

**Allis Electric Co., Ltd. and Subsidiaries**

Consolidated Financial Statements  
for the Years Ended December 31, 2020 and 2019

(With Auditors' Report Thereon)

12F., No. 19-11, Sanchong Rd., Taipei

TEL:(02)26553456    FAX:(02)26553388

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

Allis Electric Co., Ltd. and Subsidiaries  
Table of Contents

Contents	Page
I. Cover page	
II. Table of Contents	
III. Representation Letter	
IV. Independent Auditors' Report	I~IV
V. Consolidated Balance Sheets	1
VI. Consolidated Statements of Comprehensive Income	2
VII. Consolidated Statements of Changes in Equity	3
VIII. Consolidated Statements of Cash Flows	4~5
IX. Notes to the Consolidated Financial Statements	
1. General	6
2. Approval Date and Procedures of the Financial Statements	6
3. Application of New, Amended and Revised Standards and Interpretations	6~7
4. Summary of Significant Accounting Policies	7~18
5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty	18
6. Significant Accounts Disclosures	18~44
7. Transactions with Related Parties	44~46
8. Pledged Assets	46~47
9. Significant Contingent Liabilities and Unrecognized Commitments	47
10. Significant Loss from Disasters	—
11. Significant Subsequent Events	—
12. Others	—
13. Additional Disclosures	
(1) Information on Significant Transactions	47~48、51~58
(2) Information on Investees	48、59
(3) Information on Investment in Mainland China	48、60
(4) Information of Major Shareholder	—
14. Segment Information	49~50

## REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as those included in the consolidated financial statements of Allis Electric Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Allis Electric Co., Ltd. and its subsidiaries. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

ALLIS ELECTRIC CO., LTD.

By

---

Herr-Yeh Sung  
Chairman

March 30, 2021

**Earnest & Co., CPAs.**

4F., No. 501, Sec. 2, Tiding Blvd.,  
Taipei, Taiwan (R.O.C)

**惠眾聯合會計師事務所**

台北市堤頂大道二段 501 號 4 樓  
TEL: (02) 87519698 FAX: (02) 87515658

## **INDEPENDENT AUDITORS' REPORT**

Allis Electric Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Allis Electric Co., Ltd. and its subsidiaries (collectively referred to as "Allis Electric Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter section), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Allis Electric Group as of December 31, 2020 and 2019, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Revenue Recognition

Please refer to Note 4(16) of the consolidated financial statements for the accounting policies on revenue recognition.

Because revenue is high-risk in nature and parts of goods are customized, revenue recognition was identified as one of the key audit matters.

We have obtained understanding and have verified the accounting policy and the design and implementation of internal controls with respect to revenue recognition. We checked the compliance with the accounting policy on revenue recognition by reviewing the relevant documents. For ensuring Allis Electric Group's compliance with IFRS 15, samples from the recognized revenue have been selected to test if the conditions of revenue recognition were met.

#### Estimated Impairment of Accounts Receivable

Please refer to Note 4(6) of the consolidated financial statements for the accounting policies on impairment of accounts receivables and Note 5 of the consolidated financial statements for uncertainty of accounting estimation and assumptions for the estimated impairment of accounts receivable.

Because of measuring expected credit losses on accounts receivable involve significant judgments and uncertainties, the estimated impairment of accounts receivables was identified as one of the key audit matters.

We evaluated the reasonableness of allowance for impairment loss by testing the aging of accounts receivables and by quantifying the potential risk of accounts receivables that were overdue at the balance sheet date. We tested the recoverability of the accounts receivables by vouching cash receipts after the balance sheet date. For the estimated impairment of accounts receivable, we evaluated the adequacy of management's provision for impairment based on customers' past default experience, current financial position, any collateral pledged, existing market conditions as well as forward looking estimates.

#### **Other Matter**

We did not audit the financial statements of certain subsidiaries of Allis Electric Group as of and for the year ended December 31, 2020, which were included in the accompanying consolidated financial statements, but such financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in Allis Electric Group's consolidated financial statements for such subsidiaries, is based solely on the reports of other auditors. As of December 31, 2020, the total assets of such subsidiaries were NT\$155,148 thousand which represented 2.54% of Allis Electric Group's consolidated total assets. For the year ended December 31, 2020, the operating revenue of such subsidiaries were NT\$48,179 thousand which represented 0.94% of Allis Electric Group's consolidated total operating revenue. In addition, we did not audit the financial statements of certain associates of Allis Electric Group as of and for the years ended December 31, 2020 and 2019, which reflected in the consolidated financial statements using the equity of accounting, but such financial statements were audited by other auditors whose reports have been furnished to us. Thus, our opinion, insofar as it relates to the amounts included in Allis Electric Group's consolidated financial statements for such associates, is based solely on the reports of other auditors. As of December 31, 2020 and 2019, the aforementioned investments accounted for using equity method were NT\$298,148 thousand and NT\$276,015 thousand, respectively, which represented 4.87% and 4.76%, respectively, of Allis Electric Group's consolidated total assets. Allis Electric Group's share of comprehensive income or loss of such associates were NT\$44,609 thousand and NT\$47,615 thousand for the years ended December 31, 2020 and 2019, respectively, which represented 12.08% and 13.72%, respectively, of Allis Electric Group's consolidated total comprehensive income.

We have also audited the parent company only financial statements of Allis Electric Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with Other Matter section.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and 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 Allis Electric 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 Allis Electric 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 Allis Electric Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Allis Electric 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 Allis Electric 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 auditors' report. However, future events or conditions may cause Allis Electric 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 and appropriate audit evidence regarding the financial information of entities or business activities within Allis Electric Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Min-chih Chuo and Wen-Ting Hsiang.

Earnest & Co., CPAs.  
Taipei, Taiwan  
Republic of China

March 30, 2021

#### Notice to Readers

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

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

Allis Electric Co., Ltd. and Subsidiaries  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

ASSETS		Notes	2020.12.31		2019.12.31		LIABILITIES AND EQUITY		Notes	2020.12.31		2019.12.31	
			Amount	%	Amount	%				Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
1100	Cash and cash equivalents	Note 4 and 6	\$ 616,704	10.08	\$ 394,219	6.80	2100	Short-term loans	Note 6	\$ 807,641	13.20	\$ 796,038	13.73
1120	Financial assets at fair value through other comprehensive income	Note 4 and 6	15,495	0.25	9,094	0.16	2120	Financial liabilities at fair value through profit or loss	Note 4 and 6	1,775	0.03	—	—
1140	Contract assets		150,479	2.46	235,722	4.07	2130	Contract liabilities		204,256	3.34	204,802	3.53
1150	Notes receivable, net	Note 4 and 6	64,413	1.05	79,606	1.37	2150	Notes payable		16,178	0.26	22,137	0.38
1160	Notes receivable from related parties	Note 7	613	0.01	5,094	0.09	2160	Notes payable to related parties	Note 7	6,048	0.10	—	—
1170	Accounts receivable, net	Note 4 and 6	1,844,548	30.14	1,447,234	24.96	2170	Accounts payable		1,045,514	17.08	1,120,569	19.33
1180	Accounts receivable from related parties	Note 6 and 7	15,735	0.26	33,517	0.58	2180	Accounts payable to related parties	Note 7	85,132	1.39	42,583	0.73
1200	Other receivables	Note 4, 6, 7, and 8	150,523	2.46	253,979	4.38	2200	Other payables	Note 7	232,924	3.81	190,730	3.29
1220	Current tax assets		233	0.00	1,426	0.02	2230	Current tax liabilities	Note 4	29,521	0.48	13,384	0.23
1310	Inventories	Note 4 and 6	1,099,531	17.97	1,238,026	21.35	2250	Provisions	Note 4 and 6	12,100	0.20	12,100	0.21
1410	Prepayments		46,280	0.76	38,074	0.66	2255	Short-term onerous contracts provision		1,633	0.03	8,537	0.15
1479	Other current assets	Note 6	5,144	0.08	24	0.00	2280	Lease liabilities	Note 4	4,155	0.07	4,935	0.09
11xx	Total current assets		4,009,698	65.52	3,736,015	64.44	2399	Other current liabilities		4,850	0.08	1,425	0.02
							21xx	Total current liabilities		2,451,727	40.07	2,417,240	41.69
								NON-CURRENT LIABILITIES					
							2540	Long-term loans	Note 6	65,118	1.06	—	—
							2571	Deferred tax liabilities	Note 4 and 6	174,502	2.85	174,220	3.01
							2580	Lease liabilities	Note 4	7,204	0.12	9,119	0.16
	NON-CURRENT ASSETS						2640	Net defined benefit liabilities	Note 4 and 6	90,189	1.47	93,379	1.61
1517	Financial assets at fair value through other comprehensive income	Note 4 and 6	247,813	4.05	270,758	4.67	2645	Guarantee deposits		3,378	0.06	3,382	0.06
1550	Investments accounted for using equity method	Note 4 and 6	298,148	4.87	276,015	4.76	25xx	Total non-current liabilities		340,391	5.56	280,100	4.84
1600	Property, plant and equipment	Note 4, 6 and 8	1,088,148	17.78	1,008,812	17.40	2xxx	Total liabilities		2,792,118	45.63	2,697,340	46.53
1755	Right-of-use assets	Note 4 and 6	11,185	0.18	13,927	0.24							
1760	Investment properties	Note 4, 6 and 8	357,850	5.85	359,999	6.21		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
1780	Intangible assets	Note 4 and 6	30,920	0.51	12,302	0.21	3100	Share capital	Note 6	2,174,540	35.53	2,070,990	35.72
1840	Deferred tax assets	Note 4 and 6	17,605	0.29	21,184	0.37	3200	Capital surplus	Note 6	68,870	1.12	67,172	1.16
1915	Prepayments for equipment		—	—	6,131	0.11		Retained earnings					
1920	Refundable deposits		46,519	0.76	41,956	0.72	3310	Legal reserve		132,753	2.17	102,580	1.77
1975	Net defined benefit asset	Note 4 and 6	1,418	0.02	1,706	0.03	3320	Special reserve		452,190	7.39	452,994	7.81
1980	Other receivables	Note 6	412	0.01	38,987	0.67	3350	Unappropriated earnings		393,242	6.43	328,398	5.67
1990	Other non-current assets	Note 6	9,748	0.16	9,748	0.17	3300	Total retained earnings	Note 6	978,185	15.99	883,972	15.25
15xx	Total non-current assets		2,109,766	34.48	2,061,525	35.56	3400	Other equity	Note 6	81,178	1.33	52,091	0.90
							3500	Treasury Stock	Note 6	(41,616)	(0.68)	(41,616)	(0.72)
							31xx	Total equity attributable to owners of the parent		3,261,157	53.29	3,032,609	52.31
							36xx	NON-CONTROLLING INTERESTS		66,189	1.08	67,591	1.16
							3xxx	Total equity		3,327,346	54.37	3,100,200	53.47
1xxx	TOTAL ASSETS		\$ 6,119,464	100.00	\$ 5,797,540	100.00		TOTAL LIABILITIES AND EQUITY		\$ 6,119,464	100.00	\$ 5,797,540	100.00

The accompanying notes are an integral part of the consolidated financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 30, 2021)



Allis Electric Co., Ltd. and Subsidiaries  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2020		2019		
		Notes	Amount	%	Amount	%
4000	OPERATING REVENUE	Note 4, 6 and 7	\$ 5,113,892	100.00	\$ 4,819,154	100.00
5000	OPERATING COST	Note 6 and 7	4,209,656	82.32	3,979,225	82.57
5900	GROSS PROFIT		904,236	17.68	839,929	17.43
5910	LESS: UNREALIZED GROSS PROFIT ON SALES		394	0.01	—	—
5920	ADD: REALIZED GROSS PROFIT ON SALES		—	—	81	0.00
5950	NET GROSS PROFIT		903,842	17.67	840,010	17.43
OPERATING EXPENSES						
6100	Selling and marketing expenses	Note 7	280,993	5.50	260,092	5.40
6200	General and administrative expenses		147,167	2.88	144,126	2.98
6300	Research and development expenses	Note 7	110,594	2.16	107,788	2.24
6450	Expected credit impairment loss		16,338	0.32	50,979	1.06
6000	Total operating expenses		555,092	10.86	562,985	11.68
6900	OPERATING INCOME		348,750	6.81	277,025	5.75
NON-OPERATING INCOME AND EXPENSES						
7010	Other income	Note 6 and 7	31,635	0.62	33,910	0.70
7020	Other gains and losses	Note 6	(24,699 )	(0.48 )	(6,988 )	(0.15 )
7050	Finance costs	Note 6	(11,167 )	(0.22 )	(10,709 )	(0.22 )
7060	Share of profit of associates accounted for using equity method	Note 4 and 6	44,901	0.88	34,706	0.73
7000	Total non-operating income and expenses		40,670	0.80	50,919	1.06
7900	INCOME BEFORE INCOME TAX		389,420	7.61	327,944	6.81
7950	INCOME TAX EXPENSE	Note 4 and 6	69,275	1.35	30,521	0.64
8200	NET INCOME		320,145	6.26	297,423	6.17
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that will not be reclassified subsequently to profit or loss						
8311	Remeasurement of defined benefit plans	Note 6	(20,692)	(0.40 )	5,150	0.11
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	Note 4	69,760	1.36	50,199	1.04
8321	Share of remeasurement of defined benefit plans of associates accounted for using equity method		(774)	(0.02)	71	0.00
8349	Income tax relating to items that will not be reclassified to profit or loss	Note 6	60	0.00	75	0.00
Items that may be reclassified subsequently to profit or loss						
8361	Exchange differences on translating foreign operation		445	0.01	(4,918)	(0.10)
8370	Share of other comprehensive income (loss) of associates accounted for using equity method		482	0.01	(1,033)	(0.02)
8300	Other comprehensive income, net		49,281	0.96	49,544	1.03
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 369,426	7.22	\$ 346,967	7.20
NET INCOME ATTRIBUTABLE TO						
8610	Owners of the parent		\$ 323,925	6.33	\$ 295,581	6.13
8620	Non-controlling interests		(3,780 )	(0.07)	1,842	0.04
			\$ 320,145	6.26	\$ 297,423	6.17
8700	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO					
8710	Owners of the parent		\$ 371,819	7.27	\$ 338,002	7.01
8720	Non-controlling interests		(2,393)	(0.05)	8,965	0.19
			\$ 369,426	7.22	\$ 346,967	7.20
9750	EARNINGS PER SHARE	Note 6	\$ 1.51		\$ 1.38	

The accompanying notes are an integral part of the consolidated financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 30, 2021)

Allis Electric Co., Ltd. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Equity Attributable to Owners of Parent													
	Share Capital		Retained Earnings				Other Equity						
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated earnings	Exchange differences on translating foreign operation	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income		Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2019	201,067	\$ 2,010,670	\$ 65,429	\$ 80,989	\$ 453,797	\$ 249,325	\$ (7,271)	\$ 22,288	\$ (41,616)	\$ 2,833,611	\$ 58,620	\$ 2,892,231	
Appropriation of the 2018 earnings													
Legal reserve appropriated	—	—	—	21,591	—	(21,591)	—	—	—	—	—	—	
Cash dividends-NT\$0.70 per share	—	—	—	—	—	(140,747)	—	—	—	(140,747)	—	(140,747)	
Stock dividends-NT\$0.30 per share	6,032	60,320				(60,320)	—	—	—	—	—	—	
Net income in 2019	—	—	—	—	—	295,581	—	—	—	295,581	1,842	297,423	
Other comprehensive income and loss in 2019, net of income tax	—	—	—	—	—	5,347	(4,335)	41,409	—	42,421	7,123	49,544	
Total comprehensive income in 2019	—	—	—	—	—	300,928	(4,335)	41,409	—	338,002	8,965	346,967	
Cash dividends distributed to subsidiaries	—	—	1,654	—	—	—	—	—	—	1,654	1	1,655	
Changes in ownership interests in subsidiaries	—	—	(5)	—	—	—	—	—	—	(5)	5	—	
Donation from owners	—	—	94	—	—	—	—	—	—	94	—	94	
Reversal of special reserve	—	—	—	—	(803)	803	—	—	—	—	—	—	
BALANCE, DECEMBER 31, 2019	207,099	2,070,990	67,172	102,580	452,994	328,398	(11,606)	63,697	(41,616)	3,032,609	67,591	3,100,200	
Appropriation of the 2019 earnings													
Legal reserve appropriated	—	—	—	30,173	—	(30,173)	—	—	—	—	—	—	
Cash dividends-NT\$0.70 per share	—	—	—	—	—	(144,969)	—	—	—	(144,969)	—	(144,969)	
Stock dividends-NT\$0.50 per share	10,355	103,550	—	—	—	(103,550)	—	—	—	—	—	—	
Net income in 2020	—	—	—	—	—	323,925	—	—	—	323,925	(3,780)	320,145	
Other comprehensive income and loss in 2020, net of income tax	—	—	—	—	—	(21,366)	596	68,664	—	47,894	1,387	49,281	
Total comprehensive income in 2020	—	—	—	—	—	302,559	596	68,664	—	371,819	(2,393)	369,426	
Cash dividends from subsidiaries	—	—	—	—	—	—	—	—	—	—	(242)	(242)	
Cash dividends distributed to subsidiaries	—	—	1,703	—	—	—	—	—	—	1,703	1	1,704	
Disposal of investments in equity instruments at fair value through other comprehensive income	—	—	—	—	—	40,173	—	(40,173 )	—	—	—	—	
Changes in ownership interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	1,232	1,232	
Return of donation from owners	—	—	(5)	—	—	—	—	—	—	(5)	—	(5)	
Reversal of special reserve	—	—	—	—	(804)	804	—	—	—	—	—	—	
BALANCE, DECEMBER 31, 2020	217,454	\$ 2,174,540	\$ 68,870	\$ 132,753	\$ 452,190	\$ 393,242	\$ (11,010)	\$ 92,188	\$ (41,616)	\$ 3,261,157	\$ 66,189	\$ 3,327,346	

The accompanying notes are an integral part of the consolidated financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 30, 2021)

Allis Electric Co., Ltd. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	\$ 389,420	\$ 327,944
Adjustments for		
Adjustments to reconcile profit (loss)		
Depreciation expense	44,594	43,405
Amortization expense	4,965	4,836
Expected credit impairment loss	16,338	50,979
Net loss (gain) on financial instruments at fair value through profit or loss	4,370	(4,427)
Interest expense	11,167	10,709
Interest income	(3,671)	(5,180)
Dividend income	(2,167)	(1,855)
Share of profit of associates accounted for using equity method	(44,901)	(34,706)
Net (gain) loss on disposal of property, plant and equipment	4	(265)
Unrealized (realized ) gross profit on sales	394	(81)
Changes in operating assets and liabilities		
Decrease in contract assets	85,243	55,534
Decrease (increase) in notes receivable	15,281	(6,522)
Decrease in notes receivable from related parties	4,481	1,115
Decrease (increase) in accounts receivable	(362,548)	243,504
Decrease in accounts receivable from related parties	17,782	31,545
Decrease (increase) in other receivables	107,306	(246,300)
Decrease (increase) in inventories	225,887	(136,517)
Decrease (increase) in prepayments	(5,955)	13,955
Decrease (increase) in other current assets	(5,145)	238
Increase in net defined benefit asset	(12)	(21)
Changes in financial instruments at fair value through profit or loss	(2,595)	3,958
Increase (decrease) in contract liabilities	(594)	99,929
Decrease in notes payable	(5,959)	(6,627)
Increase in notes payable to related parties	6,048	—
Increase (decrease) in accounts payable	(148,877)	32,031
Increase (decrease) in accounts payable to related parties	42,549	(87,151)
Increase in other payables	32,372	17,732
Increase (decrease) in short-term onerous contracts provision	(6,904)	8,537
Increase (decrease) in other current liabilities	(3,026)	134
Decrease in net defined benefit liabilities	<u>(23,582)</u>	<u>(14,398)</u>

Allis Electric Co., Ltd. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	2020	2019
Cash inflow generated from operations	\$ 392,265	\$ 402,035
Income tax paid	(47,969)	(48,585)
Net cash generated from operating activities	<u>344,296</u>	<u>353,450</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of financial assets at fair value through other comprehensive income	(9,872)	(221)
Proceeds from disposal of financial assets at fair value through other comprehensive income	95,404	—
Acquisition of subsidiary	(12,163)	—
Acquisition of property, plant and equipment	(102,338)	(38,321)
Proceeds from disposal of property, plant and equipment	98	267
Acquisition of intangible assets	(2,092)	(1,066)
Increase in prepayments for equipment	—	(1,981)
Increase in refundable deposits	(4,563)	(14,845)
Decrease in other financial assets	—	969
Interest received	3,888	5,286
Cash dividend received	19,571	19,555
Net cash flows used in investing activities	<u>(12,067)</u>	<u>(30,357)</u>
CASH FLOWS FROM FINANCING ACTIVITIES :		
Increase in short-term loans	4,831,725	4,184,635
Decrease in short-term loans	(4,838,299)	(4,343,597)
Increase in long-term loans	55,653	—
Increase (decrease) in guarantee deposits	(4)	200
Interest paid	(11,214)	(10,773)
Repayment of the principal portion of lease liabilities	(5,642)	(6,115)
Cash dividends paid	(143,506)	(139,092)
Others	(5)	94
Net cash flows used in financing activities	<u>(111,292)</u>	<u>(314,648)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,548	(2,631)
NET INCREASE IN CASH AND CASH EQUIVALENTS	222,485	5,814
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	394,219	388,405
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 616,704</u></u>	<u><u>\$ 394,219</u></u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 30, 2021)

Allis Electric Co., Ltd. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

## 1. GENERAL

Allis Electric Co., Ltd. (the “Company”) was incorporated in September 1968. Allis Electric Co., Ltd. and Subsidiaries (collectively referred to as the “Group”) is engaged in manufacturing and selling of switchgear, transformer, electrical products, and construction and installation of electrical equipment. Please refer to Note 4(2) and 14.

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

## 2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 30, 2021.

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

- (1) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

- (2) The IFRSs issued by IASB and endorsed by the FSC for application starting from 2021

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

- (3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the aforementioned standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (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 and IFRSs as endorsed and issued into effect by the FSC.

##### (2) Basis of consolidation

###### a. The basis of the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

###### b. The subsidiaries in the consolidated financial statements

Name of subsidiaries	Principle Businesses Activities	Location	Percentage of Ownership	
			2020.12.31	2019.12.31
Air King Industrial Co., Ltd.	Design and installation of electrical equipment	Taipei, Taiwan	83.12%	83.12%
Ares Technology Co., Ltd.	Manufacturing of UPS	New Taipei City, Taiwan	100.00%	99.79%

Name of subsidiaries	Principle Businesses Activities	Location	Percentage of Ownership	
			2020.12.31	2019.12.31
Yishun Investment Co., Ltd.	Investment and holding	Taipei, Taiwan	99.94%	99.94%
Allis Communications Co., Ltd.	Manufacturing of GPS antennas	New Taipei City, Taiwan	76.86%	76.86%
Qingdao Liming Industry Co., Ltd.	Selling of electrical equipment	Qingdao, China	65.38%	65.38%
Allis International Inc.	Investment and holding	British Virgin Islands	—	100.00%
Hengyuan Allis Electric Co., Ltd.	Selling of electrical equipment	Qingdao, China	65.38%	65.38%
AEC International S.r.l.	Selling of electrical equipment	Italy	100.00% (Note ①)	—
PHD Powerhouse Distributions (PTY) Ltd.	Selling of UPS	South Africa	90.00% (Note ②)	—

Note:

①The Company acquired 100% ownership of AEC International S.r.l. on September 11, 2020 and AEC International S.r.l. has been included in the consolidated financial statements since then.

②The Company acquired 45% ownership of PHD Powerhouse Distributions (PTY) Ltd. on December 1, 2020, leading to an increase in ownership to 90% and a change in identity of the latter from associate to subsidiary, and PHD Powerhouse Distributions (PTY) Ltd. has been included in the consolidated financial statements since then.

### (3) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currency different from the currency of the Company) are

translated into the New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to the owners of the Company and non-controlling interests as appropriate).

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

Current assets include:

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

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement 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 the issue of equity instruments do not affect its classification.

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

The Group engages in the construction business, which has an operating cycle of over one year, the normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

(5) Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents are cash on hand, checking accounts, demand deposit, and short-term time deposits with original maturities less than one year.

(6) Financial instruments

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

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



## Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### a.Measurement categories

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

#### ①Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in profit or loss.

#### ②Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to their gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

#### ③Investments in equity instruments at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or

loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable).

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For all other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

## Financial liabilities

### a. Subsequent measurement

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

### b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## Derivative financial instruments

The Group enters into the foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

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

## (7) Inventories

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

## (8) Investments accounted for using equity method

An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate as well as the distribution received. The Group also recognizes the changes in the Group's share of equity of associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on

behalf of that associate.

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

#### (9) Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

## (10) Leases

### a. The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

### b. The Group as lessor

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

Lease income from operating leases is recognized on a straight-line basis over

the terms of the lease. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

#### (11) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

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

#### (12) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

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

#### (13) Impairment of tangible and intangible assets

##### a. Goodwill

Goodwill is not amortized and instead is tested for impairment annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

##### b. Tangible assets and other intangible assets

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

cash-generating units on a reasonable and consistent basis of allocation.

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

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

#### (14) Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

#### (15) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost and gains or losses on settlements) and interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

#### (16) Revenue Recognition

The Group identifies the performance obligations in the contract with the customers, allocates transaction price to each performance obligation and recognizes revenue when performance obligations are satisfied.

##### a. Revenue from sale of goods

Revenue from sale of goods comes from sales of transformer, switchgear, transmission and distribution apparatus and electrical equipment. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location or shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Revenue and accounts receivables are recognized concurrently. Advance receipts received before the merchandise has been transferred are recognized as a contract liability.

b. Construction contract revenue

Customers control construction contract while they are construction in progress, and thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to accounts receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

(17) Taxation

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

a. Current tax

According to the Income Tax Law of the Republic of China, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected



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

c. Current and deferred tax

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Estimated impairment of accounts receivables

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

As of December 31, 2020 and 2019, the carrying amounts of accounts receivable were NT\$1,860,283 thousand and NT\$1,480,751 thousand, respectively.

## 6. SIGNIFICANT ACCOUNTS DISCLOSURES

### (1) Cash and cash equivalents

	2020.12.31	2019.12.31
Petty cash and cash on hand	\$ 1,804	\$ 1,354
Checking accounts and demand deposits	510,836	362,875
Cash equivalents		
Time deposits with original maturities less than one year	104,064	29,900
Total	<u>\$ 616,704</u>	<u>\$ 394,219</u>

### (2) Financial assets and liabilities at fair value through profit or loss

Financial liabilities held for trading	2020.12.31	2019.12.31
Derivative Instruments:		
Foreign exchange contracts	\$ (1,775 )	\$ —

a. The Group entered into forward exchange contracts to manage exposures due to fluctuations of foreign exchange rates. These forward exchange contracts did not meet the criteria for hedge accounting. Therefore, the Group did not apply hedge accounting treatment for these forward exchange contracts.

b. Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount
2020.12.31		
Sell NTD/Buy USD	2021.2.3-2021.4.15	USD 1,739 /NTD 50,624

Net (loss) gain on derivative instruments recognized for the years ended December 31, 2020 and 2019 were NT\$(4,370) thousand and NT\$4,427 thousand, respectively.

(3) Financial assets at fair value through other comprehensive income (FVTOCI)

	2020.12.31	2019.12.31
Listed shares	\$ 15,495	\$ 9,094
Unlisted shares	247,813	270,758
Total	\$ 263,308	\$ 279,852
Current	\$ 15,495	\$ 9,094
Non-current	247,813	270,758
Total	\$ 263,308	\$ 279,852

As of December 31, 2020 and 2019, FVTOCI were not pledged as collateral for bank borrowings.

(4) Notes receivable and accounts receivable

	2020.12.31	2019.12.31
Notes receivable	\$ 64,765	\$ 80,046
Less: Allowance for impairment loss	(352 )	(440 )
Notes receivable, net	\$ 64,413	\$ 79,606
Accounts receivable	\$ 1,936,157	\$ 1,620,151
Less : Unrealized interest income	(8,830 )	(8,794 )
Allowance for impairment loss	(82,779 )	(164,123 )
Accounts receivable, net	\$ 1,844,548	\$ 1,447,234
Accounts receivable from related parties	\$ 15,735	\$ 33,517

The Group applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowances for all accounts receivables. The expected credit losses on accounts receivables are estimated with reference to past default experiences of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

All notes receivable were not past due.

The following table details the loss allowance of accounts receivables:

#### 2020.12.31

	Not Past Due	Past Due 0-3 Months	Past Due 3-6 Months	Past Due 6-9 Months	Past Due 9-12 Months	Past Due 1-2 years	Past Due Over 2 years	Total
Gross carrying amount	\$ 1,214,411	\$ 372,930	\$ 111,817	\$ 64,842	\$ 91,462	\$ 42,571	\$ 53,859	\$ 1,951,892
Loss allowance	(27,844 )	(3,564 )	(1,041 )	(644 )	(1,671 )	(10,067 )	(37,948 )	(82,779 )
Amortized cost	<u>\$ 1,186,567</u>	<u>\$ 369,366</u>	<u>\$ 110,776</u>	<u>\$ 64,198</u>	<u>\$ 89,791</u>	<u>\$ 32,504</u>	<u>\$ 15,911</u>	<u>\$ 1,869,113</u>

#### 2019.12.31

	Not Past Due	Past Due 0-3 Months	Past Due 3-6 Months	Past Due 6-9 Months	Past Due 9-12 Months	Past Due 1-2 years	Past Due Over 2 years	Total
Gross carrying amount	\$ 902,216	\$ 357,005	\$ 113,742	\$ 73,754	\$ 41,559	\$ 76,353	\$ 89,039	\$ 1,653,668
Loss allowance	(9,011 )	(5,883 )	(4,282 )	(10,287 )	(13,725 )	(45,708 )	(75,227 )	(164,123 )
Amortized cost	<u>\$ 893,205</u>	<u>\$ 351,122</u>	<u>\$ 109,460</u>	<u>\$ 63,467</u>	<u>\$ 27,834</u>	<u>\$ 30,645</u>	<u>\$ 13,812</u>	<u>\$ 1,489,545</u>

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

	2020.12.31	2019.12.31
Balance, beginning of the year	\$ 164,563	\$ 145,762
Loss allowance recognized	16,088	51,180
Amounts written off	(97,523 )	(32,367)
Effect of foreign currency exchange differences	3	(12)
Balance, end of the year	<u>\$ 83,131</u>	<u>\$ 164,563</u>

#### (5) Inventories

	2020.12.31	2019.12.31
Finished goods	\$ 329,300	\$ 342,604
Work-in-process	236,798	328,423
Raw materials	500,404	565,225
Inventory in transit	33,029	1,774
Inventories, net	<u>\$ 1,099,531</u>	<u>\$ 1,238,026</u>

For the cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019, please refer to Note 6(19).

For the years ended December 31, 2020 and 2019, reversal of write-down of inventories resulting from disposal of slowing-moving inventories and write-down of inventories to net realizable value were included in the cost of goods sold as follows:

	2020	2019
Inventory losses (reversal of write-down of inventories)	\$ (4,506 )	\$ 27,417

As of December 31, 2020 and 2019, inventories were not pledged as collateral for bank borrowings.

(6) Other receivables, net

	2020.12.31	2019.12.31
Pledged time deposits	\$ —	\$ 3,577
Loan receivable	—	38,987
Restricted deposit	143,524	245,618
Others	7,661	4,784
Less : Allowance for impairment loss	(250)	—
Other receivables, net	\$ 150,935	\$ 292,966
Current	\$ 150,523	\$ 253,979
Non-current	412	38,987
Total	\$ 150,935	\$ 292,966

(7) Investments accounted for using equity method

Name of Associates	2020.12.31		2019.12.31	
	% of Ownership	Amount	% of Ownership	Amount
Nissin-Allis Electric Co., Ltd.	30.00%	\$ 197,597	30.00%	\$ 173,028
Nissin Allis Union Ion Equipment Co., Ltd.	40.00%	100,551	40.00%	88,821
AYM International Corporation	40.00%	—	40.00%	—
PHD Powerhouse Distributions (PTY) Ltd.	—	—	45.00%	14,166
Intelici Corporation	29.16%	—	29.16%	—
Total		\$ 298,148		\$ 276,015

The aforementioned associates were not listed companies and immaterial to the Group.

Aggregate information of associates that are not individually material:

	2020.12.31	2019.12.31
Equity	\$ 911,550	\$ 809,325

	2020	2019
The Group's share of :		
Net income for the year	\$ 56,901	\$ 39,706
Other comprehensive income (loss)	(292)	(962)
Total comprehensive income (loss) for the year	<u>\$ 56,609</u>	<u>\$ 38,744</u>
Impairment loss recognized	<u>\$ 12,000</u>	<u>\$ 5,000</u>

(8) Property, plant and equipment

	2020.12.31	2019.12.31
Land	\$ 646,993	\$ 646,993
Buildings	229,204	238,983
Machinery and equipment	67,737	68,130
Transportation equipment	8,809	7,256
Other equipment	44,302	47,450
Construction in progress	91,103	—
Total carrying amounts	<u>\$ 1,088,148</u>	<u>\$ 1,008,812</u>

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction In Progress	Total
Balance at January 1, 2020	\$ 646,993	\$ 606,844	\$ 424,886	\$ 39,776	\$ 145,751	\$ —	\$ 1,864,250
Acquisition of subsidiary	—	—	17,837	1,229	1,986	—	21,052
Additions	—	2,413	8,399	2,476	4,078	84,972	102,338
Disposals	—	—	(2,294 )	(560 )	(6,494 )	—	(9,348 )
Transfer from prepayments for equipment	—	—	—	—	—	6,131	6,131
Effect of foreign currency exchange differences	—	—	(143 )	24	40	—	(79 )
Balance at December 31, 2020	<u>\$ 646,993</u>	<u>\$ 609,257</u>	<u>\$ 448,685</u>	<u>\$ 42,945</u>	<u>\$ 145,361</u>	<u>\$ 91,103</u>	<u>\$ 1,984,344</u>

Accumulated depreciation

Balance at January 1, 2020	\$ —	\$ 367,861	\$ 356,756	\$ 32,520	\$ 98,301	\$ —	\$ 855,438
Acquisition of subsidiary	—	—	11,560	667	1,072	—	13,299
Depreciation expense	—	12,192	15,015	1,495	8,054	—	36,756
Disposals	—	—	(2,294 )	(560 )	(6,392 )	—	(9,246 )
Effect of foreign currency exchange differences	—	—	(89 )	14	24	—	(51 )
Balance at December 31, 2020	<u>\$ —</u>	<u>\$ 380,053</u>	<u>\$ 380,948</u>	<u>\$ 34,136</u>	<u>\$ 101,059</u>	<u>\$ —</u>	<u>\$ 896,196</u>
Carrying amounts at December 31, 2020	<u>\$ 646,993</u>	<u>\$ 229,204</u>	<u>\$ 67,737</u>	<u>\$ 8,809</u>	<u>\$ 44,302</u>	<u>\$ 91,103</u>	<u>\$ 1,088,148</u>

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction In Progress	Total
Balance at January 1, 2019	\$ 646,993	\$ 600,444	\$ 416,269	\$ 36,933	\$ 144,432	\$ —	\$ 1,845,071
Additions	—	6,400	18,877	3,910	9,134	—	38,321
Disposals	—	—	(10,260 )	(1,067 )	(7,590 )	—	(18,917 )
Effect of foreign currency exchange differences	—	—	—	—	(225 )	—	(225 )
Balance at December 31, 2019	<u>\$ 646,993</u>	<u>\$ 606,844</u>	<u>\$ 424,886</u>	<u>\$ 39,776</u>	<u>\$ 145,751</u>	<u>\$ —</u>	<u>\$ 1,864,250</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ —	\$ 356,096	\$ 353,170	\$ 32,520	\$ 97,765	—	\$ 839,551
Depreciation expense	—	11,765	13,846	1,067	8,335	—	35,013
Disposals	—	—	(10,260 )	(1,067 )	(7,588 )	—	(18,915 )
Effect of foreign currency exchange differences	—	—	—	—	(211 )	—	(211 )
Balance at December 31, 2019	<u>\$ —</u>	<u>\$ 367,861</u>	<u>\$ 356,756</u>	<u>\$ 32,520</u>	<u>\$ 98,301</u>	<u>\$ —</u>	<u>\$ 855,438</u>
Carrying amounts at December 31, 2019	<u>\$ 646,993</u>	<u>\$ 238,983</u>	<u>\$ 68,130</u>	<u>\$ 7,256</u>	<u>\$ 47,450</u>	<u>\$ —</u>	<u>\$ 1,008,812</u>

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

Buildings	3-55 years
Machinery and equipment	3-13 years
Transportation equipment	5-13 years
Other equipment	3-13 years

b. For the carrying amount of property, plant and equipment pledged as collateral for bank borrowings, please refer to Note 8.

c. There were no capitalized interests for the years ended December 31, 2020 and 2019.

d. As of December 31, 2020 and 2019, the title of farmland with carrying amounts of NT\$308 thousand were temporarily registered in the name of Herr-Yeh Sung who had signed an agreement and had pledged the land to the Company.

(9) Right-of-use assets

	2020.12.31	2019.12.31
Buildings	\$ 1,677	\$ 875
Transportation equipment	847	1,793
Other equipment	<u>8,661</u>	<u>11,259</u>
Total carrying amounts	<u>\$ 11,185</u>	<u>\$ 13,927</u>

Cost	Buildings	Transportation Equipment	Other Equipment	Total
Balance at January 1, 2020	\$ 2,153	\$ 4,159	\$ 13,858	\$ 20,170
Additions	2,076	871	—	2,947
Disposals	(1,392 )	(509 )	—	(1,901 )
Balance at December 31, 2020	<u>\$ 2,837</u>	<u>\$ 4,521</u>	<u>\$ 13,858</u>	<u>\$ 21,216</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 1,278	\$ 2,366	\$ 2,599	\$ 6,243
Depreciation expense	1,274	1,817	2,598	5,689
Disposals	(1,392 )	(509 )	—	(1,901 )
Balance at December 31, 2020	<u>\$ 1,160</u>	<u>\$ 3,674</u>	<u>\$ 5,197</u>	<u>\$ 10,031</u>
Carrying amounts at December 31, 2020	<u>\$ 1,677</u>	<u>\$ 847</u>	<u>\$ 8,661</u>	<u>\$ 11,185</u>

Cost	Buildings	Transportation Equipment	Other Equipment	Total
Balance arising from Initial application at January 1, 2019	\$ 2,153	\$ 4,159	\$ 13,858	\$ 20,170
Additions	—	—	—	—
Balance at December 31, 2019	<u>\$ 2,153</u>	<u>\$ 4,159</u>	<u>\$ 13,858</u>	<u>\$ 20,170</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	\$ —	\$ —	\$ —	\$ —
Depreciation expense	1,278	2,366	2,599	6,243
Balance at December 31, 2019	<u>\$ 1,278</u>	<u>\$ 2,366</u>	<u>\$ 2,599</u>	<u>\$ 6,243</u>
Carrying amounts at December 31, 2019	<u>\$ 875</u>	<u>\$ 1,793</u>	<u>\$ 11,259</u>	<u>\$ 13,927</u>

(10) Investment properties

	2020.12.31	2019.12.31
Land	\$ 308,269	\$ 308,269
Buildings	49,581	51,730
Total carrying amounts	<u>\$ 357,850</u>	<u>\$ 359,999</u>

Cost	Land	Buildings	Total
Balance at January 1, 2020	\$ 308,269	\$ 74,077	\$ 382,346
Additions	—	—	—
Balance at December 31, 2020	<u>\$ 308,269</u>	<u>\$ 74,077</u>	<u>\$ 382,346</u>

Accumulated depreciation	Land	Buildings	Total
Balance at January 1, 2020	\$ —	\$ 22,347	\$ 22,347
Depreciation expense	—	2,149	2,149
Balance at December 31, 2020	<u>\$ —</u>	<u>\$ 24,496</u>	<u>\$ 24,496</u>
Carrying amounts at December 31, 2020	<u>\$ 308,269</u>	<u>\$ 49,581</u>	<u>\$ 357,850</u>
Cost			
Balance at January 1, 2019	\$ 308,269	\$ 74,077	\$ 382,346
Additions	—	—	—
Balance at December 31, 2019	<u>\$ 308,269</u>	<u>\$ 74,077</u>	<u>\$ 382,346</u>
Accumulated depreciation			
Balance at January 1, 2019	\$ —	\$ 20,198	\$ 20,198
Depreciation expense	—	2,149	2,149
Balance at December 31, 2019	<u>\$ —</u>	<u>\$ 22,347</u>	<u>\$ 22,347</u>
Carrying amounts at December 31, 2019	<u>\$ 308,269</u>	<u>\$ 51,730</u>	<u>\$ 359,999</u>

- The investment properties held by the Group are depreciated on a straight-line basis over the estimated useful lives of 45 to 60 years.
- For the carrying amount of investment properties pledged as collateral for bank borrowings, please refer to Note 8.
- The fair values of the investment properties owned by the Group were NT\$488,329 thousand and NT \$487,926 thousand as of December 31, 2020 and 2019, respectively. The fair value of investment properties was measured using the comparison approach with unobservable inputs (Level 3).

(11) Intangible assets

	2020.12.31	2019.12.31
Computer software	\$ 3,615	\$ 3,909
Other intangible assets	14,638	8,393
Goodwill	<u>12,667</u>	<u>—</u>
Total carrying amounts	<u>\$ 30,920</u>	<u>\$ 12,302</u>

Cost	Computer Software	Technology Royalty	Other Intangible Assets	Goodwill	Total
Balance at January 1, 2020	\$ 41,147	\$ 9,054	\$ 35,333	\$ —	\$ 85,534
Acquisition of subsidiary	—	—	37,366	12,667	50,033
Additions	1,576	—	516	—	2,092
Retirements	—	—	(309)	—	(309)
Balance at December 31, 2020	<u>\$ 42,723</u>	<u>\$ 9,054</u>	<u>\$ 72,906</u>	<u>\$ 12,667</u>	<u>\$ 137,350</u>



<u>Accumulated amortization</u>	Computer Software	Technology Royalty	Other Intangible Assets	Goodwill	Total
Balance at January 1, 2020	\$ 37,238	\$ 9,054	\$ 26,940	\$ —	\$ 73,232
Acquisition of subsidiary	—	—	28,462	—	28,462
Amortization expense	1,870	—	3,095	—	4,965
Retirements	—	—	(229)	—	(229)
Balance at December 31, 2020	<u>\$ 39,108</u>	<u>\$ 9,054</u>	<u>\$ 58,268</u>	<u>\$ —</u>	<u>\$ 106,430</u>
Carrying amounts at December 31, 2020	<u>\$ 3,615</u>	<u>\$ —</u>	<u>\$ 14,638</u>	<u>\$ 12,667</u>	<u>\$ 30,920</u>

  

<u>Cost</u>	Computer Software	Technology Royalty	Other Intangible Assets	Goodwill	Total
Balance at January 1, 2019	\$ 40,941	\$ 9,054	\$ 36,358	\$ —	\$ 86,353
Additions	951	—	115	—	1,066
Retirements	(745)	—	(1,140)	—	(1,885)
Balance at December 31, 2019	<u>\$ 41,147</u>	<u>\$ 9,054</u>	<u>\$ 35,333</u>	<u>\$ —</u>	<u>\$ 85,534</u>

  

<u>Accumulated amortization</u>					
Balance at January 1, 2019	\$ 35,695	\$ 9,054	\$ 25,532	—	\$ 70,281
Amortization expense	2,288	—	2,548	—	4,836
Retirements	(745)	—	(1,140)	—	(1,885)
Balance at December 31, 2019	<u>\$ 37,238</u>	<u>\$ 9,054</u>	<u>\$ 26,940</u>	<u>\$ —</u>	<u>\$ 73,232</u>
Carrying amounts at December 31, 2019	<u>\$ 3,909</u>	<u>\$ —</u>	<u>\$ 8,393</u>	<u>\$ —</u>	<u>\$ 12,302</u>

The above items of intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

Computer software	3-7 years
Technology royalty	20 years
Other intangible assets	3-10 years

(12) Other assets

	<u>2020.12.31</u>	<u>2019.12.31</u>
Golf club card	\$ 12,847	\$ 12,847
Others	5,144	24
Less: Accumulated impairment	(3,099)	(3,099)
Total	<u>\$ 14,892</u>	<u>\$ 9,772</u>
Current	\$ 5,144	\$ 24
Non-current	9,748	9,748
Total	<u>\$ 14,892</u>	<u>\$ 9,772</u>

## (13) Short-term loans

	2020.12.31	2019.12.31
Material purchase loans	\$ —	\$ 3,038
Unsecured loans	324,396	130,000
Secured loans	483,245	663,000
	<u>\$ 807,641</u>	<u>\$ 796,038</u>
Annual interest rate	<u>0.95%~3.00%</u>	<u>1.00%~3.30%</u>

## (14) Provisions

Warranty provision	2020	2019
Balance, beginning of the year	\$ 12,100	\$ 12,100
Provisions recognized	3,930	3,855
Utilized	(3,930)	(3,855)
Balance, end of the year	<u>\$ 12,100</u>	<u>\$ 12,100</u>

Provisions were estimated based on historical experience, management judgment, and any known factors that would significantly affect the warranty.

## (15) Long-term loans

Bank	Loan period and repayment term	2020.12.31		2019.12.31	
		Interest (%)	Amount	Interest (%)	Amount
Taiwan		1.400%	\$ 47,000	—	\$ —
Cooperative Bank	2020.12.24 ~ 2022.12.24				
Popolare di bari	2018.2.27~2026.1.31; principal is payable in monthly installments	4.750%	10,335	—	—
Popolare di bari	2020.9.15~2026.9.30; principal is payable in monthly installments commencing 2022.10.30	3.000%	6,918	—	—
Banco BPM	2020.5.27~2025.5.27; principal is payable in monthly installments commencing 2022.6.27	1.275%	865	—	—
Total			<u>\$ 65,118</u>		<u>\$ —</u>

## (16) Retirement benefit plans

## a. Defined contribution plans

The Company and domestic subsidiaries adopted a pension plan under the R.O.C. Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. For employee benefit expenses under the defined contribution plan for the years ended December 31, 2020 and 2019, please refer to Note 6(23).

## b. Defined benefit plans

The defined benefit plan adopted by the Company and certain domestic subsidiaries in accordance with the R.O.C. Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. Except Air King Industrial Co., Ltd. has terminated the pension contribution from 2011, the Company and Ares Technology Co., Ltd. contribute amounts equal to 8.9% and 2%, respectively, of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Present value of defined benefit obligation	\$ (476,502)	\$ (472,166)
Fair value of plan assets	<u>387,731</u>	<u>380,493</u>
Net defined benefit liabilities	<u>\$ (88,771)</u>	<u>\$ (91,673)</u>
Accounted for as net defined benefit liabilities	<u>\$ (90,189)</u>	<u>\$ (93,379)</u>
Accounted for as net defined benefit assets	<u>\$ 1,418</u>	<u>\$ 1,706</u>

Movements in the present value of the defined benefit obligation were as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 472,166	\$ 473,770
Current service cost	1,114	1,429
Interest expense	2,820	3,787
Remeasurement		
Actuarial loss - changes in financial assumptions	9,130	6,219
Actuarial loss - experience adjustments	24,479	2,061
Benefits paid	<u>(33,207)</u>	<u>(15,100)</u>
Balance, end of year	<u>\$ 476,502</u>	<u>\$ 472,166</u>

Movements in the fair value of the plan assets were as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 380,493	\$ 362,528
Interest revenue	2,311	2,959

	<u>2020</u>	<u>2019</u>
Remeasurement		
Return on plan assets (excluding amounts included in net interest expense)	12,917	13,430
Contributions from employer	16,152	16,542
Benefits paid	<u>(24,142)</u>	<u>(14,966)</u>
Balance, end of year	<u><u>\$ 387,731</u></u>	<u><u>\$ 380,493</u></u>

For information on the utilization of the labor pension fund assets, including the assets allocation and yield of the fund, please refer to the website of the Bureau.

The pension costs of the defined benefit plans were recognized as follows:

	<u>2020</u>	<u>2019</u>
	\$ 1,114	\$ 1,429
Net interest expense	<u>509</u>	<u>828</u>
Total	<u><u>\$ 1,623</u></u>	<u><u>\$ 2,257</u></u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- ①Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2 year time deposit with local banks.
- ②Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- ③Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>Measurement Date</u>	
	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rate	0.3%	0.6%~0.7%
Expected rate of salary increase	0.5%~3.0%	0.5%~3.0%

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

	2020.12.31	2019.12.31
Discount rates		
0.1 % increase	\$ (3,012)	\$ (6,523)
0.1 % decrease	3,048	3,138
Expected rate of salary increase		
0.1 % increase	\$ 2,566	\$ 2,671
0.1 % decrease	(2,548)	(6,064)
	2020.12.31	2019.12.31
The expected contributions to the plan for the next year	\$21,100	\$16,536
The average duration of the defined benefit obligation	5.8~9.1 years	6.1~10 years

(17) Equity

a. Ordinary shares

	2020.12.31	2019.12.31
Authorized share capital	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>
Issued share capital	<u>\$ 2,174,540</u>	<u>\$ 2,070,990</u>

The par value is NT\$10 dollars.

The capitalization of retained earnings of NT\$103,550 thousand and issuance of 10,355 thousand shares have been approved in the stockholders' meeting on June 23, 2020. The ex-right date and stock issuance date were September 2, 2020 and September 30, 2020, respectively.

The capitalization of retained earnings of NT\$60,320 thousand and issuance of 6,032 thousand shares have been approved in the stockholders' meeting on June 20, 2019. The ex-right date and stock issuance date were September 3, 2019 and October 17, 2019, respectively.

b. Capital surplus

	2020.12.31	2019.12.31
From the issuance of ordinary shares	\$ 58,393	\$ 58,393
From treasury stock transactions	8,626	6,923
From difference between consideration and carrying amount arising from actual disposal of subsidiaries	99	99
From donations	1,752	1,757
	<u>\$ 68,870</u>	<u>\$ 67,172</u>

Under Company Act, the capital surplus arising from shares issued in excess of par (including share premium from the issuance of ordinary stock and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital once a year within a certain percentage of the Company's paid-in capital.

c. Retained Earnings and Dividend Policy

- ① Under the dividend policy as set forth in the Company's Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations or in the necessary situation, and then any remaining profit together with any undistributed retained earnings shall be used for distribution of dividends and bonuses to shareholders.

The Company considers its long-term financial planning, future funding requirements, interest of shareholders as well as the amount of capital surplus, retained earnings and profit forecast when determining the stock dividends or cash dividends to be paid. However, distribution of earnings shall be made preferably by way of cash dividends. Distribution of earnings may also be made by way of stock dividends, provided that the ratio for stock dividends shall not exceed 50% of the total distribution.

- ② Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.
- ③ Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. For any subsequent reversal of the deduction in other shareholders' equity, the appropriate amount of earnings distribution should be reversed from the net debit balance.
- ④ The appropriations of earnings for 2019 and 2018 approved in the shareholders' general meetings on June 23, 2020 and June 20, 2019, respectively.

The appropriations of 2019 and 2018 earnings were as follows:

	2019	2018
Legal reserve	\$ 30,173	\$ 21,591
Cash dividends (NT\$0.7 per share for 2019 and 2018)	144,969	140,747
Share dividends (NT\$0.5 and NT\$0.3 per share for 2019 and 2018, respectively)	103,550	60,320
	<u>\$ 278,692</u>	<u>\$ 222,658</u>

The appropriations of earnings for 2020 were proposed by the Company's board of directors on March 30, 2021 as follows:

	2020
Legal reserve	\$ 34,354
Cash dividends (NT\$0.7 per share)	152,218
Share dividends (NT\$0.5 per share)	108,727
	<u>\$ 295,299</u>

The appropriations of 2020 earnings are subject to the resolution of the shareholders' meeting to be held on June 24, 2021.

d. Special reserves

	2020	2019
Balance, beginning of year	\$ 452,994	\$ 453,797
Reversal:		
Depreciation expense on investment properties	(804)	(803)
Balance, end of year	<u>\$ 452,190</u>	<u>\$ 452,994</u>

e. Other equity

	Exchange Differences on Translating Foreign Operation	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total
Balance at January 1, 2020	\$ (11,606)	\$ 63,697	\$ 52,091
Exchange differences on translating foreign operation	114	—	114
Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	—	68,664	68,664
Disposal of investments in equity instruments at fair value through other comprehensive income	—	(40,173 )	(40,173 )
Share of other comprehensive income (loss) of associates accounted for using equity method	482	—	482
Balance at December 31, 2020	<u>\$ (11,010)</u>	<u>\$ 92,188</u>	<u>\$ 81,178</u>

	Exchange Differences on Translating Foreign Operation	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total
Balance at January 1, 2019	\$ (7,271)	\$ 22,288	\$ 15,017
Exchange differences on translating foreign operation	(3,302 )	—	(3,302 )
Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	—	41,409	41,409
Share of other comprehensive income (loss) of associates accounted for using equity method	(1,033)	—	(1,033 )
Balance at December 31, 2019	<u>\$ (11,606)</u>	<u>\$ 63,697</u>	<u>\$ 52,091</u>

f. Non-controlling interests

	2020	2019
Balance, beginning of year	\$ 67,591	\$ 58,620
Attributable to non-controlling interests		
Net income	(3,780)	1,842
Exchange differences on translating foreign operation	331	(1,616)
Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	1,097	8,790
Remeasurement of defined benefit plans	(41)	(51)
Cash dividends distributed by subsidiaries	(242)	—
Cash dividends distributed to subsidiaries	1	1
Others	1,232	5
Balance, end of year	<u>\$ 66,189</u>	<u>\$ 67,591</u>

g. Treasury stock

	(In thousands of shares)
	2020.12.31      2019.12.31
Shares held by the subsidiaries	<u>2,555</u> <u>2,434</u>

The Corporation's shares held by the subsidiary, Yishun Investment Co., Ltd., are accounted for as treasury stock. As of December 31, 2020 and 2019, the book value of treasury stock were NT\$41,616 thousand; the market value of treasury stock were NT\$66,693 thousand and NT\$43,561 thousand, respectively.

The Company's shares held by subsidiaries are regarded for as treasury stock with all shareholders' rights, except the rights to participate in the Company's capital increase in cash and right to vote.

(18) Operating revenue

	2020	2019
Revenue from sale of goods	\$ 4,134,800	\$ 4,083,785
Construction contract revenue	956,196	714,777
Other operating revenue	22,896	20,592
	<u>\$ 5,113,892</u>	<u>\$ 4,819,154</u>

(19) Operating cost

	2020	2019
Cost of goods sold	\$ 3,308,655	\$ 3,316,586
Construction contract cost	880,251	640,671
Other operating cost	20,750	21,968
	<u>\$ 4,209,656</u>	<u>\$ 3,979,225</u>

(20) Other income



	2020	2019
Interest income		
Bank deposits	\$ 915	\$ 1,710
Others	2,756	3,470
Rental income	13,026	13,502
Dividend Income	2,167	1,855
Others	12,771	13,373
	<u>\$ 31,635</u>	<u>\$ 33,910</u>
(21) Other gains and losses		
	2020	2019
Net foreign exchange losses	\$ (17,888)	\$ (9,362)
Net (loss) gain on financial instruments at fair value through profit or loss	(4,370)	4,427
Net (loss) gain on disposal of property, plant and equipment	(4)	265
Depreciation on investment properties	(2,149)	(2,149)
Other losses	(288)	(169)
	<u>\$ (24,699)</u>	<u>\$ (6,988)</u>
(22) Finance costs		
	2020	2019
Interest on bank loans	\$ 10,904	\$ 9,707
Interest on lease liabilities	227	969
Others	36	33
	<u>\$ 11,167</u>	<u>\$ 10,709</u>
(23) Additional information of expenses by nature		
Net income included the following items:		
	2020	2019
Depreciation and amortization expense		
Depreciation on property, plant and equipment	\$ 36,756	\$ 35,013
Depreciation on right-of-use assets	5,689	6,243
Depreciation on investment properties	2,149	2,149
Amortization on intangible assets	4,965	4,836
Total	<u>\$ 49,559</u>	<u>\$ 48,241</u>
Operating expenses directly related to investment properties:		
	2020	2019
Direct operating expenses of investment properties that generated rental income	\$ 1,190	\$ 1,206
Direct operating expenses of investment properties that did not generated rental income	5	5
Total	<u>\$ 1,195</u>	<u>\$ 1,211</u>
Research and development costs expensed as incurred	<u>\$ 110,594</u>	<u>\$ 107,788</u>

Employee benefits expense	2020	2019
Post-employment benefits (Note 6(16))		
Defined contribution plans	\$ 20,737	\$ 20,209
Defined benefit plans	1,623	2,257
Subtotal	22,360	22,466
Salaries and bonus expense	597,448	549,375
Insurance expense	52,805	47,526
Others	25,234	24,579
Total	<u>\$ 697,847</u>	<u>\$ 643,946</u>

According to Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors at the rates of 4% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Employees' compensation	\$ 16,128	\$ 13,824
Remuneration of directors	8,064	6,912
	<u>\$ 24,192</u>	<u>\$ 20,736</u>

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

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

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

#### (24) Income taxes

##### a. Income tax expense recognized in profit or loss

##### ① Major components of income tax expense :

	2020	2019
Current tax		
In respect of the current year	\$ 61,523	\$ 33,088
Adjustments for prior years	3,773	4,738
Subtotal	65,296	37,826
Deferred tax		
Origination and reversal of temporary differences	3,979	(8,121)
Write down of deferred tax asset	—	816
Subtotal	3,979	(7,305)
Income tax expense	<u>\$ 69,275</u>	<u>\$ 30,521</u>

② A reconciliation of accounting profit and income tax expense was as follows:

	2020	2019
Income before tax	<u>\$ 389,420</u>	<u>\$ 327,944</u>
Income tax expense calculated at the statutory rate	\$ 76,382	\$ 66,970
Tax effect of adjusting items:		
Tax-exempt income	(1,035)	(692)
Nondeductible items in determining taxable income	260	277
Origination and reversal of temporary differences	(8,613)	(24,891)
Income tax on unappropriated earnings	273	—
Loss carryforwards	(255)	(248)
Investment tax credit	(5,489)	(8,328)
Adjustments for prior years	<u>3,773</u>	<u>4,738</u>
Current tax	<u>65,296</u>	<u>37,826</u>
Deferred tax		
Origination and reversal of temporary differences	2,979	(8,121)
Loss carryforwards	1,000	—
Write down of deferred tax asset	<u>—</u>	<u>816</u>
Subtotal	<u>3,979</u>	<u>(7,305)</u>
Income tax expense	<u>\$ 69,275</u>	<u>\$ 30,521</u>

③ Income tax recognized in other comprehensive income

	2020	2019
Deferred income tax expense		
Related to remeasurement of defined benefit obligation	<u>\$ 60</u>	<u>\$ 75</u>

The Group applied a tax rate of 20% for entities subject to the R.O.C. Income Tax Law; for other jurisdictions, the Group measures taxes by using the applicable tax rate for each individual jurisdiction.

b. Deferred tax assets

The movements of deferred tax assets were as follows:

2020

	Opening Balance	Acquisition of Subsidiary	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Effect of Foreign Currency Exchange Differences	Closing Balance
Deferred tax assets						
Temporary differences						
Allowance for inventory loss	\$ 9,965	\$ —	\$ (4,090)	\$ —	\$ —	\$ 5,875
Payable for annual leave	4,307	—	299	—	—	4,606
Unrealized exchange losses	1,619	—	898	—	—	2,517
Others	5,293	57	(744)	—	1	4,607
Total	<u>\$ 21,184</u>	<u>\$ 57</u>	<u>\$ (3,637)</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 17,605</u>

	Opening Balance	Acquisition of Subsidiary	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Effect of Foreign Currency Exchange Differences	Closing Balance
Deferred tax liabilities						
Land value increment tax	\$ (174,220 )	\$ —	\$ —	\$ —	\$ —	\$ (174,220 )
Others	—	—	(342 )	60	—	(282 )
Total	<u>\$ (174,220 )</u>	<u>\$ —</u>	<u>\$ (342 )</u>	<u>\$ 60</u>	<u>\$ —</u>	<u>\$ (174,502 )</u>

## 2019

Deferred tax assets						
Loss carryforwards	\$ 1,000	\$ —	\$ —	\$ —	\$ —	\$ 1,000
Temporary differences						
Allowance for inventory loss	5,187	—	4,778	—	—	9,965
Payable for annual leave	4,538	—	(231 )	—	—	4,307
Unrealized exchange losses	453	—	1,166	—	—	1,619
Others	2,626	—	1,592	75	—	4,293
Total	<u>\$ 13,804</u>	<u>\$ —</u>	<u>\$ 7,305</u>	<u>\$ 75</u>	<u>\$ —</u>	<u>\$ 21,184</u>

## c. Information about loss carryforwards

As of December 31, 2020, unused loss carryforwards and expiry year were as follows:

Unused Amount	Expiry Year
\$ 3,997	2023
6,591	2024
5,773	2025
14,081	2026
12,545	2028
19,152	2029
6,061	2030
<u>\$ 68,200</u>	

## d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized

	2020.12.31	2019.12.31
Loss carryforwards	\$ 68,200	\$ 67,431
Deductible temporary differences	80,935	282,192
Total	<u>\$ 149,135</u>	<u>\$ 349,623</u>

## e. Income tax assessments

The income tax returns of the Company, Air King Industrial Co., Ltd., Allis Communications Co., Ltd., Ares Technology Co., Ltd., and Yishun Investment Co., Ltd. through 2018 have been assessed by the tax authority.

(25) Earnings per share

	2020	2019
Basic earnings per share (NT\$)	\$ 1.51	\$ 1.38

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

	2020	2019
Net income for the year attributable to owners of the Company	\$ 323,925	\$ 295,581
Weighted average number of ordinary shares in computation of basic earnings per share ( in thousands of shares)	214,899	214,899

Retroactive adjustments were applied to the Company's basic earnings per share for the years ended December 31, 2020 and 2019.

(26) Significant lease agreements

a. The Group as lessee

	2020	2019
Expenses relating to short-term leases	\$ 16,234	\$ 14,697
Total cash outflow for leases	\$ 22,104	\$ 20,794

b. The Group as lessor

As of December 31, 2020 and 2019, the future lease payments receivable under operating leases of investment properties were as follows:

	2020.12.31	2019.12.31
Not later than 1 year	\$ 12,929	\$ 12,783
1-2 years	11,753	12,702
2-3 years	6,457	11,753
3-4 years	5,249	6,457
4-5 years	5,354	5,249
Later than 5 years	18,345	23,698
Total	\$ 60,087	\$ 72,642

(27) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations to reward shareholders and take into consideration the interests of other stakeholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, or repurchase shares.

(28) Financial instruments

a. Fair value of financial instruments

①The management of the Group considers that the carrying amounts of those financial instruments that are not measured at fair value approximate their fair values or their fair values cannot be reliably measured.

②Financial instruments that are measured at fair value

Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial instruments measured at fair value on a recurring basis:

		2020.12.31			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI					
Listed shares	\$	15,495	—	—	15,495
Unlisted shares		—	—	247,813	247,813
Total	\$	<u>15,495</u>	<u>—</u>	<u>247,813</u>	<u>263,308</u>
		2019.12.31			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI					
Listed shares	\$	9,094	\$ —	\$ —	\$ 9,094
Unlisted shares		—	—	270,758	270,758
Total	\$	<u>9,094</u>	<u>\$ —</u>	<u>\$ 270,758</u>	<u>\$ 279,852</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

Reconciliation of Level 3 fair value measurements of financial instruments was as follows:

	Financial assets at FVTOCI	
	2020	2019
Balance, beginning of the year	\$ 270,758	\$ 224,695
Acquisition of financial assets at fair value through other comprehensive income	3,677	—
Proceeds from disposal of financial assets at fair value through other comprehensive income	(90,195 )	—
Accounted for unrealized gains from investments in equity instruments measured at FVTOCI	63,573	48,883
Effects of foreign currency exchange differences	—	(2,820 )
Balance, end of the year	<u>\$ 247,813</u>	<u>\$ 270,758</u>

③ Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

The fair values of derivatives - foreign exchange forward contracts were determined using discounted cash flow approach. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

④ Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of unlisted equity securities were determined using the market approach. The market approach refers to the comparable market transaction price and related information to estimate the fair value of the investment target. The significant unobservable inputs are discounted prices for the lack of marketability.

b. Categories of financial instruments

<u>Financial assets</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
FVTOCI	\$ 263,308	279,852
Amortized cost (Note)	<u>2,739,700</u>	<u>2,296,018</u>
Total	<u><u>\$ 3,003,008</u></u>	<u><u>\$ 2,575,870</u></u>
<u>Financial liabilities</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Amortized cost		
Short-term loans	\$ 807,641	\$ 796,038
Notes and accounts payable	1,152,872	1,185,289
Other payables	232,924	190,730
Current tax liabilities	29,521	13,384
Long-term loans	65,118	—
Lease liabilities	11,359	14,054
Guarantee deposits	3,378	3,382
FVTPL	<u>1,775</u>	<u>—</u>
	<u><u>\$ 2,304,588</u></u>	<u><u>\$ 2,202,877</u></u>

Note: The balances include cash and cash equivalents, notes and accounts receivable, other receivables, current tax assets, and refundable deposits.

c. Financial risk management objectives and policies

The Group's major financial risk management goal is to manage risks that relate to operating activities. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to lower relevant financial risks, the Group identifies and assesses the risks and takes actions to manage uncertainty of the market with the objective to reduce the potentially adverse effects the market

fluctuations may have on its financial performance.

The Group's important financial activities are reviewed by the board of directors in accordance with related regulations and internal controls. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

#### d. Market risk

The Group's activities exposed it primarily to the market risks of changes in foreign currency exchange rates and interest rates. The Group entered into forward exchange contracts to hedge portion of foreign exchange risk.

##### ① Foreign currency risk

The Group undertook transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arose. The Group used foreign exchange forward contracts to partially offset the risk of foreign currency exposure. These foreign exchange forward contracts are intended to reduce the influence of the exchange rate fluctuations on the Group's income.

The information on assets and liabilities denominated in non-functional currency whose values would be materially affected by the exchange rate fluctuations at the end of the reporting period and sensitivity analysis were as follows (in thousands of respective foreign currencies or New Taiwan dollars):

2020.12.31							
		Foreign Currencies	Exchange Rate	Carrying Amounts (NTD)	Sensitivity Analysis		
					Variations	Impact on Profit (loss)	Impact on Equity
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	7,770	28.10	218,337	±10%	±21,834	±21,834
EUR		1,387	34.59	47,976	±10%	±4,798	±4,798
JPY		62	0.2725	17	±10%	±2	±2
SGD		474	21.27	10,082	±10%	±1,008	±1,008
ZAR		8,108	1.921	15,575	±10%	±1,558	±1,558
RMB		29,002	4.325	125,434	±10%	±12,543	±12,543
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		1,205	28.10	33,861	±10%	∓3,386	∓3,386
ZAR		5,214	1.921	10,016	±10%	∓1,002	∓1,002
RMB		1,923	4.325	8,317	±10%	∓832	∓832
EUR		1,228	34.59	42,477	±10%	∓4,248	∓4,248



2019.12.31							
	Foreign Currencies	Exchange Rate	Carrying Amounts (NTD)	Sensitivity Analysis			
				Variations	Impact on Profit (loss)	Impact on Equity	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$ 12,039	29.990	361,050	±10%	±36,105	±36,105	
EUR	45	33.64	1,514	±10%	±151	±151	
JPY	62	0.2761	17	±10%	±2	±2	
SGD	572	22.26	12,733	±10%	±1,273	±1,273	
RMB	16,502	4.295	70,876	±10%	±7,088	±7,088	
<u>Non-monetary items</u>							
ZAR	2,189	2.120	4,641	±10%	—	±464	
RMB	21,000	4.295	90,195	±10%	—	±9,020	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	486	29.99	14,575	±10%	∓1,458	∓1,458	
JPY	11,187	0.2761	3,089	±10%	∓309	∓309	
RMB	1,377	4.295	5,914	±10%	∓591	∓591	
EUR	32	33.64	1,076	±10%	∓108	∓108	

The sensitivity analysis included only outstanding foreign currency denominated items at the end of the reporting period under the assumption of a 10% change in foreign currency rates.

## ② Interest rate risk

The Group is exposed to interest rate risks related to floating rate short-term loans. The management of the Group expected no material change in interest rate; therefore, the Group did not enter into derivative financial instruments to manage the interest rate risk.

For sensitivity analysis of interest rate risk, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. If interest rates had been a quarter of a percent higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease/increase by NT\$2,019 thousand and NT\$1,990 thousand, respectively

## ③ Other price risk

The Group is exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes.

The Group does not actively trade these investments. All material investments should be approved by the board of directors in order to manage the equity price risk through its investments in equity securities.

If equity prices had been 5% higher/lower, the other comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased by NT\$13,165 thousand and NT\$13,993 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

#### e. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group is exposed to credit risks from operating activities, primarily accounts receivables, and from investing activities, primarily bank deposits, fixed-income investments and other financial instruments with banks. Credit risk is managed separately for business related and financial related exposures. As of the end of the reporting period, the Group's maximum credit risk exposure is equal to the carrying amount of the recognized financial assets as stated in the consolidated balance sheets.

##### ① Business related credit risk

In order to maintain the credit quality of accounts receivables, the Group has established procedures to monitor and limit exposure to credit risk on accounts receivables. Credit evaluation is performed in the consideration of the relevant factors, such as customer's financial condition, transaction history and economic conditions. The Group grants credit to customers on the basis of the credit evaluation and collects installments to reduce credit risk.

As of December 31, 2020 and 2019, the Group's ten largest customers accounted for 66.81% and 87.80% of its total accounts receivables, respectively.

##### ② Financial credit risk

The Group's exposure to financial credit risk which pertained to bank deposits, fixed-income investments and other financial instruments were evaluated and monitored by Group's financial department. Since the counterparties are creditworthy banks and financial institutions with good credit rating, thus, there's no significant credit risk.

#### f. Liquidity risk management

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the amount of unused financing facilities were NT\$2,674,353 thousand and NT\$2,844,286 thousand, respectively.

##### ① Liquidity risk table for non-derivative financial liabilities

The table below summarized the maturity profile of the Group's financial

liabilities based on contractual undiscounted payments.

	2020.12.31		
	Less than 1 Year	More than 1 Year	Total
Non-derivative financial liabilities			
Short-term loans	\$ 807,641	\$ —	\$ 807,641
Notes and accounts payable	1,101,176	51,696	1,152,872
Other payables	209,623	23,301	232,924
Current tax liabilities	29,521	—	29,521
Long-term loans	—	65,118	65,118
Lease liabilities	4,155	7,204	11,359
Guarantee deposits	—	3,378	3,378
	<u>\$ 2,152,116</u>	<u>\$ 150,697</u>	<u>\$ 2,302,813</u>
	2019.12.31		
	Less than 1 Year	More than 1 Year	Total
Non-derivative financial liabilities			
Short-term loans	\$ 796,038	\$ —	\$ 796,038
Notes and accounts payable	1,131,690	53,599	1,185,289
Other payables	167,823	22,907	190,730
Current tax liabilities	13,384	—	13,384
Lease liabilities	4,934	9,120	14,054
Guarantee deposits	1,307	2,075	3,382
	<u>\$ 2,115,176</u>	<u>\$ 87,701</u>	<u>\$ 2,202,877</u>

② Liquidity risk table for derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable was not fixed, the amount disclosed was determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

Derivative financial instruments	Less than 1 Year	
	2020.12.31	2019.12.31
Gross settled foreign exchange contract		
Inflows	\$ 48,849	\$ —
Outflows	(50,624)	—
	<u>\$ (1,775)</u>	<u>\$ —</u>

## 7. TRANSACTIONS WITH RELATED PARTIES

Transactions, balances, revenue and expenses between the Company and its

subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

(1) Names and relationships of related parties

Related Party	Relationship with the Group
Nissin-Allis Electric Co., Ltd.	Associate
Nissin Allis Union Ion Equipment Co., Ltd.	Associate
PHD Powerhouse Distributions (PTY) Ltd.	Associate (before December 1, 2020.)
Le-Min Industrial Co., Ltd.	Related party in substance
Taiwan Marine Electric Co., Ltd.	Related party in substance
Impact Power Inc.	Related party in substance
Herr-Yeh Sung	Key management personnel

(2) Operating revenue

Line Items	Related Parties Categories	2020	2019
Operating revenue	Associates	\$ 62,424	\$ 68,105
	Others	12,605	15,258
		<u>\$ 75,029</u>	<u>\$ 83,363</u>

(3) Purchase and factory overhead

Line Items	Related Parties Categories	2020	2019
Purchase and factory overhead	Associates	\$ 137,790	\$ 125,129
	Others	155,617	137,169
		<u>\$ 293,407</u>	<u>\$ 262,298</u>

(4) Receivables from related parties

Line Items	Related Parties Categories	2020.12.31	2019.12.31
Notes receivable from related parties	Others	\$ 613	\$ 5,094
		<u>\$ 613</u>	<u>\$ 5,094</u>
Accounts receivable from related parties	Associates	\$ 12,766	\$ 30,772
	Others	2,969	2,745
		<u>\$ 15,735</u>	<u>\$ 33,517</u>
Other receivables	Associates	\$ 69	\$ 49
	Others	—	4
		<u>\$ 69</u>	<u>\$ 53</u>

The outstanding receivables from related parties are unsecured. For the years

ended December 31, 2020 and 2019, no impairment loss was recognized for receivables from related parties.

(5) Payable to related parties

Line Items	Related Parties Categories	2020.12.31	2019.12.31
Notes payable to related parties	Associates	<u>\$ 6,048</u>	<u>\$ —</u>
Accounts payable to related parties	Associates	\$ 39,853	\$ 10,527
	Others	45,279	32,056
		<u>\$ 85,132</u>	<u>\$ 42,583</u>
Other payables	Others	<u>\$ 567</u>	<u>\$ 1,053</u>

(6) Others

Line Items	Related Parties Categories	2020	2019
Selling and marketing expenses	Others	<u>\$ 629</u>	<u>\$ 973</u>
Research and development expenses	Others	<u>\$ —</u>	<u>\$ 98</u>
Other income	Associates	<u>\$ 1,120</u>	<u>\$ 1,027</u>

The sales and purchase prices and payment terms to related parties were not significantly different from those to third parties. The rental collected monthly was based on those prevailing in the market.

(7) Compensation of key management personnel

	2020	2019
Short-term benefits	\$ 54,755	\$ 44,522
Post-employment benefits	817	723
	<u>\$ 55,572</u>	<u>\$ 45,245</u>

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

(8) Other

As of December 31, 2020 and 2019, the title of farmland with carrying amounts of NT\$308 thousand were temporarily registered in the name of Herr-Yeh Sung who had signed an agreement and had pledged the land to the Company. Please refer to Note 6(8).

## 8. PLEDGED ASSETS

The following assets had been pledged or mortgaged as collateral for short-term and

long-term loans, tender bonds provided on construction bidding or performance bonds:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Pledged time deposits (accounted for as other receivables)	\$ —	\$ 3,577
Property, plant and equipment, net	801,909	807,102
Investment properties, net	<u>350,625</u>	<u>352,572</u>
Total	<u>\$ 1,152,534</u>	<u>\$ 1,163,251</u>

## **9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

As of December 31, 2020, significant contingent liabilities and unrecognized commitments of the Group were as follows:

- (1) The guaranteed notes issued were NT\$2,008,575 thousand, including:
  - a. The guaranteed notes issued for bank loans were NT\$1,780,000 thousand.
  - b. The guaranteed notes issued for sales contracts performance guarantees were NT\$228,575 thousand.
- (2) Information related endorsements/guarantees provided, please refer to Table 2 attached.
- (3) Unused letters of credit were USD\$2,146 thousand.

**10. SIGNIFICANT LOSS FROM DISASTERS:** None.

**11. SIGNIFICANT SUBSEQUENT EVENTS:** None.

**12. OTHERS:** None.

## **13. ADDITIONAL DISCLOSURES**

- (1) Information on significant transactions:
  - a. Financing provided to others: Please refer to Table 1 attached.
  - b. Endorsements/guarantees provided: Please refer to Table 2 attached.
  - c. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Please refer to Table 3 attached.
  - d. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
  - e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
  - f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
  - g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 4 attached.

- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- i. Trading in derivative instruments : Please refer to Note 6(2).
- j. Others: Intercompany relationships and significant intercompany transactions : Please refer to Table 5 attached.

(2) Information on investees (excluding investee company in mainland China): Please refer to Table 6 attached.

(3) Information on investment in mainland China:

- a. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Please refer to Table 7 attached.
- b. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please refer Table 5 attached.

(4) Information of major shareholder

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder:  
None.

## 14. SEGMENT INFORMATION

The Group uses the operating income as the measurement for the basis of performance assessment. The basis for such measurement is the same as that for the preparation of financial statements.

The reporting segments were as follows:

Switchgear segment- manufacture and sale of high and low voltage switchgear.

Transformer segment- manufacture and sale of high and low voltage transformer.

Transmission and distribution apparatus segment - manufacture and sale of transmission & distribution line apparatus.

Power and electrical equipment segment - manufacture and sale of industrial power and electrical equipment.

Engineering segment- construction and installation of electrical equipment.

Other segment –sale of GPS antennas and relay equipment.

(1) Segment revenues and results:

	Switchgear segment		Transformer segment		Transmission and distribution apparatus segment		Power and electrical equipment segment		Engineering segment		Other segment		elimination of intersegment transactions		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from external customers	\$ 981,519	\$ 930,799	\$ 424,777	\$ 559,890	\$ 1,054,210	\$ 1,093,964	\$ 1,287,828	\$ 1,207,199	\$ 990,518	\$ 708,178	\$ 375,040	\$ 319,124	\$ —	\$ —	\$ 5,113,892	\$ 4,819,154
Inter-segment revenue	—	—	—	—	—	—	81,099	66,874	179,504	145,706	26,420	15,872	(287,023)	(228,452)	—	—
Total revenue	<u>\$ 981,519</u>	<u>\$ 930,799</u>	<u>\$ 424,777</u>	<u>\$ 559,890</u>	<u>\$ 1,054,210</u>	<u>\$ 1,093,964</u>	<u>\$ 1,368,927</u>	<u>\$ 1,274,073</u>	<u>\$ 1,170,022</u>	<u>\$ 853,884</u>	<u>\$ 401,460</u>	<u>\$ 334,996</u>	<u>\$ (287,023)</u>	<u>\$ (228,452)</u>	<u>\$ 5,113,892</u>	<u>\$ 4,819,154</u>
Interest expense	<u>\$ 1,338</u>	<u>\$ 1,158</u>	<u>\$ 1,101</u>	<u>\$ 895</u>	<u>\$ 1,789</u>	<u>\$ 1,386</u>	<u>\$ 5,348</u>	<u>\$ 4,564</u>	<u>\$ 1,597</u>	<u>\$ 2,310</u>	<u>\$ 333</u>	<u>\$ 396</u>	<u>\$ (339)</u>	<u>\$ —</u>	<u>\$ 11,167</u>	<u>\$ 10,709</u>
Depreciation and amortization expense	<u>\$ 10,054</u>	<u>\$ 8,947</u>	<u>\$ 6,477</u>	<u>\$ 5,803</u>	<u>\$ 10,540</u>	<u>\$ 9,922</u>	<u>\$ 14,862</u>	<u>\$ 13,265</u>	<u>\$ 3,571</u>	<u>\$ 4,181</u>	<u>\$ 1,906</u>	<u>\$ 3,974</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 47,410</u>	<u>\$ 46,092</u>
Segment profit or loss	<u>\$ 27,127</u>	<u>\$ 20,124</u>	<u>\$ 17,339</u>	<u>\$ 40,103</u>	<u>\$ 147,317</u>	<u>\$ 115,291</u>	<u>\$ 54,949</u>	<u>\$ 47,320</u>	<u>\$ 52,723</u>	<u>\$ 13,751</u>	<u>\$ 50,810</u>	<u>\$ 37,992</u>	<u>\$ (1,515)</u>	<u>\$ 2,444</u>	<u>\$ 348,750</u>	<u>\$ 277,025</u>



(2) Geographical information :

	<u>2020</u>	<u>2019</u>
Revenue from external customers		
Geographical areas		
Taiwan	\$ 4,832,515	\$ 4,453,509
Others	<u>281,377</u>	<u>365,645</u>
Total	<u><u>\$ 5,113,892</u></u>	<u><u>\$ 4,819,154</u></u>
	<u>2020.12.31</u>	<u>2019.12.31</u>
Non-current assets		
Geographical areas		
Taiwan	\$ 1,480,797	\$ 1,404,432
Others	<u>17,054</u>	<u>356</u>
Total	<u><u>\$ 1,497,851</u></u>	<u><u>\$ 1,404,788</u></u>

Non-current assets include property, plant and equipment, right-of-use assets, investment properties, intangible assets and other non-current assets.

(3) Information about major customers:

	<u>2020</u>	<u>2019</u>
Customer A	\$ 605,566	\$ 743,324
Customer B	<u>1,271,587</u>	<u>1,259,851</u>
	<u><u>\$ 1,877,153</u></u>	<u><u>\$ 2,003,175</u></u>

Allis Electric Co., Ltd. and Subsidiaries  
FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Table 1

No.	Lender	Borrower	Financial Statement Account	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limits (Note 3)
												Item	Value		
0	Allis Electric Co., Ltd.	AEC International S.r.l.	Other receivables	\$ 39,416	\$ 36,530 (Note 1)	\$ 36,530	3.00%	Business Transaction	\$ 49,530	—	\$ —	None	None	\$ 326,116	\$ 652,231

Note 1: In preparing the consolidated financial statements, the balance has been eliminated.

Note 2: The total amount for lending to a company should not exceed 10% of the Company's net equity.

Note 3: The aggregate amount available for lending to others should not exceed 20% of the Company's net equity.

Allis Electric Co., Ltd. and Subsidiaries  
ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Table 2

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Amount Actually Drawn	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in the Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relation- ship (Note 1)										
0	Allis Electric Co., Ltd.	Nissin-Allis Electric Co., Ltd.	f	\$ 1,087,052 (Note 2)	\$ 34,500	\$ 34,500	\$ 22,911	—	1.06%	\$ 1,630,579 (Note 2)	—	—	—
		Ares Technology Co., Ltd.	b		\$ 125,000	\$ 125,000	\$ 62,000	—	3.83%		Y	—	—
		Air King Industrial Co., Ltd.	b		\$ 70,000	\$ 70,000	—	—	2.15%		Y	—	—
		Zhong Mou Construction Co., Ltd.	e		\$ 271,962	\$ 271,962	\$ 271,962	—	8.34%		—	—	—
1	Air King Industrial Co., Ltd.	Allis Electric Co., Ltd.	c	\$ 450,000 (Note 3)	\$ 71,499	\$ 71,499	\$ 71,499	—	105.11%	\$ 500,000 (Note 3)	—	Y	—

Note 1: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

- a. A company that the Corporation has business relationship with.
- b. The Corporation owns directly or indirectly over 50% ownership of the investee company.
- c. The company that owns directly or indirectly hold over 50% ownership of the Corporation.
- d. In between companies that were held over 90% of voting shares directly or indirectly by an entity.
- e. The Corporation is required to provide guarantees or endorsements for the construction project based on the construction contract.
- f. Shareholder of the investee provides endorsements/guarantees to the company in proportion to their shareholding percentages.
- g. According to Consumer Protection Act, companies in the same industry enter into collateral performance guarantees for pre-construction home sales agreements.

Note2: The total amount of the guarantee provided by the Company to any individual entity should not exceed 1/3 of the Company's net equity. The total amount of guarantee should not exceed 1/2 of the Company's net equity.

Note 3: The total amount of the guarantee provided by Air King Industrial Co., Ltd. to the parent company and the other individual entities should not exceed NT\$450,000 thousand and NT\$50,000 thousand, respectively. The total amount of guarantee should not exceed NT\$500,000 thousand.

Allis Electric Co., Ltd. and Subsidiaries  
MARKETABLE SECURITIES HELD  
(Excluding Investment in Subsidiaries, Associates and Joint Controlled Entities)  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Table 3

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
Allis Electric Co., Ltd.	Stocks of FIC Global, Inc.	—	Financial assets at fair value through other comprehensive income-current	1,273	17	—	17	
	Stocks of Taiwan High Speed Rail Corporation	—	Financial assets at fair value through other comprehensive income-current	4,000	127	—	127	
	Stocks of Pacific Electric Wire and Cable Co., Ltd.	—	Financial assets at fair value through profit or loss- noncurrent	585	—	—	—	
	Stocks of Prodisc Technology Inc.	—	Financial assets at fair value through profit or loss- noncurrent	47,632	—	—	—	
	Stocks of Yuquan Technology Inc.	—	Financial assets at fair value through profit or loss- noncurrent	35,150	—	—	—	
	Stocks of Uni-Circuit Inc.	—	Financial assets at fair value through profit or loss- noncurrent	30,000	—	—	—	
	Stocks of Le-Min Industrial Co., Ltd.	Related party in substance	Financial assets at fair value through other comprehensive income-noncurrent	1,948,072	46,014	19.68%	46,014	
	Stocks of Arch Meter Corporation	—	Financial assets at fair value through other comprehensive income-noncurrent	1,548,000	27,616	4.29%	27,616	
	Stocks of Tangeng Advanced Vehicles Co., Ltd.	—	Financial assets at fair value through other comprehensive income-noncurrent	7,440,000	137,789	15.48%	137,789	
	Stocks of Leadtang Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income-noncurrent	1,000,000	10,380	12.50%	10,380	
	Stocks of ProMOS Technologies Inc.	—	Financial assets at fair value through other comprehensive income-noncurrent	133,366	2,260	0.30%	2,260	
	Stocks of Advantage International Green Energy Co., Ltd.	—	Financial assets at fair value through other comprehensive income-noncurrent	—	1,501	—	1,501	

Allis Electric Co., Ltd. and Subsidiaries  
MARKETABLE SECURITIES HELD  
(Excluding Investment in Subsidiaries, Associates and Joint Controlled Entities)  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
Yishun Investment Co., Ltd.	Stocks of Allis Electric Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income-current	2,556,805	66,733	1.18%	66,733	Note1
	Stocks of Taiwan Cement Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	432	—	432	
	Stocks of DaChan Greatwall Corporation	—	Financial assets at fair value through other comprehensive income-current	22,470	1,141	—	1,141	
	Stocks of Uni-President Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	675	—	675	
	Stocks of Shihlin Electric & Engineering Corporation	—	Financial assets at fair value through other comprehensive income-current	5,000	254	—	254	
	Stocks of Hong Tai Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	181	—	181	
	Stocks of China Steel Chemical Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	1,085	—	1,085	
	Stocks of China Steel Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	248	—	248	
	Stocks of United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income-current	30,000	1,415	—	1,415	
	Stocks of Yageo Corporation	—	Financial assets at fair value through other comprehensive income-current	2,000	1,036	—	1,036	
	Stocks of Taiwan Semiconductor Manufacturing Company Limited	—	Financial assets at fair value through other comprehensive income-current	8,000	4,240	—	4,240	
	Stocks of United Integrated Services Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	5,000	1,080	—	1,080	

Note 1: In preparing the consolidated financial statements, the balance has been eliminated.

Allis Electric Co., Ltd. and Subsidiaries  
MARKETABLE SECURITIES HELD  
(Excluding Investment in Subsidiaries, Associates and Joint Controlled Entities)  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
	Stocks of Celxpert Energy Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	467	—	467	
	Stocks of Vanguard International Semiconductor Corporation	—	Financial assets at fair value through other comprehensive income-current	15,000	1,740	—	1,740	
	Stocks of Sigurd Microelectronics Co.	—	Financial assets at fair value through other comprehensive income-current	30,000	1,357	—	1,357	
	Stocks of Watron Technology Corporation	—	Financial assets at fair value through other comprehensive income-noncurrent	822,400	17,188	15.23%	17,188	
Allis Communications Co., Ltd.	Stocks of Watron Technology Corporation	—	Financial assets at fair value through other comprehensive income-noncurrent	206,400	4,314	3.82%	4,314	
AEC	Banca Popolare di Bari Spa	—	Financial assets at fair value through other comprehensive income-noncurrent	17,169	751	—	751	

Allis Electric Co., Ltd. and Subsidiaries  
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Table 4

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	Subsidiary	Purchase	\$ 169,645	4.49%	115 days	—	—	\$ (36,626)	(3.18%)	Note
Allis Electric Co., Ltd.	Nissin-Allis Electric Co., Ltd.	Associate	Purchase	\$ 116,856	3.10%	115 days	—	—	\$ (39,853)	(3.46%)	—

Note : In preparing the consolidated financial statements, the transaction and balance have been eliminated.

Allis Electric Co., Ltd. and Subsidiaries  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Table 5

No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Consolidated Total Revenues or Assets
0	Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	a	Revenue from sale of goods	9,859	(Note 2)	0.19%
				Purchase	768		0.02%
				Construction contract cost	168,877		3.30%
				Accounts receivable	818		0.01%
				Other receivables	38		0.00%
				Accounts payable	36,626		0.60%
				Other payables	446		0.01%
		Ares Technology Co., Ltd.	a	Revenue from sale of goods	1,171	(Note 2)	0.02%
				Purchase	65,028		1.27%
				Rental income	154		0.00%
				Accounts receivable	19		0.00%
				Accounts payable	33,162		0.54%
		Allis Communications Co., Ltd.	a	Purchase	1,226	(Note 2)	0.02%
				Research and development expenses	423		0.01%
				Accounts payable	50		0.00%
				Other payables	10		0.00%
		Qingdao Liming Industry Co., Ltd.	a	Purchase	7,283	(Note 2)	0.14%
				Factory overhead	87		0.00%
				Accounts payable	7,489		0.12%
				Other payables	106		0.00%
		Hengyuan Allis Electric Co., Ltd.	a	Revenue from sale of goods	15,265	(Note 2)	0.30%
				Accounts receivable	15,623		0.26%
		PHD Powerhouse Distributions (PTY) Ltd.	a	Revenue from sale of goods	3,057	(Note 2)	0.06%
				Accounts receivable	20,422		0.33%



Allis Electric Co., Ltd. and Subsidiaries  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Relationship (Note 1)	Financial Statement Accounts			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Consolidated Total Revenues or Assets
0	Allis Electric Co., Ltd.	AEC International S.r.l.	a	Revenue from sale of goods	11,580	(Note 2)	0.23%
				Purchase	263		0.01%
				Accounts receivable	15,794		0.26%
				Other receivables	36,530		0.60%
				Accounts payable	386		0.01%
				Interests income	339		0.01%
1	Air King Industrial Co., Ltd.	Yishun Investment Co., Ltd.	b	Rental income	36	(Note 2)	0.00%
2	Yishun Investment CO., LTD.	Ares Technology Co., Ltd.	b	Operating revenue	432	(Note 2)	0.01%
3	Qingdao Liming Industry Co., Ltd.	Hengyuan Allis Electric Co., Ltd.	b	Purchase	5,708	(Note 2)	0.11%
				Accounts receivable	20,481		0.33%

Note 1: The relationships with the related parties are:

a. Parent company to its subsidiaries.

b. Subsidiaries to subsidiaries.

Note 2: The prices and payment terms were not significantly different from those to third parties.

Note 3: In preparing the consolidated financial statements, the transaction and balance have been eliminated.

Allis Electric Co., Ltd. and Subsidiaries  
 INFORMATION ON INVESTEEES (EXCLUDING INVESTEE COMPANY IN MAINLAND CHINA)  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)

Table 6

Investor Company	Investee Company	Location	Principle Businesses Activities	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	%	Carrying Amount			
Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	Taipei, Taiwan	Design and installation of electrical equipment	\$ 28,458	\$ 28,458	4,114,275	83.12%	\$ 56,540	\$ 10,357	\$ 8,609	Note 2
	Nissin-Allis Electric Co., Ltd.	Taoyuan, Taiwan	Manufacturing of SF6 capacitor and GIS	90,000	90,000	9,000,000	30.00%	197,597	108,900	32,670	—
	Ares Technology Co., Ltd.	New Taipei City, Taiwan	Manufacturing of UPS	75,560	74,652	6,800,000	100.00%	62,474	(1,565 )	(1,884 )	Note 2
	Allis Communications Co., Ltd.	New Taipei City, Taiwan	Manufacturing of GPS antennas	85,410	85,410	7,685,981	76.86%	35,989	(3,876 )	(2,978 )	Note 2
	Yishun Investment CO., LTD.	Taipei, Taiwan	Investment and holding	179,900	179,900	17,990,000	99.94%	99,060	2,016	311	Note 1 and 2
	Nissin Allis Union Ion Equipment Co., Ltd.	Hsinchu, Taiwan	Manufacturing of mechanical equipment and electronic parts	30,000	30,000	4,000,000	40.00%	100,551	54,297	21,718	—
	Allis International Inc.	British Virgin Islands	Investment and holding	—	121,175	—	—	—	(496 )	(496 )	Note2
	AYM International Corporation	Guam, U.S.	Construction and sale of power and electrical equipment	5,942	5,942	2,000	40.00%	—	—	—	—
	PHD Powerhouse Distributions (PTY) Ltd.	South Africa	Selling of UPS	40,974	21,766	90	90.00%	19,355	1,155	(13,325 )	Note 3
	AEC International S.r.l.	Italy	Selling of electrical equipment	62,771	—	300,000	100.00%	11,179	444	444	Note 2
	Intelicis Corporation	Santa Clara, U.S.	Developing of radio frequency products	—	—	1,875,500	29.16%	—	—	—	—

Note 1: The Company's shares held by the subsidiary are recorded as treasury stock, and its dividends received from the Company are excluded from share of profit (loss).

Note 2: In preparing the consolidated financial statements, the amount and balance have been eliminated.

Note 3: The corporation changed from associate to subsidiary on December 1, 2020, thus, the amount of share of profit (loss) recognized since then has been eliminated in preparing the consolidated statements.

Allis Electric Co., Ltd.  
INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Table 7

Investee Company	Principle Businesses Activities	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profit (Loss) (Note)	Carrying Amount as of December 31, 2020 (Note)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Hengyuan Allis Electric Co., Ltd.	Selling of electrical equipment	USD 800	Direct investment	\$ 12,769 (USD421)	\$ —	\$ —	\$ 12,769 (USD421)	\$ (1,114)	65.38%	\$ (729)	\$ 5,878	\$ —
Qingdao Liming Industry Co., Ltd.	Selling of electrical equipment	USD 2,600	Direct investment	\$55,012 (USD1,700)	\$ —	\$ —	\$55,012 (USD1,700)	\$ (11,479)	65.38%	\$ (7,505)	\$ 72,625	\$ —

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
		Net equity * 60%
\$ 106,207(USD3,266)	\$ 206,102(USD 6,411)	1,956,694

Note: The amount and balance were recognized based on the financial statements certificated by the CPA of the parent company in Taiwan and have been eliminated in preparing the consolidated financial statements.