

Yeh Chiang Technology Corporation and Subsidiaries

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of significant accounting policies	11~25
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	25
(6) Explanation of significant accounts	26~52
(7) Related-party transactions	52
(8) Pledged assets	53
(9) Commitments and contingencies	53
(10) Losses Due to Major Disasters	53
(11) Subsequent Events	53
(12) Other	54
(13) Other disclosures	
(a) Information on significant transactions	55、59~66
(b) Information on investees	55、67~68
(c) Information on investment in mainland China	55、69~70
(d) Major shareholders	56
(14) Segment information	56~58

Representation Letter

The entities that are required to be included in the combined financial statements of Yeh Chiang Technology Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Yeh Chiang Technology Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Yeh Chiang Technology Corporation
Chairman: Wang, Tai-Kuang
Date: March 28, 2022

Independent Auditors' Report

To the Board of Directors of Yeh Chiang Technology Corporation:

Opinion

We have audited the consolidated financial statements of Yeh Chiang Technology Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2021 and 2020, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the 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 Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Evaluation of inventory allowance

For the evaluation of inventory policy please refer to Note 4(8) Summary of Significant Accounting Policies - Inventories, Notes 5 Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty, and Note 6(4) description of Significant Accounts - Inventories to the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value in financial statements. Therefore, the Group needs to use judgment and estimation to determine the net realizable value of the inventory on the reporting date. Due to the rapid changes in technology, the launch of new products and the new technologies may cause a significant change in the market, and sales of related products may fluctuate significantly, resulting in inventory costs to exceed its net realizable value. In addition, the policy for the allowance for loss of inventories is based on past experience and the management's estimate of the future. As a result of these subjective judgments and estimates, on inventory allowance for loss of value is one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included evaluating the method of providing allowance for inventory valuation and the reasonableness of information, assumptions and formulas on which it is based; and examining the appropriate supporting documents to assess the appropriateness of the inventory allowance; examining the inventory aging report to analyze the change on inventory aging reports; performing the sample procedures to check the correctness of the inventory aging reports; evaluate whether the evaluation of inventory is consistent with its evaluation policy; performing a retrospective review to verify the rationality of the provision of obsolescence.

Other Matter

Yeh Chiang Technology Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 Group'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 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 auditor's report. However, future events or conditions may cause the Group 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 audit resulting in this independent auditors' report are Chun-Yuan Wu and Yen-Hui Chen.

KPMG

Taipei, Taiwan (Republic of China)

March 28, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Yeh Chiang Technology Corporation and subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 627,550	13	730,712	16	2102	Bank loan (note 6(10) and 8)	\$ 324,000	7	82,000	2
1110	Current financial assets at fair value through profit or loss (note 6(2))	70,765	1	179,286	4	2170	Notes and Trade payables	175,887	4	167,379	4
1170	Notes and trade receivables, net (note 6(3))	782,281	16	925,644	20	2220	Other payables to related parties (note 7)	263,891	5	266,163	6
130X	Inventories (note 6(4))	418,465	9	296,710	7	2230	Current tax liabilities	13,246	-	15,430	-
1476	Other financial assets—current (notes 6(6) and 8)	102,396	2	83,455	2	2280	Current lease liabilities (note 6(11))	46,165	1	51,241	1
1470	Other current assets	70,576	1	62,808	1	2300	Other current liabilities (notes 6(13) and 7)	434,663	9	540,743	12
		<u>2,072,033</u>	<u>42</u>	<u>2,278,615</u>	<u>50</u>			<u>1,257,852</u>	<u>26</u>	<u>1,122,956</u>	<u>25</u>
Non-current assets:						Non-Current liabilities:					
1518	Non-current financial assets at fair value through other comprehensive income (note 6(2))	44,972	1	81,600	2	2570	Deferred income tax liabilities (note 6(14))	67,034	1	55,710	1
1551	Investments accounted for using the equity method (note 6(5))	367,768	8	-	-	2580	Non-current lease liabilities (note 6(11))	67,600	1	92,742	2
1600	Property, plant and equipment (note 6(7) and 8)	2,034,430	42	1,739,139	38			<u>134,634</u>	<u>2</u>	<u>148,452</u>	<u>3</u>
1755	Right-of-use assets (note 6(8))	313,845	6	350,458	8		Total liabilities	<u>1,392,486</u>	<u>28</u>	<u>1,271,408</u>	<u>28</u>
1780	Intangible assets (note 6(9))	2,738	-	3,104	-		Equity (note 6(15)):				
1840	Deferred income tax assets (note 6(14))	30,570	1	31,005	1	3100	Ordinary shares	1,824,799	37	1,824,799	41
1900	Other non-current assets (note 6(11) and 8)	16,340	-	33,663	1	3200	Capital surplus	831,220	17	831,220	18
		<u>2,810,663</u>	<u>58</u>	<u>2,238,969</u>	<u>50</u>	3300	Retained earnings	903,113	19	656,296	15
						3400	Other equity	(126,212)	(2)	(127,477)	(3)
							Total equity attributable to owners of parent	<u>3,432,920</u>	<u>71</u>	<u>3,184,838</u>	<u>71</u>
						36XX	Non-controlling interests	57,290	1	61,338	1
							Total equity	<u>3,490,210</u>	<u>72</u>	<u>3,246,176</u>	<u>72</u>
Total assets		<u>\$ 4,882,696</u>	<u>100</u>	<u>4,517,584</u>	<u>100</u>		Total liabilities and equity	<u>\$ 4,882,696</u>	<u>100</u>	<u>4,517,584</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Yeh Chiang Technology Corporation and subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (note 6(17))	\$ 2,559,567	100	2,678,480	100
5000	Operating costs (notes 6(4), (12) and 12)	1,981,056	77	1,985,477	74
	Gross profit from operations	578,511	23	693,003	26
	Operating expenses (note 6(11), (12), (18), 7, and 12):				
6100	Selling expenses	94,995	4	88,098	3
6200	Administrative expenses	131,078	5	173,652	7
6300	Research and development expenses	47,277	2	40,136	1
		273,350	11	301,886	11
	Net operating income	305,161	12	391,117	15
	Non-operating income and expenses:				
7020	Other gains and losses, net (notes 6(2), (19) and 7)	40,848	2	(4,150)	-
7050	Finance costs (notes 6(11) and 7)	(18,498)	(1)	(14,178)	(1)
7060	Share of loss of associates accounted for using equity method(note 6(5))	(29,529)	(1)	-	-
7100	Interest income	1,879	-	3,095	-
		(5,300)	-	(15,233)	(1)
	Profit before income tax	299,861	12	375,884	14
7950	Less: Income tax expenses (note 6(14))	69,115	3	98,087	4
	Profit	230,746	9	277,797	10
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss:				
8311	(Losses) gains on remeasurements of defined benefit plans	(1,598)	-	659	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(15))	32,524	1	452	-
8320	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	79	-	-	-
		31,005	1	1,111	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements (note 6(15))	(14,116)	-	19,621	1
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(6,424)	-	-	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(14))	2,823	-	(3,925)	-
		(17,717)	-	15,696	1
8300	Other comprehensive income	13,288	1	16,807	1
8500	Comprehensive income	\$ 244,034	10	294,604	11
	Profit (loss) attributable to:				
	Owners of parent	\$ 234,794	9	274,210	10
	Non-controlling interests	(4,048)	-	3,587	-
		\$ 230,746	9	277,797	10
	Comprehensive income (loss) attributable to:				
	Owners of the parent	\$ 248,082	10	291,017	11
	Non-controlling interests	(4,048)	-	3,587	-
		\$ 244,034	10	294,604	11
	Earnings per share (NT Dollars) (note 6(16))				
9750	Basic earnings per share	\$ 1.29		1.50	
9850	Diluted earnings per share	\$ 1.28		1.48	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Yeh Chiang Technology Corporation and subsidiaries

Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Other equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Retained earnings						Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total						
Balance at January 1, 2020	\$ 1,824,799	831,220	36,139	112,710	232,578	381,427	(160,366)	16,741	(143,625)	2,893,821	58,093	2,951,914
Profit for the year	-	-	-	-	274,210	274,210	-	-	-	274,210	3,587	277,797
Other comprehensive income for the year	-	-	-	-	659	659	15,696	452	16,148	16,807	-	16,807
Total comprehensive income for the year	-	-	-	-	274,869	274,869	15,696	452	16,148	291,017	3,587	294,604
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	22,278	-	(22,278)	-	-	-	-	-	-	-
Special reserve	-	-	-	30,915	(30,915)	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(342)	(342)
Balance at December 31, 2020	<u>\$ 1,824,799</u>	<u>831,220</u>	<u>58,417</u>	<u>143,625</u>	<u>454,254</u>	<u>656,296</u>	<u>(144,670)</u>	<u>17,193</u>	<u>(127,477)</u>	<u>3,184,838</u>	<u>61,338</u>	<u>3,246,176</u>
Balance at January 1, 2021	1,824,799	831,220	58,417	143,625	454,254	656,296	(144,670)	17,193	(127,477)	3,184,838	61,338	3,246,176
Profit (loss) for the year	-	-	-	-	234,794	234,794	-	-	-	234,794	(4,048)	230,746
Other comprehensive income for the year	-	-	-	-	(1,519)	(1,519)	(17,717)	32,524	14,807	13,288	-	13,288
Total comprehensive income for the year	-	-	-	-	233,275	233,275	(17,717)	32,524	14,807	248,082	(4,048)	244,034
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	27,486	-	(27,486)	-	-	-	-	-	-	-
Special reserve	-	-	-	(16,148)	16,148	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	13,542	13,542	-	(13,542)	(13,542)	-	-	-
Balance at December 31, 2021	<u>\$ 1,824,799</u>	<u>831,220</u>	<u>85,903</u>	<u>127,477</u>	<u>689,733</u>	<u>903,113</u>	<u>(162,387)</u>	<u>36,175</u>	<u>(126,212)</u>	<u>3,432,920</u>	<u>57,290</u>	<u>3,490,210</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Yeh Chiang Technology Corporation and subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 299,861	375,884
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	234,353	188,650
Amortization expense	2,811	5,443
Net profit on financial assets and liabilities at fair value through profit or loss	(227)	(821)
Interest expense	18,498	14,178
Interest income	(1,879)	(3,095)
Dividend income	(641)	(6,176)
Provision for (reversal of) inventory obsolescence (gain)	(2,935)	4,466
Share of profit of associates accounted for using equity method	29,529	-
Loss from disposal of property, plant and equipment	6,149	-
Others	3,396	1,278
	<u>289,054</u>	<u>203,923</u>
Changes in operating assets and liabilities:		
Notes and trade receivables, net	139,112	(103,701)
Inventories	(120,460)	33,893
Other operating assets	(24,347)	(20,983)
Notes and trade payables	8,508	37,875
Other operating liabilities	(28,089)	23,647
	<u>(25,276)</u>	<u>(29,269)</u>
Total adjustments	<u>263,778</u>	<u>174,654</u>
Cash flow generated from operations	563,639	550,538
Interest received	1,996	3,220
Dividends received	641	6,176
Interest paid	(17,631)	(14,062)
Income taxes paid	(56,149)	(41,429)
	<u>492,496</u>	<u>504,443</u>
Net cash flows from operating activities		
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(20,000)	(33,000)
Proceeds from disposal of financial assets at fair value through profit or loss	128,748	58,362
Proceeds from disposal of financial assets at fair value through other comprehensive income	64,280	-
Acquisition of investments accounted for using the equity method	(398,770)	-
Acquisition of property, plant and equipment	(597,821)	(517,566)
Proceeds from disposal of property, plant and equipment	23,320	1,332
Decrease in refundable deposits	12,920	17,808
Acquisition of intangible assets	-	(16)
(Increase) Decrease in other financial assets	(2,158)	89,512
	<u>(789,481)</u>	<u>(383,568)</u>
Net cash flows used in investing activities		
Cash flows from (used in) financing activities:		
Increase in bank loan	242,000	80,000
Decrease in bank loan	-	(23,010)
Increase (decrease) in guarantee deposits	644	(1,754)
Increase in other payables to related parties	-	578,062
Decrease in other payables to related parties	(2,424)	(466,114)
Payment of lease liabilities	(51,773)	(45,638)
	<u>188,447</u>	<u>121,546</u>
Net cash flows from financing activities		
Effect of exchange rate changes on cash and cash equivalents	5,376	(38,629)
Net (decrease) increase in cash and cash equivalents for the period	(103,162)	203,792
Cash and cash equivalents at beginning of period	730,712	526,920
Cash and cash equivalents at end of period	<u>\$ 627,550</u>	<u>730,712</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

Yeh Chiang Technology Corporation (the "Company") was incorporated in December 23, 1994 and commenced its business operation in December 1995. The registered address of the Company's office is 7th Floor, No.19-13, Sanchong Road, Nangang District, Taipei City. The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in March 2002.

The major business activities of the Company are the production and sales of high-tech heat pipe components, solder balls and LED lighting products, equipment.

2. Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 28, 2022.

3. New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4. Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- (a) Financial instruments at fair value through profit or loss are measured at fair value;
- (b) Financial assets at fair value through other comprehensive income are measured at fair value;
- (c) The defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of each the Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars(NTD), which is the Group’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Group and subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Business	Shareholding	
			December 31, 2021	December 31, 2020
The Company	Excel Rainbow (Seychelles) Ltd. (Excel Rainbow)	International trade	100 %	100 %
The Company	Yeh Chiang Technology (Samoa) Corp. (YCTSC)	Overseas holding business	100 %	100 %
The Company	Yeh Chiang Technology (BVI) Corp. (YCTBC)	International trade	100 %	100 %
The Company	Taiwan Lighting Co., Ltd. (Taiwan Lighting)	Production and sales of lighting equipment	100 %	100 %
The Company	So Bright Electronics Co., Ltd. (So Bright Electronics)	Production and sales of lighting equipment	60.29 %	60.29 %
The Company	Yu Cheng Materials Co., Ltd. (Yu Cheng Materials)	Production and sales of semiconductor package wires	81.80 %	81.80 %
The Company	Taiwan New Thermal System Co., Ltd. (Taiwan New Thermal System)	Production and sales of heat pipes	99.06 %	99.06 %
The Company	Vietnam Yeh-Chiang Technology Company Limited (Vietnam Yeh-Chiang)	Production and sales of heat pipes	100 %	100 %
YCTSC	Yeh Chiang Technology (Cayman) Corp. (YCTCC)	Overseas holding business	100 %	100 %
YCTSC	Yeh Chiang Technology Ye Xian(Cayman) Corp. (YCTYXCC)	Overseas holding business	100 %	100 %
YCTCC	Zhongshan Weiqiang Technology Co., Ltd. (Zhongshan Weiqiang)	Production and sales of heat pipes and solder balls	100 %	100 %
YCTCC	ZhuHai and Macau Spaning Border Industrial Estate Wei Qiang Technology Co., Ltd. (ZhuHai Weiqiang)	Production and sales of heat pipes and bumping	100 %	100 %
YCTYXCC	Ye Xian Weiqiang Technology Co., Ltd.(Ye Xian Weiqiang)	Production and sales of heat pipes	100 %	100 %
YCTCC	Ping Ding Shan Yeh Chiang Technology Co., Ltd. (Ping Ding Shan Yeh Chiang)	Production and sales of heat pipes	100 %	100 %

C. Subsidiaries excluded from the consolidated financial statements: None.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(7) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI) - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest income, are recognized in profit or loss.

(d) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from default events over the expected life of a financial instrument.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(e) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(d) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

Unrealized gains resulting from the transactions between the Group and associates have been eliminated to the extent of the Group's interest in the investees. Unrealized losses were eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

B. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a) Buildings	15~25 years
(b) Machinery and equipment	3~10 years
(c) Miscellaneous equipment	3~20 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise a extension or termination option; or
- (e) there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of corporate fleet vehicle and staff dormitory that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

B. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rental income'.

(12) Intangible assets

A. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods of patents and trademarks are 10 to 23 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

A. Sale of goods - electronic components

The Group manufactures and sells high-tech heat pipe components, solder balls, LED products, equipment and semiconductor packaging wires. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

B. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(15) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(16) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are recognized except for the following:

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (a) the same taxable entity; or
 - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(17) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration through the issuance of shares.

(18) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

Evaluation of inventory allowance

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(4) for further description of the valuation of inventories.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Petty cash and cash on hand	\$ 2,955	4,023
Check and demand deposits	545,325	647,419
Foreign exchange deposit	79,270	79,270
	\$ 627,550	730,712

Please refer to note 6(20) for the credit risk of the financial assets and liabilities of the Group.

The time deposits that did not conform the definition of cash as of December 31, 2021 and 2020 were \$80,195 thousand and \$78,037 thousand, which were classified to other financial assets - current. Please refer to note 6(6).

(2) Financial instruments

A. Current financial assets at fair value through profit or loss

	December 31, 2021	December 31, 2020
Beneficiary Certificates - mutual Funds	\$ 70,765	179,286

The gains arising from the fair value assessment of the financial assets of the Group in 2021 and 2020 were \$227 thousand and \$821 thousand, respectively.

B. Non-Current financial assets at fair value through other comprehensive income:

	December 31, 2021	December 31, 2020
Listed stocks – ASUSTeK Computer Inc.	\$ 271	33,247
Listed stocks – Pegatron Corporation	-	19,706
Listed Stock – Powerchip Semiconductor Manufacturing Corporation (note)	33,178	23,289
Domestic non-listed (cabinet) stocks - Song Long Electronics Co., Ltd.	-	2,500
Domestic non-listed (cabinet) stock - Powerchip Technology Corporation	11,523	2,858
	\$ 44,972	81,600

Note: On December 6, 2021, Powerchip Semiconductor Manufacturing Corporation ceased to trade its shares on TPEx and became a TWSE-listed company.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In 2020, Song Long Electronics Co., Ltd. resolved to be dissolved, and the liquidation proceedings have been completed on December 31, 2021, after which the remaining assets attributable to the Group amounted to \$2,786 thousand; the accumulated gains on disposal amounted to \$1,336 thousand, which have been transferred by the Group from other equity interest to retained earnings.

In January 2021, the Group disposed of its investments in equity instruments designated at FVOCI—ASUSTeK Computer Inc. and Pegatron Corporation, and the respective fair values thereof amounted to \$ 38,202 thousand and \$ 23,292 thousand at the time of disposal. The accumulated gains on the disposals amounted to \$ 402 thousand and \$ 6,932 thousand respectively, both of which have been transferred from other equity interest to retained earnings.

In March 2021, the Group acquired 5,434 thousand shares in Quaser Machine Tools, Inc. at a cost of \$171,174 thousand as part of its operational strategy. In June 2021, the Group made acquisitions of shares in Quaser Machine Tools, Inc., reaching a shareholding of 22.63%. The Group assessed that it had significant influence on Quaser Machine Tools, Inc.; consequently, it derecognized the underlying financial asset at fair value through other comprehensive income, and transferred it to investments accounted for using equity method based on its fair value. Additionally, the accumulated amount of gains on disposal of \$4,872 thousand mentioned above has been transferred from other equity interest to retained earnings.

In 2020, Powerchip Technology Corporation will reduce its capital and return the share price with property other than cash, wherein the Group will obtain 466 thousand shares of Powerchip Semiconductor Manufacturing Corporation.

The Group investments in these equity instruments are not held for trading purposes and have been designated for non-current financial assets at fair value through other comprehensive income.

(3) Notes and trade receivables, net

	December 31, 2021	December 31, 2020
Note receivables	\$ 30,113	23,408
Trade receivables – measured as amortized cost	754,255	904,323
	784,368	927,731
Less: loss allowance	(2,087)	(2,087)
	\$ 782,281	925,644

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance as of December 31, 2021 and 2020 were determined as follows:

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	\$ 781,089	-%	-
Past due less than 60 days	1,007	-%	-
	\$ 782,096		-
	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	\$ 916,651	-%	-
Past due less than 60 days	8,663	-%	-
61~90 days past due	145	-%	-
	\$ 925,459		-

In addition, the amounts of receivable were \$2,272 thousand as of December 31, 2021 and 2020. The Group assessed the receivable of certain specific customers to inability fulfill their obligations, therefore recognized an expected credit loss \$2,087 thousand.

The movements in the allowance for notes and trade receivables were as follows:

	For the year ended December 31,	
	2021	2020
Balance on December 31 (also the opening balance)	\$ 2,087	2,087

(4) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 213,133	195,410
Work in progress	67,097	51,163
Finished goods	202,474	126,181
Trading inventories	11,819	3,064
	494,523	375,818
Loss: allowance for devaluation	(76,058)	(79,108)
	\$ 418,465	296,710

In 2021 and 2020 the Group recognized cost of sales amounted to \$1,983,991 thousand and \$1,981,011 thousand, respectively.

The net of provisions (reversals) for inventories written down (increased) to net realizable value, which were also included in cost of sales, amounted to \$(2,935) thousand and \$4,466 thousand for the years ended December 31, 2021 and 2020, respectively.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(5) Investments accounted for using the equity method

A. Associates

<u>Name of associates</u>	<u>Principal activities</u>	<u>Principal place of business</u>	<u>December 31, 2021</u>	
			<u>Amount</u>	<u>Ownership interest %</u>
Quaser Machine Tools, Inc.	Production and sales of machinery and equipment	Taiwan ROC	\$ <u>367,768</u>	<u>22.63</u>

From March to June 2021, the Group made several acquisitions of shares in Quaser Machine Tools, Inc., reaching a shareholding of 22.63%. The Group assessed that it had significant influence on Quaser Machine Tools, Inc.; consequently, it derecognized the underlying financial asset at fair value through other comprehensive income, and transferred it to investments accounted for using equity method based on its fair value.

The following consolidated financial information about significant associates has been adjusted according to individually prepared IFRS financial statements of these associates: Quaser Machine Tools, Inc.

	<u>December 31, 2021</u>
Current assets	\$ 1,549,461
Noncurrent assets	1,645,921
Current liabilities	(1,632,856)
Noncurrent liabilities	(461,607)
Net assets	<u>\$ 1,100,919</u>
Net assets attributable to non-controlling interests	<u>\$ 851,815</u>
Net assets attributable to controlling interests	<u>\$ 249,104</u>
	For the year ended
	December 31, 2021
Operating revenue	\$ 1,149,692
Loss for the year	(184,856)
Other comprehensive income for the year	(35,837)
Comprehensive loss for the year	<u>\$ (220,693)</u>
Comprehensive loss attributable to non-controlling interests	<u>\$ (188,719)</u>
Comprehensive loss attributable to controlling interests	<u>\$ (31,974)</u>
	For the year ended
	December 31, 2021
Share of net assets of associates as of January 1	\$ -
Acquisition of share of net assets of associates	281,078
Acquisition of comprehensive loss for the year	(31,974)
Share of net assets of associates as of December 31	249,104
Fair value of identifiable net assets	118,664
Carry value of associates as of December 31	<u>\$ 367,768</u>

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

B. Collaterals

As of December 31, 2021 and 2020, the Company did not provide any investments accounted for using the equity method as collaterals for its loans.

(6) Other financial assets – current

The other current financial assets – current of the Group were as follows:

	December 31, 2021	December 31, 2020
Time deposits (over three months)	\$ 80,195	78,037
Other receivable, net	22,061	5,129
Other	140	289
	\$ 102,396	83,455

A. Time deposits (over three months) were pledged as collateral which were described in note 8.

B. In 2021 and 2020, the Group did not provide any impairment losses for other financial assets.

C. Please refer to note 6(20) for the remaining credit risk.

(7) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	Land	Buildings	Machinery and equipment	Other facilities	Construc- tion in progress and testing equip	Total
Cost or deemed cost:						
Balance on January 1, 2021	\$ 99,389	357,457	1,321,528	313,541	153,718	2,245,633
Additions	-	46,433	129,166	53,659	287,732	516,990
Disposal	-	(11,489)	(65,993)	(4,455)	(13,690)	(95,627)
Balance on December 31, 2021	\$ 99,389	392,401	1,384,701	362,745	427,760	2,666,996
Balance on January 1, 2020	\$ 99,389	351,713	806,529	277,691	136,642	1,671,964
Additions	-	-	473,457	47,287	7,871	528,615
Disposal	-	5,744	41,542	(11,437)	9,205	45,054
Balance on December 31, 2020	\$ 99,389	357,457	1,321,528	313,541	153,718	2,245,633
Depreciation and impairments loss:						
Balance on January 1, 2021	\$ 4,672	27,272	275,192	199,358	-	506,494
Depreciation	-	17,378	127,992	31,861	-	177,231
Disposal	-	(132)	(42,938)	(8,089)	-	(51,159)
Balance on December 31, 2021	\$ 4,672	44,518	360,246	223,130	-	632,566
Balance on January 1, 2020	\$ 4,672	9,674	171,367	178,620	-	364,333
Depreciation	-	17,173	96,471	24,359	-	138,003
Disposal	-	425	7,354	(3,621)	-	4,158
Balance on December 31, 2020	\$ 4,672	27,272	275,192	199,358	-	506,494

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Construc- tion in progress and testing equip</u>	<u>Total</u>
Carrying amounts:						
Balance on December 31, 2021	\$ <u>94,717</u>	<u>347,883</u>	<u>1,024,455</u>	<u>139,615</u>	<u>427,760</u>	<u>2,034,430</u>
Balance on December 31, 2020	\$ <u>94,717</u>	<u>330,185</u>	<u>1,046,336</u>	<u>114,183</u>	<u>153,718</u>	<u>1,739,139</u>
Balance on January 1, 2020	\$ <u>94,717</u>	<u>342,039</u>	<u>635,162</u>	<u>99,071</u>	<u>136,642</u>	<u>1,307,631</u>

As of December 31, 2021 and 2020, property, plant and equipment were pledged as collateral which were described in note 8.

(8) Right-of-use assets

The Group leases many assets including land, buildings and other facility. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 215,974	128,796	81,056	425,826
Additions	-	21,709	741	22,450
Effect of movements in exchange	<u>(1,093)</u>	<u>(622)</u>	<u>(611)</u>	<u>(2,326)</u>
Balance at December 31, 2021	\$ <u>214,881</u>	<u>149,883</u>	<u>81,186</u>	<u>445,950</u>
Balance at January 1, 2020	\$ 142,564	74,556	75,889	293,009
Additions	71,602	52,715	3,807	128,124
Effect of movements in exchange	<u>1,808</u>	<u>1,525</u>	<u>1,360</u>	<u>4,693</u>
Balance at December 31, 2020	\$ <u>215,974</u>	<u>128,796</u>	<u>81,056</u>	<u>425,826</u>
Accumulated depreciation:				
Balance at January 1, 2021	\$ 6,644	57,333	11,391	75,368
Depreciation	4,922	44,946	7,254	57,122
Effect of movements in exchange	<u>(27)</u>	<u>(276)</u>	<u>(82)</u>	<u>(385)</u>
Balance at December 31, 2021	\$ <u>11,539</u>	<u>102,003</u>	<u>18,563</u>	<u>132,105</u>
Balance at January 1, 2020	\$ 2,944	17,662	2,922	23,528
Depreciation	3,587	40,085	6,975	50,647
Effect of movements in exchange	<u>113</u>	<u>(414)</u>	<u>1,494</u>	<u>1,193</u>
Balance at December 31, 2020	\$ <u>6,644</u>	<u>57,333</u>	<u>11,391</u>	<u>75,368</u>
Carrying amount:				
Balance at December 31, 2021	\$ <u>203,342</u>	<u>47,880</u>	<u>62,623</u>	<u>313,845</u>
Balance at December 31, 2020	\$ <u>209,330</u>	<u>71,463</u>	<u>69,665</u>	<u>350,458</u>
Balance at January 1, 2020	\$ <u>139,620</u>	<u>56,894</u>	<u>72,967</u>	<u>269,481</u>

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Intangible assets

A. The cost and amortization of the intangible assets of the Group for the years ended December 31, 2021 and 2020, were as follows:

	Patent and trademark
Costs:	
Balance at December 31, 2021 (also the opening balance)	\$ <u><u>84,829</u></u>
Balance at January 1, 2020	\$ 84,813
Additions	<u>16</u>
Balance at December 31, 2020	\$ <u><u>84,829</u></u>
Accumulated amortization:	
Balance at January 1, 2021	\$ 81,725
Amortization	<u>366</u>
Balance at December 31, 2021	\$ <u><u>82,091</u></u>
Balance at January 1, 2020	\$ 78,860
Amortization	<u>2,865</u>
Balance at December 31, 2020	\$ <u><u>81,725</u></u>
Carrying value:	
Balance at December 31, 2021	\$ <u><u>2,738</u></u>
Balance at December 31, 2020	\$ <u><u>3,104</u></u>
Balance at January 1, 2020	\$ <u><u>5,953</u></u>

B. Recognition of amortization

The amortization of intangible assets is included in the statement of comprehensive income under the operating expenses, please refer to note 12(1).

C. Collaterals

As of December 31, 2021 and 2020, the Group did not provide any intangible assets as collateral for its loans.

(10) Bank loan

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ 5,000	82,000
Secured bank loans	<u>319,000</u>	<u>-</u>
Total	\$ <u><u>324,000</u></u>	\$ <u><u>82,000</u></u>
Unused credit facilities	\$ <u><u>432,520</u></u>	\$ <u><u>588,440</u></u>
Range of interest rates	<u><u>0.85%~1.5%</u></u>	<u><u>0.9%~1.5%</u></u>

For the collateral for bank loan, please refer to note 8

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(11) Lease liabilities

The carrying amount of lease liabilities of the Group is:

	December 31, 2021	December 31, 2020
Current	<u>\$ 46,165</u>	<u>51,241</u>
Non-current	<u>\$ 67,600</u>	<u>92,742</u>

For the maturity analysis, please refer to note 6(20).

The amounts recognized in profit or loss by the Group were as follows:

	For the year ended December 31,	
	2021	2020
Interest expense on lease liabilities	<u>\$ 3,302</u>	<u>4,053</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 243</u>	<u>295</u>
Expenses relating to short-term leases	<u>\$ 795</u>	<u>1,565</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 158</u>	<u>188</u>
Total cash outflow for leases	<u>\$ 56,271</u>	<u>51,739</u>

A. Real estate leases

As of December 31, 2021 and 2020, the Group leases land and buildings for its office space. The leases of land typically run for a period of 36 to 50 years, and of office space typically run for a period of 2 to 4 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of land and office buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

B. Other leases

The Group leases nitrogen storage equipment, with lease terms of 3 to 15 years.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Employee benefits

A. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value is as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Present value of the defined benefit obligations	\$ (9,362)	(8,810)
Fair value of plan assets	<u>12,944</u>	<u>13,970</u>
Net defined benefit liabilities	<u>\$ 3,582</u>	<u>5,160</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(a) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$12,944 thousand as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(b) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	<u>For the year ended</u> <u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Defined benefit obligations on January 1	\$ 8,810	8,954
Current interest cost	33	56
Remeasurements loss (gain)		
— financial assumptions	1,792	(200)
Benefits paid	<u>(1,273)</u>	<u>-</u>
Defined benefit obligations on December 31	<u>\$ 9,362</u>	<u>8,810</u>

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	For the year ended December 31,	
	2021	2020
Fair value of plan assets at 1, January	\$ 13,970	13,428
Interest income	53	84
Remeasurements gain (loss):		
– Return on plan assets excluding interest income	194	458
Benefits paid	(1,273)	-
Fair value of plan assets at 31, December	\$ 12,944	13,970

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the year ended December 31,	
	2021	2020
Current interest costs	\$ 33	56
Net interest of net assets for defined benefit obligations	(53)	(84)
	(20)	(28)
	\$ (20)	(28)
Operating expense	\$ (20)	(28)

(e) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	For the year ended December 31,	
	2021	2020
Discount rate	0.5 %	0.375 %
Future salary increase rate	2.00 %	2.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$263 thousand.

The weighted average lifetime of the defined benefits plans is 6.4 years.

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2021		
Discount rate	\$ (150)	153
Future salary increasing rate	148	(146)
December 31, 2020		
Discount rate	\$ (150)	153
Future salary increasing rate	148	(145)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis in 2021 and 2020.

B. Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$23,183 thousand and \$4,147 thousand for the years ended December 31, 2021 and 2020, respectively.

(13) Other current liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payables on equipment	\$ 161,639	240,989
Payables on employee compensation and directors' and supervision' remuneration	102,905	103,057
Payroll and bonus payables	68,629	69,890
Other	<u>101,490</u>	<u>126,807</u>
	<u>\$ 434,663</u>	<u>540,743</u>

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Income taxes

A. Income taxes

The amount of income tax for 2021 and 2020 was as follow:

	For the year ended December 31,	
	2021	2020
Current tax expense	\$ 40,941	40,750
5% surtax on unappropriated retained earnings	13,592	8,479
Deferred tax expense	14,582	48,858
	\$ 69,115	98,087

The amount of income tax expense (benefits) recognized in other comprehensive income in 2021 and 2020 was as follows:

	For the year ended December 31,	
	2021	2020
Exchange differences on currency translation of foreign operations	\$ (2,823)	3,925

Reconciliation of income tax expense before income tax in 2021 and 2020 is as follows:

	For the year ended December 31,	
	2021	2020
Profit before income tax	\$ 299,861	375,884
Income tax using the Company's domestic tax rate	\$ 59,972	75,177
Effect of tax rates in foreign jurisdiction	3,822	13,162
5% surtax on unappropriated retained earnings	13,592	8,479
Change in unrecognized temporary differences and others	(8,271)	1,269
	\$ 69,115	98,087

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
The carryforward of unused tax losses	\$ 77,562	120,906
Tax effect of deductible temporary differences	15,603	19,114
	\$ 93,165	140,020

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As at December 31 2021, the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unutilized business loss	Expiry year
2012~2021	\$ 379,631	2022~2030

(b) Recognized deferred tax assets and liabilities

Deferred Tax Assets	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021
Inventory devaluation loss	\$ 6,741	(253)	-	6,488	-	-	6,488
Foreign currency translation differences for foreign operations and other	28,522	(80)	(3,925)	24,517	(3,258)	2,823	24,082
	\$ 35,263	(333)	(3,925)	31,005	(3,258)	2,823	30,570

Deferred Tax Liabilities	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021
Equity method recognized the gain of foreign subsidiaries	\$ 7,185	48,525	-	55,710	11,324	-	67,034

C. The Group's tax returns for the years through 2019 were assessed by the Tax Authorities.

(15) Capital and other equity

A. Ordinary Shares

As of December 31, 2021 and 2020, the number of authorized ordinary shares was \$2,600,000 thousand shares with par a value of \$10 per share (both of them reserved \$100,000 thousand for the issue of employee stock option certificates, and \$200,000 thousand for the issuance of convertible corporate bonds). The actual paid-in capital is \$1,824,799 thousand.

B. Capital surplus

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 787,281	787,281
Changes of equities on associates	13,492	13,492
Changes of equities on subsidiaries	6,560	6,560
Employee share options	23,887	23,887
	\$ 831,220	831,220

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

C. Retained earnings

The Company's Articles of Incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy is determined in accordance with the Company law and the Company's articles of association, and is determined by the Company's capital and financial structure, operating conditions, surplus, the nature of the industry and the cyclical factors. The cash dividend is not less than 50% of the total dividends for the year, and can be adjusted according to the flexibility of internal and external environmental changes.

(a) Legal reserve

When a Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(b) Special reserve

By choosing to apply the exemptions granted under IFRS 1 during the Company's first-time adoption of IFRSs endorsed by the FSC, the accumulating conversion adjustments under shareholders' equity, transferred on the conversion date, resulted in an increase in retained earnings of \$109,388 thousand. However, on the conversion date, the actuarial gains and losses will be recognized immediately. The retained earnings incurred from the retained surplus of \$4,917 thousand, and the expected cost of the employee's accumulated paid leave, will be reduced by \$1,771 thousand. The conversion date was based on the first time adoption of the IFRSs endorsed by the FSC. The net increase in retained earnings amounted to \$102,700 thousand, which resulted in the loss of the original account \$(90,258) thousand and the retained surplus of \$12,422 thousand. According to the Ruling 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings, due to the first-time adoption of the IFRSs endorsed by the FSC, shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is use, disposed, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. In the first half of the year 2016 and the second half of the year of 2015, the special surplus reserve amounted to \$2,681 thousand and \$4,206 thousand, respectively, due to the sales of Yeh Chiang Kunshan and the disposal of Yeh Chiang Dongguan. The carrying amount of special reserve both amounted to \$5,555 thousand as of December 31, 2021 and 2020.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior-periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(c) Earnings distribution

The Company did not distribute any dividends in 2021 and 2020, with the resolution approved during the shareholders' meeting held on the August 26, 2021 and June 10, 2020, respectively.

D. Other comprehensive income accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2021	\$ (144,670)	17,193
Exchange differences on foreign operations	(17,717)	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	32,524
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(13,542)
Balance at December 31, 2021	<u>\$ (162,387)</u>	<u>36,175</u>
Balance at January 1, 2020	\$ (160,366)	16,741
Exchanges differences on foreign operations	15,696	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	452
Balance at December 31, 2020	<u>\$ (144,670)</u>	<u>17,193</u>

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(16) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year ended December 31, 2021 and 2020 are as follows:

	For the year ended December 31,	
	2021	2020
Basic earnings per share:		
Profit/(loss) to ordinary shareholders of the Company for the year	\$ 234,794	274,210
Weighted-average number of ordinary shares (in thousands)	182,480	182,480
Basic earnings per share (TWD)	\$ 1.29	1.50
Diluted earnings per share:		
Profit/(loss) to ordinary shareholders of the Company for the year	\$ 234,794	274,210
Weighted-average number of ordinary shares (diluted) (in thousands)	182,480	182,480
Impact of dilution of potential common stock - employee compensation (thousand shares)	1,152	2,368
Weighted-average number of ordinary shares (in thousands)	183,632	184,848
Diluted earnings per share (TWD)	\$ 1.28	1.48

(17) Revenue from contracts with customers

A. Details of revenue

For details on revenue, please refer to note 14.

B. Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities	\$ 6,329	10,132	12,696

For details on notes and trade receivables and loss allowance, please refer to note 6(3).

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the year ended December 31, 2021 and 2020 that was included in the contract liabilities balance at the beginning of the period was \$7,338 thousand and \$10,733 thousand, respectively.

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(18) Employee compensation and directors' and supervisors' remuneration

First, in accordance with the articles of incorporation the Company should contribute no less than 10% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration when there is profit for the year. Second, board of shareholders amended the Articles of incorporation the Company in August 26, 2021, which should contribute 10% to 1% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration at \$2,782 thousand and \$37,713 thousand, and directors' and supervisors' remuneration at \$0 and \$7,543 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration of employees, directors and supervisors of each period, multiplied by the percentage of remuneration of employees, directors and supervisors as specified in the Company's Articles. These remunerations were expensed under operating expenses during 2021 and 2020. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or lost in the following year. If, however, the shareholders determine that the employee remuneration is to be distributed through stock dividends, the calculation, based on the shares, shall be calculated using the stock price on the day before the shareholders' meeting. The related information can be accessed from the Market Observation Post System website.

The Company's 2020 and 2019 employee remuneration amounts were \$37,713 thousand and \$25,725 thousand, respectively, and directors' and supervisors' compensation amounts were \$7,543 thousand and \$5,145 thousand, respectively, and there was no difference from the actual distribution situation. Information about the remuneration of employees and directors' and supervisors' decided by the company's board of directors can be accessed from the Market Observation Post System website.

(19) Other gain and losses, net

	For the year ended	
	December 31,	
	2021	2020
Foreign exchange losses	\$ (17,256)	(27,928)
Dividend income	641	6,176
Subsidy revenue	41,378	4,310
Losses on disposals of property, plant and equipment	(6,149)	-
Gain on financial assets at fair value through profit or loss	227	821
Other	22,007	12,471
	\$ 40,848	(4,150)

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(20) Financial instruments

A. Credit risk

(a) Concentration of credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. The customers of the Group are mainly concentrated in the downstream heat pipe module factory of the computer industry. As of the end of December 31, 2021 and 2020, the total amount of notes and trade receivables deriving from the top five customers of the Group's operating income was \$526,912 thousand and \$500,524 thousand. They accounted for 67% and 54% of the net amount of notes and trade receivables, respectively. To reduce the concentration of credit risk, the Group continuously evaluates the credit status of its customers and collectability of notes and trade receivables, and provides an allowance for doubtful accounts.

(b) Receivables securities

For credit risk exposure of notes and trade receivables, please refer to note 6(3).

Other financial assets at amortized cost was details of impairment losses, please refer to note 6(6) time deposits (recorded in other current assets).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(7). No loss allowances were recognized under financial assets at amortized cost.

B. Liquidity risk

Except for the accrued expenses under other current liabilities, the contractual maturities of financial liabilities are as follows:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 years</u>	<u>2-5 years</u>	<u>5 years</u>
December 31, 2021					
Non derivative financial liabilities					
Bank loan	\$ 324,000	324,358	324,358	-	-
Notes and trade payables	175,887	175,887	175,887	-	-
Lease liabilities (including other current liabilities portion)	113,765	128,440	48,537	34,046	45,857
Other payable-related parties	263,891	265,938	265,938	-	-
Gurantee deposit received	<u>1,694</u>	<u>1,694</u>	<u>-</u>	<u>1,694</u>	<u>-</u>
	<u>\$ 879,237</u>	<u>896,317</u>	<u>814,720</u>	<u>35,740</u>	<u>45,857</u>

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 years</u>	<u>2-5 years</u>	<u>5 years</u>
December 31, 2020					
Non derivative financial liabilities					
Bank loan	\$ 82,000	82,734	82,734	-	-
Notes and trade payables (including other liabilities portion)	167,379	167,379	167,379	-	-
Lease liabilities	143,983	161,977	54,606	55,372	51,999
Other payable-related parties	266,163	271,486	271,486	-	-
Gurantee deposit received	<u>1,050</u>	<u>1,050</u>	<u>-</u>	<u>1,050</u>	<u>-</u>
	<u>\$ 660,575</u>	<u>684,626</u>	<u>576,205</u>	<u>56,422</u>	<u>51,999</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Market risk

(a) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
CNY	\$ 7,217	4.344	31,349	7,115	4.377	31,144
USD	24,470	27.68	677,318	33,287	28.48	948,012
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	912	27.68	25,256	2,979	28.48	84,841

(b) Sensitivity analysis

Exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and trade receivables, and notes and trade payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD and CNY as at December 31, 2021 and 2020 would have increased (decreased) the net profit before tax by \$34,171 thousand and \$44,716 thousand, respectively. The analysis is performed on the same basis for prior year.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Foreign exchange gain and loss on monetary items

Since the Group uses several of currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$17,256 thousand and \$27,928 thousand, respectively.

(d) Other market price risk

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

<u>Prices of securities at the reporting date</u>	<u>For the year ended December 31,</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Other comprehensive income after tax</u>	<u>Net income</u>	<u>Other comprehensive income after tax</u>	<u>Net income</u>
Increasing 10% (listed and emerging stocks) and 1% (mutual funds)	\$ <u>3,345</u>	<u>708</u>	<u>7,624</u>	<u>1,793</u>
Decreasing 10% (listed and emerging stocks) and 1% (mutual funds)	\$ <u>(3,345)</u>	<u>(708)</u>	<u>(7,624)</u>	<u>(1,793)</u>

D. Interest rate analysis

The Group's assessment did not have a significant loan rate risk.

E. Fair value of financial instruments

(a) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income (available for-sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, lease liabilities disclosure of fair value information is not required:

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		December 31, 2021				
		Book	Fair Value			Total
		Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
	Beneficiary Certificates	\$ 70,765	70,765	-	-	70,765
Financial assets at fair value through other comprehensive income						
	Stocks in listed companies (domestic)	33,449	33,449	-	-	33,449
	Stocks non-listed cabinet companies (domestic)	11,523	-	-	11,523	11,523
Financial assets measured at amortized cost						
	Cash and cash equivalents	627,550	-	-	-	-
	Notes and trade receivables	782,281	-	-	-	-
	Other financial assets - current	102,396	-	-	-	-
	Refundable deposits (recorded in non-current assets)	10,415	-	-	-	-
		<u>\$ 1,638,379</u>	<u>104,214</u>	<u>-</u>	<u>11,523</u>	<u>115,737</u>
Financial liabilities at amortized cost						
	Bank loan	\$ 324,000	-	-	-	-
	Notes and trade payables	175,887	-	-	-	-
	Lease liabilities	113,765	-	-	-	-
	Other payable-related parties	263,891	-	-	-	-
	Guarantee deposits received	1,694	-	-	-	-
		<u>\$ 879,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2020				
		Book	Fair Value			Total
		Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
	Beneficiary Certificates	\$ 179,286	179,286	-	-	179,286
Financial assets at fair value through other comprehensive income						
	Stocks in listed companies (domestic)	52,953	52,953	-	-	52,953
	Emerging stocks (domestic)	23,289	23,289	-	-	23,289
	Stocks non-listed cabinet companies (domestic)	5,358	-	-	5,358	5,358
Financial assets measured at amortized cost						
	Cash and cash equivalent	730,712	-	-	-	-
	Notes and trade receivables	925,644	-	-	-	-
	Other financial assets-current	83,455	-	-	-	-
	Refundable deposits (recorded in non-current assets)	23,334	-	-	-	-
		<u>\$ 2,024,031</u>	<u>255,528</u>	<u>-</u>	<u>5,358</u>	<u>260,886</u>

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank loan	\$ 82,000	-	-	-	-
Notes and trade payables	167,379	-	-	-	-
Lease liabilities	143,983	-	-	-	-
Other payable-related parties	266,163	-	-	-	-
Guarantee deposits received	1,050	-	-	-	-
	<u>\$ 660,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Valuation techniques for financial instruments not measured at fair value

- i. If financial instruments measured at fair value through profit or loss, and equity instruments with quoted prices in active markets are available, the market price is established as the fair value.
- ii. If quoted prices in active markets are not available, the market comparable company method are used to estimate fair value, that is assessed by the pee stock price ratio.

(c) Transfer between Level 1 and Level 3

The equity shares of the Group in Powerchip Technology Corporation were accounted for as fair value through other comprehensive income due to having without any public quotation. Also, significant unobservable inputs were used to measure their fair value, therefore, they were classified as Level 3 of the fair value hierarchy. However, a resolution was approved during the board meeting of Powerchip Technology Corporation held in September 2020 for a capital reduction, wherein the share price to be refunded will be converted into shares of Powerchip Semiconductor Manufacturing Corporation, whose shares will be listed at emerging stock market on December 9, 2020. If there is a quotation in the active market, the fair value measurement will be transferred from the Level 3 to the Level 1 on December 31, 2020.

(d) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value are "financial assets measured at fair value through other comprehensive - equity investments".

The equity investments without an active market that use Level 3 inputs to measure fair value due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments are independent, therefore, there is no correlation.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive - equity investments without an active market	Market Method (comparable to the price and net value ratio of the listed (cabinet) company's peers)	<ul style="list-style-type: none"> • Price and net value ratio multiplier (As of December 31, 2021 and 2020 were 1.16~1.46 and 1.40~1.92) • Lack of market liquidity discount (As of December 31 2021 and 2020 were both 20%) 	<ul style="list-style-type: none"> • The higher the price and net value ratio multiplier, the higher the fair value • The higher the lack of market liquidity discount, the lower the fair value

(e) Reconciliation of level 3 fair values

	<u>For the year ended</u> <u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets measured at fair value through other comprehensive income - Equity instruments without an active market		
Balance at January 1	\$ 5,358	30,395
Total gain or loss - recognized in other comprehensive	6,165	(22,132)
Transfer from level 3	-	(2,905)
Balance at December 31	<u>\$ 11,523</u>	<u>5,358</u>

(f) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

			<u>Other comprehensive income</u>	
			<u>Favourable</u>	<u>Unfavourable</u>
December 31, 2021				
Financial assets at fair value through profit or loss	value	Change up or down 1%	<u>\$ 115</u>	<u>(115)</u>
December 31, 2020				
Financial assets at fair value through profit or loss	value	1%	<u>\$ 54</u>	<u>(54)</u>

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(21) Financial risk management

A. Overview

The Group have exposures to the following risks from its financial instruments:

- (a) credit risk
- (b) liquidity risk
- (c) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank deposits, trade receivables and guarantees.

(a) Group's bank deposits

The exposure to credit risk for the bank deposits, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, corporate organizations, and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(b) Trade receivables

The Group continuously evaluate the financial status. Please refer to Note 6(20) of the financial report.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. For details of the guarantee provided by the Group of December 31, 2021 and 2020, please refer to Note 7 and 13.

D. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk of the Group is monitored through its corporate financial department which tracks the development of the actual cash flow position for the Group and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate financial invest surplus cash in money market deposits and short term investments with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due. The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group in order to manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors and are subject to the monitor from internal audit office.

(a) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are the USD and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying foreign exchange option or forward exchange contracts when necessary to address short-term imbalances.

The Group is not hedges its investment in foreign subsidiaries.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Interest rate risk

Bank deposits and short-term loans of the Company are financial assets and liabilities subject to floating interest rates, so changes in market interest rates will cause the effective interest rate of bank deposits and short-term borrowings to change accordingly, and cause a wave of future cash flows move.

(c) Other market price risk

The primary goal of the Group's investment strategy is to maximize investment returns. In accordance with this strategy, certain investments are designated as at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

(22) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Capital consists of share capital, capital surplus, retained earnings, and other equity interest. The board of directors managing its capital is to safeguard the capacity to continue as a going concern, to provide a return on shareholders, and to maintain an optimal capital structure to reduce the cost of capital.

The debt-to-capital ratio at the reporting date is as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 1,392,486	1,271,408
Total equity	\$ 3,490,210	3,246,176
Debt-to-equity ratio on December 31	39.90%	39.17%

As of December 31, 2021, the Group had not changed its capital management method.

(23) Financing activities of non-cash transactions

The Group's financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020 were as follows:

A. For right-of-use assets under leases, please refer to note 6(8).

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

B. Reconciliation of liabilities arising from financing activities was follows:

	<u>Bank loan</u>	<u>Lease liabilities</u>	<u>Guarantee deposits received</u>	<u>Other payable-related parties</u>	<u>Total</u>
Balance on January 1, 2021	\$ 82,000	143,983	1,050	266,163	493,196
Cash flow	242,000	(51,773)	644	(2,272)	188,599
Non-cash changes:					
Sign a financial lease contract	-	20,968	-	-	20,968
Change of exchange rate	-	587	-	-	587
Balance on December 31, 2021	<u>\$ 324,000</u>	<u>113,765</u>	<u>1,694</u>	<u>263,891</u>	<u>703,350</u>
Balance on January 1, 2020	\$ 25,010	130,981	2,804	154,076	312,871
Cash flow	56,990	(45,638)	(1,754)	112,087	121,685
Non-cash changes:					
Sign a financial lease contract	-	56,522	-	-	56,522
Change of exchange rate	-	2,118	-	-	2,118
Balance on December 31, 2020	<u>\$ 82,000</u>	<u>143,983</u>	<u>1,050</u>	<u>266,163</u>	<u>493,196</u>

7. Related-party transactions:

- (1) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Zhongshan Wei Li Textile Co., Ltd. (Zhongshan Wei Li)	The supervisor of the entity's parent company is the Company's chairman
Ping Ding Shan Bellevuecity Construction Co., Ltd. (Ping Ding Shan Bellevuecity)	The chairman of the entity's parent company is the Company's chairman

- (2) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the year ended</u> <u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	<u>\$ 4,763</u>	<u>4,670</u>

- (3) Other related party transactions

The amounts prepaid by the Group by related parties for operating expense were respectively \$2,306 thousand and \$2,881 thousand and accounted to trade payable-related parties at December 31, 2021 and 2020, respectively.

On December 31, 2021 and 2020, the amount of borrowings from Ping Ding Shan Bellevuecity for operating turnover were \$260,640 thousand and \$262,623 thousand. The interest rate was 4.35% and 2.00%, respectively. The interest expense was \$10,754 thousand \$8,996 thousand, respectively. Until the end of December 31, 2021 and 2020, the amount of other accounts payable-related parties, which including principal and interest were \$945 thousand and \$263,282 thousand, respectively.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

8. Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Account</u>	<u>Pledged to secure</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposits	Other non-current assets	Litigation deposit guarantee	\$ 7,000	7,000
Property, plant and equipment	Property, plant and equipment	Bank loan	95,173	12,980
			<u>\$ 102,173</u>	<u>19,980</u>

9. Significant Commitments and Contingencies:

- (1) The Group's unrecognized contractual commitments for property, plant and equipment were as follows:

<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>\$ 323,980</u>	<u>120,528</u>

- (2) For the financial loan credits, export bills and financial commodity trading credits, the details of the opening guarantee notes were as follows:

<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>\$ 852,880</u>	<u>642,400</u>

10. Losses due to major disasters: none

11. Subsequent events: none

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

12. Other:

- (1) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2021			2020		
		Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Employee benefits							
Salary		656,387	113,952	770,339	723,454	143,890	867,344
Labor and health insurance		4,360	6,189	10,549	3,493	6,013	9,506
Pension		16,098	7,266	23,364	1,082	3,037	4,119
Others		2,870	9,513	12,383	1,968	15,141	17,109
Depreciation		171,578	62,775	234,353	134,731	53,919	188,650
Amortization (Note)		-	2,811	2,811	-	5,443	5,443

(Note) Amortization expenses included intangible assets amounting to \$366 thousand and other non-current assets amounting to \$2,445 thousand in 2021. Amortization expenses included intangible assets amounting to \$2,865 thousand and other non-current assets amounting to \$2,578 thousand in 2020.

- (2) In 2010, the Group entered into an agreement with Unimax Investment Services Ltd. (Unimax) for the purchase of spotlights, wherein Davinci Industrial Inc. (Davinci) was responsible for the manufacturing and sales of the said product. However, there were defects found in the products, resulting in the Group to return them to Unimax for repair. Unimax, on the other hand, refused to comply with the Group's request, which prompted the Group to terminate their agreement and proceeded in filing a lawsuit against Unimax to the Taipei District Court. Furthermore, since Davinci was also involved the case, the Group filed another lawsuit against Davinci to the Taipei District Court on December 12, 2012, demanding for a compensation claim of \$41,055 thousand. The Taiwan Taipei District Court ruled that the Group shall provide \$7,344 thousand as payments for security in litigation, court costs, and execution fee. In accordance with Ruling No. 1716 of 2019 received on January 10, 2020, the Supreme Court revoked the original decision and reversed the case to the Taiwan High Court for rehearing, and the first rehearing has been in process.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

13. Other disclosures:

(1) Information on significant transactions

The following is the information on the Group's significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".:

- A. Loans to other parties: Please refer to Attachment 1.
 - B. Guarantees and endorsements for other parties: Please refer to Attachment 2.
 - C. Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Attachment 3.
 - D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: Please refer to Attachment 4.
 - E. Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
 - F. Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
 - G. Related-party transactions for purchases and sales with amounts exceeding the lower of TWD300 million or 20% of the capital stock: Please refer to Attachment 5.
 - H. Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of the capital stock: Please refer to Attachment 6.
 - I. Trading in derivative instruments: None.
 - J. Business relationships and significant intercompany transactions: Please refer to Attachment 7.
- (2) Information on investees (excluding information on investees in Mainland China): Please refer to Attachment 8.
- (3) Information on investment in Mainland China:
- A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Attachment 9(1).
 - B. Limitation on investment in Mainland China: Please refer to Attachment 9(2).
 - C. Significant transactions

The significant Group transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "information on significant transactions".

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Taipei Fubon Commercial Bank entrusted investing account (Rayman Inc. Samoa)		19,141,784	10.48 %
Feng Lei Investing Co. Ltd.		18,904,000	10.35 %
Taipei Fubon Commercial Bank entrusted investing account (Hai-De Share Control Inc.)		18,321,000	10.04 %
Advance Program Ltd.		17,931,181	9.82 %
Supercap Industrial Co., Ltd.		17,031,602	9.33 %
Taipei Fubon Commercial Bank entrusted investing account (Kao-Wei Investing Inc.)		16,181,000	8.86 %
Bellevuecity Construction Co., Ltd.		15,677,236	8.59 %
Taipei Fubon Commercial Bank entrusted investing account (Weichiang Ltd. Samoa)		15,281,493	8.37 %

14. Segment information:

(1) General and segment information

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Group. The Group's main operating decision makers at least quarterly reviews of the internal management reports of each strategic division. No segment's assets were provide to the operating decision makers, therefore, no disclosure is required of the Group. In addition, the Segment's gains and losses are measured by using the net profit before tax, which are used as a basis for assessing the Segment's performance. The construction of each department in the Group is as follows:

Heat pipe Segment: Includes the related high-tech heat pipe components and Solder balls production and marketing business.

Lighting Segment: Includes LED lighting products and lighting equipment production and marketing business.

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(2) The Group's operating segment information and reconciliation are as follows:

	For the year ended December 31, 2021				Total
	Heat pipe business	Lighting business	Semiconduct or business	Reconciliation and elimination	
Total revenue	\$ <u>2,273,562</u>	<u>286,005</u>	<u>-</u>	<u>-</u>	<u>2,559,567</u>
Depreciation and amortization expense	\$ <u>230,634</u>	<u>6,530</u>	<u>-</u>	<u>-</u>	<u>237,164</u>
Segment before tax profit	\$ <u>277,468</u>	<u>22,393</u>	<u>-</u>	<u>-</u>	<u>299,861</u>
Segment assets	\$ <u>4,327,038</u>	<u>338,301</u>	<u>218,545</u>	<u>(1,188)</u>	<u>4,882,696</u>
Segment liabilities	\$ <u>1,309,353</u>	<u>84,069</u>	<u>252</u>	<u>(1,188)</u>	<u>1,392,486</u>

	For the year ended December 31, 2020				Total
	Heat pipe business	Lighting business	Semiconduct or business	Reconciliation and elimination	
Total revenue	\$ <u>2,344,170</u>	<u>334,403</u>	<u>-</u>	<u>(93)</u>	<u>2,678,480</u>
Depreciation and amortization expense	\$ <u>187,238</u>	<u>6,855</u>	<u>-</u>	<u>-</u>	<u>194,093</u>
Segment before tax profit	\$ <u>346,913</u>	<u>30,426</u>	<u>(1,455)</u>	<u>-</u>	<u>375,884</u>
Segment assets	\$ <u>3,946,112</u>	<u>351,102</u>	<u>221,558</u>	<u>(1,188)</u>	<u>4,517,584</u>
Segment liabilities	\$ <u>1,157,719</u>	<u>114,730</u>	<u>147</u>	<u>(1,188)</u>	<u>1,271,408</u>

(3) Corporate information

A. Product and service information

Revenue from the external customers of the Group was as follows:

	For the year ended December 31,	
	2021	2020
Heat pipe product	\$ 2,273,562	2,344,170
Lighting device	286,005	334,310
	<u>\$ 2,559,567</u>	<u>2,678,480</u>

(Continued)

YEH CHIANG TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

B. Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographic location of customers and segment assets are based on the geographical location of the assets.

	For the year ended December 31,	
	2021	2020
Revenue from external customers:		
China	\$ 1,914,866	2,159,263
Taiwan	289,717	311,150
Other countries	354,984	208,067
	\$ 2,559,567	2,678,480
	December 31, 2021	December 31, 2020
Non-current assets:		
China	\$ 2,114,964	1,891,270
Taiwan	119,344	130,273
Vietnam	116,705	70,368
	\$ 2,351,013	2,091,911

The above non-current assets include property, plant and equipment, intangible assets, and right-of-use asset not including financial instruments and other non-current assets rights.

C. Major customers

The total revenue of the Group is from the important customer amount of the heat pipe business unit:

	For the year ended December 31, 2021	
	Shuanghong	\$ 652,663
Aavid Thermalloy		479,945
Chaun-Choung Technology		259,880
	\$ 1,392,488	
	For the year ended December 31, 2020	
Aavid Thermalloy	\$ 515,350	515,350
Shuanghong		511,562
Huaying Electronic		272,094
	\$ 1,299,006	

(Continued)

Yeh Chiang Technology Corporation and its Subsidiaries

Loans to others parties

From January 1 to December 31, 2021

Attachment 1

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reason for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of total fund financing
													Item	Value		
1	The Company	Zhongshan Weiqiang	Other receivable - related parties	Yes	583,493	305,644	250,284	0~2%	2	-	Business operation	-	None	-	1,373,168 (Note 1)	1,373,168 (Note 2)
1	The Company	Ye Xian Weiqiang	Other receivable - related parties	Yes	454,240	212,856	173,7600	0~2%	2	-	Business operation	-	None	-	1,373,168 (Note 1)	1,373,168 (Note 2)
1	The Company	Ping Ding Shan Yeh Chiang	Other receivable - related parties	Yes	97,860	96,880	60,896	0~2%	2	-	Business operation	-	None	-	1,373,168 (Note 1)	1,373,168 (Note 2)
2	Taiwan Lighting	So Bright Electronics	Other receivable - related parties	Yes	9,000	9,000	1,500	0~2%	2	-	Business operation	-	None	-	84,325 (Note 1)	84,325 (Note 2)

Note 1: Limit of financing amount for individual counter-party shall not exceed 40% of latest financial statements of the Company's net assets audited.

Note 2: Limit of total financing amount shall not exceed 40% of latest financial statements of the Company's net assets audited.

Note 3: The entry method for the loading of fund is as follows:

1. For business transaction, please fill in 1.
2. Necessary for short-term financing, please fill in 2.

Note 4: On June 28, 2021, the Company received from the Taipei Exchange a letter (No. 1100200997) informing the Company that its aggregate loans to an individual party and to other parties had both exceeded their respective upper limits. On August 9, the Company's Board of Directors proposed amendments to Article 4-1 of "Procedures for Loans to Other Parties", raising the upper limits of the Company's aggregate loans to both an individual party and other parties to 40% of the Company's net worth, which were approved in a shareholders' meeting on August 26, 2021. After improvement, the amount of the Company's loans to other parties fell within the upper limit. In the future, the Company will implement internal control in accordance with the amended operating procedures, in order to comply with relevant laws and regulations.

Yeh Chiang Technology Corporation and its Subsidiaries

Guarantees and endorsements for other parties

From January 1 to December 31, 2021

Attachment 2

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note1)	Highest balance of guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note2)	Parent company endorsements / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	The Company	Excel Rainbow	Subsidiary	686,584	28,535 (USD1,000)	27,680 (USD1,000)	-	-	1%	1,373,168	Y	N	N
2	The Company	Taiwan Lighting	Subsidiary	686,584	90,000	90,000	-	-	3%	1,373,168	Y	N	N
3	The Company	Ye Xian Weiqiang	Subsidiary	686,584	194,950 (CNY7,000)	193,760 (CNY7,000)	-	-	6%	1,373,168	Y	N	Y
4	The Company	So Bright Electronics	Subsidiary	686,584	85,000	85,000	5,000	-	2%	1,373,168	Y	N	N
					<u>398,485</u>	<u>396,440</u>	<u>5,000</u>						

Note 1: The amount of endorsements/ guarantees for any single entity shall not exceed 20% of latest financial statements of the Company's net assets audited.

Note 2: Limit of total endorsed/ guaranteed amount shall not exceed 40% of latest financial statements of the Company's net assets audited.

Yeh Chiang Technology Corporation and its Subsidiaries
Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint ventures)
December 31, 2021

Attachment 3

(In Thousands of New Taiwan Dollars) / Thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Highest Percentage of ownership during the year	Note	
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)			Fair value
Taiwan Lighting	Fund: Union Money Market Fund	None	Current financial assets at fair value through profit or loss	5,306	<u>70,765</u>	-	<u>70,765</u>	-	
The Company	Stock: Common stock of ASUSTeK Computer Inc.	None	Non-current financial assets at fair value through other comprehensive income	1	271	-	271	-	
The Company	Common stock of Powerchip Semiconductor Manufacturing Corporation	"	"	466	33,178	-	33,178	-	
The Company	Common stock of Powerchip Technology Coporation	"	"	330	<u>11,523</u>	-	<u>11,523</u>	-	
					<u>44,972</u>		<u>44,972</u>		

Yeh Chiang Technology Corporation and its Subsidiaries
Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million
or 20% of the capital stock
From January 1 to December 31, 2021

Attachment 4

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Beginning balance		Purchases		Sales				Ending Balance	
				Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Common stock of Quaser Machine Tools, Inc.	Investment accounted for using the equity method	(Note 1)	-	-	12,434	398,770	-	-	-	-	12,434	367,678 (Note 2)

Note 1: During the period, the shares in Quaser Machine Tools, Inc. were acquired on the over-the-counter (“OTC”) market.

Note 2: The amount includes retained earnings transferred from realized gains or losses measured at fair value and changes in recognized investments accounted for using equity method.

Yeh Chiang Technology Corporation and its Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock

From January 1 to December 31, 2021

Attachment 5

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes / accounts receivables (payables)		Note
			Purchase /Sale	Amount	Percentage of total purchases /sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/ accounts receivables (payables)	
Excel Rainbow	The Company	Parent Company	Sales	904,135 (USD32,279)	100%	Open account 90 days account	No significant different	81,387 (USD2,940)	100%	Note1	
Ye Xian Weiqiang	Zhongshan Weiqiang	Subsidiary of The Company	Sales	460,303 (CNY106,027)	71%	Open account 90 days account	No significant different	174,546 (CNY40,181)	84%	Note1	
Ping Ding Shan Yeh Chiang	Excel Rainbow	Subsidiary of The Company	Sales	407,466 (USD14,547)	47%	Open account 90 days account	No significant different	41,731 (USD1,508)	21%	Note1	
Ping Ding Shan Yeh Chiang	Zhongshan Weiqiang	Subsidiary of The Company	Sales	218,791 (CNY50,396)	25%	Open account 90 days account	No significant different	72,615 (CNY16,716)	37%	Note1	
Ping Ding Shan Yeh Chiang	Ye Xian Weiqiang	Subsidiary of The Company	Sales	242,146 (CNY55,776)	28%	Open account 90 days account	No significant different	80,118 (CNY18,443)	41%	Note1	
Zhongshan Weiqiang	Excel Rainbow	Subsidiary of The Company	Sales	330,284 (USD11,792)	41%	Open account 90 days	No significant different	28,963 (USD1,046)	7%	Note1	

Note1: The relevant transactions and ending balance are eliminated in consolidated financial statement.

Note2: Assets and revenue were recognized by company in one-way

Yeh Chiang Technology Corporation and its Subsidiaries
Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of the capital stock
From January 1 December 31, 2021

Attachment 6

(In Thousand of New Taiwan Dollars)

Name of Company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amount received in subsequent period	Loss Allowance	Note
					Amount	Action taken			
The Company	Zhongshan Weiqiang	Parent Subsidiary	250,284 (USD3,000 and CNY38,500)	Note 1	-	-	-	-	
The Company	Ye Xian Weiqiang	Parent Subsidiary	173,760 (CNY40,000)	Note 1	-	-	-	-	
Ye Xian Weiqiang	Zhongshan Weiqiang	Subsidiary of The Company	174,548 (CNY40,181)	3.84	-	-	86,719 (CNY19,963)	-	

Note 1: Loan to other parties, so it uncalculated turnover rates.

Yeh Chiang Technology Corporation and its Subsidiaries
Business relationships and significant intercompany transactions
From January 1 to December 31, 2021

Attachment 7

(In Thousands of New Taiwan Dollars)

Number	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
0	The Company	Zhongshan Weiqiang	1	Other receivables – related parties	250,284	-	5%
0	The Company	Ye Xian Weiqiang	1	Other receivables – related parties	173,160	-	4%
0	The Company	Ping Ding Shan Yeh Chiang	1	Other receivables – related parties	60,896	-	1%
1	Excel Rainbow	The Company	2	Sales	904,135	Open account 90 days	35%
1	Excel Rainbow	The Company	2	Trade receivables – related-party	81,387	Open account 90 days	2%
2	Zhongshan Weiqiang	Excel Rainbow	3	Sales	330,284	Open account 90 days	13%
2	Zhongshan Weiqiang	Excel Rainbow	3	Trade receivables – related-party	28,963	Open account 90 days	1%
3	Ye Xian Weiqiang	Zhongshan Weiqiang	3	Sales	460,303	Open account 90 days	18%
3	Ye Xian Weiqiang	Zhongshan Weiqiang	3	Trade receivables – related-party	174,546	Open account 90 days	4%
4	Ping Ding Shan Yeh Chiang	Zhongshan Weiqiang	3	Sales	218,791	Open account 90 days	9%
4	Ping Ding Shan Yeh Chiang	Zhongshan Weiqiang	3	Trade receivables – related-party	72,615	Open account 90 days	1%

Number	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
4	Ping Ding Shan Yeh Chiang	Excel Rainbow	3	Sales	407,466	Open account 90 days	16%
4	Ping Ding Shan Yeh Chiang	Excel Rainbow	3	Trade receivables – related-party	41,731	Open account 90 days	1%
4	Ping Ding Shan Yeh Chiang	Ye Xian Weiqiang	3	Sales	242,146	Open account 90 days	9%
4	Ping Ding Shan Yeh Chiang	Ye Xian Weiqiang	3	Trade receivables – related-party	80,118	Open account 90 days	2%

Note 1: The information of number are as follow :

1. The number 0 represents the parent company.
2. The subsidiaries are numbered in order from number 1.

Note 2: The types of relationships with traders are as follows:

1. The parent company to the subsidiary.
2. The subsidiary to the parent company.
3. The subsidiary to the subsidiary.

Note 3: The relevant transactions and ending balance are eliminated in consolidated financial statement.

Note 4: The transactions with an amount incurred from Sales, Account receivable and other receivable of more than 1% of the operating revenue or assets.

Yeh Chiang Technology Corporation and its Subsidiaries
Information on investees (excluding information on investees in Mainland China)
From January 1 to December 31, 2021

Attachment 8

(In Thousands of New Taiwan Dollars / Thousand shares)

Name of investor	Name of investee	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership during the year	Net income (loss) of investee	Share of profits / losses of investee	Note
				December 31,2021	December 31,2021	Shares (In thousands)	Percentage of ownership	Carrying value				
The Company	YCTSC	Samoa	Overseas investment activities	1,313,703 (USD42,322)	1,194,737 (USD38,082)	2,219	100.00%	1,748,665 (USD63,174)	100.00%	59,409 (USD2,121)	59,409 (USD2,121)	
The Company	YCTBC	B.V.I.	International trade	73,333 (USD2,557)	73,333 (USD2,557)	2,406	100.00%	9,722 (USD351)	100.00%	(46) (USD(2))	(46) (USD(2))	
The Company	Excel Rainbow	Seychelles	International trade	70,520 (USD2,155)	70,520 (USD2,155)	2,155	100.00%	3,802 (USD137)	100.00%	35 (USD1)	35 (USD1)	
The Company	Taiwan Lighting	Taipei City	Lighting facilities	176,110	176,110	17,611	100.00%	210,811	100.00%	25,586	25,586	
The Company	So Bright Electronics	Taoyuan City	Lighting facilities	63,904	63,904	2,773	60.29%	26,177	60.29%	(3,609)	(4,657)	
The Company	Yu Cheng Materials	Taipei City	Sales and manufacturing of electronic parts and components	136,784	136,784	13,678	81.80%	178,564	81.80%	(3,118)	(2,551)	
The Company	Taiwan New Thermal System	Taichung City	Sales and manufacturing of heat pipes	68,000	68,000	5,448	99.06%	33,341	99.06%	(1,855)	(1,838)	
The Company	Quaser Machine	Taichung City	Production and sales of Machinery and equipment	398,770	-	12,434	22.63%	367,768	22.63%	(184,856)	(29,529)	
The Company	Vietnam Yeh Chiang	Vietnam	Sales and manufacturing of heat pipes	173,830 (USD6,000)	118,140 (USD4,000)	-	100.00%	165,637 (USD5,984)	100.00%	(2,776) (USD(99))	(2,776) (USD(99))	
								<u>2,744,487</u>		<u>(111,230)</u>	<u>43,633</u>	

Name of investor	Name of investee	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership during the year	Net income (loss) of investee	Share of profits / losses of investee	Note
				December 31,2021	December 31,2021	Shares (In thousands)	Percentage of ownership	Carrying value				
YCTSC	YCTCC	Cayman	Overseas investment activities	USD23,828	USD23,828	1,244	100.00%	1,199,956 (USD43,351)	100.00%	62,910 (USD2,246)	62,910 (USD2,246)	
YCTSC	YCTYXCC	Cayman	Overseas investment activities	USD18,000	USD13,760	900	100.00%	535,193 (USD19,335)	100.00%	(3,473) (USD(124))	(3,473) (USD(124))	

Note 1: The shares of profits/losses of the investee company have been included in the share of profit/losses of investor company.

Note 2: The relevant transactions and ending balance are eliminated financial statement.

Yeh Chiang Technology Corporation and its Subsidiaries
Information on investment in Mainland China
From January 1 to December 31, 2021

Schedule 9(1)

(a) The names of investees in Mainland China, the main business and product, and other information :

(In Thousands of New Taiwan Dollars)

Investor Company	Name of investee	Main Business and Products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (loss)	Book value	Accumulated remittance of earnings in current period
						Out-flow	Inflow						
YCTCC	Zhongshan Weiqiang	Sales and manufacturing of heat pipes and BGA	539,760 (USD19,500)	Note1	539,760 (USD19,500)	-	-	539,760 (USD19,500)	16,946 (USD605)	100%	24,145 (USD862)	791,510 (USD28,595)	-
YCTCC	ZhuHai Weiqiang	Sales and manufacturing of heat pipes and bumping	13,840 (USD500)	Note1	13,840 (USD500)	-	-	13,840 (USD500)	(588) (USD(21))	100%	(588) (USD(21))	15,473 (USD559)	-
YCTCC	Ping Ding Shan Yeh Chiang	Sales and manufacturing of heat pipes	138,400 (USD5,000)	Note1	138,400 (USD5,000)	-	-	138,400 (USD5,000)	39,046 (USD1,394)	100%	39,046 (USD1,394)	338,859 (USD12,242)	-
YCTYXCC	Ye Xian Weiqiang	Sales and manufacturing of heat pipes	498,240 (USD18,000)	Note1	380,877 (USD13,760)	117,363 (USD4,240)	-	498,240 (USD18,000)	(3,333) (USD(119))	100%	(3,333) (USD(119))	535,802 (USD19,357)	-

Schedule 9(2)

(a) Limitation of investments in Mainland China :

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,190,240(US\$43,000 thousand)	1,190,240 (US\$43,000 thousand)	2,059,752

Note 1: Investment in companies in Mainland China through YCTSC in the third regions.

Note 2: The investment income (loss) recognition denominated in foreign currencies are translated into New Taiwan Dollars using the average rates at 28.01 from January 1 to December 31, 2021; Other investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the spot rate at 27.68.

Note 3: The financial statements of the Company were audited by the Taiwan parent company audit team.

Note 4: The relevant transactions and closing balances have been offset.

Note 5: The limitation on investment in Mainland China is calculated with 60% of the combined net equity.