299,147
SH Electronics Taiwan Co., Ltd.	1,637,249	1,447,912
SH Electronics Chengdu Co., Ltd.	840,761	1,069,104
SH Precision Chengdu Co., Ltd.	452,493	624,239
SH Electronics Suzhou Co., Ltd.	1,276,263	1,098,524

(Continued)

	December 31	
	2020	2019
Segment assets		
MSHE	\$ 1,688,793	\$ 2,073,092
WSP	783,636	870,768
Shanghai Chang Wah Electromaterials Inc.	584,060	467,323
Adjustments and eliminations	<u>(9,291,812)</u>	<u>(10,813,206)</u>
	<u>\$ 12,164,162</u>	<u>\$ 10,543,972</u>
Segment liabilities		
Chang Wah Technology Co., Ltd.	\$ 5,187,589	\$ 4,352,504
Shanghai Chang Wah Technology Co., Ltd.	84,226	80,511
SHAP	85,818	72,338
SH Electronics Taiwan Co., Ltd.	820,730	709,654
SH Electronics Chengdu Co., Ltd.	193,383	193,432
SH Precision Chengdu Co., Ltd.	198,345	218,304
SH Electronics Suzhou Co., Ltd.	834,772	818,396
MSHE	288,001	274,458
WSP	-	19
Shanghai Chang Wah Electromaterials Inc.	256,225	199,521
Adjustments and eliminations	<u>(1,211,186)</u>	<u>(1,361,575)</u>
	<u>\$ 6,737,903</u>	<u>\$ 5,557,562</u>
		(Concluded)

c. Other segment information

For the year ended December 31, 2020	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.	\$ 73,156	\$ (4,770)	\$ 19,124	\$ 14,922
Shanghai Chang Wah Technology Co., Ltd.	156	(789)	-	(11)
SHAP	3,965	-	(4)	-
SH Electronics Taiwan Co., Ltd.	195,025	-	(1,192)	4,041
SH Electronics Chengdu Co., Ltd.	29,558	1,864	(320)	887
SH Precision Chengdu Co., Ltd.	57,069	-	571	(797)
SH Electronics Suzhou Co., Ltd.	90,825	-	280	7,695
MSHE	147,474	3,696	-	934
Shanghai Chang Wah Electromaterials Inc.	<u>2,478</u>	<u>(899)</u>	<u>-</u>	<u>(3)</u>
	<u>\$ 599,706</u>	<u>\$ (898)</u>	<u>\$ 18,459</u>	<u>\$ 27,668</u>

(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
For the year ended December 31, 2019				
Chang Wah Technology Co., Ltd.	\$ 82,914	\$ 2,754	\$ -	\$ 6,174
Shanghai Chang Wah Technology Co., Ltd.	148	619	-	(1)
SHAP	5,432	-	(1)	-
SH Electronics Taiwan Co., Ltd.	212,656	-	(3,838)	27,967
SH Electronics Chengdu Co., Ltd.	36,790	889	26	1,000
SH Precision Chengdu Co., Ltd.	48,570	-	(83)	835
SH Electronics Suzhou Co., Ltd.	113,491	-	32	(436)
MSHE	163,616	(4,799)	(11,031)	(10,447)
Shanghai Chang Wah Electromaterials Inc.	<u>2,561</u>	<u>870</u>	<u>3</u>	<u>(175)</u>
	<u>\$ 666,178</u>	<u>\$ 333</u>	<u>\$ (14,892)</u>	<u>\$ 24,917</u> (Concluded)

d. Revenue from major products and services

For the revenue analysis of the main products and services of the Group, please refer to Note 24.

e. Geographical information

The Group operates in two principal geographical areas - Taiwan and Asia.

The Group's 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	
	2020	2019	2020	2019
Taiwan	\$ 2,398,924	\$ 2,094,708	\$ 1,459,476	\$ 1,278,454
Asia	6,390,551	6,123,987	2,103,188	2,167,527
Others	<u>888,671</u>	<u>1,101,580</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,678,146</u>	<u>\$ 9,320,275</u>	<u>\$ 3,562,664</u>	<u>\$ 3,445,981</u>

Non-current assets exclude financial assets at FVTPL, financial assets at FVTOCI, investments accounted for using the equity method, 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 Group's revenue was as follows:

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Customer A	<u>\$ 2,359,558</u>	<u>24</u>	<u>\$ 1,832,961</u>	<u>20</u>

Chang Wah Technology Co., Ltd. and Subsidiaries

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Counter-party	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 Company's Total Financing Amount Limits	Note
													Item	Value		
0	The Company	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	\$ 427,200	\$ 407,264	\$ 407,264	0.9-2.5	1	\$ 656,709	-	\$ -	None	\$ 2,130,344	Note 2	
0	The Company	Shanghai Chang Wah Electromaterials Inc.	Other receivables	Yes	42,720	42,720	-	2-2.5	2	-	Operating capital	-	None	2,130,344	Note 2	
1	SH Electronics Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	184,902	170,880	-	1-5	2	-	Repayments of borrowings	-	None	647,378	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 SH Electronics Chengdu Co., Ltd. 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 SH Electronics Chengdu Co., Ltd. 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: The transactions had been eliminated when preparing consolidated financial statements.

Chang Wah Technology Co., Ltd. and Subsidiaries

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/ Guarantee Provider	Endorser/Guaranteee		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	\$ 1,065,172	\$ 110,645	\$ 110,645	\$ -	\$ -	2.08	\$ 2,662,930	Yes	No	Yes	
0	The Company	Ohkuchi Materials Co., Ltd.	6	1,065,172	341,530	-	-	-	-	2,662,930	No	No	No	Note 3

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 company with which it does business.
- A company in which the public company directly and indirectly holds more than 50% of the voting shares.
- A company that directly and indirectly holds more than 50% of the voting shares in the public company.
- A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- 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.
- A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- 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.

Note 3: The company was an investee accounted for using the equity method before April 2020. Please refer to Note 12 for more details.

TABLE 3

Chang Wah Technology Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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, 2020			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
The Company	Stock - ordinary shares Wah Lee Industrial Corp.	Parent Company's investments accounted for using the equity method	Financial assets at fair value through other comprehensive income - non-current	1,638,000	\$ 124,488	0.71	\$ 124,488
	JMC Electronics Co., Ltd.	Associates	Financial assets at fair value through other comprehensive income - non-current	620,010	33,914	0.75	33,914
	Taiflex Scientific Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	268,000	14,633	0.13	14,633
	Greatek Electronics Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,972,000	110,432	0.35	110,432
	Chipbond Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	6,610,000	438,904	0.98	438,904
	Ohkuchi Materials Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	50	-	5.00	-
	Fund Yuanta Taiwan High-yield Leading Company Fund A	-	Financial assets at fair value through profit or loss - current	7,000,000	87,430	-	87,430

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, 2020
(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	
The Company	Stock - ordinary shares Chipbond Technology Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	Note 1	-	-	6,910,000	\$ 422,555	300,000	\$ 18,595	18,156	\$ 439 (Note 2)	6,610,000	\$ 438,904 (Note 3)

Note 1: Acquired through the open market.

Note 2: Gains and losses on disposal are directly transferred to retained earnings and are not reclassified to profit or loss.

Note 3: Amounts include unrealized gains or losses for financial assets.

Note 4: Since the par value of the Company's stock is NT\$1, the transaction amount of 20% of the paid-in capital is calculated based of the 10% equity attributable to the owners of the Company.

TABLE 5

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, 2020
(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		% of Total
The Company	Chang Wah Electromaterials Inc.	Parent Company	Sale	\$ (625,635)	(18)	60 days	Not significantly different	Note 3.2	\$ 173,709	23	
	SH Asia Pacific Pte. Ltd.	Subsidiary	Sale	(144,191)	(4)	30 days	Not significantly different	30 days	11,060	1	Note 1
	CWTC (Shanghai) Inc.	Subsidiary	Sale	(137,774)	(4)	180 days	Not significantly different	180 days	52,137	7	Note 1
	Ohkuchi Materials Co., Ltd.	Investments accounted for using the equity method	Purchase	266,507	9	30 days to 120 days	No general terms and conditions can be compared	Note 3.2	-	-	Note 2
SH Electronics Taiwan Co., Ltd.	Chang Wah Electromaterials Inc.	Ultimate Parent Company	Sale	(1,640,167)	(78)	30 days	Not significantly different	Note 3.2	363,203	80	
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent Company	Sale	(598,085)	(30)	60 days	Not significantly different	60 days	180,147	36	Note 1
SH Electronics Chengdu Co., Ltd.	The Company	Parent Company	Sale	(825,889)	(66)	45 days	Not significantly different	45 days	110,374	57	Note 1
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister Company	Sale	(642,326)	(100)	60 days	Not significantly different	60 days	105,149	100	Note 1
SH Electronics Suzhou Co., Ltd.	The Company	Parent Company	Sale	(661,036)	(37)	15 days	Not significantly different	15 days	56,531	19	Note 1
	Malaysian SH Electronics Sdn. Bhd.	Sister Company	Sale	(111,856)	(6)	30 days	Not significantly different	30 days	12,857	4	Note 1
	SH Electronics Taiwan Co., Ltd.	Sister Company	Sale	(382,373)	(22)	15 days	Not significantly different	15 days	20,803	7	Note 1

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

Note 2: The related party was investment accounted for using the equity method before April 2020. Please refer to Note 13 for more details.

Note 3: Since the par value of the Company's stock is NT\$1, 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.

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, 2020
(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 \$ 176,402 (Note 1)	4.08	\$ -	-	\$ 176,348	\$ -
The Company	SH Precision Chengdu Co., Ltd.	Subsidiary	Accounts receivable 100,141 (Note 4)	Note 2	-	-	43,016	-
SH Electronics Taiwan Co., Ltd.	Chang Wah Electromaterials Inc.	Ultimate Parent Company	Accounts receivable 363,203	5.41	-	-	355,991	-
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent Company	Accounts receivable 180,147 (Note 4)	3.97	-	-	119,334	-
SH Electronics Chengdu Co., Ltd.	The Company	Parent Company	Accounts receivable 110,374 (Note 4)	5.97	-	-	80,327	-
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister Company	Accounts receivable 105,149 (Note 4)	5.62	-	-	102,938	-
The Company	SH Electronics Suzhou Co., Ltd.	Subsidiary	Other receivables 409,293 (Note 4)	Note 3	-	-	-	-

Note 1: Amounts include receivables of rendering service for NT\$2,693 thousand.

Note 2: Amounts include purchases for raw materials on behalf of subsidiaries, hence the turnover rate is not applicable.

Note 3: Amounts include other receivables such as intercompany loan and interest receivable, hence the turnover rate is not applicable.

Note 4: Amount was eliminated from the consolidated financial statements.

Note 5: Since the par value of the Company's stock is NT\$1, 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

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

No.	Investee Company	Counterparty	Relationship	Transactions Details			% of Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
0	The Company	SH Asia Pacific Pte. Ltd.	Parent to subsidiary	Sales	\$ 144,191	By contract terms	1.49
0	The Company	CWTC (Shanghai) Inc.	Parent to subsidiary	Sales	137,774	By contract terms	1.42
0	The Company	SH Precision Chengdu Co., Ltd.	Parent to subsidiary	Accounts receivables	100,141	By contract terms	0.82
0	The Company	SH Electronics Suzhou Co., Ltd.	Parent to subsidiary	Other receivables	409,293	By contract terms	3.36
1	Malaysian SH Electronics Sdn. Bhd.	The Company	Subsidiary to parent	Sales	598,085	By contract terms	6.18
1	Malaysian SH Electronics Sdn. Bhd.	The Company	Subsidiary to parent	Accounts receivables	180,147	By contract terms	1.48
2	SH Electronics Chengdu Co., Ltd.	The Company	Subsidiary to parent	Sales	825,889	By contract terms	8.53
2	SH Electronics Chengdu Co., Ltd.	The Company	Subsidiary to parent	Accounts receivables	110,374	By contract terms	0.91
3	SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Subsidiary to subsidiary	Sales	642,326	By contract terms	6.64
3	SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Subsidiary to subsidiary	Accounts receivables	105,149	By contract terms	0.86
4	SH Electronics Suzhou Co., Ltd.	The Company	Subsidiary to parent	Sales	661,036	By contract terms	6.83
4	SH Electronics Suzhou Co., Ltd.	Malaysian SH Electronics Sdn. Bhd.	Subsidiary to subsidiary	Sales	111,856	By contract terms	1.16
4	SH Electronics Suzhou Co., Ltd.	SH Electronics Taiwan Co., Ltd.	Subsidiary to subsidiary	Sales	382,373	By contract terms	3.95

Note: Amount was eliminated from the consolidated financial statements.

Chang Wah Technology Co., Ltd. and Subsidiaries

**INFORMATION ON INVESTEEES (EXCLUDING INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)			
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	\$ 591,496	\$ 580,205	Notes 1, 2, 3
The Company	SH Electronics Taiwan Co., Ltd.	Taiwan	Manufacturing of electronic components and mold; international trade	1,258,700	1,258,700	41,000,000	100	65,938	63,156	Notes 2, 3
The Company	Ohkuchi Materials Co., Ltd.	Japan	Manufacturing of IC leadframe	-	132,006	-	-	(1,335)	(654)	Note 4
SH Asia Pacific Pte. Ltd	Malaysian SH Electronics Sdn. Bhd.	Malaysia	Manufacturing and selling leadframe and semiconductor materials	532,588	560,638	23,000,000	100	211,099	211,099	Notes 1, 3
SH Asia Pacific Pte. Ltd	WSP Electromaterials Ltd.	British Virgin Islands	International investment activities	617,114	649,617	5,235,000	100	84,395	84,395	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.

Note 4: The investee company was accounted for using the equity method before April 2020. Please refer to Note 13 for more details.

TABLE 9

Chang Wah Technology Co., Ltd. and Subsidiaries

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2020 (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 from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance from Taiwan as of December 31, 2020	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, 2020 (Note 4)	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	\$ 56,960	1	\$ 64,308	\$ -	\$ -	\$ 64,308	\$ 3,936	100	\$ 3,936	\$ 74,761	\$ -	
Shanghai Chang Wah Electromaterials Inc.	Acting as an agent for IC packaging materials and equipment	113,920	2	-	-	-	-	54,785	69	38,007	227,653	-	
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	242,080	2	-	-	-	-	154,067	100	154,067	832,981	385,258	Note 6
SH Precision Chengdu Co., Ltd	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	99,680	2	-	-	-	-	58,624	100	58,921	351,959	204,616	Note 6
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	712,000	2	-	-	-	-	151,527	100	155,973	428,263	-	

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	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	\$ 1,299,913	\$ -

Note 1: Pursuant to the Jing-Shen-Zi Letter No. 0970460680 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: The transactions had been eliminated when preparing 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 NT\$ using the exchange rate of US\$1:NT\$28.48.

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 10**Chang Wah Technology Co., Ltd.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang Wah Electromaterials Inc.	192,523,970	52.87
Fubon Life Assurance Co., Ltd.	29,121,240	7.99

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.

Chang Wah Technology Co., Ltd. and Subsidiaries

SEGMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	CWTC		CWTC (Shanghai) Inc.		SHAP		SH Electronics Taiwan Co., Ltd.		SH Electronics Chengdu Co., Ltd.		SH Electronics Chengdu Co., Ltd.		SH Precision Chengdu Co., Ltd.		SH Electronics Suzhou Co., Ltd.		MSHE		WSP		Shanghai Chang Wah Electromaterials Inc.		Adjustments and Eliminations		Total	
	CWTC	(Shanghai) Inc.	SHAP	SH Electronics Taiwan Co., Ltd.	SH Electronics Chengdu Co., Ltd.	SH Precision Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	SH Electronics Chengdu Co., Ltd.	MSHE	WSP	Shanghai Chang Wah Electromaterials Inc.	Adjustments and Eliminations	Total	Shanghai Chang Wah Electromaterials Inc.	Adjustments and Eliminations	Total										
Revenues from external customers	\$ 3,212,904	\$ 229,600	\$ 310,964	\$ 2,058,558	\$ 380,172	\$ 2,153	\$ 434,277	\$ 1,416,103	\$ -	\$ -	\$ 1,633,415	\$ -	\$ 9,678,146	\$ -	\$ -	\$ 9,678,146										
Inter-segment revenues	304,477	42	57,827	142,671	862,730	642,326	1,337,510	598,097	-	-	53	(3,945,733)	-	-	(3,945,733)	-										
Segment revenues	<u>\$ 3,517,381</u>	<u>\$ 229,642</u>	<u>\$ 368,791</u>	<u>\$ 2,201,229</u>	<u>\$ 1,242,902</u>	<u>\$ 644,479</u>	<u>\$ 1,771,787</u>	<u>\$ 2,014,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,633,468</u>	<u>\$ -</u>	<u>\$ 9,678,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,678,146</u>										
Segment income (expense)	\$ 126,989	\$ 3,667	\$ (5,933)	\$ 82,495	\$ 176,692	\$ 54,098	\$ 166,802	\$ 268,122	\$ (85)	\$ (85)	\$ 70,129	\$ 17,310	\$ 960,286	\$ -	\$ -	\$ 960,286										
Interest income	24,690	387	2,507	140	5,430	1,606	542	2,812	305	305	485	(9,767)	29,137	-	-	29,137										
Other non-operating income and expenses	(36,988)	118	16,007	(308)	579	14,609	37,929	8,554	-	-	4,068	(26,774)	17,794	-	-	17,794										
Share of profits of subsidiaries and associates accounted for using the equity method	646,643	-	600,559	-	-	-	-	-	101,903	-	-	(1,349,759)	(654)	-	-	(654)										
Finance cost	(34,101)	(47)	(141)	(4,211)	-	(786)	(9,987)	-	-	-	(831)	9,901	(40,203)	-	-	(40,203)										
Profit before tax	727,233	4,125	612,999	78,116	182,701	69,527	195,286	279,488	102,123	102,123	73,851	(1,359,089)	966,360	-	-	966,360										
Income tax expense (benefit)	(46,607)	189	21,503	12,178	28,634	10,903	43,759	68,389	17,728	17,728	19,066	-	175,742	-	-	175,742										
Net profit	<u>\$ 773,840</u>	<u>\$ 3,936</u>	<u>\$ 591,496</u>	<u>\$ 65,938</u>	<u>\$ 154,067</u>	<u>\$ 58,624</u>	<u>\$ 151,527</u>	<u>\$ 211,099</u>	<u>\$ 84,395</u>	<u>\$ -</u>	<u>\$ 54,785</u>	<u>\$ (1,359,089)</u>	<u>\$ 790,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790,618</u>										
For the year ended December 31, 2019																										
Revenues from external customers	\$ 3,203,301	\$ 227,389	\$ 539,780	\$ 1,570,207	\$ 342,128	\$ 5,606	\$ 356,682	\$ 1,711,424	\$ -	\$ -	\$ 1,363,758	\$ -	\$ 9,320,275	\$ -	\$ -	\$ 9,320,275										
Inter-segment revenues	291,727	456	56,907	341,906	972,622	725,972	1,161,500	401,778	-	-	12	(3,952,880)	-	-	(3,952,880)	-										
Segment revenues	<u>\$ 3,495,028</u>	<u>\$ 227,845</u>	<u>\$ 596,687</u>	<u>\$ 1,912,113</u>	<u>\$ 1,314,750</u>	<u>\$ 731,578</u>	<u>\$ 1,518,182</u>	<u>\$ 2,113,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,363,770</u>	<u>\$ (3,952,880)</u>	<u>\$ 9,320,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,320,275</u>										
Segment income (expense)	\$ 158,345	\$ 3,195	\$ 1,459	\$ 42,565	\$ 122,588	\$ 117,305	\$ 58,887	\$ 294,012	\$ (91)	\$ (91)	\$ 45,505	\$ (10,900)	\$ 832,870	\$ -	\$ -	\$ 832,870										
Interest income	23,872	333	8,126	370	13,470	2,267	261	6,128	1	1	482	(12,701)	42,609	-	-	42,609										
Other non-operating income and expenses	19,511	24	10,412	8,376	12,188	6,029	(161)	9,071	-	-	5,835	(24,182)	47,103	-	-	47,103										
Share of profits of subsidiaries and associates accounted for using the equity method	573,490	-	542,216	(2,620)	-	-	-	-	98,015	-	-	(1,206,520)	7,201	-	-	7,201										
Finance cost	(25,199)	(56)	(228)	(4,211)	-	(1,031)	(13,485)	-	-	-	(897)	12,755	(30,761)	-	-	(30,761)										
Profit before tax	750,019	3,496	561,985	48,691	148,246	124,570	45,502	309,211	97,925	97,925	50,925	(1,241,548)	899,022	-	-	899,022										
Income tax expense (benefit)	142,715	400	9,738	9,738	23,105	19,004	(2,287)	74,420	-	-	13,012	-	280,107	-	-	280,107										
Net profit	<u>\$ 607,304</u>	<u>\$ 3,096</u>	<u>\$ 561,985</u>	<u>\$ 38,953</u>	<u>\$ 125,141</u>	<u>\$ 105,566</u>	<u>\$ 47,789</u>	<u>\$ 234,791</u>	<u>\$ 97,925</u>	<u>\$ -</u>	<u>\$ 37,913</u>	<u>\$ (1,241,548)</u>	<u>\$ 618,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 618,915</u>										

Appendix II. Parent company only financial statements audited by CPA or the most recent year

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, 2020 and 2019 and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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, 2020 and 2019, 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2020. 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, 2020 is described as follows:

Revenue Recognition of Specific Products – IC lead frames

Due to the pressure from having to meet expected targets and market expectations, the possibility of overstatement of sales may arise, and the main risk lies in whether the transactions from the sale of IC lead frames, which accounted for the largest percentage of net operating revenue, actually occurred. Therefore, the revenue recognition of IC lead frames has been deemed as a key audit matter.

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

1. We understood the internal controls related to the revenue recognition of lead frames, evaluated the design of the key controls and tested the operating effectiveness of these controls.
2. We selected appropriate samples from the sales revenue receipts of IC lead frames, examined the payment and goods delivery receipts, and verified that the payment receiver is the same as the transaction counterparty to confirm the occurrence of revenue.
3. We obtained the receipts on sales returns and allowance after the reporting period and checked for material abnormalities in sales returns to verify that the sales transactions actually occurred 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 guidance, supervision, and performance of the Company's 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, 2020 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 Yu-Hsiang Liu and Hung-Ju Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2021

Notice to Readers

The accompanying financial statements are intended only to present the standalone 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, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,004,216	9	\$ 871,310	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	87,430	1	-	-
Accounts receivable, net (Notes 4, 5 and 9)	400,340	4	563,779	6
Accounts receivable - related parties (Notes 4, 5, 9 and 28)	345,394	3	349,780	4
Other receivables (Note 28)	416,690	4	468,324	5
Inventories (Notes 4 and 10)	109,666	1	166,025	2
Other financial assets - current (Notes 11 and 29)	1,129,698	11	-	-
Other current assets	27,306	-	1,860	-
Total current assets	3,520,740	33	2,421,078	26
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	-	-	68,941	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	722,371	7	209,707	2
Investments accounted for using the equity method (Notes 4, 12 and 29)	5,211,059	50	6,108,143	66
Property, plant and equipment (Notes 4, 13 and 28)	493,259	5	344,413	4
Right-of-use assets (Notes 4 and 14)	27,812	-	29,983	-
Intangible assets (Note 4)	22,127	-	13,770	-
Deferred tax assets (Notes 4 and 22)	78,810	1	42,652	1
Prepayments for equipment	124,339	1	5,138	-
Other financial assets - non-current (Notes 11 and 29)	312,682	3	10,653	-
Other non-current assets	249	-	2,421	-
Total non-current assets	6,992,708	67	6,835,821	74
TOTAL	\$ 10,513,448	100	\$ 9,256,899	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 29)	\$ 731,092	7	\$ 714,376	8
Contract liabilities (Notes 4 and 20)	6,731	-	11,730	-
Accounts payable (Note 16)	271,221	3	187,673	2
Accounts payable - related parties (Notes 16 and 28)	357,810	3	637,166	7
Dividends payable	141,276	1	120,085	1
Other payables (Notes 17 and 28)	210,780	2	162,250	2
Current tax liabilities (Note 22)	10,240	-	16,969	-
Lease liabilities - current (Notes 4, 14 and 28)	1,405	-	1,396	-
Other current liabilities	3,305	-	2,294	-
Total current liabilities	1,733,860	16	1,853,939	20
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 29)	3,250,392	31	2,141,175	23
Deferred tax liabilities (Notes 4 and 22)	176,412	2	328,531	4
Lease liabilities - non-current (Notes 4, 14 and 28)	26,925	-	28,859	-
Total non-current liabilities	3,453,729	33	2,498,565	27
Total liabilities	5,187,589	49	4,352,504	47
EQUITY (Note 19)				
Ordinary shares	364,131	4	364,131	4
Capital surplus	4,253,933	40	4,230,789	46
Retained earnings				
Legal reserve	241,635	3	172,384	2
Special reserve	130,455	1	-	-
Unappropriated earnings	859,841	8	668,884	7
Total retained earnings	1,231,931	12	841,268	9
Other equity	(139,994)	(1)	(93,984)	(1)
Treasury shares (Note 24)	(384,142)	(4)	(437,809)	(5)
Total equity	5,325,859	51	4,904,395	53
TOTAL	\$ 10,513,448	100	\$ 9,256,899	100

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			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 28)	\$ 3,517,381	100	\$ 3,495,028	100
OPERATING COSTS (Notes 10, 21 and 28)	<u>3,240,606</u>	<u>92</u>	<u>3,174,145</u>	<u>91</u>
GROSS PROFIT	276,775	8	320,883	9
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(13)	-	(776)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>-</u>	<u>-</u>	<u>348</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>276,762</u>	<u>8</u>	<u>320,455</u>	<u>9</u>
OPERATING EXPENSES (Notes 9, 21 and 28)				
Selling and marketing expenses	17,994	-	18,703	-
General and administrative expenses	68,935	2	60,922	2
Research and development expenses	67,614	2	79,731	2
Expected credit losses (gains)	<u>(4,770)</u>	<u>-</u>	<u>2,754</u>	<u>-</u>
Total operating expenses	<u>149,773</u>	<u>4</u>	<u>162,110</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>126,989</u>	<u>4</u>	<u>158,345</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Notes 21 and 28)				
Interest income	24,690	1	23,872	1
Other income	64,702	2	15,626	-
Other gains and losses	(101,690)	(3)	3,885	-
Finance costs	(34,101)	(1)	(25,199)	-
Share of profit of subsidiaries and associates	<u>646,643</u>	<u>18</u>	<u>573,490</u>	<u>15</u>
Total non-operating income and expenses	<u>600,244</u>	<u>17</u>	<u>591,674</u>	<u>16</u>
PROFIT BEFORE INCOME TAX	727,233	21	750,019	21
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 22)	<u>(46,607)</u>	<u>(1)</u>	<u>142,715</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>773,840</u>	<u>22</u>	<u>607,304</u>	<u>17</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			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 19 and 22)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ 109,675	3	\$ 39,476	1
Share of remeasurement of defined benefit plans of subsidiaries	1,677	-	(7,728)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,290	-	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(104,601)	(3)	(139,612)	(4)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>20,920</u>	<u>1</u>	<u>27,918</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>29,961</u>	<u>1</u>	<u>(79,946)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 803,801</u>	<u>23</u>	<u>\$ 527,358</u>	<u>15</u>
EARNINGS PER SHARE (Note 23)				
Basic	\$ 2.19		\$ 1.72	
Diluted	2.19		1.72	

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)

	Ordinary Shares (Note 19)	Capital Surplus	Retained Earnings			Unappropriated Earnings	Total	Other Equity			Total	Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2019	\$ 364,131	\$ 4,230,789	\$ 61,580	\$ 53,918	\$ 840,298	\$ 955,796	\$ (15,333)	\$ (27)	\$ (15,360)	\$ (437,809)	\$ 5,097,547		
Appropriation of earnings (Note 19)	-	-	110,804	-	(110,804)	-	-	-	-	-	-		
Legal reserve	-	-	110,804	-	(110,804)	-	-	-	-	-	-		
Special reserve	-	-	-	(53,918)	53,918	(720,510)	-	-	-	-	(720,510)		
Cash dividends to shareholders	-	-	-	-	(720,510)	607,304	-	-	-	-	(720,510)		
Net profit for the year ended December 31, 2019	-	-	110,804	(53,918)	(777,396)	607,304	-	-	-	-	607,304		
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(7,728)	(7,728)	(111,694)	39,476	(72,218)	-	(79,946)		
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	599,576	599,576	(111,694)	39,476	(72,218)	-	527,358		
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	6,406	6,406	-	(6,406)	-	-	-		
BALANCE AT DECEMBER 31, 2019	364,131	4,230,789	172,384	-	668,884	841,268	(127,027)	33,043	(93,984)	(437,809)	4,904,395		
Appropriation of earnings (Note 19)	-	-	69,251	-	(69,251)	-	-	-	-	-	-		
Legal reserve	-	-	69,251	-	(69,251)	-	-	-	-	-	-		
Special reserve	-	-	-	130,455	(130,455)	-	-	-	-	-	-		
Cash dividends to shareholders	-	-	-	-	(459,148)	(459,148)	-	-	-	-	(459,148)		
Net profit for the year ended December 31, 2020	-	-	69,251	130,455	(658,854)	773,840	-	-	-	-	(459,148)		
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	773,840	773,840	(83,681)	111,965	28,284	-	773,840		
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,677	1,677	(83,681)	111,965	28,284	-	29,961		
Share - based payment (Note 24)	-	23,144	-	-	775,517	775,517	(83,681)	111,965	28,284	-	803,801		
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	53,667	76,811		
BALANCE AT DECEMBER 31, 2020	364,131	4,253,933	241,635	130,455	859,841	1,231,931	(210,708)	70,714	(139,994)	(384,142)	5,325,859		

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	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 727,233	\$ 750,019
Adjustments for:		
Depreciation expense	70,111	81,234
Amortization expense	3,045	2,453
Expected credit losses (gains)	(4,770)	2,754
Net gain on financial assets at fair value through profit or loss	(18,541)	(20,656)
Finance costs	34,101	25,199
Interest income	(24,690)	(23,872)
Dividend income	(44,035)	(12,142)
Share-based compensation	8,548	-
Share of the profit of subsidiaries and associates	(646,643)	(573,490)
Loss on disposal of property, plant and equipment	19,124	-
Loss on disposal of investments accounted for using the equity method	15,995	-
Impairment loss recognized on non-financial assets	14,922	6,174
Unrealized gain on transactions with subsidiaries	13	776
Realized gain on transactions with subsidiaries	-	(348)
Others	(2,657)	(3,312)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	52	12,768
Accounts receivable	168,209	(33,017)
Accounts receivable - related parties	4,386	(132,696)
Other receivables	8,767	(4,078)
Inventories	41,437	9,158
Other current assets	(25,446)	3,875
Contract liabilities - current	(4,999)	9,758
Notes payable	-	(530)
Accounts payable	83,548	160,177
Accounts payable - related parties	(279,356)	104,957
Other payables	7,841	(9,520)
Other current liabilities	<u>1,011</u>	<u>(243)</u>
Cash generated from operations	157,206	355,398
Interest received	24,677	23,147
Dividends received	1,329,901	80,432
Interest paid	(27,148)	(23,984)
Income taxes paid	<u>(125,189)</u>	<u>(60,719)</u>
Net cash generated from operating activities	<u>1,359,447</u>	<u>374,274</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	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (808,853)	\$ (207,208)
Proceeds from disposal of financial assets at fair value through other comprehensive income	421,522	75,661
Proceeds from disposal of investments accounted for using the equity method	137,788	-
Acquisition of property, plant and equipment	(119,385)	(69,257)
Proceeds from disposal of property, plant and equipment	144	-
Decrease (increase) in other receivables - related parties	42,880	(311,510)
Acquisition of intangible assets	(2,001)	(3,358)
Decrease (increase) in other financial assets	(1,431,727)	1,047
Decrease (increase) in other non-current assets	(144)	1,249
Increase in prepayments for equipment	<u>(202,293)</u>	<u>(6,451)</u>
Net cash used in investing activities	<u>(1,962,069)</u>	<u>(519,827)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	166,493	284,560
Repayments of short-term borrowings	(152,587)	-
Proceeds from long-term borrowings	1,999,217	1,595,342
Repayments of long-term borrowings	(892,000)	(1,050,000)
Repayments of the principal portion of lease liabilities	(1,384)	(1,375)
Cash dividends paid	(437,957)	(600,425)
Treasury shares sold to employees	<u>53,746</u>	<u>-</u>
Net cash generated from financing activities	<u>735,528</u>	<u>228,102</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	132,906	82,549
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>871,310</u>	<u>788,761</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,004,216</u>	<u>\$ 871,310</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

Chang Wah Technology Co., Ltd.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (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 were approved for listing by the Taipei Exchange (TPEX) in July 2016 and have been trading on the TPEX since September 2016.

As of December 31, 2020 and 2019, the parent Company, Chang Wah Electromaterials Inc., owned 54% and 51% of the Company's issued ordinary shares, respectively.

The standalone financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the Company's board of directors and authorized for issue on March 17, 2021.

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 SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

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

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)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 4)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 5)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 6)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 7)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

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

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

When preparing the standalone financial statements, the Company accounted for investments in subsidiaries and associates by using the equity method. In order for the amounts of net income, other comprehensive income and equity in the standalone financial statements to be equal to those attributable to owners of the Company in the standalone financial statements, the differences in the accounting treatment between the standalone basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profit of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the standalone financial statements.

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 used for an exchange or used to settle a liability for more than 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 twelve 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. Foreign currencies

In preparing the standalone 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 closing rates. 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 standalone financial statements, the financial statements of its foreign operations (including subsidiaries and associates in other countries) 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.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

e. Inventories

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

f. Investments accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiaries and associates.

1) 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. Any 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 standalone financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the standalone financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

2) Investments in associates

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

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

Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

Investments in associates are tested for impairment by treating the entire carrying amount of the investment as a single asset and then comparing that carrying amount to the estimated recoverable amount. Any impairment loss recognized is deducted from investment and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

The Company discontinues the use of the equity method from the date on which the investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is

included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Company transacts with its associates, profits or losses resulting from the transactions with the associates are recognized in the standalone financial statements only to the extent of interests in the associates that are not related to the Company.

g. 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.

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.

h. 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.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had

no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. 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 or designated 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 27: 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 guarantee deposits paid, 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 recognizes lifetime expected credit losses (ECLs) for trade 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 When a 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. However, 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. 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.

k. 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. 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.

1. Leasing

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

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, which comprises the initial measurement of lease liabilities, are initially measured at cost and 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, 2021, 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 and expenses, 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.

m. 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.

n. 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.

o. Share-based payment arrangements

1) Employee share options granted to the employees of the Company

The fair value at the grant date of the equity share options is 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. 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.

2) Employee share options granted to the employees of subsidiaries

Employee share options 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.

p. Taxations

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

1) Current tax

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

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 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 estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the year of the change and future periods, if the change affects both.

Key sources of estimation uncertainty - Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. 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.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 50	\$ 50
Checking accounts and demand deposits	796,846	371,373
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	23,339	499,887
Bonds with repurchase agreements	<u>183,981</u>	<u>-</u>
	<u>\$ 1,004,216</u>	<u>\$ 871,310</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 87,430</u>	<u>\$ -</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Foreign privately offered funds	<u>\$ -</u>	<u>\$ 68,941</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - EQUITY INSTRUMENTS - NON-CURRENT

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Investments in equity instruments		
Domestic listed shares	<u>\$ 722,371</u>	<u>\$ 209,707</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.

9. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Accounts receivable		
At amortized cost		
Gross carrying amount	\$ 400,686	\$ 569,211
Less: Allowance for impairment loss	<u>346</u>	<u>5,432</u>
	<u>\$ 400,340</u>	<u>\$ 563,779</u>
Accounts receivable - related parties		
At amortized cost	<u>\$ 345,394</u>	<u>\$ 349,780</u>

Refer to Note 27 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 model. The lifetime expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past collection experience of the customers and an increase in late payments over the credit period. The Company writes off a trade 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 over a certain days 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 based on the Company's provision matrix.

December 31, 2020

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 683,716	\$ 61,040	\$ 1,324	\$ -	\$ -	\$ 746,080
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(346)</u>	<u>-</u>	<u>-</u>	<u>(346)</u>
Amortized cost	<u>\$ 683,716</u>	<u>\$ 61,040</u>	<u>\$ 978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 745,734</u>

December 31, 2019

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	-	-	0 and 50	0 and 100	0 and 100	
Gross carrying amount	\$ 911,420	\$ 2,034	\$ 90	\$ -	\$ 5,447	\$ 918,991
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(45)</u>	<u>-</u>	<u>(5,387)</u>	<u>(5,432)</u>
Amortized cost	<u>\$ 911,420</u>	<u>\$ 2,034</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 913,559</u>

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

	For the Year Ended December 31	
	2020	2019
Balance, beginning of year	\$ 5,432	\$ 2,678
Recognized (reversed) in current year	(4,770)	2,754
Amount written off	<u>(316)</u>	<u>-</u>
Balance, end of year	<u>\$ 346</u>	<u>\$ 5,432</u>

10. INVENTORIES

	December 31	
	2020	2019
Raw materials	\$ 6,648	\$ 3,279
Supplies	3,241	2,694
Work in progress	17,774	26,496
Finished goods	45,834	81,847
Merchandise	35,199	51,633
Consumable supplies	<u>970</u>	<u>76</u>
	<u>\$ 109,666</u>	<u>\$ 166,025</u>

Operating costs related to inventories for the years ended December 31, 2020 and 2019 was NT\$3,221,084 thousand and NT\$3,174,145 thousand, respectively, which included items as follows:

	For the Year Ended December 31	
	2020	2019
Write-downs of inventories	\$ 14,922	\$ 6,174
Revenue from sale of scraps	(748)	(859)

11. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Restricted deposits due to repatriation of funds	\$ 832,808	\$ -
Pledged time deposits	<u>296,890</u>	<u>-</u>
	<u>\$ 1,129,698</u>	<u>\$ -</u>
<u>Non-current</u>		
Restricted deposits due to repatriation of funds	\$ 302,026	\$ -
Pledged time deposits	5,700	5,700
Deposits for reserve account	<u>4,956</u>	<u>4,953</u>
	<u>\$ 312,682</u>	<u>\$ 10,653</u>

Restricted deposits represent the Company's earnings repatriated from foreign subsidiaries based on the expected period of usage of the funds due to the application of "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act".

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 5,211,059	\$ 5,934,125
Investments in associates	<u>-</u>	<u>174,018</u>
	<u>\$ 5,211,059</u>	<u>\$ 6,108,143</u>

a. Investments in subsidiaries

	December 31	
	2020	2019
SH Asia Pacific Pte. Ltd. (SHAP)	\$ 3,922,784	\$ 4,726,432
SH Electronics Taiwan Co., Ltd. (SHT)	1,213,514	1,138,034
CWTC (Shanghai) Inc. (CWTS)	<u>74,761</u>	<u>69,659</u>
	<u>\$ 5,211,059</u>	<u>\$ 5,934,125</u>

The proportion of ownership and voting rights at the end of the year was as follows:

	December 31	
	2020	2019
SHAP	100%	100%
SHT	100%	100%
CWTS	100%	100%

b. Investments in associates

	December 31	
	2020	2019
Material associate		
Ohkuchi Materials Co., Ltd. (OM)	<u>\$ -</u>	<u>\$ 174,018</u>

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights (%)	
			December 31	
			2020	2019
OM	Manufacturing IC lead frames	Japan	5	49

Since OM will terminate its lead frame manufacturing business, the Company disposed of 44% of its interest in OM to a third party for proceeds of NT\$137,788 thousand (JPY490 million) and consequently ceased to have significant influence over OM; hence, the Company recognized a loss on disposal of investments of NT\$15,995 thousand. The remaining 5% interest held by the Company was recognized at the fair value of the shares at the date of disposal of NT\$15,658 thousand, and transferred

to financial assets at FVTOCI - non-current. This transaction resulted in the recognition of a loss in profit or loss, calculated as follows:

	December 31, 2020
Proceeds of disposal	\$ 137,788
Plus: Fair value of retained investment (5%)	15,658
Less: Carrying amount of investment on the date of loss of significant influence	(175,123)
Plus: Share of other comprehensive income of the associate	<u>5,682</u>
Loss recognized (included in other gains and losses)	<u>\$ (15,995)</u>

The summarized financial information below represents amounts shown in OM's financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

	December 31, 2019
Current assets	\$ 777,957
Non-current assets	298,424
Current liabilities	<u>(721,243)</u>
Equity	<u>\$ 355,138</u>
Proportion of the Company's ownership (%)	49
Equity attributable to the Company	<u>\$ 174,018</u>

	For the Year Ended December 31	
	2020	2019
Operating revenue	<u>\$ 304,105</u>	<u>\$ 1,190,489</u>
Net profit (loss) for the year	<u>\$ (1,335)</u>	<u>\$ 14,695</u>
Dividends received from OM	<u>\$ -</u>	<u>\$ 208</u>

13. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2020

	Buildings	Machinery and Equipment	Molding Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 111,874	\$ 411,449	\$ 76,277	\$ 3,411	\$ 33,111	\$ 68,570	\$ 704,692
Additions	581	143,470	630	210	552	95,729	241,172
Disposals	(24,067)	(12,797)	-	-	-	-	(36,864)
Reclassification	-	-	-	-	-	(4,577)	(4,577)
Balance at December 31, 2020	<u>88,388</u>	<u>542,122</u>	<u>76,907</u>	<u>3,621</u>	<u>33,663</u>	<u>159,722</u>	<u>904,423</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	(24,486)	(250,019)	(61,564)	(2,941)	(15,628)	-	(354,638)
Depreciation	(5,380)	(48,692)	(9,383)	(494)	(4,532)	-	(68,481)
Disposals	4,943	10,375	-	-	-	-	15,318
Balance at December 31, 2020	<u>(24,923)</u>	<u>(288,336)</u>	<u>(70,947)</u>	<u>(3,435)</u>	<u>(20,160)</u>	<u>-</u>	<u>(407,801)</u>

(Continued)

	Buildings	Machinery and Equipment	Molding Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated impairment</u>							
Balance at January 1 and December 31, 2020	\$ -	\$ (5,641)	\$ -	\$ -	\$ -	\$ -	\$ (5,641)
Disposals	-	2,278	-	-	-	-	2,278
Balance at December 31, 2020	-	(3,363)	-	-	-	-	(3,363)
Carrying amount at December 31, 2020	<u>\$ 63,465</u>	<u>\$ 250,423</u>	<u>\$ 5,960</u>	<u>\$ 186</u>	<u>\$ 13,503</u>	<u>\$ 159,722</u>	<u>\$ 493,259</u>

(Concluded)

For the year ended December 31, 2019

	Buildings	Machinery and Equipment	Molding Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 106,431	\$ 357,639	\$ 69,939	\$ 3,411	\$ 24,017	\$ 72,247	\$ 633,684
Additions	5,443	53,810	8,447	-	9,094	(3,677)	73,117
Disposals	-	-	(2,109)	-	-	-	(2,109)
Balance at December 31, 2019	<u>111,874</u>	<u>411,449</u>	<u>76,277</u>	<u>3,411</u>	<u>33,111</u>	<u>68,570</u>	<u>704,692</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	(18,760)	(197,963)	(48,026)	(2,117)	(10,294)	-	(277,160)
Depreciation	(5,726)	(52,056)	(15,647)	(824)	(5,334)	-	(79,587)
Disposals	-	-	2,109	-	-	-	2,109
Balance at December 31, 2019	<u>(24,486)</u>	<u>(250,019)</u>	<u>(61,564)</u>	<u>(2,941)</u>	<u>(15,628)</u>	<u>-</u>	<u>(354,638)</u>
<u>Accumulated impairment</u>							
Balance at January 1 and December 31, 2019	-	(5,641)	-	-	-	-	(5,641)
Carrying amount at December 31, 2019	<u>\$ 87,388</u>	<u>\$ 155,789</u>	<u>\$ 14,713</u>	<u>\$ 470</u>	<u>\$ 17,483</u>	<u>\$ 68,570</u>	<u>\$ 344,413</u>

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

Buildings	
Main building	25-35 years
Renovation	3 years
Machinery and equipment	
Electroplating equipment	6 years
Injection equipment	6 years
Others	3-6 years
Molding equipment	2-3 years
Office equipment	3 years
Other equipment	3-10 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Carrying amount		
Land	\$ 24,012	\$ 25,410
Buildings	<u>3,800</u>	<u>4,573</u>
	<u>\$ 27,812</u>	<u>\$ 29,983</u>

(Continued)

	For the Year Ended December 31	
	2020	2019
Depreciation charge for right-of-use assets		
Land	\$ (857)	\$ (874)
Buildings	<u>(773)</u>	<u>(773)</u>
	<u>\$ (1,630)</u>	<u>\$ (1,647)</u>
		(Concluded)

Except for the 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, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	<u>\$ 1,405</u>	<u>\$ 1,396</u>
Non-current	<u>\$ 26,925</u>	<u>\$ 28,859</u>

Discount rates (%) for lease liabilities were as follows:

	December 31	
	2020	2019
Land	2.1710	2.1710
Buildings	1.0819	1.0819

c. Material leasing activities and terms

The Company leases land from the government. The lease period will expire in August 2024, and the Company has the option to extend or terminate the contract. The Company does not have a bargain 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 basis of changes in announced land value prices.

The Company entered into a lease contract with the subsidiary, SHT. The lease period will expire in October 2025, and the Company has the option to extend or terminate the contract. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease period.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 543</u>	<u>\$ 689</u>
Expenses relating to low-value asset leases	<u>\$ 78</u>	<u>\$ 72</u>
Total cash outflow for leases	<u>\$ (2,620)</u>	<u>\$ (2,795)</u>

The Company's leases of certain staff dormitories and offices 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. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Credit loans	\$ 477,092	\$ 714,376
Secured loans (Note 29)	<u>254,000</u>	<u>-</u>
	<u>\$ 731,092</u>	<u>\$ 714,376</u>
Range of interest rate (%)	0.35-0.83	0.46-0.973

b. Long-term borrowings

	December 31	
	2020	2019
Syndicated bank loans (led by Bank of Taiwan)		
Syndicated loan B, interest rate at 1.797%	\$ 550,000	\$ 550,000
Less: Syndicated loan fee	<u>2,167</u>	<u>4,167</u>
	547,833	545,833
Credit loans		
Bank credit loans maturities before June 1, 2030, interest rate at 0%-1.19% and 0.1-1.39% p.a.	<u>2,702,559</u>	<u>1,595,342</u>
	<u>\$ 3,250,392</u>	<u>\$ 2,141,175</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 for the years ended December 31, 2020 and 2019, 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 years ended December 31, 2020 and 2019 were not in breach of the aforementioned restrictions.
- 2) The Company entered into a syndicated loan agreement of NT\$4,000,000 thousand with six banks led by Bank of Taiwan in January 2017 and the initial drawdown was in February 2017. The credit line can be used for loan A and loan B. The credit line of loan A is JPY7,350,000 thousand (or equivalent amount in NTD or USD), and cannot be used on a revolving basis. The loan is to be used only for the purpose of acquiring the shares of SHAP and its subsidiaries. The credit line of loan B is NT\$1,500,000 thousand (or equivalent amount in foreign currencies), and can be used on a revolving basis within the loan period (5 years from the initial drawdown date), and the purpose of the loan is to enrich medium-term working capital.
- 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. As of December 31, 2020, the Company has not utilized the credit line.

- 4) The collateral of the syndicated loan listed in no.2 above is 100% of the equity of SHAP that is held by the Company. Please refer to Note 29 for more details.
- 5) 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.

16. ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Accounts payable	<u>\$ 271,221</u>	<u>\$ 187,673</u>
Accounts payable - related parties	<u>\$ 357,810</u>	<u>\$ 637,166</u>

The Company has in place financial risk management policies to ensure that all payables are repaid within the credit period.

17. OTHER PAYABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Payables for salaries and bonuses	\$ 76,532	\$ 61,798
Payables for purchases of equipment	58,806	17,603
Payables for processing expenses	35,862	41,965
Employees' compensation and remuneration of directors	11,386	11,616
Others (mainly labor expense, pension and miscellaneous expense, etc.)	<u>28,194</u>	<u>29,268</u>
	<u>\$ 210,780</u>	<u>\$ 162,250</u>

18. RETIREMENT BENEFIT PLAN

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

19. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>700,000</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>364,131</u>	<u>364,131</u>
Shares issued	<u>\$ 364,131</u>	<u>\$ 364,131</u>

The amendments regarding the change of the par value per share to the Articles of Incorporation had been resolved in the shareholders' meeting in June 2019. The par value from NT\$10 to NT\$1 and it had been approved by the competent authority and made changes accordingly had changed. The reissuance of stocks had been completed on September 9, 2019.

In addition, the Company may issue preferred shares within its authorized shares and may reserve 10,000 shares (in thousands) for issuing share subscription warrants.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distribute cash or transferred to share capital (Note)		
Additional paid-in capital	\$ 4,221,471	\$ 4,221,471
Treasury share transactions	23,144	-
May be used to offset a deficit only		
Exercised employee share options	9,229	9,229
Expired employee share options	<u>89</u>	<u>89</u>
	<u>\$ 4,253,933</u>	<u>\$ 4,230,789</u>

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

c. Retained earnings and 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.

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.

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

The appropriations of earnings for 2018 had been approved in the shareholders' meetings in June 2019. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2018
Legal reserve	<u>\$ 84,029</u>
Special reserve	<u>\$ (38,558)</u>
Cash dividends to shareholders	<u>\$ 600,425</u>
Cash dividend per share (NT\$)	<u>\$ 17</u>

The appropriations of earnings for the first and second half of 2020 and 2019 have been approved by the Company's board of directors, respectively. The appropriations and cash dividends per share were as follows:

	For the Second Half of Year, 2020	For the First Half of Year, 2020	For the Second Half of Year, 2019	For the First Half of Year, 2019
Resolution Date of the Company's Board of Directors in its meeting	March 17, 2021	November 9, 2020	March 18, 2020	November 11, 2019
Legal reserve	<u>\$ 49,554</u>	<u>\$ 35,428</u>	<u>\$ 33,823</u>	<u>\$ 26,775</u>
Special reserve	<u>\$ 9,539</u>	<u>\$ 21,111</u>	<u>\$ 109,344</u>	<u>\$ (15,360)</u>
Cash dividends to shareholders	<u>\$ 326,169</u>	<u>\$ 141,276</u>	<u>\$ 317,872</u>	<u>\$ 120,085</u>
Cash dividends per share (NT\$)	<u>\$ 0.92</u>	<u>\$ 0.40</u>	<u>\$ 0.90</u>	<u>\$ 0.34</u>

The appropriations of earnings for 2019 had been approved in the shareholders' meeting in June 2020.

The appropriations of earnings for 2020 are subject to the resolution in the shareholders' meeting to be held in June 2021.

d. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Balance, beginning of the year	\$ (127,027)	\$ (15,333)
Recognized for the year		
Exchange differences arising from translating the financial statements of foreign operations	(98,919)	(139,612)
Related income tax	19,784	27,918
Reclassification adjustments		
Disposal of shares of associates accounted for using the equity method	(5,682)	-
Related income tax	<u>1,136</u>	<u>-</u>
Balance, end of the year	<u>\$ (210,708)</u>	<u>\$ (127,027)</u>

2) Unrealized gains, and losses on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance, beginning of the year	\$ 33,043	\$ (27)
Recognized for the year		
Unrealized gains and losses - equity instruments	109,675	39,476
Related income tax	2,290	-
Cumulative unrealized gain or loss of equity instruments transferred to retained earnings due to disposal	<u>(74,294)</u>	<u>(6,406)</u>
Balance, end of the year	<u>\$ 70,714</u>	<u>\$ 33,043</u>

e. Treasury shares

Number of shares in thousands

Purpose of Treasury Shares	Beginning of Year	Thousand Shares			Number and Amount of Shares Held at December 31	
		Addition	Change in Par value	Reduction	Thousand Shares	Book Value
For the year ended December 31, 2020						
Transferring to employees	<u>10,940</u>	<u>-</u>	<u>-</u>	<u>1,341</u>	<u>9,599</u>	<u>\$ 384,142</u>
For the year ended December 31, 2019						
Transferring to employees	<u>1,094</u>	<u>-</u>	<u>9,846</u>	<u>-</u>	<u>10,940</u>	<u>\$ 437,809</u>

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 December 2020, the Company's board of directors had decided to transfer part of the treasury shares to its employees. Please refer to Note 24 for more details.

20. OPERATING REVENUES

	For the Year Ended December 31	
	2020	2019
Revenue from sale of goods	\$ 3,498,009	\$ 3,477,002
Commission and revenue from the rendering of services	19,191	17,740
Other operating revenue	<u>181</u>	<u>286</u>
	<u>\$ 3,517,381</u>	<u>\$ 3,495,028</u>

a. Refer to Note 4 for information relating to the contracts with customers.

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable	<u>\$ 745,734</u>	<u>\$ 913,559</u>	<u>\$ 750,600</u>

(Continued)

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities			
Sale of goods	\$ <u>6,731</u>	\$ <u>11,730</u>	\$ <u>1,972</u> (Concluded)

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	
	2020	2019
Sale of goods	\$ <u>11,730</u>	\$ <u>1,972</u>

c. Disaggregation of revenue

For the year ended December 31, 2020

	Reportable Segments			Total
	IC Lead Frames	LED Lead Frames	Others	
<u>Type of goods or services</u>				
Revenue from the sale of goods	\$ 2,917,076	\$ 580,269	\$ 664	\$ 3,498,009
Commission and revenue from the rendering of services	-	-	19,191	19,191
Other operating revenue	-	-	181	181
	<u>\$ 2,917,076</u>	<u>\$ 580,269</u>	<u>\$ 20,036</u>	<u>\$ 3,517,381</u>

For the year ended December 31, 2019

	Reportable Segments			Total
	IC Lead Frames	LED Lead Frames	Others	
<u>Type of goods or services</u>				
Revenue from the sale of goods	\$ 2,873,429	\$ 603,399	\$ 174	\$ 3,477,002
Commission and revenue from the rendering of services	-	-	17,740	17,740
Other operating revenue	-	-	286	286
	<u>\$ 2,873,429</u>	<u>\$ 603,399</u>	<u>\$ 18,200</u>	<u>\$ 3,495,028</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	
	2020	2019
Sale of goods		
Fulfill in 2020	\$ -	\$ 11,730
Fulfill in 2021	<u>6,731</u>	<u>-</u>
	<u>\$ 6,731</u>	<u>\$ 11,730</u>

21. PROFIT BEFORE INCOME TAX

Profit before income tax includes the items as follows:

a. Other income

	For the Year Ended December 31	
	2020	2019
Dividend income	\$ 44,035	\$ 12,142
Government grants	20,134	569
Others	<u>533</u>	<u>2,915</u>
	<u>\$ 64,702</u>	<u>\$ 15,626</u>

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

b. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Net foreign exchange loss	\$ (103,867)	\$ (16,436)
Loss on disposal of investments accounted for using the equity method (Note 12)	(15,995)	-
Gain on financial assets at fair value through profit or loss	18,541	20,656
Others	<u>(369)</u>	<u>(335)</u>
	<u>\$ (101,690)</u>	<u>\$ 3,885</u>

c. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 31,494	\$ 22,580
Amortization of syndicated loan fee	2,000	2,000
Interest on lease liabilities	586	619
Others	<u>21</u>	<u>-</u>
	<u>\$ 34,101</u>	<u>\$ 25,199</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Depreciation		
Property, plant and equipment	\$ 68,481	\$ 79,587
Right-of use assets	<u>1,630</u>	<u>1,647</u>
	<u>\$ 70,111</u>	<u>\$ 81,234</u>
Analysis of depreciation by function		
Operating costs	\$ 49,223	\$ 61,023
Operating expenses	<u>20,888</u>	<u>20,211</u>
	<u>\$ 70,111</u>	<u>\$ 81,234</u>
Amortization		
Computer software	\$ 2,583	\$ 1,329
Patents	462	670
Other non-current assets	<u>-</u>	<u>454</u>
	<u>\$ 3,045</u>	<u>\$ 2,453</u>
Analysis of amortization by function		
Operating expenses	<u>\$ 3,045</u>	<u>\$ 2,453</u>

e. Employee benefits

	For the Year Ended December 31	
	2020	2019
Post-employment benefits - Defined contribution plans	\$ 4,108	\$ 4,288
Other employee benefits	<u>139,644</u>	<u>138,085</u>
	<u>\$ 143,752</u>	<u>\$ 142,373</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 50,290	\$ 58,595
Operating expenses	<u>93,462</u>	<u>83,778</u>
	<u>\$ 143,752</u>	<u>\$ 142,373</u>

In accordance with the Company's Articles, the Company distributed 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, 2020 and 2019, which have been approved by the Company's board of directors in March 2021 and 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Employees' compensation - cash	<u>\$ 7,386</u>	<u>\$ 7,616</u>
Remuneration of directors - cash	<u>\$ 4,000</u>	<u>\$ 4,000</u>

(Continued)

	For the Year Ended December 31	
	2020	2019
Accrual rate		
Employees' compensation (%)	1.0	1.0
Remuneration of directors (%)	0.5	0.5
		(Concluded)

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 standalone financial statements for the years ended December 31, 2019 and 2018.

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.

f. Others

	For the Year Ended December 31	
	2020	2019
Loss on disposal of property, plant and equipment (included in operating costs)	<u>\$ (19,124)</u>	<u>\$ -</u>

22. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 130,371	\$ 34,282
In respect of prior years	(11,911)	(6,970)
Income tax on unappropriated earnings	-	9,720
Deferred tax		
In respect of the current year	(165,067)	105,428
In respect of prior years	<u>-</u>	<u>255</u>
	<u>\$ (46,607)</u>	<u>\$ 142,715</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before income tax	\$ <u>727,233</u>	\$ <u>750,019</u>
Income tax expense calculated at the statutory rate	\$ 146,166	\$ 150,821
Non-recognizable gains in determining taxable income	(26,224)	(10,856)
Income tax on unappropriated earnings	-	9,720
Taxation of overseas funds	102,869	-
Unrecognized temporary differences	(257,507)	(255)
Adjustment for prior years' tax	<u>(11,911)</u>	<u>(6,715)</u>
	<u>\$ (46,607)</u>	<u>\$ 142,715</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technology are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax expense (benefit) recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
Exchange differences on translating foreign operations	\$ (20,920)	\$ (27,918)
Unrealized gains and losses on financial assets at FVTOCI	<u>(2,290)</u>	<u>-</u>
	<u>\$ (23,210)</u>	<u>\$ (27,918)</u>

c. Current tax liabilities

	December 31	
	2020	2019
Current tax liabilities		
Income tax payable	<u>\$ 10,240</u>	<u>\$ 16,969</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	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 foreign operations	\$ 31,755	\$ -	\$ 20,920	\$ 52,675

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Write-downs of inventories	\$ 7,698	\$ 2,984	\$ -	\$ 10,682
Unrealized exchange losses	1,585	9,958	-	11,543
Others	<u>1,614</u>	<u>6</u>	<u>2,290</u>	<u>3,910</u>
	<u>\$ 42,652</u>	<u>\$ 12,948</u>	<u>\$ 23,210</u>	<u>\$ 78,810</u>
<hr/> Deferred tax liabilities <hr/>				
Temporary differences				
Share of profit from foreign subsidiaries accounted for using the equity method	\$ 321,912	\$ (145,500)	\$ -	\$ 176,412
Unrealized gains on financial assets	4,157	(4,157)	-	-
Gain from bargain purchase	<u>2,462</u>	<u>(2,462)</u>	<u>-</u>	<u>-</u>
	<u>\$ 328,531</u>	<u>\$ (152,119)</u>	<u>\$ -</u>	<u>\$ 176,412</u> (Concluded)

For the year ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<hr/> Deferred tax assets <hr/>				
Temporary differences				
Exchange differences on translating foreign operations	\$ 3,837	\$ -	\$ 27,918	\$ 31,755
Write-downs of inventories	6,463	1,235	-	7,698
Unrealized exchange losses	-	1,585	-	1,585
Difference between tax reporting and financial reporting - revenue recognition	1,011	447	-	1,458
Others	<u>70</u>	<u>86</u>	<u>-</u>	<u>156</u>
	<u>\$ 11,381</u>	<u>\$ 3,353</u>	<u>\$ 27,918</u>	<u>\$ 42,652</u>
<hr/> Deferred tax liabilities <hr/>				
Temporary differences				
Share of profit from foreign subsidiaries accounted for using the equity method	\$ 215,483	\$ 106,429	\$ -	\$ 321,912
Unrealized gains on financial assets	-	4,157	-	4,157
Gain from bargain purchase	2,462	-	-	2,462
Unrealized exchange gains	<u>1,550</u>	<u>(1,550)</u>	<u>-</u>	<u>-</u>
	<u>\$ 219,495</u>	<u>\$ 109,036</u>	<u>\$ -</u>	<u>\$ 328,531</u>

e. Income tax assessments

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

23. EARNINGS PER SHARE

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	
	2020	2019
Net profit for the year	<u>\$ 773,840</u>	<u>\$ 607,304</u>

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in computation of basic earnings per share	353,198	353,191
Effect of dilutive potential ordinary shares		
Employees' compensation	<u>206</u>	<u>306</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>353,404</u>	<u>353,497</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.

24. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company

To attract and retain professional talent, enhance employees' loyalty and sense of belonging to the Company and to jointly create benefits for the Company and its shareholders, the issuance of 500,000 options of employee share options had been resolved in the Company's board of directors' meeting in June 2014. The share options are granted to qualified employees of the Company, and each option entitles the holder the right to subscribe for one ordinary share of the Company. The options granted are valid for 5 years and exercisable according to the vesting period in the table below after the second year from the grant date. The options were granted at an exercise price which was not less than the net value per share of the Company at the grant date, based on its most recent audited financial statements. Should there be any subsequent changes in the Company's issuance of ordinary shares after the shares have been granted, the exercise price is adjusted accordingly based on the agreed formula. Should the exercise price after the adjustment be higher than that before the adjustment, it will not be adjusted.

Vesting Period	Exercisable percentages (%) (Cumulative)
Second year from the grant date	50
Third year from the grant date	75
Fourth year from the grant date	100

Information on employee share options was as follows:

Employee Share Options	For the Year Ended December 31, 2019
Balance, beginning of the year	1,000
Options expired	<u>(1,000)</u>
Balance, end of the year	<u><u>-</u></u>

As of December 31, 2019, no employee share options were outstanding.

b. Transfer of treasury shares to the Company's employees

For the purposes of motivating the employees and enhancing internal cohesion, in December 2020, the Company's board of directors had decided to transfer treasury shares that were purchased in 2018 to its employees including the employees of the Company and its subsidiaries that met certain criteria. In 2020, 1,341 thousand shares were transferred and the transfer price was NT\$40.2. The Company recognized NT\$8,548 thousand as share-based compensation costs.

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. After the transfer, the Company recognized NT\$23,144 thousand as capital surplus - treasury shares.

25. NON-CASH TRANSACTIONS

For the years ended December 31, 2020 and 2019, the Company entered into the following non-cash investing activities that were not reflected in the standalone statements of cash flows:

	For the Year Ended December 31	
	2020	2019
Investing activities affecting both cash and non-cash items		
Increase in property, plant and equipment	\$ 241,172	\$ 73,117
Decrease in prepayments for equipment	(86,051)	-
Increase in payables for equipment (recognized under other payables)	<u>(35,736)</u>	<u>(3,860)</u>
Cash paid	<u>\$ 119,385</u>	<u>\$ 69,257</u>

(Continued)

	For the Year Ended December 31	
	2020	2019
Increase in intangible assets	\$ 6,825	\$ 6,097
Decrease in prepayments for equipment	(3,429)	(3,488)
Decrease in payables for equipment (recognized under other payables)	<u>(1,395)</u>	<u>749</u>
Cash paid	<u>\$ 2,001</u>	<u>\$ 3,358</u> (Concluded)

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it 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 2020.

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. See Note 15 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, buy-back stocks and the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the Company believes the carrying amounts of financial assets and liabilities recognized in the standalone 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, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	<u>\$ 87,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,430</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	<u>\$ 722,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,371</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign private funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>68,941</u>	\$ <u>68,941</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ <u>209,707</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>209,707</u>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

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

	<u>Financial Assets at FVTPL</u>	<u>Financial Assets at FVTOCI</u>	
	Foreign Private Funds	Equity Instruments	Total
<u>For the Year Ended December 31, 2020</u>			
Balance, beginning of the year	\$ 68,941	\$ -	\$ 68,941
Additions	-	15,658	15,658
Return of capital and distributions	(69,289)	-	(69,289)
Recognized in profit or loss (included in other gains and losses)	348	-	348
Recognized in other comprehensive income	<u>-</u>	<u>(15,658)</u>	<u>(15,658)</u>
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>For the Year Ended December 31, 2019</u>			
Balance, beginning of the year	\$ 61,053	\$ -	\$ 61,053
Return of capital	(11,778)	-	(11,778)
Recognized in profit or loss (included in other gains and losses)	<u>19,666</u>	<u>-</u>	<u>19,666</u>
Balance, end of the year	<u>\$ 68,941</u>	<u>\$ -</u>	<u>\$ 68,941</u>

3) Valuation techniques and assumptions applied for the purpose of Level 3 fair value measurement

The fair values of foreign private funds are estimated on the basis of its statements of net asset value. The fair values of foreign unlisted shares are measured using the market approach with reference to the value multipliers of comparable companies and the Company's operating condition.

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
Financial assets mandatorily classified as at FVTPL	\$ 87,430	\$ 68,941
Financial assets at amortized cost (Note 1)	3,609,269	2,264,030
Financial assets at fair value through other comprehensive income - equity instruments	722,371	209,707
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	4,962,571	3,962,725

Note 1: The balances included financial assets at amortized cost are comprised of cash and cash equivalents, accounts receivable (including related parties), other receivables, guarantee deposits paid (recognized as other non-current assets), and other financial assets.

Note 2: The balances included financial liabilities at amortized cost are comprised of short-term borrowings, accounts payable (including related parties), dividends payable, other payables, and long-term borrowings.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, accounts receivable, accounts 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 Company seeks to minimize the effects of these risks by following the policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed 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 2020.

- a) The Company's operating activities and net investments in foreign operation are denominated mainly in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in the value of foreign currency assets and against the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes foreign currency deposits and foreign currency borrowings, or maintain net foreign currency assets and liabilities. Foreign currency risk could be reduced but might not be fully eliminated by these methods.

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 32.

The Company is mainly exposed to the USD and JPY. 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 and JPY. 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%.

	<u>Impact on Profit or Loss (USD)</u>		<u>Impact on Profit or Loss (JPY)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit before income tax (Note)	\$ (27,344)	\$ (13,023)	\$ 1,018	\$ 1,094

Note: This was mainly attributable to the exposure outstanding on U.S. Dollars and JPY 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 and JPY 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:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Fair value interest rate risk		
Financial liabilities	\$ 28,330	\$ 30,255
Cash flow interest rate risk		
Financial assets	1,545,973	376,510
Financial liabilities	3,981,484	2,855,551

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, 2020 and 2019 would have decreased/increased by NT\$39,815 thousand and NT\$28,556 thousand, respectively.

c) Other price risk

The Company is exposed to other price risk through its investments in equity securities.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by NT\$874 thousand and NT\$689 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, 2020 and 2019 would have increased/decreased by NT\$7,224 thousand and NT\$2,097 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	
	2020	2019
Company A	\$ 409,293	\$ 452,173
Company B	176,402	138,445
Company C	108,082	107,486
Company D	<u>28,635</u>	<u>164,698</u>
	<u>\$ 722,412</u>	<u>\$ 862,802</u>

The Company provided endorsements for its investee companies for the year ended December 31, 2020 and 2019. The maximum amount of credit risk for providing endorsements for the investee companies was NT\$110,645 and NT\$454,572 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, 2020 and 2019, the Company had available unutilized credit facilities of NT\$13,022,749 thousand and NT\$5,559,383 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 end of the reporting period.

	Less than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2020</u>				
Non-interest bearing liabilities	\$ 981,087	\$ -	\$ -	\$ 981,087
Lease liabilities	1,968	7,806	26,902	36,676
Variable interest rate assets	759,744	2,354,672	905,160	4,019,576
Financial guarantee contracts	<u>110,645</u>	<u>-</u>	<u>-</u>	<u>110,645</u>
	<u>\$ 1,853,444</u>	<u>\$ 2,362,478</u>	<u>\$ 932,062</u>	<u>\$ 5,147,984</u>
<u>December 31, 2019</u>				
Non-interest bearing liabilities	\$ 1,107,174	\$ -	\$ -	\$ 1,107,174
Lease liabilities	1,993	7,973	29,409	39,375
Variable interest rate assets	741,940	1,972,214	196,004	2,910,158
Financial guarantee contracts	<u>454,572</u>	<u>-</u>	<u>-</u>	<u>454,572</u>
	<u>\$ 2,305,679</u>	<u>\$ 1,980,187</u>	<u>\$ 225,413</u>	<u>\$ 4,511,279</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.

28. 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

<u>Related Party Name</u>	<u>Relationship</u>
Chang Wah Electromaterials Inc. Wah Lee Industrial Corp.	Parent company Parent company's investments accounted for using the equity method
JMC Electronics Co., Ltd. (JMC) Ohkuchi Materials Co., Ltd. (OM)	Associate Investment accounted for using the equity method (disposed of 44% of its ownership, which results in the Company losing significant influence in April 2020. OM was no longer a related party since April 2020)
CWTC (Shanghai) Inc. SH Electronics Taiwan Co., Ltd. (SHT) SH Asia Pacific Pte. Ltd. (SHAP) SH Precision Chengdu Co., Ltd. (SHPC) SH Electronics Chengdu Co., Ltd. (SHEC) SH Electronics Suzhou Co., Ltd. (SHS) Malaysian SH Electronics Sdn. Bhd. (MSHE) Shanghai Chang Wah Electromaterials Inc. (CWES)	Subsidiary Subsidiary Subsidiary Subsidiary Subsidiary Subsidiary Subsidiary Subsidiary

b. Operating revenues

<u>Account Item</u>	<u>Related Party Type and Name</u>	<u>For the Year Ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Revenue from sales of goods	Parent company - Chang Wah Electromaterials Inc.	\$ 625,635	\$ 601,881
	Subsidiaries	296,263	283,377
	Associates	5	68
Commission and revenue from the rendering of services	Parent company	10,977	9,505
	Subsidiaries	8,214	8,235
Other operating income	Subsidiaries	<u>-</u>	<u>115</u>
		<u>\$ 941,094</u>	<u>\$ 903,181</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 30-120 days from the end of the month.

c. Purchase of goods

<u>Related Party Type and Name</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary - SHEC	\$ 824,882	\$ 953,597
Subsidiary - SHS	656,709	580,851
Subsidiary - MSHE	596,800	386,073

(Continued)

Related Party Type and Name	For the Year Ended December 31	
	2020	2019
Investments accounted for using the equity method-OM	\$ 266,507	\$ 875,295
Subsidiaries - other	41,525	35,765
Parent Company	2,624	4,423
Parent Company's investments accounted for using equity method	<u>2,381</u>	<u>1,155</u>
	<u>\$ 2,391,428</u>	<u>\$ 2,837,159</u>

(Concluded)

The purchase price is different from and not comparable with that for non-related parties. Payment terms are 15-120 days from the end of the month, and the general customer payment terms are 30-120 days from the end of the month.

d. Endorsements and guarantees provided for the related parties

Related Party Type and Name	For the Year Ended December 31	
	2020	2019
Subsidiary - CWES		
Amount endorsed	\$ 110,645	\$ 116,472
Amount utilized	110,645	115,106
Investments accounted for using the equity method-OM		
Amount endorsed	-	338,100
Amount utilized	-	256,956

The Company provided endorsements and guarantees for its investee companies based on its shareholding percentages, and were cancelled on April 30, 2020.

e. Receivables from related parties

Account Item	Related Party Category	December 31	
		2020	2019
Other receivables	Subsidiary - SHS	<u>\$ 407,264</u>	<u>\$ 449,700</u>
Interest income	Subsidiary - SHS	<u>\$ 8,587</u>	<u>\$ 8,394</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, 2020 and 2019, the interest rate ranges were 0.9-2% and 2%-2.5%, respectively.

f. Remuneration of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 17,617	\$ 17,656
Share-based payments	6,708	-
Post-employment benefits	<u>362</u>	<u>359</u>
	<u>\$ 24,687</u>	<u>\$ 18,015</u>

g. Acquisition of property, plant and equipment

Related Party Type and Name	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Subsidiaries	\$ 1,526	\$ 880
Parent company	<u>338</u>	<u>3,868</u>
	<u>\$ 1,864</u>	<u>\$ 4,748</u>

The amount of the acquisition price and the payment terms determined based on agreement by both parties.

h. Lease arrangements

Account Item	Related Party Category	December 31	
		2020	2019
Lease liabilities	Subsidiary - SHT	<u>\$ 3,841</u>	<u>\$ 4,598</u>
Interest expense	Subsidiary - SHT	<u>\$ 46</u>	<u>\$ 54</u>

i. Other transactions with related parties

In 2020 and 2019, the Company relied on the processing services provided by SH Electronics Taiwan Co., Ltd.; the processing expenses were recognized as operating costs and research and development expenses of NT\$89,321 thousand and NT\$102,400 thousand, respectively.

j. Balance at period-end

	December 31	
	2020	2019
Accounts receivable- related parties		
Parent Company - Chang Wah Electromaterials Inc.	\$ 176,402	\$ 135,656
Subsidiary - SHPC	100,141	134,623
Subsidiary - CWTC (Shanghai) Inc.	52,137	61,864
Subsidiaries - Others	<u>16,714</u>	<u>17,637</u>
	<u>\$ 345,394</u>	<u>\$ 349,780</u>
Other receivables		
Subsidiary - SHS	\$ 409,293	\$ 452,173
Subsidiaries - Others	378	2,428
Parent Company	<u>-</u>	<u>2,789</u>
	<u>\$ 409,671</u>	<u>\$ 457,390</u>
Accounts payable - related parties		
Subsidiary-MESH	\$ 175,234	\$ 115,897
Subsidiary - SHS	110,751	165,517
Subsidiary - SHS	56,502	56,517
Subsidiaries - Others	13,389	12,982
Parent Company	1,455	1,304

(Continued)

	December 31	
	2020	2019
Parent company's investments accounted for using equity method	\$ 479	\$ 404
Investments accounted for using the equity method - OM	<u>-</u>	<u>284,545</u>
	<u>\$ 357,810</u>	<u>\$ 637,166</u>
Other payables		
Subsidiary - SHT	\$ 39,655	\$ 42,877
Subsidiaries - Others	6,545	6,196
Investments accounted for using the equity method	-	4,526
Parent company	<u>-</u>	<u>32</u>
	<u>\$ 46,200</u>	<u>\$ 53,631</u>

(Concluded)

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for import tariffs, guarantees for purchase performance and short-term and long-term borrowings:

	December 31	
	2020	2019
Other financial assets		
Time deposits and reserve accounts	\$ 307,546	\$ 10,653
Investee companies accounted for using the equity method - SHAP	<u>3,922,784</u>	<u>4,726,432</u>
	<u>\$ 4,230,330</u>	<u>\$ 4,737,085</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's commitments for the purchase of property, plant and equipment amounted to approximately NT\$183,934 thousand, of which NT\$118,594 thousand was unpaid.

31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

During the Company's board of directors' meeting that was held in March 2021, the board had agreed to sign a contract of intent for building factories. The estimated contracted amount is approximately NT\$390 million, and the final amount is yet to be determined, pending the agreement of both parties on the content of the contract..

32. 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, 2020</u>				
Financial assets				
Monetary items				
USD	\$ 116,107	28.48	(USD:NTD)	\$ 3,306,719
JPY	130,761	0.2763	(JPY:NTD)	36,129
RMB	27,688	4.3648	(RMB:NTD)	120,852
Financial liabilities				
Monetary items				
USD	20,096	28.48	(USD:NTD)	572,328
JPY	499,120	0.2763	(JPY:NTD)	137,907
RMB	8,158	4.3648	(RMB:NTD)	35,608
Non-monetary items				
Subsidiaries accounted for using the equity method				
USD	137,738	28.48	(USD:NTD)	3,922,784
RMB	17,128	4.3648	(RMB:NTD)	74,761
<u>December 31, 2019</u>				
Financial assets				
Monetary items				
USD	63,147	29.98	(USD:NTD)	1,893,139
JPY	739,882	0.276	(JPY:NTD)	204,207
RMB	23,263	4.2975	(RMB:NTD)	99,974
Financial liabilities				
Monetary items				
USD	19,709	29.98	(USD:NTD)	590,867
JPY	1,136,213	0.276	(JPY:NTD)	313,595
RMB	9,944	4.2975	(RMB:NTD)	42,733
Non-monetary items				
Financial assets at fair value through profit or loss				
USD	2,300	29.98	(USD:NTD)	68,941
Subsidiaries accounted for using the equity method				
USD	157,653	29.98	(USD:NTD)	4,726,432
RMB	16,209	4.2975	(RMB:NTD)	69,659
Associates accounted for using the equity method				
JPY	630,497	0.276	(JPY:NTD)	174,018

Please refer to Note 21 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.

33. 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: None
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 9) Trading in derivative instruments: None
 - 10) Information on investees: (Table 7)
- c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment 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 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 5)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)

- f) Other transactions that have a material effect on the profit or loss for the 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 9)

34. SEGMENT INFORMATION

Segment information is not required to be disclosed in the standalone financial statements.

Chang Wah Technology Co., Ltd. and Subsidiaries

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Counter-party	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	\$ 427,200	\$ 407,264	\$ 407,264	0.9-2.5	1	\$ 656,709	-	\$ -	None	\$ 2,130,344	\$ 2,130,344	Note 2	
0	The Company	Shanghai Chang Wah Electromaterials Inc.	Other receivables	Yes	42,720	42,720	-	2-2.5	2	-	Operating capital	-	None	2,130,344	2,130,344	Note 2	
1	SH Electronics Chengdu Co., Ltd.	SH Electronics Suzhou Co., Ltd.	Other receivables	Yes	184,902	170,880	-	1-5	2	-	Repayments of borrowings	-	None	647,378	647,378	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 SH Electronics Chengdu Co., Ltd. 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 SH Electronics Chengdu Co., Ltd. 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.

Chang Wah Technology Co., Ltd. and Subsidiaries

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	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
	Endorsement/ Guarantee Provider	Name Nature of Relationship (Note 2)											
0	The Company	Shanghai Chang Wah Electromaterials Inc.	\$ 1,065,172	\$ 110,645	\$ 110,645	\$ -	\$ -	2.08	\$ 2,662,930	Yes	No	Yes	
0	The Company	Ohkuchi Materials Co., Ltd.	1,065,172	341,530	-	-	-	-	2,662,930	No	No	No	Note 3

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 company with which it does business.
- A company in which the public company directly and indirectly holds more than 50% of the voting shares.
- A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
- A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- 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.
- A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- 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.

Note 3: The company was an investee accounted for using the equity method before April 2020. Please refer to Note 12 for more details.

TABLE 3

Chang Wah Technology Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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, 2020			Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	
The Company	Stock - ordinary shares Wah Lee Industrial Corp.	Parent Company's investments accounted for using the equity method	Financial assets at fair value through other comprehensive income - non-current	1,638,000	\$ 124,488	0.71	\$ 124,488
	JMC Electronics Co., Ltd.	Associates	Financial assets at fair value through other comprehensive income - non-current	620,010	33,914	0.75	33,914
	Tatflex Scientific Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	268,000	14,633	0.13	14,633
	Greatek Electronics Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,972,000	110,432	0.35	110,432
	Chipbond Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	6,610,000	438,904	0.98	438,904
	Ohkuchi Materials Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	50	-	5.00	-
Fund	Yuanta Taiwan High-yield Leading Company Fund A	-	Financial assets at fair value through profit or loss - current	7,000,000	87,430	-	87,430

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, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance							
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount						
The Company	Stock - ordinary shares Chipbond Technology Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	Note 1	-	-	\$	6,910,000	\$	422,555	300,000	\$	18,595	\$	18,156	439 (Note 2)	6,610,000	\$	438,904 (Note 3)

Note 1: Acquired through the open market.

Note 2: Gains and losses on disposal are directly transferred to retained earnings and are not reclassified to profit or loss.

Note 3: Amounts include unrealized gains or losses for financial assets.

Note 4: Since the par value of the Company's stock is NT\$1, the transaction amount of 20% of the paid-in capital is calculated based of the 10% equity attributable to the owners of the Company.

TABLE 5

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, 2020
(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 (Note)	Amount	% of Total	Payment Terms	Unit Price	Payment Term	Ending Balance		% of Total
The Company	Chang Wah Electromaterials Inc. SH Asia Pacific Pte. Ltd. CWTC (Shanghai) Inc.	Parent Company Subsidiary Subsidiary	Sale Sale Sale	\$ (625,635) (144,191) (137,774)	(18) (4) (4)	60 days 30 days 180 days	Not significantly different Not significantly different Not significantly different	Note 28 Note 28 Note 28	\$ 173,709 11,060 52,137	23 1 7	
	Ohkuehi Materials Co., Ltd.	Investments accounted for using the equity method	Purchase	266,507	9	30 days to 120 days	No general terms and conditions can be compared	Note 28	-	-	Note 1
SH Electronics Taiwan Co., Ltd.	Chang Wah Electromaterials Inc.	Ultimate Parent Company	Sale	(1,640,167)	(78)	30 days	Not significantly different	30 days	363,203	80	
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent Company	Sale	(598,085)	(30)	60 days	Not significantly different	60 days	180,147	36	
SH Electronics Chengdu Co., Ltd.	The Company	Parent Company	Sale	(825,889)	(66)	45 days	Not significantly different	45 days	110,374	57	
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister Company	Sale	(642,326)	(100)	60 days	Not significantly different	60 days	105,149	100	
SH Electronics Suzhou Co., Ltd.	The Company	Parent Company	Sale	(661,036)	(37)	15 days	Not significantly different	15 days	56,531	19	
	Malaysian SH Electronics Sdn. Bhd.	Sister Company	Sale	(111,856)	(6)	30 days	Not significantly different	30 days	12,857	4	
	SH Electronics Taiwan Co., Ltd.	Sister Company	Sale	(382,373)	(22)	15 days	Not significantly different	15 days	20,803	7	

Note 1: The related party was an investment accounted for using the equity method before April 2020. Please refer to Note 12 for more details.

Note 2: Since the par value of the Company's stock is NT\$1, 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.

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, 2020
(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 \$ 176,402 (Note 1)	4.08	\$ -	-	\$ 176,348	\$ -
The Company	SH Precision Chengdu Co., Ltd.	Subsidiary	Accounts receivable 100,141	Note 2	-	-	43,016	-
SH Electronics Taiwan Co., Ltd.	Chang Wah Electromaterials Inc.	Ultimate Parent Company	Accounts receivable 363,203	5.41	-	-	355,991	-
Malaysian SH Electronics Sdn. Bhd.	The Company	Parent Company	Accounts receivable 180,147	3.97	-	-	119,334	-
SH Electronics Chengdu Co., Ltd.	The Company	Parent Company	Accounts receivable 110,374	5.97	-	-	80,327	-
SH Precision Chengdu Co., Ltd.	SH Electronics Chengdu Co., Ltd.	Sister Company	Accounts receivable 105,149	5.62	-	-	102,938	-
The Company	SH Electronics Suzhou Co., Ltd.	Subsidiary	Other receivables 409,293	Note 3	-	-	-	-

Note 1: Amounts include receivables of rendering service for NT\$2,693 thousand.

Note 2: Amounts include purchases for raw materials on behalf of subsidiaries, hence the turnover rate is not applicable.

Note 3: Amounts include other receivables such as intercompany loan and interest receivable, hence the turnover rate is not applicable.

Note 4: Since the par value of the Company's stock is NT\$1, 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.

Chang Wah Technology Co., Ltd. and Subsidiaries

INFORMATION ON INVESTEES (EXCLUDING INVESTMENT IN MAINLAND CHINA) FOR THE YEAR ENDED DECEMBER 31, 2020 (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, 2020		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2020	December 31, 2019	Shares/Units	Percentage (%)			
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	\$ 591,496	\$ 580,205	Notes 1 & 2
The Company	SH Electronics Taiwan Co., Ltd.	Taiwan	Manufacturing of electronic components and mold; international trade	1,258,700	1,258,700	41,000,000	100	65,938	63,156	Note 2
The Company	Ohkuchi Materials Co., Ltd.	Japan	Manufacturing of IC leadframe	-	132,006	-	-	(1,335)	(654)	Note 3
SH Asia Pacific Pte. Ltd	Malaysian SH Electronics Sdn. Bhd.	Malaysia	Manufacturing and selling leadframe and semiconductor materials	532,588	560,638	23,000,000	100	211,099	211,099	Note 1
SH Asia Pacific Pte. Ltd	WSP Electromaterials Ltd.	British Virgin Islands	International investment activities	617,114	649,617	5,235,000	100	84,395	84,395	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.

Note 3: The investee company was accounted for using the equity method before April 2020. Please refer to Note 12 for more details.

Chang Wah Technology Co., Ltd. and Subsidiaries

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2020 (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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2020	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, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
CWTC (Shanghai) Inc.	Selling of lighting materials and equipment, communication devices, semiconductor materials and equipment, electronic products, machinery and equipment, etc.	\$ 56,960	1	\$ 64,308	\$ -	\$ -	\$ 64,308	\$ 3,936	100	\$ 3,936	\$ 74,761	\$ -	
Shanghai Chang Wah Electromaterials Inc.	Acting as an agent for IC packaging materials and equipment	113,920	2	-	-	-	-	54,785	69	38,007	227,663	-	
SH Electronics Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	242,080	2	-	-	-	-	154,067	100	154,067	832,981	385,258	Note 5
SH Precision Chengdu Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor materials and precision tools	99,680	2	-	-	-	-	58,624	100	58,921	351,959	204,616	Note 5
SH Electronics Suzhou Co., Ltd.	Researching, developing, manufacturing and selling of leadframe, semiconductor packaging materials and precision tools	712,000	2	-	-	-	-	151,527	100	155,973	428,263	-	

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA (Notes 4)	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA (Note 1)	
			Investment Amount Authorized by Investment Commission, MOEA (Notes 4)	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA (Note 1)
Chang Wah Technology Co., Ltd	\$ 64,308	\$ 1,299,913	-	-

Note 1: Pursuant to the Jing-Shen-Zi Letter No. 0970460680 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\$28.48.

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 9**Chang Wah Technology Co., Ltd.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang Wah Electromaterials Inc.	192,523,970	52.87
Fubon Life Assurance Co., Ltd.	29,121,240	7.99

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.

Chang Wah Technology Co., Ltd.

Chairperson: Canon, Huang



CWTC CHANG WAH TECHNOLOGY CO., LTD.