

Stock Code : 1514

# 2020

## Annual Report



**ALLIS ELECTRIC CO.,LTD.**



Annual Report

# 2020

Issued on May 20, 2021

MOPS Website: <https://mops.twse.com.tw>

Company Official Website: <https://www.allis.com.tw>

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# I. Report to Shareholders

## 1. Annual Business Report

The 2020 Operational Status Report of the Company is summarized as follows:

### (1) Production:

The total cost of investment in production is NT\$4,182,869 thousand, up NT237,319 thousand with an increase rate of 6.02%, compared with NT\$3,945,540 thousand from previous year. The comparison of product categories is shown as follows:

	2020	2019	Rate of Increase (Decrease) %	
Electric machine products	864,344	821,779	+	5.18
Transformer	351,598	464,767	-	24.35
Electric machine devices	807,612	873,612	-	7.55
Electronic products	1,009,214	960,619	+	5.06
Distribution of materials	66,442	56,725	+	17.13
Engineering (including installation)	1,073,598	759,592	+	41.34
Other	10,061	8,446	+	19.12
Total	4,182,869	3,945,540	+	6.02

### (2) Sales:

The total sales revenue is NT\$5,012,368 thousand (including domestic sales of NT\$4,802,299 thousand and export sales of NT\$210,069 thousand, accounting for 95.81% and 4.91% of total sales revenue, respectively) is up NT\$ 293,343 thousand with an increase rate of 6.22%, compared with NT\$4,719,025 of sales revenue from previous year. The comparison of product categories is shown as follows:

	2020	2019	Rate of Increase (Decrease) %
Electric machine products	981,519	930,799	+ 5.45
Transformer	424,777	559,890	- 24.13
Electric machine devices	1,054,210	1,093,964	- 3.63
Electronic products	1,239,979	1,192,933	+ 3.94
Distribution of materials	98,086	100,841	- 2.73
Engineering (including installation)	1,199,486	829,212	+ 44.65
Other	14,311	11,386	+ 25.69
<b>Total</b>	<b>5,012,368</b>	<b>4,719,025</b>	<b>+ 6.22</b>

### (3) Surplus:

2020 net operating profit after tax is NT\$323,925 thousand, up NT\$28,344 thousand with an increase rate of 9.59%, compared with the 2019 net operation profit after tax of NT\$295,581 thousand.

### (4) Conclusion and 2021 Management Guidelines, Operation Overview and Development Strategies:

#### 1. Conclusion:

Directorate-General of Budget, Accounting and Statistics released the initial statistics of Taiwan's economic growth rate of 3.11% in 2020, which GDP was higher than expected. It is forecasted that the 2021 economic growth rate will be 4.64% mainly due to the substantial growth in product export and continuous increase in domestic investment. Moreover, the inflow of Taiwan companies, expansion of semiconductor investment, and upgrade of manufacturing capacity, these factors continue to spur the growth momentum of the entire economy. Nonetheless the effective control of global pandemic, subsequent U.S. –China development and the future direction and effect of fiscal and monetary policies of different countries will remain the uncertainty in subsequent economic trend and will require close attention. The continuous expansion in government investment and launch of forward-looking infrastructure plans, the 2021 government investment is projected on keep growing by 0.65% under the basis of substantial investment in recent years. This growth will lead Taiwan's economy and will be considerably favorable for industries that require domestic expansion in the coming years. This will help the Company boost future revenue and profitability. The Company has been committed in innovative transformation for years,

namely power electric, photovoltaic green energy, power storage, electric bus and track vehicle charging equipment, electric and mechanical equipment, and smart products have all been meeting the demand. Some of these products have received continuous investment in the R&D so that sales revenue percentage also grows higher relatively, which shares some risk faced by traditional heavy electric products in the maturity of market. Such transformation process may be difficult but the process has proved to be successful. The orders for 2020 have increased under the efforts of all employees while the profitability also increases, which achievement has not been easy in consideration of the severe condition of global pandemic.

## 2. Management Guidelines:

The world economy will inevitably face with long-term structural adjustment and it is most urgent for Taiwan to face with strategic and innovative structural transformation. In 2021, the operational guidelines emphasize on stability in taking orders in order to maximize the average performance. The Company shall create more sales revenue, save costs, strengthen product quality, and control risk. Moreover, the acceleration of new product development and release will continue to drive the Company to grow and transform. The control of forward-looking plan track and green energy and photovoltaic deployment, expansion of semiconductor factory and Taiwan Power distribution apparatus robust plan with opportunities for equipment upgrade, market segmentation, product differentiation, and system customization with added value and mobility that can further expand the market and help the Company establish its own blue ocean.

## 3. 2020 Order, Production and Sales.

The 2020 order volume is greater than the sales volume, the orders in hands have been coping with the demand for 2020 overall productivity. Heavy electric and mechanical industry is a basic industry and after decades of development in global economy, the power related equipment is shifting towards green energy, power saving, power storage, smart, and high-efficiency in the course of upgrade. The Company has cooperated with this trend for years to develop new product. It is projected that the order, production and sales amount for 2020 will growth in stability and make a breakthrough.

## 4. Future Company Development Strategies

The Company has devoted in R&D for years with achievement. The distribution automation line switch has been certified by Taiwan Power and has received continuous orders. PV INVERTER sales have succeeded and will develop towards new products with large capacity. The electric bus and track EMU equipment will reach breakthrough development due to the future trends. The development direction of new products and market will continue shifting towards smart electric and mechanical devices through cumulated core technology, power electric, energy saving, power storage, smart grid, cloud computing and other related products. Additionally, tracking transportation industries account for the majority of public construction budget and the Company has already made massive investment in this domain and now holds considerably favorable position in the industry. The future rewards are promising and all employees of the Company shall devote in more efforts to accomplish the existing objectives. We would to thank all shareholders for your support.

Allis Electric Co., Ltd.

Chairperson SUNG, HE-YEH

Manager CHENG, CHAO-PIN

Accounting Supervisor CHAN, YI-YUAN

## 2. Summary of 2021 Business Plan

### (I) Business Plan

1. Directorate-General of Budget, Accounting and Statistics released that the annual growth rate for 2020 is 3.11% while the 2021 economic growth rate is projected to be 4.64%. According to IMF released world economy and project report, it is estimated that in spite of the spread of 2019 COVID-19 pandemic, virus variation, and other uncertainty factors, and the impact of vaccination approval by the end of the year, the 2020 global economic growth rate will be adjusted down to -3.5% and the 2021 economic growth rate will climb up to 5.5%. Taiwan's future economic growth rate may be compatible to other countries, the continuous pandemic situation of COVID-19 and the continuous rise in the trade and technological conflicts in major countries, these influences could constrain the paces and strengthen of international economic recovery, which is unfavorable for our economic and trade growth. Fortunately, due to the development in domestic semiconductor high-end capacity, and the return of Taiwan companies with expansion, plus the opportunities for remote business and 5G new telecom application demand, all drive to the maintenance of economic momentum. Nonetheless the cross-strait relations have recessed instead of advancement, which leads to the rapid rise of red supply chain. Moreover, the unknown date for China-U.S. trade war places Taiwan in the middle while falling behind the competitors in the signing of regional free trade agreement, resulting in a difficult position for Taiwan. Moreover, Taiwan's government's advocacy in southward policy has not shown significant results while most industries lack the vision for explicit transformation, causing funds and talent outflow. The private-sector investment relies on the support by large corporations. The majority of economic growth depends on the injection of foreign trade surplus, the result is a long-term structural imbalance and deterioration of wealth distribution. The consumption is rather conservative and saving rate increases drastically, which is unfavorable for the long-term development of economy. Hence, the government still needs to push for public investment and construction in spite of fiscal plaque, as this meets the urgent need for domestic industry. The foremost important task now is to cooperate with the government forward-looking construction play and factory building demand for Taiwan companies returning to Taiwan, in addition to accelerating the development and release of new products that will drive the company to make transformation. Meanwhile, the Company can adopt market segmentation, product differentiation and system customization with innovation added-value and mobility to expand the market space based on the advantage of existing product foundation.



2. Generating income is not easy while the volatile fluctuations in raw material price and exchange rate show that the control of costs and continuous revenue generation and stringent cost control is highly important. The business divisions and all cases must generate reasonable and value addition to generate expected profits. The accounts receivables may not be risky but the amount is considerably high. Hence, it is important to shorten the recovery period for goods payment, restructure credit line with bank, note the cash flow and reinvestment control, so that the financial structure will become more solid and the group enterprises will grow in stability and sustainable development
3. The R&D results in recent years have demonstrated significant outcome but the Company shall deliberately evaluate and shorten the time to market so that new product sales will continue to surpass 20% of the annual revenue regularly.
4. The domestic heavy electric market has reached the maturity market and faces with intense competition. The Company actively cooperates with government policies to control the equipment upgrade of electric factories, and transmission robust plan: Taiwan Railway, MRT, light track and other industrial construction; smart, green energy, power storage, energy saving and implementation; electric bus/truck compartment charging equipment, cloud big data, IDC machine room, 5G/6G and other opportunities, system integration and potential to strengthen project turnkey, all of which will solidify and improve market share and while the Company strengths will drive the Company to grow.
5. With regards to foreign market, the Company utilizes other's power to drive product export through strategic cooperation, participating in exhibitions to promote new products and increasing export sales that target at 20% of the self-made products.
6. The Company upholds to people oriented corporate philosophy and faces with change of generations, developing the successors for all departments so that the Company will breach out in prosperity.

## (2) Forecast Sales Volume and Basis:

According to the domestic and international 2020 economy, and the order schedule received by the Company, the 2021 sales volume are projected as follows:

Type of Product	2020 Sales Volume	2021 Sales Volume (estimate)
Electric machine products	8,082 sets	11,000 sets
Transformer	3,127 units	4,800 units
Electric machine devices	24,580 sets	26,000 sets
Electronic products	7,208 sets	9,000 sets
Distribution of materials	1,830 sets	2,300 sets
Engineering (including installation)/ Other operating income	—	—

## (3) Important Production and Marketing Policies

1. Implement ISO9001 quality management, ISO14001 environmental management, ISO45001, OHSAS18001, and the philosophy and operation of TOSHMS to meet customer satisfaction with products and services.
2. Design the production line and processing for new products, as the processing and automation technology with continuous improvement will enhance productivity and strengthen associate resources, using simplistic human resource to maximum the optimal productivity, thereby increase margin productivity with maximum added value.
3. In cooperation with the government law and customer requirement, the Company actively acquire industry and related product certification by grasping the opportunity and strive for the business opportunities driven by forward-looking infrastructure plans.
4. Pay close attention to communication, smart grid/green energy/power storage, power saving and implementation, track industry infrastructure and EMU, 5G/6G, cloud big data, and IoT related product integration and use. The Company combines the R&D foundation of the Company and all subsidiaries as well as domestic and international sales channel, to create new technology, new products and new opportunities for business.

## II. Company Profile

### 1. Date of Incorporation

The Company was incorporated on Sep. 25, 1968.

### 2. Company History

Year	Course of Development
1968	⊕ Founded on September 25, 1968.
1969	⊕ Completed factory building and opened for operation on June, 6, 1969; producing distribution board and aluminum cable spare parts.
1974	⊕ Relocated to current address in Xinzhuang due to business expansion, increase manufacturing factory for power distribution voltage.
1975	⊕ Collaborated with Aichi Electric Works Co., Ltd. for vacuum circuit breaker (below 24KV) in December.
1975	⊕ Reinvested and established “LE MIN INDUSTRIAL CO., LTD.” with specialization in manufacturing distribution wiring route hardware.
1977	⊕ Transformer and distribution products awarded by BSMI of MOEA as “Class A Quality Assurance” Factory.
1978	⊕ Collaborated and invested with Shikoku Marine Electric Co., Ltd. to establish the Taiwan Marine Electric Co., Ltd. ⊕ Collaborated with Aichi Electric Works Co., Ltd. in April to sign the distribution apparatus technical cooperation. ⊕ Collaborated with SIEMENS-ALLIS INC. in September to produce 69KV air break switch (ABS). ⊕ Assessed by MOEA as First-Grade Factory in distribution apparatus and voltage.
1979	⊕ Collaborated with Shindengen in June to manufacture telecommunication and rectifier equipment system.
1980	⊕ Purchased 11,000 pings (level ground) of land in Yangmei in April to expand the Allis Yangmei factory.
1981	⊕ First company to collaborate with German TU Company in October, producing 24KV grade of epoxy mold dry voltage under 2500KVA.
1982	⊕ Developed Quality Control Circle (QCC) activities in September. ⊕ Awarded with metal in “Quality Control Distinguished Factory” by BSMI of MOEA in October.
1983	⊕ Collaborated with SIEMENS ENERGY & AUTOMATION INC. in May to produce 161KV ABS and passed the test from Taiwan Power Company in November.

Year	Course of Development
1984	⊕ Ground breaking in Yangmei Factory in October, preparing to produce dry voltages and high-end enclosed switchgear.
1985	⊕ Collaborated with Taiwan Electric Research & Testing Center to complete the short circuit test equipment in April, the first company to apply for vacuum circuit breaker (VCB) and qualification test for metal clad switchgear.
1986	⊕ Yangmei Factory Phase I construction completed in April. ⊕ Collaborated with Takamatsu in November to produce gas switch of 15KV and lower of SF6 gas switch.
1987	⊕ Yangmei Factory Phase II new factory build in July, “Sheet Plating Factory” officially operated on 17 <sup>th</sup> of July.
1988	⊕ Yangmei Factory Phase III Building Operating in October. ⊕ The Company passed the corporate synergy team by Industrial Development Bureau of MOEA in November and officially established the Allis E&M Center Satellite Factory System.
1989	⊕ Signed investment contract with Nissin Electric Co., Ltd. from Japan. ⊕ Approved by Board of Directors in April, reinvested in Air King Industrial Co., Ltd. with business lines including the various hazard treatment equipment, dust collection equipment, and sewage treatment business. ⊕ Signed technical transfer contract for “remote terminal unit (RTU)” with ITRI Computer and Communication Industry Research Institute in May. ⊕ Collaborated with KEARNEY NATIONAL INC. from U.S. on technology cooperation in December to produce fuse cut out.
1990	⊕ Yangmei Factory Phase IV Distribution Apparatus Factory building in March.
1991	⊕ Collaborated with KEARNEY NATIONAL INC. for hydraulic circuit breaker in October. ⊕ Cooperated with INTERNATIONAL POWER MACHINES CORP. for technical production of UPS In October. ⊕ Collaborated with Nissin Electric Co., Ltd. to establish the joint venture company in November, Nissin-Allis Electric Co., Ltd. to produce SF6 capacitor, hydraulic insulation switch and spare parts.
1992	⊕ Technical collaboration with ABB from Germany in July to produce MNS TYPE MCC.
1993	⊕ Entered joint venture (Nissin-Allis Electric Co. Ltd.) with Nissin Electric Co., Ltd. in May for ground breaking and factory building. The initial products is to produce gas-insulation high-voltage power capacitor and gas insulation switch equipment.

Year	Course of Development
1994	<ul style="list-style-type: none"> <li>⊕ Became listed company on March 26.</li> <li>⊕ Awarded with ISO-9001 international standard quality assurance system recognition and registration in May.</li> <li>⊕ Awarded with Chinese Society for Quality-Quality Control Group Award in September.</li> </ul>
1995	<ul style="list-style-type: none"> <li>⊕ Reinvested in ARES TECHNOLOGY CO., LTD. in April to produce UPS equipment and related products.</li> <li>⊕ Reinvested in Allis Communications in November to product and sell GPS antenna, TV planar antenna and antenna for airplane, vessel, automobile, and mobile phones.</li> </ul>
1996	<ul style="list-style-type: none"> <li>⊕ The Company's distribution apparatus and voltage are awarded with TEEMA Golden Quality Award and Excellent Function Award in March.</li> </ul>
1997	<ul style="list-style-type: none"> <li>⊕ Collaborated with Nissin Electric Co., Ltd. in June to produce the 25.8KV GIS pressure insulation switch equipment.</li> </ul>
1998	<ul style="list-style-type: none"> <li>⊕ Collaborated with POWERTRONIX S.P.A in June to develop intermediate and large high-frequency three-phase UPS.</li> </ul>
1999	<ul style="list-style-type: none"> <li>⊕ Collaborated with RECTIFIER TECHNOLOGY in December to produce new high-frequency exchange converter.</li> </ul>
2000	<ul style="list-style-type: none"> <li>⊕ Reinvested in AEC SPA in December to engage in power electric product sales.</li> </ul>
2001	<ul style="list-style-type: none"> <li>⊕ Reinvested in Nissin Allis Union Ion Equipment Co., Ltd. in May to engage in the maintenance and services for semiconductor equipment.</li> </ul>
2002	<ul style="list-style-type: none"> <li>⊕ Reinvested in Nippon Signal Co., Ltd. in March to engage in railway signal and traffic signal maintenance and buy/sell business.</li> <li>⊕ Invested in Qingdao Yee-He Allis Electric Co., Ltd. in July to engage in the manufacturing of power switch products.</li> </ul>
2003	<ul style="list-style-type: none"> <li>⊕ Yangmei Factory successfully introduced OHSAS18001 in October.</li> </ul>
2004	<ul style="list-style-type: none"> <li>⊕ Invested in Qingdao Yee-He Allies Voltage Co., Ltd. in March to engage in the manufacturing of power voltage products.</li> </ul>
2005	<ul style="list-style-type: none"> <li>⊕ Invested in AEC POWER CONTROL LTD in August to expand the export market for electric and power products to Europe.</li> </ul>
2006	<ul style="list-style-type: none"> <li>⊕ Invested in Intelicis Corporation, in Silicone Valley, US, in June; engaged in wireless networking products application, development and sales.</li> </ul>
2007	<ul style="list-style-type: none"> <li>⊕ Invested in Qingdao Liming Communication Equipment Co., Ltd. in China in November; engaging in telecommunication equipment and power switch device manufacturing and sales.</li> </ul>

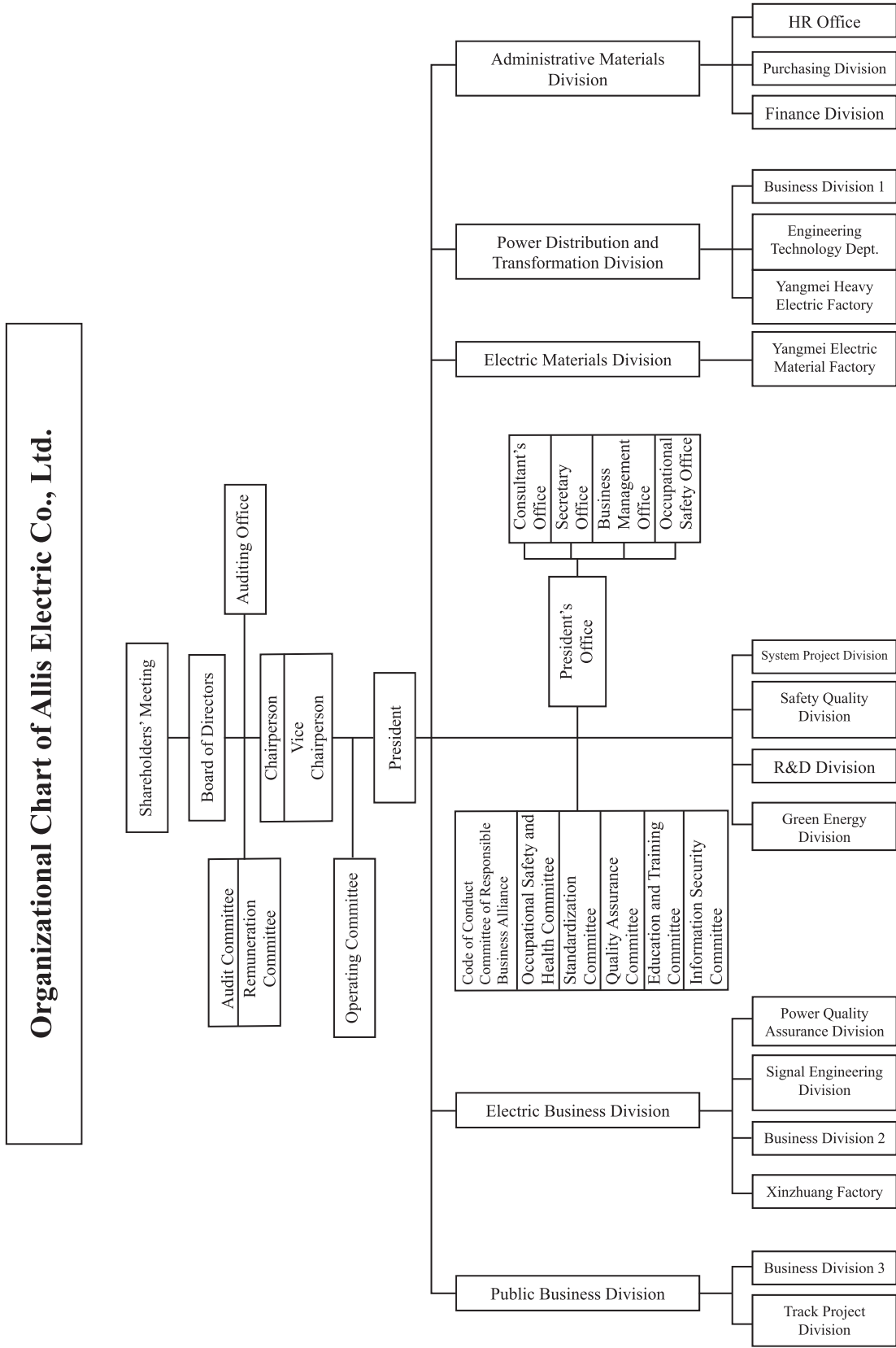
Year	Course of Development
2008	<ul style="list-style-type: none"> <li>⊕ Invested in Qingdao Hengyuan Yali Electric Co., Ltd in March; engaged in the manufacturing and sales of electric switch device.</li> <li>⊕ Expanded new epoxy mold voltage vacuum injection manufacturing equipment to improve product quality and export capacity.</li> </ul>
2009	<ul style="list-style-type: none"> <li>⊕ New German HEDRICH injection equipment, upgrading capacity and product quality.</li> </ul>
2010	<ul style="list-style-type: none"> <li>⊕ Xinzhuang Factory and Yangmei Factory passed OHSAS18001 and TOSHMS.</li> <li>⊕ Yangmei Factory certified by ISO14001.</li> <li>⊕ Xinzhuang Laboratory and Yangmei Laboratory passed ISO/IEC17025 from Taiwan Accreditation Foundation (TAF) ISO/IEC17025.</li> </ul>
2011	<ul style="list-style-type: none"> <li>⊕ Xinzhuang Laboratory certified by Taiwan Accreditation Foundation (TAF).</li> <li>⊕ Yangmei Laboratory certified by Taiwan Accreditation Foundation (TAF).</li> <li>⊕ Established Salary and Remuneration Committee in December.</li> </ul>
2012	<ul style="list-style-type: none"> <li>⊕ Xinzhuang Factory passed the review with cognition by high-voltage power equipment manufacturers and acquired the MOEA recognition registration certificate on January 4, 2012.</li> <li>⊕ Yangmei factory passed the review with recognition by high-voltage power equipment manufacturers and acquired the MOEA recognition registration certificate on July 17, 2012.</li> </ul>
2013	<ul style="list-style-type: none"> <li>⊕ Invested AYM International Inc. in Guam in October and engaged in power system turnkey project and equipment sales, maintenance, and other related business.</li> </ul>
2014	<ul style="list-style-type: none"> <li>⊕ Contracted Taichung Longjing Phase II Photovoltaic New Deployment project in December and was awarded by Public Construction Commission of Executive Yuan for Public Construction Quality Gold Award in “Design” and “construction” categories.</li> </ul>
2015	<ul style="list-style-type: none"> <li>⊕ Completed the 24kV SF6 elevated load breaker switch with PT. Sintra Sinarindo Elektrik of Indonesia for local production, cooperation and sales plan in Indonesia.</li> </ul>
2016	<ul style="list-style-type: none"> <li>⊕ Invested in PHD Powerhouse Distributions (PTY) LTD in July and engaged to the sales of UPS uninterrupted power systems.</li> </ul>
2017	<ul style="list-style-type: none"> <li>⊕ Established Audit Committee in June.</li> <li>⊕ Invested in Leadtang Technology Co., Ltd.in October to engage in battery module, power storage and smart charger products business.</li> <li>⊕ Invested in Advantage International Green Energy Co., Ltd in December to engage in solar power equipment installation and technical services business.</li> </ul>

Year	Course of Development
2018	<ul style="list-style-type: none"> <li>⊕ Fiftieth Anniversary of company foundation. The Company projects to the future benchmark with “Centennial Business After Fifty Years of Glory.”</li> <li>⊕ Invested in Tangeng Advanced Vehicles Co., Ltd. in October to engage in the production and sales of electric bus and related power storage equipment.</li> </ul>
2019	<ul style="list-style-type: none"> <li>⊕ Allis Electric Group CEO Zheng-Tong Yang was honored with the Eighth New Academician of Industrial Technology Research Institute.</li> </ul>
2020	<ul style="list-style-type: none"> <li>⊕ In February, the construction of Yangmei Electric Material Building commenced.</li> <li>⊕ Yangmei factory and Xinzhuang Factory received ISO45001 from Taiwan BSMI.</li> <li>⊕ Invested in AEC International SRL and authorized it to distribute the AEC Brand in Europe.</li> <li>⊕ Increased the investment in PHD Powerhouse Distributions (PTY) LTD. in South Africa and operated the sale of UPS Systems.</li> </ul>

With respect to the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report and besides the above-mentioned matters, the Company has not engaged in merger and acquisition activities, instances in which a major quantity of shares is transferred or otherwise changes hands, any change in managerial control, any material change in operating methods or type of business, and any other matters of material significance that could affect shareholders' equity.

# III. Corporate Governance Report

## 1. Organizational Chart





## Major Corporate Functions

President Office	<ol style="list-style-type: none"> <li>1. Coordinating the alliance with international technical cooperation contract, contract management, and reinvestment accounts management.</li> <li>2. Coordinating human resource management, employee salary and benefits, and educational training.</li> <li>3. Coordinating market information collection and assisting with sales in product promotion and management.</li> <li>4. Coordinating and executing company-wide quality environment, safety and health policy.</li> </ol>
Finance Division	Coordinating funds transfer, cost management, accounting and accounts, financial investment management, taxation handling, information security establishment, and stock affairs of the Company.
Purchasing Division	Coordinating procurement of materials and equipment, undertaking import/export business, and coordinating general affairs of the Company.
R&D Division	Coordinating the research, development of new products in power distribution equipment, power switch, and power electric related applications and the quality improvement on existing products.
Xinzhuang Factory	Coordinating the transmission and distribution equipment switch, the design, manufacturing, quality control, and post-sales services of power electric and green energy products.
Yangmei Heavy Electric Factory	Coordinating the design, manufacturing, quality control and post-sales services of distribution apparatus and transformer products.
Yangmei Factory	Coordinating the design, manufacturing, quality control, and post-sales services of T&D apparatus and switch products.
Business Division 1	Coordinating distribution apparatus, transformer and other product sales.
Business Division 2	Coordinating telecommunication power equipment, track vehicles and EMU charging equipment, UPS, solar power converter, and other product sales.
Business Division 3	Coordinating distribution apparatus, transformer, reactor, IED equipment and factory, switch equipment, aluminum kit and devices sales related matters.
System Engineering Division	Coordinating automatic monitoring plan/establishment/integration, agency/plan for protective relay, application/integration of smart grid, system and engineering related product technology introduction and sales.
Power Quality Division	Coordinating Uninterrupted Power System (UPS), high voltage direct current equipment (HVDC) and other product sales.
Green Energy System	Coordinating renewable energy, solar power converter, power conversion application of green power room and products sales, contracting, planning, design, construction, test and training for power and renewable energy construction turnkey projects.
Signal Engineering Division	Coordinating track signal equipment, signal power and signal project contracting, planning, design, construction, and test.
Track Engineering Division	Coordinating track EMU line system engineering and relevant equipment sales, and Taiwan Power Company Construction Division related power system and power related equipment sales.
Safety and Quality Assurance Division	Coordinating management regulations of the Company, educational training, occupational safety and health management, quality management, environmental management and other systems and system establishment, promotion and maintenance.

## 2. Director, President, Vice President, Senior Manager, Branch Chief, Head of Critical Departments

### (1) Directors

#### Information of Directors (1)

April 26, 2021

Title	Nationality/ Country of Origin	Name	Sex	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title
Chairperson	ROC	Huede Industrial Co., Ltd. Representative He-Ye Song	Male	109.6.23	3 years	103.6.25	6,070,653	2.93	8,650,185	3.98	0	0.00	0	0.00	LE MIN INDUSTRIAL CO., LTD Chairman Allis Communications Director AEC International Srl Director Nissin Allis Union Ion Equipment Co., Ltd. Director Nissin-Allis Electric Co., Ltd Director ABICO NetCom Co., Ltd. Independent Director University of Southern California	The same as the information on the left	Director	CHEN, MING-SHENG SUNG, WEN-YEH	Mother and Son Brother
							3,611,158	1.74	1,523,715	0.70	0	0.00	0	0.00			Director Representative		

Title	Nationality/ Country of Origin	Name	Sex	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title
Vice Chairperson	ROC	Chao-Bin Zheng	Male	109.6.23	3 years	97.6.19	376,974	0.18	399,667	0.18	5,949	0.00	0	0.00	ARES TECHNOLOGY CO., LTD Chairman Qingdao Liming Communication Equipment Co., Ltd. Director Qingdao Hengyuan Yali Electric Co., Ltd Director Nissin-Allis Electric Co., Ltd Supervisor National Taiwan University of Science and Technology	Concurrent position as the president of the Company and the ones listed on the left.	No	No	No
Director	ROC	Chengrui Investment Co., Ltd. Representative Cheng-Tong Yang	Male	109.6.23	3 years	103.6.25	3,704,910	1.79	3,890,155	1.79	0	0.00	0	0.00	Air King Industrial Co., Ltd. Director LE MIN INDUSTRIAL CO., LTD Director Nissin-Allis Electric Co., Ltd Director Allis Communications Supervisor Taiwan Marine Electric Co., Ltd. Supervisor National Taipei University of Technology	Concurrent position as the CEO of the Company and the ones listed on the left.	No	No	No

Title	Nationality/ Country of Origin	Name	Sex	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title
Director	ROC	Wen Li	Male	109.6.23	3 years	74.9.30	629,132	0.30	639,738	0.30	313	0.00	0	0.00	Yishun Investment CO., LTD. Chairman ARES TECHNOLOGY CO., LTD. Director Allis Communications Director Nissin Allis Union Ion Equipment Co., Ltd. Director Air King Industrial Co., Ltd. Supervisor Fu Jen Catholic University	Concurrent position at the senior consultant in chief of the Company	No	No	No
Director	ROC	Wen-jing Chen	Male	109.6.23	3 years	106.6.21	127,752	0.05	134,139	0.06	130	0.00	0	0.00	National Taipei University of Technology	Concurrent position as the senior vice president of the Company	No	No	No
Director	ROC	Min-Shen Chen	Female	109.6.23	3 years	57.8.9 Elected as a supervisor. 65.5.29 Elected as a director.	8,306,735	4.01	8,722,071	4.01	0	0.00	0	0.00	Taiwan Marine Electric Co., Ltd. Chairman Air King Industrial Co., Ltd. Director LE MIN INDUSTRIAL CO., LTD Director Soochow University	Concurrent position as the consultant of the Company and listed on the left.	Chairperson Representative Director Representative	SUNG, HE-YEH SUNG, WEN-YEH	Mother and Son Mother and Son
Director	ROC	Dudu Investments Co., Ltd. Representative Wen-Ye Song	Male	109.6.23	3 years	103.6.25	0	0.00	6,443,169	2.96	0	0.00	0	0.00	Allis Communications Chairman Pepperdine University	The same as the information on the left	Director Chairperson Representative	CHEN, MING-SHENG SUNG, HE-YEH	Mother and Son Brother

Title	Nationality/ Country of Origin	Name	Sex	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title
Director	ROC	Shu-Hi Zhuo	Female	109.6.23	3 years	94.6.22 Elected as a supervisor <sup>10</sup> 6.6.21 Elected as a director.	2,159,336	1.06	2,267,302	1.04	0	0.00	0	0.00	PROLITECH CORP. Chairman YU SAN ELECTRIC CO., LTD Chairman Ming Chuan University	The same as the information on the left	No	No	No
Director	ROC	Shui-Long Luo	Male	109.6.23	3 years	97.6.19	1,670,000	0.81	1,753,500	0.81	471,534	0.22	0	0.00	PAI POLE ENTERPRISE CO., LTD. Yinning Senior High School	The same as the information on the left	No	No	No
Independent Director	ROC	Yin-Tai Wu	Male	109.6.23	3 years	106.6.21	0	0.00	0	0.00	0	0.00	0	0.00	Chien Hsin University of Science and Technology, Dept. of Electrical Engineering Professor and Dean of College of Engineering and Computer Science University of Michigan: PhD in Naval Architecture and Marine Engineering Master in Computer, Information and Control Engineering Master in in Naval Architecture and Marine Engineering University of Washington: Master in Aeronautics and Astronautics Chung Cheng Institute of Technology: B.S. in Mechanical Engineering	No	No	No	

Title	Nationality/ Country of Origin	Name	Sex	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title
Independent Director	ROC	Rui-Xiang Huang	Male	109.6.23	3 years	106.6.21	0	0.00	0	0.00	0	0.00	0	0.00	Feida Business Consulting Co., Ltd. President IBF Securities Independent Director Tze Shin International Co., Ltd. Independent Director IVES OPTOELECTRONICS CO., LTD Director FASPRO SYSTEMS CO., LTD Supervisor CSSP INC. Supervisor Master in Accounting, National Chengchi University B.S. in Accounting, National Chengchi University	The same as the information on the left	No	No	No

**Table 1: Major shareholders of the Institutional Shareholders**

April 26, 2021

Name of Institutional Shareholders	Major Shareholders
Huede Industrial Co., Ltd.	SUNG, HSIN-YEH – 100%
Chengrui Investment Co., Ltd.	CHEN, WEI-PING – 60% YANG, CHIEH-JEN – 20% CHIANG, SHU-WEN – 20%
Dudu Investments Co., Ltd.	CHANG, CHENG-YI – 100%

**Table 2: Major shareholders of the Institutional Shareholders: N/A.**

## Professional qualifications and independence analysis of directors (2)

Name	Criteria	Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director			
		1	2	3	4	5	6	7	8	9	10	11	12				
Huede Industrial Co., Ltd. Representative He-Ye Song	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience																1
Chao-Bin Zheng	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University																—
Chengrui Investment Co., Ltd. Representative Cheng-tung Yang	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company																—
Wen Li	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company																—
Wen-Jing Chen																	—
Min-Shen Chen																	—
Dudu Investments Co., Ltd. Representative Wen-Ye Song																	—
Shu-Ji Zhuo																	—
Shui-Long Luo																	—
Yin-Tai Wu																	—
Rui-Xiang Huang																	2
Xian-Chi Hu																	1

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

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



- (6) Not the director, supervisor, or employee of that other company, with majority of the company's director seats or voting shares and those of any other company are controlled by the same person (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).
- (7) Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).
- (8) Not the director, supervisor, managerial officer, or shareholders with 5% shareholding or more (nonetheless the specific company or institute holding between 20%~50% of total company shares issued, and are concurrently the independent director of the Company to the parent company, subsidiary, or subsidiary of the same parent company, pursuant to the Law or local laws, shall be excluded) of specific company or institution engaging in financial or business transactions with the Company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

## (2) Management Team

President, Vice President, Senior Manager, Head of Departments

April 26, 2021

Title	Nationality / Country of Origin	Name	Sex	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	ROC	CHENG, CHAO-PIN	Male	100.7.1	399,667	0.18	5,949	0.00	0	0.00	Please refer to information on directors.	The same as the information on the left	No	No	No
Senior Vice General Manager	ROC	CHEN, WEN-CHIN	Male	109.7.1	134,139	0.06	130	0.00	0	0.00	Please refer to information on directors	The same as the information on the left	No	No	No
Vice General Manager	ROC	TENG, CHUN-SHENG	Male	109.7.1	73,040	0.03	0	0.00	0	0.00	Air King Industrial Co., Ltd. Director Yishun Investment CO., LTD. Director Allis Communications Supervisor ARES TECHNOLOGY CO., LTD. Supervisor National Taipei University of Business	The same as the information on the left	No	No	No
Vice General Manager	ROC	LIU, CHI-JEN	Male	109.7.1	27,535	0.01	2,163	0.00	0	0.00	ARES TECHNOLOGY CO., LTD. Director National Taiwan University of Science and Technology	The same as the information on the left	No	No	No

Title	Nationality / Country of Origin	Name	Sex	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Manager	ROC	FANG, CHIH-HANG	Male	106.7.1	24,874	0.01	0	0.00	0	0.00	National Chiao Tung University, EECS	No	No	No	No
Senior Manager	ROC	HSU, CHUN-HUANG	Male	110.1.1	0	0.00	0	0.00	0	0.00	National Cheng Kung University, Department of Electrical Engineering	No	No	No	No
Senior Manager	ROC	WU, JEN-LUNG	Male	110.1.1	1,323	0.00	0	0.00	0	0.00	National Chin-Yi University of Technology-Department of Mechanical Engineering	No	No	No	No
Accounting Supervisor	ROC	CHAN, YI-YUAN	Male	109.7.1	2,245	0.00	2,100	0.00	0	0.00	Yishun Investment CO., LTD. Supervisor National Taipei University of Business, Department of Business Administration, EMBA	The same as the informant on the left	No	No	No

### (3) Directors, Vice directors, Remuneration of the President and Vice President

#### 1. Remuneration of Directors and Independent Directors-the Company

Unit: NT\$ thousands

Title	Name	Remuneration of Directors				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Relevant Remuneration Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)	Severance Pay (B)	Bonus to Directors (C)	Allowances (D)		Salary, Bonuses, and Allowances (E)	Profit Sharing- Employee Bonus (G)				
								Severance Pay (F)	Cash	Stock		
Chairperson	Huede Industrial Co., Ltd. Representative He-Ye Song	0	0	1,466,211	180,000	5,401,240	65,634	455,130	0	2.34%	No	
Vice Chairperson	Chao-Bin Zheng	0	0	733,106	180,000 and rent for automobile, which was 419,863	5,798,680	121,393	436,458	0	2.37%	No	
Director	Chengnui Investment Co., Ltd. Representative Cheng-tung Yang	0	0	733,106	180,000 and rent for automobile, which was 899,868	0	0	0	0	0.56%	No	
Director	Wen Li	0	0	733,106	180,000 and rent for automobile, which was 419,863	3,757,333	56,854	455,130	0	1.73%	No	
Director	Wen-Jing Chen	0	0	733,106	180,000	3,128,363	118,015	233,400	0	1.36%	No	
Director	Min-Shen Chen	0	0	733,106	180,000	420,000	0	0	0	0.41%	No	
Director	Dudu Investments Co., Ltd. Representative Wen-Ye Song	0	0	733,106	180,000	0	0	0	0	0.28%	No	
Director	CHO, SHU-CHI	0	0	733,106	180,000	0	0	0	0	0.28%	No	
Director	CHEN, TZU-KUNG	0	0	733,106	180,000	900,000	0	0	0	0.56%	No	
Director	LO, SHUI-LUNG	0	0	733,106	180,000	0	0	0	0	0.28%	No	
Independent Director	WU, YING-CHIN	0	0	0	420,000	0	0	0	0	0.13%	No	
Independent Director	HUANG, JUL-HSIANG	0	0	0	420,000	0	0	0	0	0.13%	No	
Independent Director	HU, HSIANG-CHI	0	0	0	420,000	0	0	0	0	0.13%	No	

(1) The Company independent directors not only take part in the operation of Board of Directors but also take concurrent positions in the salary and remuneration committee and audit committee. Regardless of profit or loss, the independent directors only receive fixed transportation fees. The company does not offer additional pay to the independent directors while the independent directors do not participate in the distribution of bonus to directors.

(2) Retirement pension funds are appropriations.

(3) Director Zi-Cong Chen ceded in March, 2021

## Remuneration of Directors and Independent Directors-All companies in the consolidated financial statements

Unit: NT\$ thousands

Title	Name	Remuneration of Directors				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Relevant Remuneration Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)	Severance Pay (B)	Bonus to Directors (C)	Allowances (D)		Salary, Bonuses, and Allowances (E)	Severance Pay (F)	Profit Sharing- Employee Bonus (G)			
									Cash	Stock		
Chairperson	Huede Industrial Co., Ltd. Representative He-Ye Song	0	0	1,466,211	300,000	0.55%	5,791,240	65,634	455,130	0	2.49%	No
Vice Chairperson	CHENG, CHAO-PIN	0	0	733,106	180,000 and rent for automobile, which was 419,863	0.41%	6,188,680	121,393	436,458	0	2.49%	No
Director	Chengrui Investment Co., Ltd. Representative Cheng-tung Yang	0	0	848,884	360,000 and rent for automobile, which was 899,868	0.65%	1,046,000	0	0	0	0.97%	No
Director	LI, WEN	0	0	848,884	370,000 and rent for automobile, which was 419,863	0.51%	3,757,333	56,854	455,130	0	1.82%	No
Director	CHEN, WEN-CHIN	0	0	733,106	180,000	0.28%	3,128,363	118,015	233,400	0	1.36%	No
Director	CHEN, MING-SHENG	0	0	848,884	240,000	0.34%	960,000	0	0	0	0.63%	No
Director	Dudu Investments Co., Ltd. Representative Wen-Y Song	0	0	733,106	300,000	0.32%	1,560,000	0	0	0	0.80%	No
Director	CHO, SHU-CHI	0	0	733,106	180,000	0.28%	0	0	0	0	0.28%	No
Director	CHEN, TZU-KUNG	0	0	733,106	180,000	0.28%	900,000	0	0	0	0.56%	No
Director	LO, SHUI-LUNG	0	0	733,106	180,000	0.28%	0	0	0	0	0.28%	No
Independent Director	WU, YING-CHIN	0	0	0	420,000	0.13%	0	0	0	0	0.13%	No
Independent Director	HUANG, JUI-HSIANG	0	0	0	420,000	0.13%	0	0	0	0	0.13%	No
Independent Director	HU, HSIANG-CHI	0	0	0	420,000	0.13%	0	0	0	0	0.13%	No

(1) The Company independent directors not only take part in the operation of Board of Directors but also take concurrent positions in the salary and remuneration committee and audit committee. Regardless of profit or loss, the independent directors only receive fixed transportation fees. The company does not offer additional pay to the independent directors while the independent directors do not participate in the distribution of bonus to directors.

(2) Retirement pension funds are appropriations.

(3) Director Zi-Gong Chen ceded in March, 2021.

## 2. Remuneration of the President and Vice President-the Company

Unit: NT\$ thousands

Title	Name	Base Compensation (A)	Severance Pay (B)	Bonus to Directors (C)	Allowances (D)		Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
					Cash	Stock		
General Manager	CHENG, CHAO-PIN	2,698,680	121,393	3,100,000	436,458	0	1.96%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,618,988	118,015	1,509,375	233,400	0	1.07%	No
Vice General Manager	TENG, CHUN-SHENG	1,365,452	92,153	1,058,400	134,993	0	0.82%	No
Vice General Manager	LIU, CHI-JEN	1,269,500	85,241	1,002,400	165,595	0	0.78%	No

Note: (1) All retirement pensions are provided as contributions.

## Remuneration of the President and Vice President-All companies in the consolidated financial statements

Unit: NT\$ thousands

Title	Name	Base Compensation (A)	Severance Pay (B)	Bonus to Directors (C)	Allowances (D)		Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
					Cash	Stock		
General Manager	CHENG, CHAO-PIN	3,058,680	121,393	3,130,000	436,458	0	2.08%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,618,988	118,015	1,509,375	233,400	0	1.07%	No
Vice General Manager	TENG, CHUN-SHENG	1,749,452	92,153	1,238,400	134,993	0	0.99%	No
Vice General Manager	LIU, CHI-JEN	1,269,500	85,241	1,002,400	165,595	0	0.78%	No

Note: (1) All retirement pensions are provided as contributions.

### 3. The top five managers receiving the highest remuneration - the Company

Unit: NT\$ thousands

Title	Name	Base Compensation (A)	Severance Pay (B)	Bonus to Directors (C)	Allowances (D)		Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
					Cash	Stock		
General Manager	CHENG, CHAO-PIN	2,698,680	121,393	3,100,000	436,458	0	1.96%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,618,988	118,015	1,509,375	233,400	0	1.07%	No
Senior Manager	FANG, CHIH-HANG	1,834,893	106,488	631,685	175,050	0	0.85%	No
Vice General Manager	TENG, CHUN-SHENG	1,365,452	92,153	1,058,400	134,993	0	0.82%	No
Vice General Manager	LIU, CHI-JEN	1,269,500	85,241	1,002,400	165,595	0	0.78%	No

Note: (1) All retirement pensions are provided as contributions.

### The top five managers receiving the highest remuneration - all companies in the consolidated financial statements

Unit: NT\$ thousands

Title	Name	Base Compensation (A)	Severance Pay (B)	Bonus to Directors (C)	Allowances (D)		Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
					Cash	Stock		
General Manager	CHENG, CHAO-PIN	3,058,680	121,393	3,130,000	436,458	0	2.08%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,618,988	118,015	1,509,375	233,400	0	1.07%	No
Vice General Manager	TENG, CHUN-SHENG	1,749,452	92,153	1,238,400	134,993	0	0.99%	No
Senior Manager	FANG, CHIH-HANG	1,834,893	106,488	641,685	175,050	0	0.85%	No
Vice General Manager	LIU, CHI-JEN	1,269,500	85,241	1,002,400	165,595	0	0.78%	No

Note: (1) All retirement pensions are provided as contributions.

Name of the Managers Who Distribute the Employee Bonus and the Situation of Distribution  
March 30, 2021

	Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Manager	General Manager	CHENG, CHAO-PIN	0	1,216,041 元	1,216,041 元	0.38%
	Senior Vice General Manager	CHEN, WEN-CHIN				
	Vice General Manager	TENG, CHUN-SHENG				
	Vice General Manager	LIU, CHI-JEN				
	Senior Manager	FANG, CHIH-HANG				
	Accounting Supervisor	CHAN, YI-YUAN				

- (4) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

	2019		Consolidated, 2019		2020		Consolidated, 2020	
	Total remuneration (NT\$ thousands)	Ratio to net income after tax (%)	Total remuneration (NT\$ thousands)	Ratio to net income after tax (%)	Total remuneration (NT\$ thousands)	Ratio to net income after tax (%)	Total remuneration (NT\$ thousands)	Ratio to net income after tax (%)
Director	30,801	10.42	35,327	11.95	34,211	10.56	39,154	12.09
General Manager and Vice General Manager	12,475	4.22	13,451	4.55	15,010	4.63	15,964	4.93

Description: Among the Company directors, chairman, deputy chairman, president, and vice presidents are full-time paid positions of the Company, with responsibility in existing tasks and functions, which follow the average market and company salary standards in addition to measuring the annual operation performance and profits. These positions receive fixed salary and annual bonus. Director remunerations are paid in years of profits according to the corporate Articles of Incorporation.



### 3. Implementation of Corporate Governance

#### (1) Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in 2020. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairperson	Huede Industrial Co., Ltd. Representative He-Ye Song	7	0	100 %	-
Vice Chairperson	CHENG, CHAO-PIN	7	0	100 %	-
Director	Chengrui Investment Co., Ltd. Representative Cheng-tung Yang	7	0	100 %	-
Director	LI, WEN	7	0	100 %	-
Director	CHEN, WEN-CHIN	7	0	100 %	-
Director	CHEN, MING-SHENG	7	0	100 %	-
Director	Dudu Investments Co., Ltd. Representative Wen-Ye Song	0	4	0 %	-
Director	CHO, SHU-CHI	5	1	71 %	-
Director	CHEN, TZU-KUNG	7	0	100 %	Ceded March, 2021
Director	LO, SHUI-LUNG	4	0	57 %	-
Independent Director	WU, YING-CHIN	7	0	100 %	-
Independent Director	HUANG, JUI-HSIANG	7	0	100 %	-
Independent Director	HU, HSIANG-CHI	6	1	86 %	-

**Other mentionable items:**

- If any of the following circumstances apply to the operation of the Board of Directors' meeting, the date and date of the Board of Directors' meeting, the content of the motion, the opinions of all independent directors and the Company's handling of the opinions of the independent directors shall be stated.
  - Circumstances referred to in Article 14-3 of the Securities and Exchange Act: None.
  - Aside from the foregoing items, other resolutions of the Board of Directors that were opposed or qualified by the independent directors and for which records or written statements are available: None.
- Directors' avoidance from the implementation of the interested parties' motions: None.
- Implementation of Board of Directors Evaluation: The Company cooperates with competent authority's requirement by conducting Board of Directors Self-Evaluation since 2020.
- The objectives in strengthening board function for current year and latest year (i.e. set up Audit Committee and enhance information transparency) and implementation evaluation: Execute according to competent authority's requirement and elected independent directors in 2017 to form the Audit Committee.

### 3. Implementation of Corporate Governance

#### (1) Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in 2020. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairperson	Huede Industrial Co., Ltd. Representative He-Ye Song	7	0	100 %	-
Vice Chairperson	CHENG, CHAO-PIN	7	0	100 %	-
Director	Chengrui Investment Co., Ltd. Representative Cheng-tung Yang	7	0	100 %	-
Director	LI, WEN	7	0	100 %	-
Director	CHEN, WEN-CHIN	7	0	100 %	-
Director	CHEN, MING-SHENG	7	0	100 %	-
Director	Dudu Investments Co., Ltd. Representative Wen-Ye Song	0	4	0 %	-
Director	CHO, SHU-CHI	5	1	71 %	-
Director	CHEN, TZU-KUNG	7	0	100 %	Ceded March, 2021
Director	LO, SHUI-LUNG	4	0	57 %	-
Independent Director	WU, YING-CHIN	7	0	100 %	-
Independent Director	HUANG, JUI-HSIANG	7	0	100 %	-
Independent Director	HU, HSIANG-CHI	6	1	86 %	-

**Other mentionable items:**

- If any of the following circumstances apply to the operation of the Board of Directors' meeting, the date and date of the Board of Directors' meeting, the content of the motion, the opinions of all independent directors and the Company's handling of the opinions of the independent directors shall be stated.
  - Circumstances referred to in Article 14-3 of the Securities and Exchange Act: None.
  - Aside from the foregoing items, other resolutions of the Board of Directors that were opposed or qualified by the independent directors and for which records or written statements are available: None.
- Directors' avoidance from the implementation of the interested parties' motions: None.
- Implementation of Board of Directors Evaluation: The Company cooperates with competent authority's requirement by conducting Board of Directors Self-Evaluation since 2020.
- The objectives in strengthening board function for current year and latest year (i.e. set up Audit Committee and enhance information transparency) and implementation evaluation: Execute according to competent authority's requirement and elected independent directors in 2017 to form the Audit Committee.

(3) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status <sup>1</sup>		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
		Abstract Illustration	
1. Does the Company develop and disclose Corporate Governance Best Practice Principles pursuant to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		◆ The Company has developed the Corporate Governance Best Practice Principles with the approval by the Board of Directors.
2. Shareholding structure & shareholders’ rights			
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		◆ Shareholders are advised to reach consensus at shareholders meeting and have spokesperson handling all suggestions or doubts from shareholders. The Company website shall set up a Shareholder/Investor section to fully and instantly disclose the information needed for investors.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		◆ The Company shall assign a stock affairs specialist in charge of the actual control of corporate major shareholders and the ultimate control list of major shareholders.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		◆ The Company shall clearly divide the managerial responsibilities of the personnel, assets, and finance between the Company and the associates through independent operation. The Company shall also setup a planning and management department in charge of control while the audit office shall routinely conduct audit according to internal control procedures.
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		◆ The Company shall advocate the laws and regulation promulgated by the competent authorities to the directors and managerial officers during the Board meeting for uniform compliance.

Evaluation Item	Implementation Status <sup>1</sup>		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? And are the results of measurement reported to the Board and used as the reference for the remuneration, nomination and re-election of its members?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>Abstract Illustration</p> <p>◆ The composition of the Board of Directors comply with Articles of Incorporation and relevant laws and regulations. The Board adhere to the implementation and execution of corporate governance in internal harmony and external integrity, which comes with diversified governance guidelines.</p> <p>◆ Processing according to the actual demand of the Company.</p> <p>◆ The Company has developed the Regulations governing Board of Director Performance Appraisal in 2020 and completed the appraisal at Q1 2021.</p> <p>◆ Normal.</p>	<p>◆ None</p>

Evaluation Item	Implementation Status <sup>1</sup>		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
4. Does the Company have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to information needed for directors to execute business, assist directors with legal compliance, processing meeting related matters for Board of Directors and Shareholders Meeting, and preparing meeting minutes for Board of Directors and Shareholders Meeting )?	✓		<ul style="list-style-type: none"> <li>◆ The Company sets up corporate governance officer according to the competent authority and laws and regulations, in addition to appointing specialist to be in charge of the reviewing affairs for different functions of committees.</li> </ul>
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<ul style="list-style-type: none"> <li>◆ The Company shall set up spokesperson system and customer service department to provide communication channel and announce operations and management on the Market Observation Post System (MOPS). The Company website features a section dedicated to investor services and section of stakeholders.</li> </ul>
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		<ul style="list-style-type: none"> <li>◆ The Company entrusts Yuanta Securities Co., Ltd to assist with holding shareholders meeting and related matters.</li> </ul>

Evaluation Item	Implementation Status <sup>1</sup>		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons	
	Yes	No		
<p>7. Information Disclosure</p> <p>(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?</p> <p>(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p>	<p>✓</p> <p>✓</p>	<p>No</p> <p>✓</p>	<p>◆ The Company follows competent authority and the laws to set up company website and regularly update the website content, with full disclosure of financial operations and information, in addition to disclosing matters and material information on MOPS on a regular basis. The Company also established the spokesperson system.</p> <p>◆ The Company held the performance press conference at the meeting room of Yuanda Securities Co., Ltd. on November 17, 2020. The content of press conference was published on the Company website.</p> <p>◆ The Company publishes and reports its annual financial report within three months after the end of a fiscal year. The Company also publishes and reports its financial reports for the first, second and third quarters within the 45 days after the end of the current as well as its operating status for each month before the specified deadline.</p>	<p>◆ None</p>

Evaluation Item	Implementation Status <sup>1</sup>		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓	<p>◆ The Company follows competent authority and the laws to set up company website and regularly update the website content, with full disclosure of financial operations and information, in addition to disclosing financial and business information, the Company also discloses its management philosophy, labor policy and ethical policy, human rights policy, salary and compensation policy, and has a section for stakeholder and shareholder/investor services. In 2020, the Company established the Board of Directors’ performance evaluation system and completed the evaluation in the first quarter of 2021. The Company also regularly discloses relevant issues and significant information on the Market Observation Post System and has established a spokesperson system.</p>	◆ None
9. Please explain the improvement on the corporate governance assessment results announced by TWSE Corporate Governance Center in the latest year and propose the matters and measurement given priority in reinforcement for the matters not yet improved. The Company approved the “Audit Committee Articles of Incorporation” through the Board of Directors meeting held on May 10, 2017 and set up the Audit Committee after the election of independent directors on the shareholders meeting held on June 21, 2017. All independent directors form the “Salary Remuneration Committee” to strengthen the operation of corporate governance. Moreover, the Company has conducted relevant improvement measures on the 2019 corporate governance assessment results. In addition, the Board of Directors approved five important practices on November 10, 2020, including “Corporate Governance Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” “Corporate Social Responsibility Best Practice Principles,” “Codes of Ethical Conduct,” “Performance Evaluation of Board of Directors” to implement and advocate corporate governance.			

**(4) Information of the Remuneration Committee Members and Its Operation**  
**Information of the Remuneration Committee Members**

Title (Note 1)	Name	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
			An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	WU, YING-CHIN	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-	
Independent Director	HUANG, JUI-HSIANG		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-	
Independent Director	HU, HSIANG-CHI		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-	

Note 1: Please fill “director, independent director or other” in the columns.

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

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



director these companies mentioned above in accordance with the Act or local laws and regulations).

- (6) Not the director, supervisor, or employee of that other company, with majority of the company's director seats or voting shares and those of any other company are controlled by the same person (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).
- (7) Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: director (or governor), supervisor, or employee of that other company or institution. (not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which an independent director can also be the independent director these companies mentioned above in accordance with the Act or local laws and regulations).
- (8) Not the director, supervisor, managerial officer, or shareholders with 5% shareholding or more (nonetheless the specific company or institute holding between 20%~50% of total company shares issued, and are concurrently the independent director of the Company to the parent company, subsidiary, or subsidiary of the same parent company, pursuant to the Law or local laws, shall be excluded) of specific company or institution engaging in financial or business transactions with the Company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations. °
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

## Operation of the Remuneration Committee

1. There are totally 3 members in the Remuneration Committee of the Company.
2. Term of the committee members: From Aug. 11, 2020 to June 22, 2023. A total of 3 (A) Remuneration Committee meetings were held in the most recent year.

The qualification and the attendance record of the Remuneration Committee members were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Convener	WU, YING-CHIN	3	0	100 %	-
Member	HUANG, JUI-HSIANG	3	0	100 %	-
Member	HU, HSIANG-CHI	3	0	100 %	-
<p>Other mentionable items:</p> <ol style="list-style-type: none"> <li>1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.</li> <li>2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.</li> </ol>					

Note 1: In case the member of salary remuneration committee resigns before the end of the year, mark the date of resignation on the remarks. The attendance Rate (%) shall be calculated by the number of attendance to the salary remuneration committee during the tenure and the actual number of attendance.

Note 2: In case the salary remuneration committee undergoes re-election before the end of the year, fill out the new and former members of salary remuneration committee and mark the member as former, new, re-elected, and date of re-election on the remarks. The attendance Rate (%) shall be calculated by the number of attendance to the salary remuneration committee during the tenure and the actual number of attendance.

Note 3: The salary remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors:

- (1) Review the articles of incorporation of the remuneration and propose suggestions for correction.
- (2) Develop and regularly review the policies, system, standards, and structure of the performance appraisal and salary remuneration for directors and managerial officers.
- (3) Regularly evaluate and develop salary remuneration for directors and managerial officers.

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

Evaluation Item	Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
1. Does the Company conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy, in accordance with the materiality principle?	✓		<ul style="list-style-type: none"> <li>◆ The business philosophy of the Company emphasizes on harmony, innovation, liability, and implementation of management culture. The management rules and regulations of the Company are complete, and regular management meetings are held to address various operational risks and formulate timely countermeasure strategies.</li> </ul>
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		<ul style="list-style-type: none"> <li>◆ The Company established a Code of Conduct Committee, RBA, and the Board authorized to President to handle all affairs related to corporate social responsibility. The President may appoint a senior executive as the representative of the committee, and the representative shall report the condition of implementation of corporate social responsibility to the Board.</li> </ul>
3. Environmental Issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		<ul style="list-style-type: none"> <li>◆ The Company has acquired ISO9001 certification and completed the certification in ISO14001, ISO45001, OHSAS18001, and TOSHMS, which conforms to the philosophy of developing sustainable environment.</li> </ul>

Evaluation Item	Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		◆ The Company’s main business is the technical design, assembly and system integration of related equipment and services, with minimal impact on the environment and greenhouse gas emissions.
(3) Does the Company assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures?	✓	✓	◆ The Company set up an R&D Center that develops new products in the direction of smart, energy saving, efficiency, and green energy, thereby to lower impact and loading on the environment.
(4) Does the Company compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes?	✓		◆ The Company invests existing budgets each year to process the micro pollution and waste treatment arising from the operational process, thereby to conform to the environment requirement and respond to the government’s policy on energy saving and carbon reduction. The Company also makes contribution to the fundraising activities held by Taiwan Power Company and Taiwan Electric Research & Testing Center.
4. Social Issue (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		◆ The Company complies with legal requirements and social responsibilities and observes conventions such as the Responsible Business Alliance Code of Conduct (RBA), the
			◆ None

Evaluation Item	Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(2) Does the Company establish and implement reasonable employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the business performance or achievements in the employee remuneration?	✓	No	<p>International Labor Organization (ILO) Tripartite Declaration of Principles (ILO), the Guidelines for Multinational Enterprises (OECD), the United Nations Universal Declaration of Human Rights, and the United Nations Global Compact.</p> <ul style="list-style-type: none"> <li>◆ In terms of employee rights and benefits, the Company has established a very comprehensive system of management standards. In addition to adjusting employee benefits on a regular basis, taking into account the price of goods and the company's profitability, the Company also pays attention to employee opinions and has established an employee welfare committee and established a retirement system and personnel management regulations, which are in accordance with the Labor Standards Law and the Labor Pension Act.</li> </ul>
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<ul style="list-style-type: none"> <li>◆ For employee safety and health, our Hsin-Chuang and Yang-Mei plants have been certified by the Bureau of Standards and Inspection of the Ministry of Economic Affairs as ISO45001, OHSAS18001, and TOSHMS, enabling employees to work in a safe and secure</li> </ul>

Evaluation Item	Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(4) Does the company provide its employees with career development and training sessions?	✓	<p>environment. Every year, we hold health check-ups for all employees with famous hospitals and have professional nurses to maintain physical and psychological health; we participate in community activities such as fire drills to help our neighbors. From time to time, we organize occupational safety and health in-service training, health seminars and training activities.</p> <p>◆ For new recruits, the company basically has a three-month education training for their expertise, and a diversified education and training program for the reserve cadre is provided annually for the junior supervisors. In addition, the company fully subsidizes the cost of external training for professional skills, licenses and studies that are beneficial to the career development of employees and the needs of the company..</p> <p>◆ The Company sets up quality assurance departments in all plants, which routinely maintain product quality and safety and will resolve problems immediately upon the request by customers. The departments provide services to customers so all products and services will meet customer satisfaction.</p>	◆ None
(5) Does the Company follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services, in addition to developing relevant policies and complaint procedures for protection of consumers’ rights?	✓		

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(6) Does the Company establish supplier management policies and request suppliers to comply with rules governing issues such as environmental protection, occupational safety and health or labor rights, as well as the implementation status?	✓		<ul style="list-style-type: none"> <li>Suppliers are required to participate in the Responsible Business Alliance Code of Conduct (RBA), follow its regulations on labor, health and safety, environment, ethics, management system, and other issues, and sign the "Declaration of Cooperation with Social Responsibility of Cooperative Manufacturers".</li> </ul>	
5. Does the Company refer to the international practice of report preparation standards and directives in the preparation of corporate social responsibility report and reports disclosing the non-financial information of the Company? Has the aforementioned report acquired the validation or guarantee opinion from third certification body?		✓	<ul style="list-style-type: none"> <li>The Company will process by actual demand.</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>

Evaluation Item	Implementation Status		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
<p>6. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: On November 10, 2020, the Company established the "Code of Practice for Corporate Social Responsibility", which is based on the following four principles, and has started to promote the "Responsible Business Alliance Code of Conduct (RBA)", the implementation of which is expected to be completed in 2021.</p> <ol style="list-style-type: none"> <li>1. Implement corporate governance.</li> <li>2. Develop a sustainable environment.</li> <li>3. Safeguard social welfare.</li> <li>4. Strengthen the disclosure of corporate social responsibility information.</li> </ol>		Abstract Illustration	
<p>7. Other important information to facilitate better understanding of the company's corporate social responsibility practices :</p> <ul style="list-style-type: none"> <li>◆ The Company complies with government laws and regulations, including the employment by relevant law, provision of reasonable salary and benefits, routine reporting of various effects in pollution prevention to the competent authorities, thereby fulfill corporate social responsibility.</li> <li>◆ In cooperation with government green policy, the Company has been purchasing green power of 100,000 kWh from Taiwan Power Company each year since 2015 for the purpose of lowering carbon emission. Meanwhile the Company cooperates with Government's Million Rooftop Policy by establishing PV power system on the rooftop of Xinzhuang and Yangmei factories. The deployment generates a total capacity of approximately 500kWh, which facilitates the achievement of zero-nuclear home goal.</li> <li>◆ ON behalf of our Company, CEO of the Group co-sponsors "Paper Windmill for Children's Art Project in 368 Townships/Cities" with Taiwan High Speed Rail, inviting "Paper Windmill Troupe" to perform "Taiwan Fantasy" in Tainan Gueiren Elementary School. The program builds foundation for children's arts through the inspiration for creativity, aesthetics, love, and care capacity, thereby cutting the urban-rural gap in children's education.</li> <li>◆ To improve the overall qualities of employees, the Company encourages employees and their children to pursue advanced study by reducing educational burden on them, providing approximately NTD500,000 in scholarship every year.</li> <li>◆ In response to the government's promotion of green environmental protection, we are also planning meaningful outdoor activities such as beach cleaning, tree planting ....., etc. for our factory celebration.</li> </ul>			



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

Evaluation Item	Implementation Status		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company established the ethical corporate management policies approved by the Board and declare the policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p>	✓	No	<p>◆ The Company has established the company since some 50 years ago, emphasizing on the business philosophy of “harmony, innovation and liability.” The Company’s quality policy aims to “satisfy customers with all products and services” and develops various complete for management standards and supporting administrative standards. Meanwhile, the Company has introduced ERP system for years, fully implementing the internal control and internal audit systems, thereby building integrity, reputation and internal harmony into the foundation of the Company’s sustainable management. Such philosophy has been infused into the essential culture of the Company.</p>
			◆ None

Evaluation Item	Implementation Status		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(2) Does the company establish assessment mechanism for the risk of unethical conducts, regularly analyze and assess the operating activities with higher risk of unethical conducts in its business scope, establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		◆ The Company has been promoting the Responsible Business Alliance Code of Conduct (RBA) and has established relevant rules and regulations as well as employee social responsibility and anti-bribery pledges.
(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		◆ The Company has established an effective accounting system and internal control system, which are regularly audited by auditors, and has completed the Statement of Internal Control to show that it is responsible for the internal control system.
2. Implementation of Ethical Corporate Management (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		◆ The Company is a famous heavy electric company in Taiwan and participates in various domestic construction. The parties of transaction include customers with certain level of business reputation with ethics. On November 10,
			◆ None

Evaluation Item	Implementation Status		Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
(2) Does the Company establish a designated section in charge of promoting corporate ethics management under the Board of Directors and routinely (at least once a year) report to the Board for the solutions and supervisions on ethics management policy and prevention of unethical conducts?	✓		<p>2020, the Company also established the "Code of Ethical Conduct" to regulate the trading partners. We also require our suppliers to sign the "Declaration of Cooperative Social Responsibility" in order to implement our integrity management.</p> <ul style="list-style-type: none"> <li>◆ In accordance with the Code of Conduct approved by the Board of Directors, the Company will establish a dedicated integrity management unit during the year to report regularly to the Board of Directors on its integrity management policies and plans to prevent dishonest acts and monitor their implementation.</li> </ul>
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		<ul style="list-style-type: none"> <li>◆ The Company directors and managerial officers avoid affairs related to interest of conflicts, using internal control and internal audit system for control.</li> </ul>
(4) Has the Company establish effective accounting system and internal control system and for the implementation of ethics management while the internal audit section has formulated relevant audit plan according to the evaluation results of unethical conduct risks, in addition to audit the compliance of preventing	✓		<ul style="list-style-type: none"> <li>◆ The Company has established an effective accounting system and internal control system, which is regularly audited by auditors, and has completed a statement of internal control system to demonstrate its accountability.</li> </ul>

Evaluation Item	Implementation Status		Deviations from "the Ethical Corporate Management Best-Practice Principles for TWE/TPEX Listed Companies" and Reasons
	Yes	No	
<p>unethical conducts or entrusting the CPA for audit check?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	✓	No	<p>◆ The Company has been promoting the Responsible Business Alliance Code of Conduct (RBA), and has established relevant rules and codes of conduct and employee social responsibility and anti-bribery pledges, as well as arranging regular education and training.</p>
<p>3. Operation of Company's Integrity Channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	✓	No	<p>◆ The Company shall follow the "Procedures for Reporting and Grievance Management" established by the Company. A team shall be established within three working days after receiving a complaint to commence an investigation, with at least one member from each of the supervisor of the person being complained against and the supervisor of the Human Resources Division, and the convener of the team shall be the person receiving the complaint.</p> <p>◆ The above team shall notify the complainant in writing within 14 working days to present the facts, and may investigate the facts in strict confidentiality.</p> <p>◆ In accordance with the above procedures, the process of receiving reports shall be kept confidential for the purpose</p>

Evaluation Item	Implementation Status		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	✓	<p>Abstract Explanation</p> <p>of whistleblower protection.</p> <p>◆ The Code of Conduct for Integrity has been disclosed on the company’s website and the Market Observation Post System, and the information is updated from time to time. At the same time, we continue to promote it through our internal collaboration platform, and it is deeply rooted in our company culture.</p>	◆ None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation :	The Company has established the ethical corporate management policies for compliance of corporate ethics management while improving the internal management standards and administrative standards of the Company, without discrepancy between the policies and implementations.		
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (i.e. review and correct the ethical corporate management policies formulated by the Company):	Same as mentioned above.		

- (7) A summary of the resignations and dismissals of the Company's Chairperson, General Manager, Accounting Supervisor, Head of Finance, Head of Internal Audit, Head of Corporate Governance, and Head of Research and Development for the most recent year and as of the date of the annual report is as follows :

Title	Name	Date of Arrival	Date of Resignation	Reasons for Resignation or Dismissal
Chairperson	LI, WEN	June 9, 2011	June 23, 2020	Tenure expiration, director re-election
Vice Chairperson	Huede Industrial Co., Ltd. Representative He-Ye Song	June 9, 2011	June 23, 2020	Promoted to Chairman
Accounting Supervisor and CFO	TENG, CHUN-SHENG	Sep. 1, 1999	June 23, 2020	Promoted to Vice President, and Finance Department Director-General Yi-Yuan Zhan was promoted to Accounting Supervisor and financial Supervisor.

- (8) If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched: Homepage of ALLIS ELECTRIC CO., LTD. website ([www.allis.com.tw](http://www.allis.com.tw)) > Shareholders / Investors Service > Corporate Governance > Key Regulations  
Including ① Corporate Governance Best Practice Principles, ② Ethical Corporate Management Best Practice Principles, ③ Corporate Social Responsibility Best Practice Principles, ④Codes of Ethics and Business Conducts, ⑤ Self-Evaluation or Peer Evaluation of the Board of Directors
- (9) Other material information sufficient to enhance the understanding of Implementation of Corporate Governance, shall be disclosed accordingly:
1. Established corporate governance supervisor on February 1, 2021, who is responsible for promoting corporate governance related matters.
  2. Actively introducing “Responsible Business Alliance (RBA)” to strengthen the improvement on five agenda, namely labor, health and safety, environment, ethics and conducts, and management system.

## (10) Implementation of Internal Control Systems

### 1. Statement on Internal Control

#### ALLIS ELECTRIC CO., LTD.

#### Statement of Internal Control

Date: March 30, 2021

The Company hereby states the following with regards to its internal control based on the results of self-evaluation:

1. The Company is fully aware that the establishment, implementation, and maintenance of the internal control system is the responsibility of the board of directors and management. The Company has established such a system with the objective to provide reasonable assurance for attainment of operating effect and efficiency (including profits, performance, and safeguard of asset security), reliability of financial reports, and regulatory compliance.
2. An internal control system has its inherent limitations. No matter how perfect the system is in design, an effective internal control system can only provide reasonable assurance for the attainment of the three goals described above. However, the Company's internal control system is equipped with the function of self-monitoring, that the Company will take immediate action once a deficiency is identified.
3. The Company determines if the design and implementation of its internal control system are effective based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (referred to as the Regulations hereunder) The said criteria divide internal control into five elements based on the process of management control: 1. Control Environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Supervision. Each element contains several items. Please refer to the Guidelines.
4. The Company has evaluated the validity of the design and implementation of its internal control system based on the aforesaid criteria.
5. Based on the results of aforementioned evaluation, it is found that the internal control system of the Company as of December 31, 2020 (including the supervision and management of subsidiaries), was effective in design and implementation, that it reasonably assures the attainment of aforesaid goals, including operating effect and efficiency, reliability of financial reports, and regulatory compliance.
6. This Statement shall become a major part of the annual report and prospectus of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Law.
7. This statement has been passed by the board of directors in the meeting held on March 30, 2021, where none of the twelve attending directors voiced any dissenting view to the content of this statement. °

ALLIS ELECTRIC CO., LTD.

Chairman: He-Ye Song                      Signature (Seal)

President: Chao-Bin ZHeng                Signature(Seal)

2. Auditor's Report: N/A. The Company does not entrust CPA for the professional audit of internal control.

- (11) During the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, if there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None
- (12) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year (2020) or during the current fiscal year up to the date of publication of the annual report:

1. Material resolutions of the regular shareholders' meeting and implementation:

Meeting Date	Material Resolutions	Execution
2020.6.23	<ul style="list-style-type: none"> <li>⊙ Approved proposal of 2019 business report and financial statements.</li> <li>⊙ Approved proposal of 2019 surplus distribution.</li> <li>⊙ Approved proposal of retained earnings transferred to increase capitalization and issuance of new stocks.</li> <li>⊙ Proposal of 19<sup>th</sup> director election.</li> <li>⊙ Approved proposal of release of non-competition restriction on new directors and proxy.</li> </ul>	Resolved to distribute 0.70 cash per share and issue 0.50 stock dividend according to the proposal of surplus distribution in September, 2020.

2. Material resolutions of the board of directors meeting:

Meeting Date	Material Resolutions
2020.1.14	<ul style="list-style-type: none"> <li>⊙ Approved proposal of Salary and Remuneration Committee.</li> <li>⊙ Approved proposal of Company Endorsements and Guarantees for Associates.</li> <li>⊙ Approved proposal of 2020 CPA appointment remuneration.</li> <li>⊙ Approved proposal of transferring creditor's right to stock equity as external investment.</li> </ul>
2020.3.26	<ul style="list-style-type: none"> <li>⊙ Approved proposal of Distribution of 2019 Employee and Director Remuneration.</li> <li>⊙ Approved proposal of 2019 business report and financial statements.</li> <li>⊙ Approved proposal of 2019 surplus distribution.</li> <li>⊙ Approved proposal of retained earnings transferred to increase capitalization and issuance of new stocks.</li> <li>⊙ Approved proposal of "2019 Statement of Internal Control"</li> <li>⊙ Approved proposal of Director reelection and list of director candidates.</li> <li>⊙ Approved proposal of release of non-competition restriction on new directors and proxy.</li> <li>⊙ Approved proposal of reasons of convening, time and venue for 2020 shareholders meeting.</li> </ul>
2020.5.12	<ul style="list-style-type: none"> <li>⊙ Approved proposal of 2020 Q1 consolidated financial statements.</li> <li>⊙ Approved proposal of making endorsements/guarantees and loans of funds for associates.</li> </ul>
2020.8.11	<ul style="list-style-type: none"> <li>⊙ Approved proposal of appointing members for the fourth salary and remuneration committee.</li> </ul>



Meeting Date	Material Resolutions
2020.8.11	<ul style="list-style-type: none"> <li>⊙ Approved proposal of Distribution of 2019 Employee and Director Remuneration. ◦</li> <li>⊙ Approved proposal of 2020 cash dividend distribution and retained earnings transferred to increase capitalization and issuing new stocks.</li> </ul>
2020.11.10	<ul style="list-style-type: none"> <li>⊙ Approved proposal of “2021 Audit Plan.”</li> <li>⊙ Approved proposal of “2021 operation plan”</li> <li>⊙ Approved proposal of regulations governing “corporate governance.”</li> <li>⊙ Approved proposal of Company Endorsements/Guarantees and Investments in Others.</li> </ul>
2021.1.14	<ul style="list-style-type: none"> <li>⊙ Approved proposal of Salary and Remuneration Committee.</li> <li>⊙ Approved proposal of Company Endorsements and Guarantees for Others.</li> <li>⊙ Approved proposal of 2021 CPA appointment remuneration and change.</li> <li>⊙ Approved proposal of corporate establishment of corporate governance supervisor.</li> </ul>
2021.3.30	<ul style="list-style-type: none"> <li>⊙ Approved proposal of 2020 Statement of Internal Control.</li> <li>⊙ Approved proposal of Distribution of 2020 Employee and Director Remuneration.</li> <li>⊙ Approved proposal of 2020 Business Report and Financial Statements</li> <li>⊙ Approved proposal of 2020 Surplus Distribution.</li> <li>⊙ Approved proposal of retained earnings transferred to increase capitalization and issuance of new stocks.</li> <li>⊙ Approved proposal of Amendment of some articles in corporate “Articles of Incorporation.”</li> <li>⊙ Approved proposal of Company’s Making of Endorsements/Guarantees and Making of Loaning of Funds to Others.</li> <li>⊙ Approved proposal of reasons of convening, time and venue for 2021 shareholders meeting.</li> </ul>

(13) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

#### 4. Audit Fee for CPAs:

Table of the Fee Range of CPAs

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Hui-Chung CPA Firm	CHO, MIN-CHIH	HSIANG, WEN-TING	109/1/1~ 109/12/31	-

Note: If the Company changed its accountant or accounting firm during the year, please indicate the period of audit and the reason for the change in the remarks column.

Unit: NT\$ thousands

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

- ◎ When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: Nonconforming to disclosure standards
- ◎ When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: N/A.
- ◎ When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: N/A.

#### 5. Replacement of CPA: No.

- 6. The company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.

7. During the 2020 fiscal year and up to the date of publication of the annual report, any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent.

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

Unit: share

Title	Name	2020		As of March 31, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairperson	Huede Industrial Co., Ltd.	303,532	0	2,276,000	0
	Representative SUNG, HE-YEH	180,557	(2,128,000)	(2,268,000)	0
Vice Chairperson and General Manager	CHENG, CHAO-PIN	22,693	0	0	0
Director	Chengrui Investment Co., Ltd.	185,245	0	0	0
	Representative YANG, CHEN-TONG	268,150	0	0	0
Director	LI, WEN	10,606	0	0	0
Director and Senior Vice General Manager	CHEN, WEN-CHIN	6,387	0	0	0
Director	CHEN, MING-SHENG	415,336	(867,000)	0	0
Director	Dudu Investments Co., Ltd.	306,817	0	0	0
	Representative SUNG, WEN-YEH	0	0	0	0
Director	CHO, SHU-CHI	107,966	0	0	0
Director	CHEN, TZU-KUNG	47,895	0	0	0
Director	LO, SHUI-LUNG	83,500	0	0	0
Independent Director	WU, YING-CHIN	0	0	0	0
Independent Director	HUANG, JUI-HSIANG	0	0	0	0
Independent Director	HU, HSIANG-CHI	0	0	0	0
Vice General Manager	TENG, CHUN-SHENG	3,478	0	0	0
Vice General Manager	LIU, CHI-JEN	1,311	0	0	0
Assistant Manager	FANG, CHIH-HANG	1,184	0	0	0
Assistant Manager	HSU, CHUN-HUANG	0	0	0	0
Assistant Manager	WU, JEN-LUNG	0	0	0	0
Accounting Supervisor	CHAN, YI-YUAN	106	0	0	0

(1) Vice President Chun-Shen Deng and Vice President Ch-Ren Liu took office in July 2020.

(2) Accounting Supervisor Yi-Yuan Zhan took office in July 2020; Senior Manager Jun-Huang Hsu and Senior Manager Ren-Long Wu took office in January 2021.

(3) Director Zi-Gong Chen ceded in March 2021.

(2) Transfer of shares or pledge of shares with the counterparty being the related party: None.

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

**Information on the relationship between the top ten shareholders and their shareholdings**

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (NOTE 3)		Remarks
	Shares	%	Shares	%	Shares	%	Shares	%	
CHEN, MING-SHENG	8,722,071	4.01	-	-	-	-	SUNG, MEI-TING	Mother and Daughter	-
Huede Industrial Co., Ltd. Legal Representative Xin-Ye Song	8,650,185 84	3.98 0.00	- -	- -	- -	- -	-	-	-
CTBC Bank Escrow Service for the Investment Account of Nippon Signal Co Ltd.	6,489,000	2.98	-	-	-	-	-	-	-
Dudu Investments Co., Ltd. Legal Representative Zheng-Yi Chang	6,443,169 -	2.96 -	- 971	- 0.00	- -	- -	-	-	-
Nissin Electric Co., Ltd. Legal Representative Shigeo Saito	6,162,101 -	2.83 -	- -	- -	- -	- -	-	-	-
Cheng-tung Yang	5,631,163	2.59	2,071,938	0.95	-	-	-	-	-
Yaming Investment Representative Zheng-Yi Chang	5,581,351 -	2.57 -	- 971	- 0.00	- -	- -	-	-	-
JINGTIEN Corp. Representative TSAI, MEI-SHU	4,055,000 -	1.86 -	- -	- -	- -	- -	-	-	-
Chengrui Investment Co., Ltd. Legal Representative Wei-Ping Chen	3,890,155 1,386,483	1.79 0.64	- -	- -	- -	- -	-	-	-
SUNG, MEI-TING	3,717,080	1.71	-	-	-	-	CHEN, MING-SHENG	Mother and Daughter	-

Note 1: The top ten shareholders shall be listed with legal entity shareholders marked with the name of legal entities and names of their representatives.

Note 2: The calculation of shareholding percentage includes the shareholding percentage under shareholder's name, spouse, minor, or others.

Note 3: The foregoing disclosed shareholders include legal entities and natural persons, whose relationship shall be disclosed pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

**Comprehensive Shareholding Ratios**

Unit: share, %

Reinvestments (Note)	Investment Made by the Company		Investment Made by Entities Directly or Indirectly Controlled by Directors, Supervisors, Managers		Total Investment	
	Shares	%	Shares	%	Shares	%
Air King Industrial Co., Ltd.	4,114,275	83.12%	330,850	6.68%	4,445,125	89.80%
Nissin-Allis Electric Co., Ltd.	9,000,000	30.00%	0	0.00%	9,000,000	30.00%
ARES TECHNOLOGY CO., LTD.	6,800,000	100.00%	0	0	6,800,000	100.00%
Allis Communications	7,685,981	76.86%	738,732	7.39%	8,424,713	84.25%
Yishun Investment CO., LTD.	17,990,000	99.94%	1,000	0.00%	17,991,000	99.95%
Nissin Allis Union Ion Equipment Co., Ltd.	4,000,000	40.00%	0	0.00%	4,000,000	40.00%
Qingdao Liming Communication Equipment Co., Ltd.	-	65.38%	-	0.00%	-	65.38%
Qingdao Hengyuan Yali Electric Co., Ltd.	-	65.38%	-	0.00%	-	65.38%
Intelicis Corporation	1,875,500	29.16%	0	0.00%	1,875,500	29.16%
ALLIS International Inc.	-	0.00%	-	0.00%	-	0.00%
AYM International Inc.	2,000	40.00%	0	0.00%	2,000	40.00%
PHD POWERHOUSE Distributions CC	90	90.00%	0	0.00%	90	90.00%
AEC International SRL	300,000	100.00%	0	0.00%	300,000	100.00%

Note: Long-term investments accounted for by the equity method.

## IV. Capital Overview

### 1. Capital and Shares

#### (1) Source of Capital

Unit: NT\$, share

Month/ Year	Offering Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
The Company established and the registration approved in September, 1968	50	40,000	2,000,000	40,000	2,000,000	Establishment of fully paid shares	No	No
Increase of capital in December, 1969	50	90,000	4,500,000	90,000	4,500,000	Capital Increase 2,500,000	No	No
Increase of capital in June, 1973	50	200,000	10,000,000	200,000	10,000,000	Capital Increase 5,500,000	No	No
May 27, 1974 (63) Business No. 13355	10	3,000,000	30,000,000	3,000,000	30,000,000	Capital Increase 20,000,000	No	No
May 13, 1975 (64) Business No. 10651	10	4,050,000	40,500,000	4,050,000	40,500,000	10,500,000	No	No
July 18, 1978 (74) Business No. 24685	10	5,000,000	50,000,000	5,000,000	50,000,000	Capital Increase 9,500,000	No	No
December 10, 1979 (68) Business No. 43150	10	10,000,000	100,000,000	10,000,000	100,000,000	Capital Increase 47,500,000 Special reserve to increase capital 1,902,728 Capital surplus to capital increase 597,272	No	No
July 31, 1981 (70) Business No. 30928	10	12,000,000	120,000,000	12,000,000	120,000,000	Transfer of surplus to capital 20,000,000	No	No
July 24, 1986 (75) Business No. 07769	10	14,000,000	140,000,000	14,000,000	140,000,000	Capital Increase 20,000,000	No	No
August 20, 1987 (76) Business No. 42092	10	17,080,000	170,800,000	17,080,000	170,800,000	Transfer of surplus to capital 30,800,000	No	No
December 14, 1989 (78) Business No. 7794	30	18,080,000	180,800,000	18,080,000	180,800,000	Capital Increase 10,000,000	No	No
December 11, 1990 (79) Business No. 8376	20	31,710,188	317,101,880	31,710,188	317,101,880	Capital Increase 15,000,000 Transfer of surplus to capital 121,301,880	No	No
October 7, 1992 (81) Business No. 6942	10	60,000,000	600,000,000	40,271,938	402,719,380	Transfer of surplus to capital 72,933,430 Capital surplus to capital increase 12,684,070	No	No
September 10, 1993 (82) Business No. 6205	20	60,000,000	600,000,000	51,131,763	511,317,630	Capital Increase 20,000,000 Transfer of surplus to capital 60,407,900 Capital surplus to capital increase 28,190,350	No	No
August 25, 1994 (83) Business No. 5180	10	65,000,000	650,000,000	61,358,115	613,581,150	Transfer of surplus to capital 81,810,820 Capital surplus to capital increase 20,452,700	No	No
October 20, 1995 (84) Business No. 116287	10	75,000,000	750,000,000	68,721,088	687,210,880	Transfer of surplus to capital 73,629,730	No	No
September 16, 1996 (85) Business No. 113759	10	75,000,000	750,000,000	74,218,775	742,187,750	Transfer of surplus to capital 54,976,870	No	No
September 2, 1997 (86) Business No. 115930	24	180,000,000	1,800,000,000	105,898,464	1,058,984,640	Transfer of surplus to capital 66,796,890 Capital Increase 250,000,000	No	No

Month/ Year	Offering Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
September 10, 1998 (087) Business No. 087127465	26	180,000,000	1,800,000,000	142,842,217	1,428,422,170	Capital Increase 200,000,000 Transfer of surplus to capital 63,539,070 Capital surplus to capital increase 105,898,460	No	No
August 3, 1999 (088) Business No. 088127512	10	180,000,000	1,800,000,000	167,125,393	1,671,253,930	Transfer of surplus to capital 99,989,550 Capital surplus to capital increase 142,842,210	No	No
July 17, 2000 (089) Business No. 124711	10	240,000,000	2,400,000,000	197,207,963	1,972,079,630	Transfer of surplus to capital 133,700,310 Capital surplus to capital increase 167,125,390	No	No
May 24, 2001 (090) Business No. 09001180810	10	240,000,000	2,400,000,000	183,698,963	1,836,989,630	Cancellation of treasury stock to reduce capital 135,090,000	No	No
August 22, 2001 (090) Business No. 09001330260	10	240,000,000	2,400,000,000	198,217,359	1,982,173,590	Transfer of surplus to capital 45,369,990 Capital surplus to capital increase 99,813,970	No	No
September 9, 2002 (091) Business No. 09101366150	10	240,000,000	2,400,000,000	206,087,013	2,060,870,130	Transfer of surplus to capital 33,446,030 Capital surplus to capital increase 45,250,510	No	No
January 15, 2003 (092) Business No. 09201009140	10	240,000,000	2,400,000,000	201,987,013	2,019,870,130	Cancellation of treasury stock to reduce capital 41,000,000	No	No
December 22, 2003 Business No. 09201339560	10	240,000,000	2,400,000,000	201,067,013	2,010,670,130	Cancellation of treasury stock to reduce capital 9,200,000	No	No
September 25, 2019 Business No. 10801129820	10	240,000,000	2,400,000,000	207,099,023	2,070,990,230	Transfer of surplus to capital 60,320,100	No	No
September 17, 2020 Business No. 10901173250	10	240,000,000	2,400,000,000	217,453,974	2,174,539,740	Transfer of surplus to capital 103,549,510	No	No

Note 1: Current year information as of the printing date of the annual report should be included.

Note 2: The effective (approval) date and document number should be added to the capital increase section.

Note 3: If shares are issued at a price lower than the par value, they should be prominently displayed.

Note 4: For those who offset the share price with monetary debts or technology, it should be specified and the type and amount of offset should be added.

Note 5: Private collections should be marked in a prominent manner.

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Ordinary shares	Outstanding shares 217,453,974	22,546,026	240,000,000	—

Note: Please indicate whether the stock is a listed or over-the-counter company (if it is restricted from trading on the stock exchange or over-the-counter, please add a note).

Information about the comprehensive reporting system: No.

## (2) Shareholder Structure

April 26, 2021

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	139	36,465	70	36,674
Shareholding (shares)	0	0	33,203,568	168,654,058	15,596,348	217,453,974
Percentage	0.0000	0.0000	15.2692	77.5585	7.1723	100

### (3) Shareholding Distribution Status

The book value  
of each share was NT\$10.  
April 26, 2021

Class of Shareholding	Number of Shareholders	Shareholding (Share)	Percentage (%)
1 ~ 999	19,981	1,240,581	0.57
1,000 ~ 5,000	12,367	25,912,010	11.92
5,001 ~ 10,000	2,168	16,346,627	7.52
10,001 ~ 15,000	753	8,961,918	4.12
15,001 ~ 20,000	413	7,522,968	3.46
20,001 ~ 30,000	367	8,960,010	4.12
30,001 ~ 40,000	173	6,055,807	2.78
40,001 ~ 50,000	110	5,049,125	2.32
50,001 ~ 100,000	178	12,793,408	5.88
100,001 ~ 200,000	78	10,411,387	4.79
200,001 ~ 400,000	32	9,032,001	4.15
400,001 ~ 600,000	16	7,429,438	3.42
600,001 ~ 800,000	12	8,204,541	3.77
800,001 ~ 1,000,000	1	876,000	0.40
No less than 1,000,001	25	88,658,153	40.78
Total	36,674	217,453,974	100.00

Preferred Shares: None.



(4) List of Major Shareholders

Name of Major Shareholders (Top 10)	Shares Number of Shares ( share )	Percentage (%)
CHEN, MING-SHENG	8,722,071	4.01
Huide Industrial Co., Ltd. Representative SUNG, HSIN-YEH	8,650,185	3.98
CTBC Bank Co., Ltd. Custodianship of investment accounts of Nippon Signal Co., Ltd.	6,489,000	2.98
Du Du Investment Co., Ltd. Representative CHANG, CHENG-YI	6,443,169	2.96
Nissin Electric Co., Ltd. Representative Saito Naruo	6,162,101	2.83
YANG, CHEN-TONG	5,631,163	2.59
Yaming Investment Representative CHANG, CHENG-YI	5,581,351	2.57
JINGTIEN Corp. Representative TSAI, MEI-SHU	4,055,000	1.86
Zhen-Rui Investment Co., Ltd. Representative CHEN, WEI-PING	3,890,155	1.79
SUNG, MEI-TING	3,717,080	1.71

(5) Market Price, Net Worth, Earnings and Dividends per Share in the Last Two Years

Item		Year	2019	2020	By March 3, 2021 (Note 5)
Market Price per Share	Highest		19.10	31.65	27.50
	Lowest		12.75	13.40	22.90
	Average		16.20	23.35	25.04
Net Worth per Share	Before Distribution		14.82	15.18	15.63
	After Distribution		13.44	13.78	14.21
Earnings per Share	Weighted Average Shares (1,000 Shares)		204,665	214,899	214,889
	Earnings per Share	Before retrospective adjustment	1.44	1.51	0.45
		After retrospective adjustment	1.38	1.44	—
Dividends per Share	Cash Dividends		0.70	0.70	—
	Stock dividends	Dividends from Retained Earnings	0.50	0.50	—
		Dividends from Capital Surplus	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price/Earnings Ratio (Note 2)		11.25	15.46	—
	Price/Dividend Ratio (Note 3)		23.14	33.36	—
	Cash Dividend Yield Rate (Note 4)		4.32%	3.00%	—

Note 1: The appropriation of earnings for 2020 has not yet been approved by the 2021 Annual Shareholders Meeting.

Note 2: Capital gain ratio = average closing price per share for the year / earnings per share.

Note 3: Principal-to-profit ratio = average closing price per share for the year / cash dividends per share.

Note 4: Cash dividend yield rate = Cash dividend per share / Average closing price per share for the year.

Note 5: The net value per share and earnings per share should be presented as of the latest quarterly period audited by the accountants as of the date of the annual report; the rest of the columns should be presented as of the current year as of the date of the annual report.

(6) Dividend Policy under the Articles of Incorporation and Its Implementation

1. Principle of Dividend Policy

The Company is in a volatile environment and is in a stable growth phase of its corporate life cycle. Based on the long-term financial planning and future capital needs, and to meet shareholders' demand for cash inflow, the Company's dividend policy is to pay dividends in the form of cash dividends or stock dividends, taking into account capital surplus, retained earnings and future profitability. Since the Company is a localized and matured industry, the capital consideration is to develop in a stable manner. Cash dividends are preferred for the distribution of earnings, and stock dividends may also be distributed, provided that the percentage of stock dividends distributed is not more than 50% of the total dividends.

2. Dividend policy for the next three years

Therefore, based on long-term financial planning and future capital needs, and to meet shareholders' demand for cash inflows, the Company's dividend policy for the next three years is to consider cash dividends after taking into account special reserves, retained earnings, and future operating profitability.

### 3. 2020 dividend policy implementation status

At the Board of Directors' Meeting held on March 30, 2021, the Company proposed to distribute cash dividends of NT\$152,217,782, or NT\$0.70 per share, for FY109 and to transfer NT\$108,726,980 from the distributable earnings for FY109 to issue 10,872,698 common shares, i.e., 50 shares per thousand shares at no cost, or NT\$0.50 per share. The stock dividends were NT\$0.50 per share.

### (7) The effect of the gratis share placement on the Company's operating performance, earnings per share and shareholders' return on investment :

The gratis allotment of shares represents only 5% of the original issued share capital, and the Company's operating results and earnings per share have grown in the last two years, so the Company expects that the gratis allotment of shares will have no significant impact on the shareholders' return on investment.

### (8) Bonus to Directors and Employees

#### 1. Salary and Remuneration Policy :

- (1) The remuneration of the Company's directors shall be divided into carriage fees and remuneration, which shall be paid at the usual rate. If the directors and employees are employees, they shall be paid in accordance with the provisions of (2) and (3) below.
- (2) The remuneration standards for the Company's managers are set by the human resources department of the Company in accordance with the "Regulations Governing the Payment of Salaries and Bonuses to Employees (including Managers)" of the Company, based on the individual's performance and contribution to the Company's overall operations, and with reference to the market standards.
- (3) Our compensation policy is based on the individual's ability, contribution to the company, performance, and the positive correlation with the operating performance; the overall salary and compensation package mainly consists of three parts: basic salary, bonus, employee bonus, and benefits. The basic salary is based on the competitive market situation and the company's policy; bonuses and employee bonuses are paid in relation to the achievement of employee and departmental goals or the company's operating performance; and benefits are designed in accordance with the law and the needs of the employees.

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

Article 25 of the Articles of Incorporation :

If the Company makes a profit in a year, 4% of the profit shall be set aside for employee compensation; Bonus to Directors shall be limited to 2%. However, if the Company has accumulated losses, it should reserve the amount of compensation in advance.

#### 3. The basis for estimating the amount of compensation to employees and directors, the basis for calculating the number of shares for employee compensation distributed by stock, and the accounting treatment if the actual amount distributed differs from the estimated amount. :

The Company estimates the amount of employee compensation and directors' remuneration based on the Company's earnings in 2020, and recognizes the expense in 2020. If the actual allotment amount differs from the estimated amount, it will be recorded as profit or loss in 2020.

4. The Board of Directors approved the distribution of remuneration :

(1) Employee Compensation and Directors' Remuneration :

The Board of Directors' Meeting of March 30, 2021 approved the distribution of \$16,128,331 to employees (4% of the current year's profit) and \$8,064,165 to directors (2% of the current year's profit), which were paid in cash. If there is any difference between these amounts and the estimated amount of expense recognized, the amount of the difference, the reason for the difference and the treatment of the difference should be disclosed: Not applicable.

(2) The amount of employee compensation distributed in stock and its proportion to the aggregate of net income after tax and total employee compensation in the individual or individual financial statements for the period: Not applicable.

(3) The actual distributions to employees and Bonus to Directors in the previous year (including the number, amount and price of shares distributed), and the differences between them and those recognized to employees and Bonus to Directors, together with a description of the differences, the reasons for the differences and the circumstances under which they were handled :

The actual amount of employee bonus (4%) of \$13,823,818 and Bonus to Directors (2%) of \$6,911,909 for 2020 was not different from the amount recognized in the financial statements for 2019.

(9) The Company bought back the Company's shares:

Repurchase period (Note)	1 <sup>st</sup> Time	2nd Time	3 <sup>rd</sup> Time	4 <sup>th</sup> Time
Goal of Repurchase	Transfer of shares to employees	Protecting the Company's Credit and shareholders' rights	Protecting the Company's Credit and shareholders' rights	Protecting the Company's Credit and shareholders' rights
Time of Repurchase	November 6, 2000~ November 25, 2000	November 27, 2000~ January 2, 2001	January 29, 2001~ March 28, 2001	September 12, 2001~ November 11, 2001
Regional Prices of Repurchase	\$ 9.0~15.2	\$ 9.0~15.2	\$ 11.0~18.0	\$ 6.0~12.0
Types and Numbers of Repurchased Shares	Ordinary Shares 2,973,000 shares	Ordinary Shares 8,505,000 shares	Ordinary Shares 5,004,000 shares	Ordinary Shares 4,100,000 shares
Amount of repurchased shares	\$ 28,511,878	\$ 88,261,883	\$ 61,605,703	\$ 29,538,584
Ratio of Scheduled Repurchased Shares Taken up in Purchase (%)	99.10%	70.88%	100%	68.33%
Number of shares cancelled and transferred	2,973,000 shares	8,505,000 shares	5,004,000 shares	4,100,000 shares
Cumulative holdings of shares of the Company	—	—	—	—
Number of shares of the Company held cumulatively as a percentage of the total number of shares in issue (%)	—	—	—	—

2. Corporate Bonds: No.
3. Preferred Shares: No.
4. Global Depository Receipts: No.
5. Employee Stock Options: No.
6. Employee Stock Options and Restricted Stock Awards: No.
7. Financing Plans and Implementation:

- (1) Content of the Plan

The Company has no plans for the issuance or private placement of securities that have not been completed or have been completed within the last three years and the benefits of the plans have not yet been realized.

- (2) Implementation

Not applicable.

## **V. Operational Highlights**

### **1. Business Activities**

#### **(1) Scope of Business**

1. The main contents of our business are as follows:

- (1) CC01010 Power generation, transmission and distribution machinery manufacturing industry
- (2) CC01990 Other electrical and electronic machinery and equipment manufacturing industry
- (3) CA02010 Metal structure and building component manufacturing industry
- (4) CD01020 Manufacturing of rail vehicles and parts
- (5) CA02080 Metal Forging Industry
- (6) CA02990 Other metal products manufacturing industry
- (7) CB01030 Pollution control equipment manufacturing industry
- (8) CC01060 Cable communication machinery and equipment manufacturing industry
- (9) CC01070 Wireless communication machinery and equipment manufacturing industry
- (10) CC01080 Electronic component manufacturing industry
- (11) CC01101 Telecommunications control RF equipment manufacturing industry
- (12) CC01110 Computer and peripheral equipment manufacturing industry
- (13) E501011 Water mains contractors
- (14) E601010 Electrical installation industry
- (15) E601020 Electrical Installation
- (16) E602011 Refrigeration and Air Conditioning Engineering
- (17) E603040 Fire safety equipment installation engineering industry
- (18) E603050 Automatic control equipment engineering industry
- (19) E603080 Traffic Signal Installation Engineering
- (20) E605010 Computer equipment installation industry
- (21) E606010 Electric equipment inspection and maintenance industry
- (22) E701040 Simple telecommunication equipment installation industry
- (23) E903010 Anti-corrosion and anti-rust engineering industry
- (24) F113010 Machinery wholesale industry
- (25) F113020 Electrical wholesale industry
- (26) F113030 Precision instruments wholesale industry
- (27) F113070 Telecommunications equipment wholesale industry
- (28) F119010 Electronic material wholesale industry
- (29) F213010 Electrical Appliances Retail
- (30) F213040 Precision Instruments Retail
- (31) F213060 Telecommunications equipment retail industry
- (32) F213080 Machinery and apparatus retailing
- (33) F219010 Electronic Materials Retail
- (34) F401010 International Trade Industry
- (35) F401021 Telecommunications control of radio frequency equipment import. industry
- (36) I301010 Information Software Services
- (37) I301020 Data Processing Services
- (38) I301030 Electronic Information Supply Services
- (39) IG03010 Energy Technology Services
- (40) JA02990 Other Repair Businesses
- (41) ZZ99999 Except for the permitted business, you may carry on business that is not prohibited or restricted by law.

## 2. Operating Share of Major Businesses

Unit: %

Product Category	2020	2019
Electrical Products	19.58	19.72
Transformers	8.47	11.86
Electrical and electronic equipment	21.03	23.18
Electronic Products	24.74	25.28
Agency Materials	1.96	2.14
Engineering (including installation)	23.93	17.57
Others	0.29	0.25
Total	100.00	100.00

## 3. Our current products and services

### (1) Products

#### Switchboards

- High-voltage armor-closed type switchboards
- High and low voltage switchboards
- Motor control center
- Distribution box

#### Transformer

- Oil-immersed transformers and reactors
- General dry type transformers and reactors
- Resin molded transformers and reactors
- General dry type voltage booster and voltage booster
- Resin molded type voltage booster and ballast
- Power transformers for electrostatic dust collection equipment

#### Industrial and Communication Electronics

- Photovoltaic Inverter (PV INVERTER)
- Chargers
- Step-Down Charger
- Terminal battery type rectifier for telecommunication
- Uninterruptible system equipment
- DC-AC converters
- Switched DC power supply equipment
- Remote terminal equipment

#### Transmission and distribution equipment

- Sub switch
- Air Break Switches
- Vacuum Breaker
- Oil Switch
- SF6 gas switch
- Fuse Chain Switch
- Hardware for transmission and distribution lines
- Vacuum Switch

### (2) Services

Sales of the above-mentioned products and related engineering, installation and after-sales services.

## 4. New product projects planned for development

Detailed technology and R&D profile.

## (2) Industry Overview

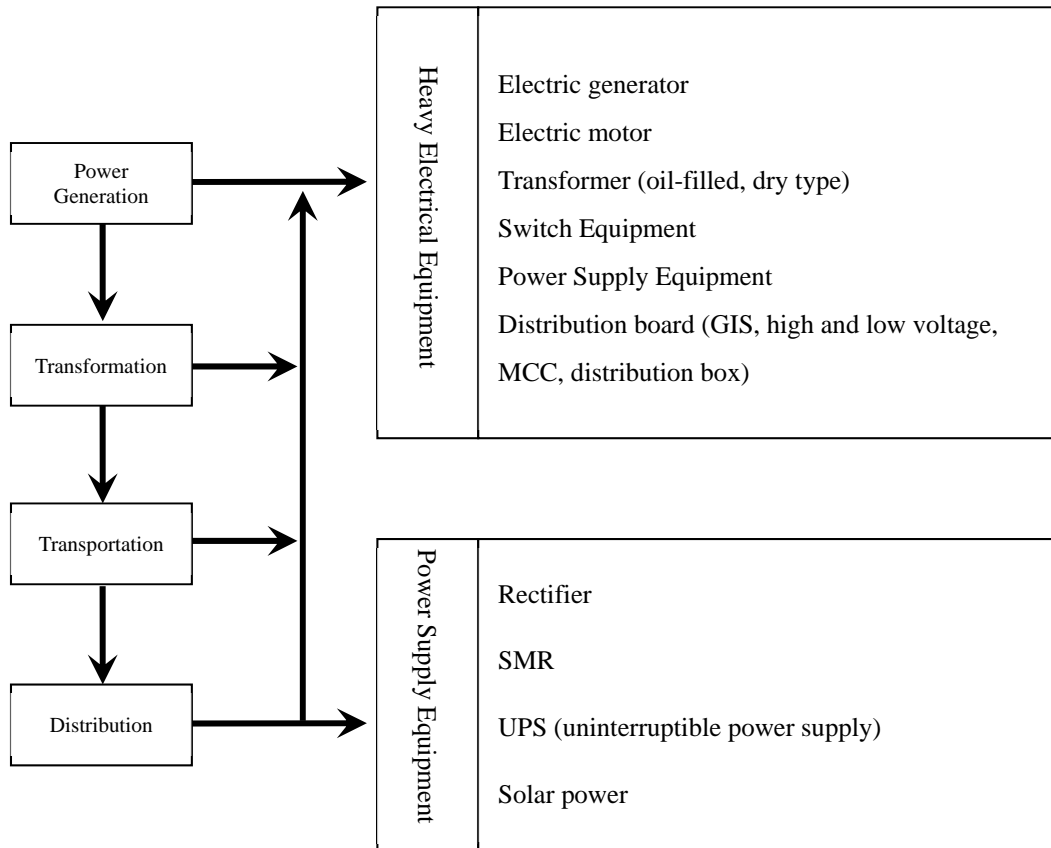
### 1. Current Industry Status and Development Trends

- (1) The Company belongs to the heavy electric power transmission and distribution industry and related industries, which is a basic industry of domestic demand, capital-intensive and technology-intensive localized industry, the threshold of entry is not easy, Taiwan's hinterland is not large, products and markets are becoming more mature, demand and economic growth into the same proportion of the pulse relationship, domestic manufacturers supplying heavy electric machinery, electrical equipment and power electronics and other related products have their own market positioning and differentiation. The future development of the market is related to the economic growth and the demand driven by the increase and replacement of power plants and power transmission related equipment. The future market trend will be innovative in line with the trend of smart, efficient, cloud-based big data and IDC rooms, 4G, 5G, green energy/storage/energy saving and environmental protection. The upstream, midstream and downstream supply-demand relationship has been growing steadily for decades and has largely established a strong dependency.
- (2) Heavy Electric's power transmission and distribution and related industry products are mainly transformers, distribution panels, monitoring systems, high-voltage GIS, ratio devices and high- and low-voltage capacitors, which are important equipment for industrial development. The market in advanced countries in Europe and the U.S. and Taiwan is mature, and the demand in emerging countries is still growing. In the future, the demand in Taiwan will be mainly from intelligent grid renewal, green energy, energy storage, and energy supply, and construction of equipment and switchgear.
- (3) Bureau of Energy, Ministry of Economic Affairs (MOEA), in accordance with Article 401 of the "House Circuit Installation Regulations", in 2012, for eight types of high voltage equipment, including lightning arresters, power and distribution transformers, voltage dividers, voltage dividers, gas insulated switchgear (GIS), circuit breakers, and high voltage distribution panels, manufacturers must obtain the original manufacturer's approval and product type test or feature-by-feature test from the Bureau of Energy before they are allowed to deliver electricity, which is beneficial to the establishment of domestic supply and demand quality.
- (4) The demand for construction and equipment in the rail transit industry, including Taiwan Railway, High Speed Rail, MRT, and Light Rail, is the bulk of the future prospective infrastructure in Taiwan. This field requires a proven track record and a professional team to match each other in order to be able to achieve success.



## 2. Electrical and Mechanical Industry Linkage Diagram

# Electrical and Mechanical Industry Linkage Diagram



### (3) Technology and R&D Overview

Based on the consideration of electricity safety, communication and monitoring network establishment, as well as land and human resources unit efficiency, the demand for heavy electrical and power electronic products is developing in the direction of green energy, energy saving and carbon reduction, power stability, cloud technology, smart grid integration, energy storage, as well as high safety, thinness, precision, easy maintenance, and communication functions. In response to the demand of this characteristic, our company has been devoted to introducing technology and training human resources for many years, and we will continue to work towards developing the future.

Therefore, our company has established technical cooperation with many international well-known and technologically advanced manufacturers, such as transformers and Germany SIEMENS molded transformer technology cooperation, electronic products and Australia Rectifier Technologies Pacific Pty. The electrical equipment products have also signed a technical cooperation with KEARNEY, a U.S.-based company, for the switchgear of Taipower's underground distribution system, and a technical transfer with EN Technologies Inc. of Korea for the underground four-way switch (2B2S), and a technical cooperation with ABB, the world's largest manufacturer, for the most advanced technology motor control center MNS. Ltd. in Japan to complete the technology transfer of 25.8kV medium voltage insulated switchgear (G.I.S.) and cooperate with POWERTRONIX S.P.A. in Italy to develop medium and large high frequency three-phase UPS. Low cost, high efficiency, modularity, intelligence, and energy-saving functions are the key to the success of our products in the future, and customization and differentiation for specific customer needs also provide a considerable niche. In recent years, the use of wireless network technology has been on the rise, and the use of 4G, 5G and cloud technology has become a global trend. The Company is actively developing the use of wireless network products by combining foreign technology and cooperating with its subsidiaries, and actively introducing them into the market. Meanwhile, green energy, intelligent energy saving and carbon reduction, and energy storage equipment have become the trend of the times, and the technology development and application are increasing by leaps and bounds. Our company has many years of experience in the integration of related products and system engineering, which are applied to solar photovoltaic, wind power generation, intelligent power grid, peak and valley reduction energy storage equipment, smart city and cloud technology backup power supply, automatic charging equipment for railroad trams and electric bus chargers. We are also in an excellent position in the rail industry and related services (including railroad, metro, light rail, etc.), which are continuously promoted by the government for public construction.

1. Research and development expenditures and their results for the last two years

Year	Amount of expenses	R&D Achievements
2019	96,728 thousands	<p>Development Success:</p> <ol style="list-style-type: none"> <li>1. Second-generation high-frequency bus charger certification completed.</li> <li>2. Yangmei plant 100kW/200kWH energy storage and dispatch demonstration system completed.</li> <li>3. PLN RTU IEC101 DNP3.0 Newsletter is agreed to be completed.</li> <li>4. 2B2S control box customization.</li> <li>5. Static converters for railcars 200kVA.</li> <li>6. Three-phase Solar Inverter - New CNS Certification in Taiwan.</li> <li>7. TOUGH Pro 3.3KW/5KW Single-phase solar inverter new product development.</li> <li>8. Manual line load switch - polymer cover.</li> <li>9. Two-way booth-mounted switch (manual 2WAY).</li> <li>10. Underground four-way automatic line switch (2B2S simple type).</li> <li>11. Underground two-way automatic track opening inspection. (electric two-way) – simple.</li> <li>12. Mid-cabinet main type (VCB : Schneider) 3 phase 24kV 1250A. 25kA etc.</li> </ol>
2020	99,772 thousands	<ol style="list-style-type: none"> <li>1. The second generation of high frequency bus charging machine core control board development.</li> <li>2. 24kW Integrated Dual Gun Electric Motorcycle Charging TES Certification Application.</li> <li>3. Northgate SIV (GTO driver / Power board) component development.</li> <li>4. Transformer terminal monitoring unit.</li> <li>5. 220/380V 6KW SMR (Efficiency 95%) ◦</li> <li>6. Taipower two-way / four-way switch remote control.</li> <li>7. PLN RTU IEC104 Agreed Completion.</li> <li>8. Intelligent eight-way switch control box of Taiwan Railway.</li> <li>9. FI native DNP 3.0 protocol completion.</li> </ol>

2. 2021 Annual Research and Development Plan and Estimated R&D Expenditure

- (1) Standardization of container-type energy storage systems.
- (2) Electric bus and electric motorcycle charger quality verification and upgrading.
- (3) Orbital high frequency charger control core established.
- (4) 12kW SMR.
- (5) High-efficiency 96% 6kW SMR.
- (6) High-efficiency 96% 3kW SMR.
- (7) SMR Automatic fixture design.
- (8) PLN RTU SCADA connectivity and field verification.
- (9) Taipower 2-way and 4-way control boxes with integrated FTU (PQM included).
- (10) TSRC eight-loop switch box TSRC trial installation.
- (11) Recloser Development and Design.

Estimated amount of R&D expenditure : 124,485 thousands.

(4) Long-term and short-term business development plans:

1. The government promotes constructive forward-looking plans, and various public investment construction projects and major private investment projects will continue to be carried out, which will drive the growth of domestic demand-oriented industries, and among the forward-looking infrastructure projects promoted by special budget, especially the rail industry, including the construction of Taiwan Railway, high-speed rail, metro and light rail, is the major one. We have established the Rail Engineering Division to meet the significant business opportunities for future growth and development. Since non-nuclear home is the government's policy, the construction and power development of green energy/storage will be urgently and continuously promoted, and our company has been working hard in the field of solar photovoltaic, and the new solar photovoltaic project of Longjing Phase II in Taichung won the Gold Quality Award for design and construction of public works from the Public Works Commission of the Executive Yuan. In addition, in order to meet the business opportunities of the government's promotion of "one million non-nuclear homes by 2025", we have also established a Green Energy Office and sold our own PV inverter, which has achieved breakthrough growth. The recent passage of the "Renewable Energy Development Act" by the Legislative Yuan on third reading has confirmed the long-term goal, which has given confidence to the Company's production and sales of photovoltaic inverters and the development of energy storage equipment, which is also the direction of the Company's future growth. In addition, after decades of economic growth and development both domestically and internationally, the existing transmission and distribution systems and equipment have to be replaced by new ones with high quality, high stability, intelligent, and energy-saving transmission and distribution equipment and devices, which is the so-called "Transmission and Distribution Toughness Project". With more than 50 years of technology accumulation, our company has superior quality of human resources than our competitors in the industry, and we have the ability of product innovation, system integration and turnkey. At the same time, through the operation of Zhongwei system, the company's production and sales policies complement each other and develop simultaneously, and the future business will be able to meet the needs of domestic and foreign markets.

## 2. Short-term plans

- (1) The domestic market is maturing, and growth is limited, so we must actively grasp the opportunities of transmission and distribution strengthening projects, large power plants, Taiwan Railways, MRT, new energy, smart grid, cloud and IDC rooms, and other construction and private investment opportunities to nurture the strength of system integration and turnkey to consolidate the market share.
- (2) In the foreign market, we should actively cultivate talents for foreign sales and timely participate in the promotion of innovative new products, so as to ensure continuous growth in the value of foreign sales and additional value of products.
- (3) We must leverage our reputation and strengthen our existing niche in existing products, strengthen our manufacturing and engineering business base, and develop new customers for both agency and new products.
- (4) In line with government regulations and customer requirements, we are actively obtaining industry and related product certifications to seize opportunities for large-scale construction investment.

## 3. Long-term plans

- (1) We strive to shorten the time between R&D → production → product launch so that sales of innovative products can continue to reach a target of no less than 20% of annual revenue.
- (2) New product production sites and processes must be properly arranged in advance, and the continuous improvement of manufacturing processes and automation technology enhances productivity and makes good use of synergy resources, so that the optimal production capacity can be achieved with the leanest manpower to increase marginal productivity and maximize added value.
- (3) We will strengthen the development of customers in emerging markets and increase the share of export revenue in the total revenue year by year, with the ultimate goal of reaching more than 20% of annual revenue.
- (4) We pay close attention to the industrial trends of information and communication, smart grid, rail and electric vehicles, 5G and green energy/storage/energy saving, cloud big data, Internet of Things, etc. and the integration and application of related products to create new technologies, new products, and new business opportunities by combining the R&D bases of the Company and its subsidiaries and domestic and overseas sales channels.

## 2. Market and Sales Overview

### (1) Market Analysis

#### 1. Sales, regions of supply and market share of major products and services

Domestic sales accounted for 95.81% of the Company's sales this year, while foreign sales accounted for 4.19%, with domestic sales and services still being the main market for our products. The domestic market of heavy electric industry is not easy to grow, and the era of global profitability has come, the market in Taiwan will be more open, tariff reduction, the reduction of nationalization protection, the market competition will become more intense, and the exchange rate fluctuates, and the price of oil and base metals related to the production cost of the industry fluctuates, increasing the risk of control, the operation of the heavy electric industry is bound to be more difficult. Except for some parts that need to be imported, our heavy electric products have already matured in terms of technology and cooperation with our domestic suppliers and third-party factories, and we are well-equipped to accept challenges and competition. At present, we have mastered the core technology of each product and are actively exploring foreign markets, aiming to increase the export sales turnover to more than 20% of the turnover year by year to achieve the purpose of driving the transformation of the company to internationalization as well.

In order to respond to the globalization and competition in the future, the Company will continue to improve and innovate the existing products with competitive advantages to gain domestic and international market recognition through differentiation, differentiation and customization, and will continue to develop in the field of electronic communication and electrical equipment combined with green energy and smart grid integration. Our products include uninterruptible power system equipment, high-efficiency communication DC power supply equipment, charging machines, solar energy conversion inverters, energy storage/energy saving equipment, cloud room power protection, wireless network related applications, and intelligent power system related switching equipment. In the domestic market, the Company has been actively participating in private investment and government public construction projects to maintain a significant market share by leveraging its established reputation, reputation and ability to continue innovation. In addition to the Mainland and Southeast Asian markets, we have established production and sales bases in the European Union and North America to actively develop and expand overseas markets.

Since our company was established, we have been adhering to the quality policy of satisfying customers with all products and services. Therefore, the

main products we provide, such as power distribution panels, transformers, transmission and distribution equipment, automatic charging equipment for railroad trolley cars and bus charging machines, photoelectric inverters, uninterruptible power system equipment and switched DC power supply equipment for communication, have all obtained the most stringent ISO 9001 quality management system and We have also completed ISO45001, OHSAS18001, and TOSHMS occupational safety and health management certifications, and have implemented these standards and systems at every level, so our products and services are well received in the market and have a certain share. Both Hsin-Chuang and Yang-Mei plants have been certified by the TFA (The National Certification Foundation) and the Ministry of Economic Affairs (MOEA) as the original manufacturer of high voltage electrical equipment, which shows that our company is constantly pursuing excellence in the quality of products and services and is trusted and recognized by domestic and foreign users.

2. Future market supply and demand conditions, growth, expected sales volume. and its basis and competitive niche

(1) Future Market Demand

As the heavy electrical industry is a domestic demand industry, the growth of electricity demand is found to be almost proportional to the economic development in the long term. Therefore, the boom of the heavy machinery industry is closely related to the growth of the domestic economy. With the steady growth of the economy in the future, the demand for electricity is expected to increase steadily, and the economic development of Taiwan for decades, the power system and related equipment need to be retired and renewed, such as the new construction of substations and distribution automation programs, the successive decommissioning of nuclear power, the rise of wind power and solar power, but not enough to completely replace the power plants must be expanded, which will certainly drive the Heavy machinery industry relative supply increase. In addition, in the future, the technologies of power and communication monitoring and intelligent and new energy application development will be integrated with each other, and the transportation construction track industry, such as MRT, Taiwan Railway, high-speed rail and light rail, the government has a long-term and complete construction plan, which is a field that can be further developed in the future. Our company has been working in this field for many years and has been standing in the position of innovation leader. In the area of power electronics, we mainly use the application of communication and information software

and hardware peripherals, which are global products. In addition, since the use of wireless communication technology and related products combined with intelligent and green energy-saving products has become a global trend, the Company is also standing at the starting point to develop power monitoring, charging machines, solar energy conversion inverters, energy storage equipment, cloud equipment protection power supply and other equipment, and has also established a new product business unit, the demand for this part is unlimited and boundless.

(2) Future supply of the market

The heavy machinery industry is a capital and technology intensive basic industry, and production, R&D, and market development require long-term efforts and experience to achieve success. Due to the limitation of capital, equipment, technology, experience and human resources, it is not easy for new manufacturers to enter the field of first-tier manufacturers. In addition, since heavy electrical products are a domestic demand industry, with the growth of electricity demand and the promotion of public works, as well as the current trend of electricity products towards environmental protection, labor saving, automatic, intelligent, underground and highly technology-oriented needs, it can be confirmed that the suppliers of the products should have comprehensive technology, stable quality, excellent maintenance service characteristics such as Asia Power, TECO, Shihlin, Tatung, Huacheng and other larger manufacturers.

(3) Expected sales volume and its basis

In order to meet the future market demand, we will continue to strengthen product research and development. In addition to technology renewal and product improvement in the electric power industry, we will actively move towards the power monitoring field and the research and development of power electronic products as well as the integration of green energy applications. In the direction of business expansion, we will expand our strategic alliances and develop into the communications and high-tech industries to lay the foundation for diversified operations. At the same time, we will strengthen our internal management, implement quality systems, actively train human resources, develop new products, and grow roots in technology to meet market opportunities.



Based on the Company's business plan, the estimated sales volume for 2021 is as follows:

Items	Quantity
Electrical Products	11,000
Transformers	4,800
Electrical and electronic equipment	26,000
Electronic Products	9,000
Agency Materials	2,300
Engineering	—
Other operating income	—

#### (4) Development Prospects and Favorable and Unfavorable Factors

The government promotes constructive forward-looking plans, and various public investment construction projects and major private investment projects will continue to be carried out, which will stimulate the growth of domestic demand-oriented industries, and among the forward-looking infrastructure projects promoted by special budget, especially the rail industry, including the construction of Taiwan Railway, high-speed rail, metro and light rail. We have been working in this field for many years and have excellent track record and reputation, which will lay the foundation for the company's development in the coming years. In addition, it is the government's policy to build non-nuclear homes, so the construction of green energy and power development will be promoted urgently and continuously. The company has been working hard in the field of solar photovoltaic, and the new solar photovoltaic project of Longjing Phase II in Taichung won the Gold Quality Award for design and construction of public works from the Public Works Commission of the Executive Yuan. Meanwhile, in order to meet the government's promotion of "one million non-nuclear homes with sunny roofs by 2025", we have already set up a green energy office and sold our own PV inverter, and our business has already achieved breakthrough growth. The recent passage of the "Renewable Energy Development Act" by the Legislative Yuan on third reading has confirmed the long-term goal, which has laid confidence in the production and sales of our photovoltaic inverters and the development of energy storage equipment, which is also the direction of our future growth. After decades of economic growth and development both domestically and internationally, there is a need to replace existing transmission and distribution systems and equipment with high quality, highly stable, intelligent, and energy

efficient transmission and distribution equipment and devices, which is known as the "Transmission and Distribution Toughness Project". Our company has accumulated more than 50 years of technology, and the quality of our human resources is better than our competitors in the industry. We have the ability of product innovation, system integration and turnkey, and we have been cooperating with famous heavy electric manufacturers in Europe, the United States, Japan and Korea. The system integration and development of many products continue to lead the industry, the quality system is fully implemented, and the reputation and popularity are widely recognized. At the same time, through the operation of the C.H.S. system, the company's production and sales policies complement each other and develop simultaneously, and the future business will be able to meet the needs of domestic and foreign markets.

However, some of the Company's products are still in the heavy machinery industry, and the production process and innovation of the products require more technical manpower, and it takes a long period of time to nurture the talents in order to make the technology take root, and the competition has become more intense due to the advent of the micro-profit era, the maturity of the domestic market, and the opening of the WTO.

## (2) Main product applications and production processes

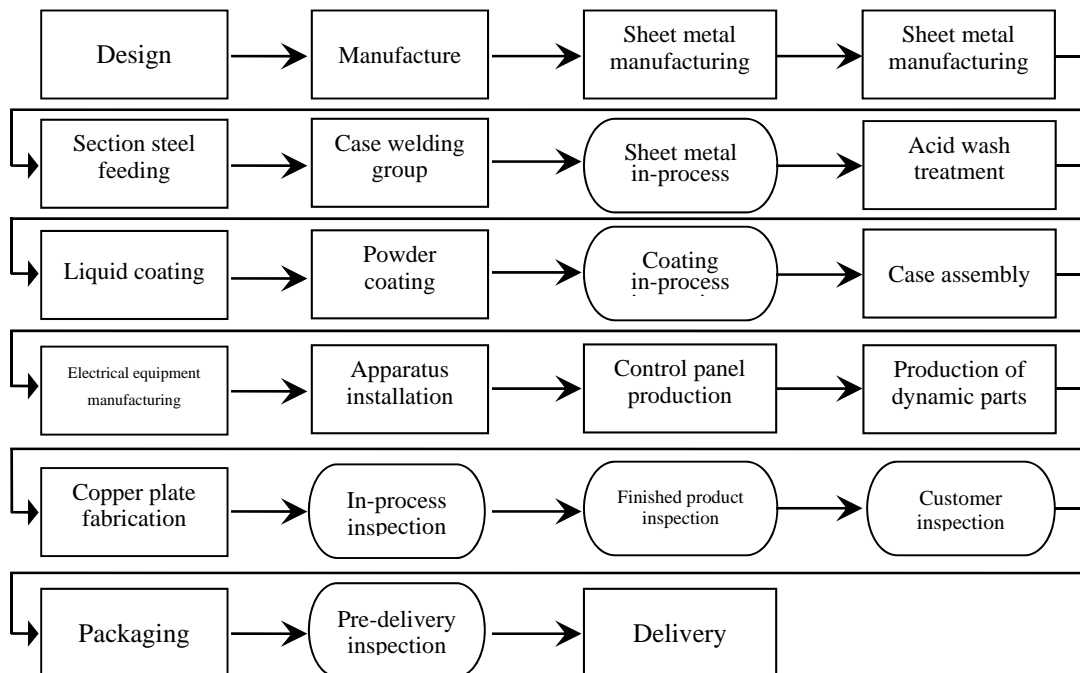
1. Our products include power distribution panels, transformers, switchgear and power electronic products, which can be used by power companies for substation and distribution system control and transformer, as well as for the operation of internal power systems in all civil industries and are indispensable equipment for production plants. Without this equipment, factories would not be able to transmit energy, production would not be able to proceed, high-rise buildings would not have electricity, railroad trams would stop running, hospitals would be shut down, and communication quality would be unstable. In recent years, due to the dense urban population and rising living standards in Taiwan, the demand for communication equipment has increased greatly, and so has the demand for DC power supply units for communication used by Chunghwa Telecom and private telecommunication companies. Other electronic products also have a lot of room for growth due to the development of network information and communication.

The functional applications of each of our major products are outlined below:

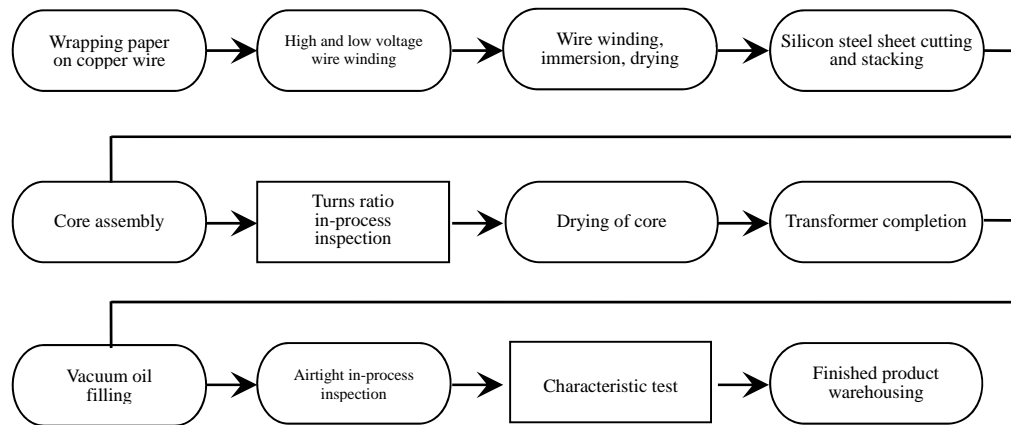
- (1) Power Distribution Board: It is used to monitor the status of the electrical system and equipment, and has the functions of remote control and operation, so that the electrical system and the peripheral equipment can operate smoothly.
- (2) Transformers: Using the principle of electromagnetic induction to convert the input voltage, it is used in power and communication systems so that generators, transmission and distribution systems and finally various loads can operate at the most appropriate voltage.
- (3) Electrical and electronic equipment : It is used for transmission and distribution lines and provides timely start-up and protection when the circuit is overloaded or malfunctioned.
- (4) Power Electronics: It is also used as an uninterrupted and stable power source for various instruments and computers, medical facilities, railroad trolley cars, electric vehicle charging, solar energy conversion equipment, etc.

2. Manufacturing Process:

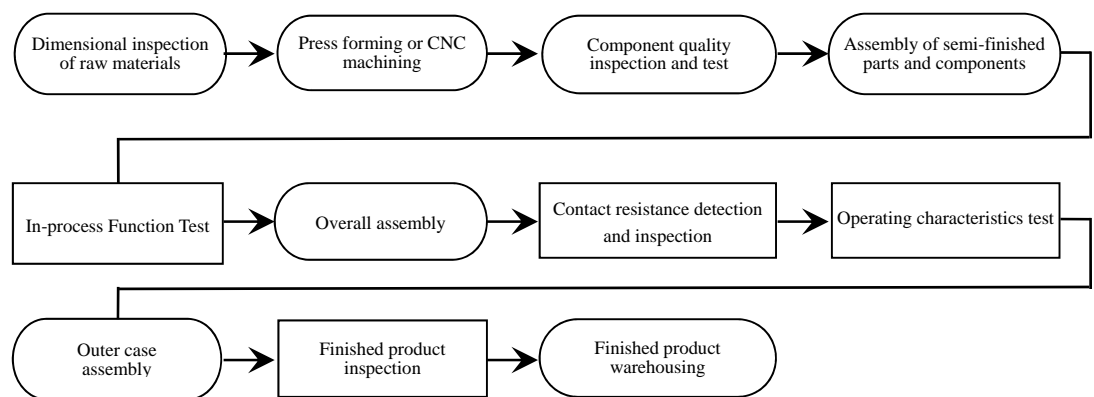
(1) Power distribution board manufacturing process



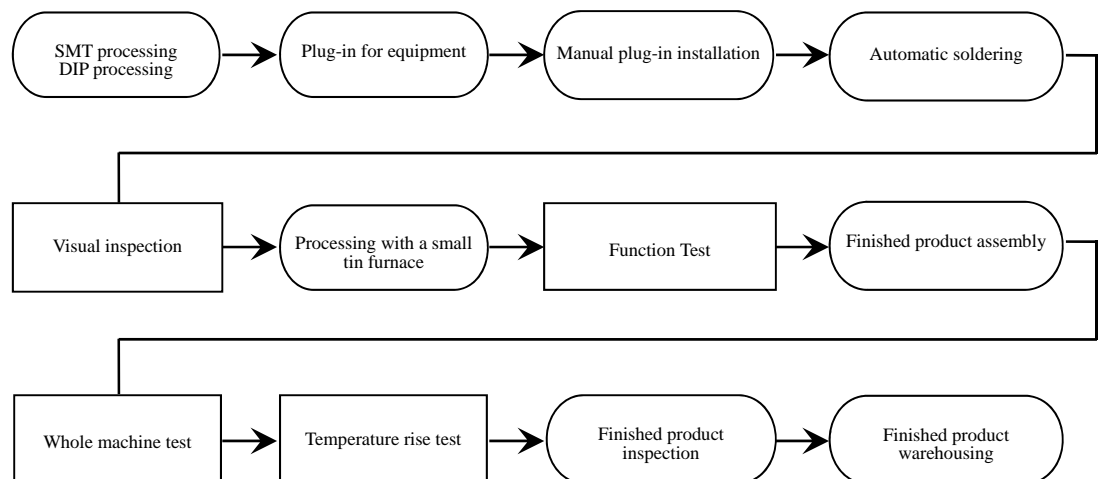
## (2) Transformers manufacturing process



## (3) Electrical and electronic equipment manufacturing process



## (4) Power Electronics manufacturing process



### (3) Supply of major raw materials

Major Industries Sectors	Major Products Name	Major Raw Materials		
		Name	Major Sources	Availability
Power distribution board	High and low voltage power distribution board	Electrical switches, iron plates	Agents and self-imported, collaborative factories	Good
Transformers	High and low voltage transformers	Copper and aluminum sheet, silicon steel sheet	Agents and self-imported, collaborative factories	Good
Electrical and electronic equipment	Line switch equipment	Aluminum ingot, switch assembly	Agents and self-imported, collaborative factories	Good
Power Electronics	Industrial electronics	Electronic components	Agents and self-imported, collaborative factories	Good

### (4) List of customers who have accounted for more than 10% of the total purchase (sales) in the last two years

#### 1. List of companies that have accounted for more than 10% of total shipments in the last two years

Unit: NT\$1,000

2019				2020				2021 until the end of first quarter			
Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Company	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Company	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Company
None	None	-	None	None	None		None	None	None		None
Net Import	3,697,810	100	-	Purchase amount	3,775,267	100		Purchase amount	1,014,800	100	

Note 1: The names of suppliers who have purchased more than 10% of the total amount of goods in the last two years and the amounts and percentages of their purchases are listed, except that if the names of suppliers are not disclosed in the contract or if the counterparties are individuals and not related parties, they may be listed under the code.

Note 2: As of the printing date of the annual report, financial information of companies whose shares are listed or traded on the stock exchange should be disclosed if they have been audited or reviewed by a certified public accountant most recently.

2. List of customers who have accounted for more than 10% of total sales in the last two years

Unit: NT\$1,000

2019				2020				2021 until the end of first quarter			
Name	Amount	Percentage of net sales for the year ended the previous quarter (%)	Relationship with the Company	Name	Amount	Percentage of net sales for the year ended the previous quarter (%)	Relationship with the Company	Name	Amount	Percentage of net sales for the year ended the previous quarter (%)	Relationship with the Company
Taipower	1,259,851	26.14	None	Taipower	1,271,587	24.87	None	TPC	269,050	21.66	None
TSMC	743,324	15.42	None	TSMC	605,566	11.84	None	Taoyuan International Airport Corporation Ltd.	139,943	11.27	None
None	None	-	None	None	None	-	None	None	None		None
Net Sales	4,819,154	100	-	Net Sales	5,113,892	100	-	Sales Amount	1,242,141	100	

Note 1: The names of customers with more than 10% of total sales and the amounts and percentages of sales for the last two years are listed, except that if the names of customers are not disclosed in the contract or if the customers are individuals and not related parties, they may be listed under the code.

Note 2: As of the printing date of the annual report, financial information of companies whose shares are listed or traded on the stock exchange should be disclosed if they have been audited or reviewed by a certified public accountant most recently.

## (5) Production volume table for the last two years

Unit: NT\$1,000

Production Value Main Products (or department)	Year	2019			2020		
		Productivity	Capacity	Product Value	Productivity	Capacity	Product Value
Electronic Products		12,500	11,186	1,056,796	12,500	11,282	1,073,641
Electrical and electronic equipment		100,000	22,489	864,055	100,000	22,589	689,827
Electrical Products		10,000	7,867	866,731	10,000	8,052	840,256
Transformers		5,000	4,074	444,400	5,000	3,360	371,666
Agency Materials		-	1,868	56,725	-	1,830	66,442
Engineering		-	0	623,571	-	0	1,067,937
Others		-	2,054	126,654	-	460	42,115
Total			49,538	4,038,932		47,573	4,151,884

## (6) Sales volume table for the last two years

Unit: NT\$1,000

Production Value Main Products (or department)	Year	2019				2020			
		Internal Sales		External Sales		Internal Sales		External Sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Electronic Products		5,761	1,049,530	1,252	157,669	6,136	1,110,146	1,420	177,682
Electrical and electronic equipment		24,083	1,026,301	1,293	67,663	24,512	1,050,889	64	3,321
Electrical Products		7,600	919,836	65	10,963	7,932	954,641	150	26,878
Transformers		3,937	493,722	185	66,168	3,032	392,323	95	32,454
Agency Materials		0	100,841	0	0	0	0	0	0
Engineering		0	708,178	0	0	0	986,980	0	3,538
Others		-	155,101	0	63,182	-	337,536	0	37,504
Total		41,381	4,453,509	2,795	365,645	41,612	4,832,515	1,729	281,377

3. The Number, Average Years of Service, Average Age and Educational Attainment of the Employees of the Company in the last two years and by the print date of the annual report

Year		2019	2020	2021 until the end of first quarter (Note)
Number of employees	Business Administration	142	137	139
	Indirect Labor and Delivery Staff	290	310	321
	Direct Labor and Delivery Staff	214	191	186
	Total	646	638	646
Average Year		42.98	43.36	43.70
Average Length of Service		14.13	14.11	14.21
Academic History Distribution Ratio Example %	PhD	0.77	1.08	1.08
	Master's Degree	6.19	5.54	5.41
	College	58.51	60.40	59.44
	High School	22.29	20.50	19.19
	Under High School	12.24	12.48	14.88

Note: Information for the current year up to the date of publication of the annual report should be included.

4. Environmental Protection Expenditure:

(1) Total losses (including compensation) and penalties for environmental pollution for the most recent year and up to the date of publication of the annual report

	2019	2020	Until April 30, 2021
Pollution status (type, degree)	Mild	Mild	Mild
Compensation object or disposal unit	None	None	None
Amount of compensation or circumstances of disposition	None	None	None
Other losses	None	None	None

(2) Response to the policy

1. Proposed improvement measures

(1) Improvement Program

We will continue to comply with the regulations of the competent government agencies and designate dedicated personnel to maintain the normal operation of pollution prevention equipment and reduce pollution in order to fully comply with the standards set by the government.



(2) Estimated environmental capital expenditures for the next three years

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Proposed pollution prevention and control Equipment or expenses	Maintenance Fee	Maintenance Fee	Maintenance Fee
Expected improvements	Compliant to Environmental Testing Standards	Compliant to Environmental Testing Standards	Compliant to Environmental Testing Standards
Amount (approx.)	6,000 thousands	7,000 thousands	8,000 thousands

(3) Impact of improvements

Effect on net income (approx.)	6,000 thousands	7,000 thousands	8,000 thousands
Effect on Competitive Position	None	None	None

2. No countermeasures: None.

## 5. Labor Relations

### (1) Current Significant Labor Agreements and Implementation

1. Employees are the most valuable assets of a company. Healthy and happy employees bring high creativity, high efficiency, high productivity and high profitability to the company. The Company has established an Employee Welfare Committee, which is responsible for all recurring employee welfare measures in accordance with the Articles of Incorporation. In addition, all other measures related to employee rights and benefits are handled in accordance with the relevant laws and regulations. Therefore, in the past 50 years since the establishment of the company, there has never been any dispute between the employers and employees, and the company is very harmonious.

#### 2. Employee Benefit Measures

- (1) Based on corporate social responsibility, the company not only insures each employee with labor insurance and universal health insurance according to the law, but also insures all employees with group insurance, including life insurance, accident insurance, medical insurance, occupational accident insurance, cancer insurance, etc., so that employees can be fully protected and can concentrate on their work without worries.
- (2) The staff dormitory provides a good living environment and related recreational facilities for employees.
- (3) The welfare cafeteria provides employees with nutritious and hygienic meals.
- (4) The reading room provides various books, magazines and reference books to enrich the spiritual life and knowledge of employees.
- (5) The recreation room of each factory has a variety of balls and sports equipment for employees to use, so that they can have proper recreational and leisure activities after work.
- (6) Scholarships for employees and their children, various on-the-job training programs to encourage employees to further their studies.
- (7) The welfare committee and the community groups in the factory hold activities from time to time to provide leisure activities for the employees after work and to unite the employees' centripetal force.

### 3. Retirement Systems

The Labor Standards Law became effective on July 1, 2005. Employees hired before July 1, 2005 may choose to continue to be subject to the pension provisions of the Labor Standards Law or to be subject to the pension system under the Law and retain their seniority prior to the application of the Law; employees hired since July 1, 2005 are subject to the pension system under the Law only.

The Company's retirement plan under the Labor Pension Act is a defined contribution pension plan. The Company contributes monthly 6% of the employees' salaries under this plan to their individual pension accounts.

Under the Labor Standards Law, the Company's retirement plan is a defined benefit plan. The Company's retirement plan is based on the average salary for the six months before retirement and the number of years of service. The Company contributes monthly to the employees' retirement fund based on a set percentage of the employees' total salaries as recommended in the annual actuarial report, which is managed by the Labor Pension Fund Supervisory Committee and deposited in the Bank of Taiwan in its name.

### 4. Other Important Agreements

In the meetings, we discuss issues such as working environment, welfare, system and safety of workers, coordinate and communicate with each other, and study feasible solutions for thorough implementation, so as to promote full cooperation between employers and employees, and promote labor-management harmony.

### 5. Staff Development and Training

The education and training of employees are conducted in accordance with the Company's "Regulations Governing the Operation of the Employee Education and Training System" in order to cultivate and develop the functions and potential of employees, and through the organizational function of the "Education and Training Committee", the training of employees is actually carried out to promote and review the effectiveness of education and training.

The effectiveness of education and training in 2020:

The total number of training participants was approximately 1,492.

The total number of training hours was about 8,081.

The average number of training hours per person was about 12.7hr.

The average number of training sessions per person per year is about 1.75. sessions/year.

The total training cost is \$1,178 thousands.

The average training cost per person is \$1,560.

6. The presence or absence of a code of conduct or ethics for employees

Employees' behavior and compliance with ethical conduct shall be in accordance with the Company's "Management Standards" and shall be appropriately rewarded or punished for violation of work rules in accordance with the "Employee Reward and Punishment Rules".

7. Work environment and employee safety protection measures

The protection measures for work environment and employee's personal safety are handled in accordance with the Company's "Occupational Safety and Health Code of Practice" to protect the work safety and health of employees and to prevent the occurrence of occupational disasters.

We set up the Labor Safety and Health Committee and each factory branch to advocate the correct concept of safety and health, provide feasible resources, adopt the most appropriate human factors engineering technology to achieve the prevention and protection of human and material resources, and listen to reports from safety and health management representatives on the current status of maintaining the safety and health management system and the improvement measures.

(2) Estimated amount of current and potential future losses due to labor disputes in the last three years and measures to address them: None.

## 6. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Purchasing Contracts	Nippon Signal Co., Ltd.	2017.03 ~ 2020.08	The Electronic Interlocking Equipment for the Railway Electrification Project of Taitung Chaozhou Section of the South Link Line of Taiwan Railways	No special restrictions
Purchasing Contracts	Nippon Signal Co., Ltd.	2017.03 ~ 2020.08	The Electronic Interlocking Equipment for the Railway Electrification Project of Taitung Chaozhou Section of the South Link Line of Taiwan Railways	No special restrictions
Exclusive Agency Contract	INVT Power System (Shenzhen) Co., Ltd.	2017.05 ~ 2022.05	Sale of Products	No special restrictions
Engineering Contracts	Sewerage Systems Office, Public Works Department, Taipei City Government	2019.03 ~ 2020.06	Devices such as high-pressure gas insulated switchgear, sensors, monitors, and electrical engineering construction	No special restrictions
Engineering Contracts	Taoyuan International Airport Corporation	2019.08 ~ 2021.03	Main construction task of the substation	No special restrictions
Engineering Contracts	CHANG-JIA Construction Co., Ltd.	2019.12 ~ 2021.02	New construction of Allis Electronic Material Building Yanmei Plant	No special restrictions
Engineering Contracts	L&K Engineering Co., Ltd.	2020.02 ~ 2020.08	Expansion of MEP in the Facility Management Control System	No special restrictions
Engineering Contracts	Kaohsiung Branch, Taiwan International Ports Corporation, Ltd.	2020.08 ~ 2023.02	The electrical engineering construction task at the 7th Container Center of Kaohsiung Port	No special restrictions
Engineering Contracts	Penghu Office, Taiwan Power Company	2020.12 ~ 2023.12	The turnkey project of the replacement of metal clad switchgears by 23kV Gas insulated switchgear in the power plants at Jianshan, Qimei and Wang'an in Penghu.	No special restrictions

## VI. Financial Information

### 1. Condensed Balance Sheet and Statement of Comprehensive Income of the Last 5 Years

(1) Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$1,000

Item \ Year	Financial Summary for 2016-2019 (Note 1)					Financial Information of the year ended on March 31, 2021 (Note 3)	
	2016	2017	2018	2019	2020		
Current assets	3,375,424	3,338,901	3,737,583	3,736,015	4,009,698	4,102,151	
Property, Plant and Equipment (Note 2)	980,179	982,749	1,005,520	1,008,812	1,088,148	1,210,424	
Intangible assets	21,978	21,346	16,072	12,302	30,920	25,158	
Other assets (Note 2)	803,949	809,127	943,811	1,040,411	990,698	996,642	
Total assets	5,181,530	5,152,123	5,702,986	5,797,540	6,119,464	6,334,375	
Current liabilities	Before distribution	2,128,084	2,098,155	2,520,053	2,417,240	2,451,727	2,516,357
	After distribution	2,228,618	2,198,689	2,660,800	2,562,209	2,603,945	2,668,575
Non-current liabilities	326,684	313,960	290,702	280,100	340,391	390,425	
Total liabilities	Before distribution	2,454,768	2,412,115	2,810,755	2,697,340	2,792,118	2,906,782
	After distribution	2,555,302	2,512,649	2,951,502	2,842,309	2,944,336	3,059,000
Equity attributable to the parent company	2,674,451	2,687,992	2,833,611	3,032,609	3,261,157	3,358,616	
Capital Stock	2,010,670	2,010,670	2,010,670	2,070,990	2,174,540	2,174,540	
Capital Fund	61,299	62,480	65,429	67,172	68,870	68,870	
Retained earnings	Before distribution	648,086	661,527	784,111	883,972	978,185	1,075,160
	After distribution	547,552	560,993	643,364	739,003	825,967	922,942
Other equity interest	(3,988)	(5,069)	15,017	52,091	81,178	81,662	
Treasury stock	(41,616)	(41,616)	(41,616)	(41,616)	(41,616)	(41,616)	
Non-controlling interest	52,311	52,016	58,620	67,591	66,189	68,977	
Total equity	Before distribution	2,726,762	2,740,008	2,892,231	3,100,200	3,327,346	3,427,593
	After distribution	2,626,228	2,639,474	2,751,484	2,955,231	3,175,128	3,275,375

Note 1 : The financial statements of the Company for each year have been audited and certified by the accountants.

Note 2 : If the assets have been revalued in the current year, the date of revaluation and the amount of revaluation increment should be indicated.

Note 3 : The Company's quarterly financial statements have been reviewed by a certified public accountant.

## Condensed Balance Sheet - Parent Company Only

Unit: NT\$1,000

Year		Financial Summary for 2016-2020(Note 1)				
Item		2016	2017	2018	2019	2020
Current assets		3,122,443	3,062,800	3,485,561	3,470,858	3,569,633
Property, Plant and Equipment (Note 2)		882,621	886,766	896,068	902,016	974,161
Intangible assets		14,410	15,713	12,348	9,965	8,061
Other assets (Note 2)		1,009,309	1,005,895	1,140,208	1,264,423	1,362,334
Total assets		5,028,783	4,971,174	5,534,185	5,647,262	5,914,189
Current liabilities	Before distribution	2,042,649	1,985,042	2,419,688	2,344,406	2,341,773
	After distribution	2,143,183	2,085,576	2,560,435	2,489,375	2,493,991
Non-current liabilities		311,683	298,140	280,886	270,247	311,259
Total liabilities	Before distribution	2,354,332	2,283,182	2,700,574	2,614,653	2,653,032
	After distribution	2,454,866	2,383,716	2,841,321	2,759,622	2,805,250
Equity attributable to the parent company		2,674,451	2,687,992	2,833,611	3,032,609	3,261,157
Capital Stock		2,010,670	2,010,670	2,010,670	2,070,990	2,174,540
Capital Fund		61,299	62,480	65,429	67,172	68,870
Retained earnings	Before distribution	648,086	661,527	784,111	883,972	978,185
	After distribution	547,552	560,993	643,364	739,003	825,967
Other equity interest		(3,988)	(5,069)	15,017	52,091	81,178
Treasury stock		(41,616)	(41,616)	(41,616)	(41,616)	(41,616)
Total equity	Before distribution	2,674,451	2,687,992	2,833,611	3,032,609	3,261,157
	After distribution	2,573,917	2,587,458	2,692,864	2,887,640	3,108,939

Note 1: The financial statements of the Company for each year have been audited and certified by the accountants.

Note 2: For those who have revalued their assets in the current year, the date of revaluation and the amount of revaluation increment should be indicated.

**(2) Consolidated Condensed Statement of Comprehensive Income – Based on IFRS**

Unit: NT\$1,000

Year Item	Financial Summary for 2016-2020(Note 1)					Financial Information of the year ended on March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	3,905,667	3,784,294	4,276,436	4,819,154	5,113,892	1,242,141
Gross profit	480,632	554,199	666,071	840,010	903,842	224,785
Operating income	57,108	115,506	169,627	277,025	348,750	107,307
Non-operating Income and Expenses	54,861	14,777	74,787	50,919	40,670	9,491
Net income before tax	111,969	130,283	244,414	327,944	389,420	116,798
Continuing business units Net income for the period	97,820	116,984	210,462	297,423	320,145	98,892
Net income (loss) for the period	97,820	116,984	210,462	297,423	320,145	98,892
Other Consolidated profit or loss for the period (Net after tax)	(2,276)	(3,383)	(20,721)	49,544	49,281	1,355
Consolidated Total profit or loss for the period	95,544	113,601	189,741	346,967	369,426	100,247
Net profit attributable to owners of the parent company	101,342	115,913	215,908	295,581	323,925	96,192
Net profit attributable to non-controlling interests	(3,522)	1,071	(5,446)	1,842	(3,780)	2,700
Total consolidated profit or loss attributable to owners of the parent company	101,303	112,894	199,866	338,002	371,819	97,459
Total consolidated profit or loss attributable to non-controlling interests	(5,759)	707	(10,125)	8,965	(2,393)	2,788
Earnings per share	0.51	0.58	1.05	1.44	1.51	0.45

Note 1: The financial statements of the Company for each year have been audited and certified by the accountants.

Note 2: The quarterly financial statements of the Company were audited by a certified public accountant.

## Condensed Consolidated Income Statement - Parent Company Only

Unit: NT\$1,000

Year Item	Financial Summary for 2016-2020 (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	3,643,247	3,612,041	4,179,791	4,719,025	5,012,368
Gross profit	424,576	449,131	633,216	773,556	824,914
Operating income	75,192	97,462	201,968	275,649	352,321
Non-operating Income and Expenses	36,362	29,094	48,313	49,210	26,695
Net income before tax	111,554	126,556	250,281	324,859	379,016
Continuing business units Net income for the period	101,342	115,913	215,908	295,581	323,925
Net income (loss) for the period	101,342	115,913	215,908	295,581	323,925
Other Consolidated profit or loss for the period (Net after tax)	(39)	(3,019)	(16,042)	42,421	47,894
Total consolidated profit or loss for the period	101,303	112,894	199,866	338,002	371,819
Earnings per share	0.51	0.58	1.05	1.44	1.51

Note 1: The financial statements of the Company for each year have been audited and certified by the accountants.

Name of accountant and audit opinion for the last five years :

Year	Name of certifying accountants	Checking Opinions
2016	HUNG, YU-LING, CHO, MIN-CHIH	No reservations added in paragraphs of other matters
2017	HUNG, YU-LING, CHO, MIN-CHIH	No reservations added in paragraphs of other matters
2018	HUNG, YU-LING, CHO, MIN-CHIH	No reservations added in paragraphs of other matters
2019	HUNG, YU-LING, CHO, MIN-CHIH	No reservations added in paragraphs of other matters
2020	CHO, MIN-CHIH · HSIANG, WEN-TING	No reservations added in paragraphs of other matters



## 2. Five-Year Financial Analysis

### Financial Analysis – Consolidated

Analysis Items (Note 3)		Financial Summary for 2016-2020					Financial Information of the year ended on March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Financial Structure%	Liabilities to assets ratio	47.38	46.82	49.29	46.53	45.63	45.89
	Long-term capital to property, plant and equipment plant and equipment ratio	311.52	310.76	316.55	328.38	337.06	315.43
Debt Service Capacity%	Current Ratio	158.61	159.14	148.31	154.56	163.55	163.02
	Quick Ratio	118.97	117.11	90.97	92.01	110.46	100.27
	Interest cover multiple	12.34	12.38	22.53	31.62	35.87	43.74
Operation Capabilities	Receivables turnover rate (times)	2.18	1.91	2.28	2.79	2.93	2.60
	Average number of days of receipt	167	191	160	131	125	140
	Inventory turnover rate (times)	3.77	3.60	2.98	2.84	2.83	2.56
	Turnover rate of accounts payable (times)	3.41	2.97	2.48	2.73	2.83	2.58
	Average days of sales	97	101	122	129	129	143
	Movable Property, Plant and Equipment Turnover (Times)	3.96	3.86	4.30	4.78	4.88	4.32
	Total assets turnover (times)	0.77	0.73	0.79	0.84	0.86	0.80
Profitability	Return on Assets (%)	2.09	2.45	4.04	5.32	5.52	1.62
	Return on Equity (%)	3.59	4.28	7.47	9.93	9.96	2.93
	Net income before income tax as a percentage of paid-in capital ratio (%) (Note 7)	5.57	6.48	12.16	15.84	17.91	5.37
	Net Profit Rate (%)	2.50	3.09	4.92	6.17	6.26	7.96
	Earnings per share (dollar)	0.51	0.58	1.09	1.44	1.51	0.45
Cash Flow	Cash Flow Ratio (%)	0	28.73	0	14.62	14.04	-
	Cash flow fair value ratio (%)	70.34	96.84	68.75	80.29	96.32	-
	Cash reinvestment ratio (%)	0.00	12.96	0	5.08	4.90	-
Leverage Degree	Operating leverage	9.58	5.34	4.26	3.22	2.74	-
	Financial leverage	1.21	1.11	1.07	1.04	1.03	1.03

Please explain the reasons for the changes in each financial ratio for the last two years. (The analysis is exempted if the change is less than 20%)

- Increase in quick ratio: This is because of the increase in cash, cash equivalents and accounts receivable.

Note 1: The financial statements of the Company for each year have been audited and certified by a certified public accountant.

Note 2 : Companies that are listed or whose shares are traded on the stock exchange should include in their analysis the financial information for the current year ending one quarter prior to the printing date of the annual report.

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

1. Financial structure

(1) Debt ratio = Total liabilities/Total assets.

(2) Ratio of long-term capital to fixed assets = (Total stockholders' equity + Non-current liabilities)/Property, plant and equipment, net.

2. Solvency

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

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

(3) Interest earned ratio = Net income before tax and interest expense/Interest expense.

3. Operating performance

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

(2) Average collection period = 365/Account receivable turnover.

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

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

(5) Average days in sales = 365/Inventory turnover.

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

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

4. Profitability

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

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

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

(4) Earnings per share = (Profit or loss attributable to owners of the parent company – Preferred stock dividend)/Weighted average stock shares issued. (Note 3)

5. Cash flow

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

(2) Net cash flow adequacy ratio = Net cash flow from operating activities within five years/(Capital expenditure + inventory increase + cash dividend) within five year.

(3) Cash reinvestment ratio = (Net cash flow from operating activities – Cash dividends)/(Total property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 4)

6. Leverage

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

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

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

1. Based on the weighted average number of common shares, rather than the number of shares outstanding at the end of the year.

2. The weighted average number of shares shall be calculated by taking into account the outstanding period of any cash capital increase or treasury stock transactions.

3. Where there is a capital increase from earnings or capital surplus, the capital increase shall be adjusted retroactively in proportion to the capital increase in calculating the earnings per share for previous years and half years, without regard to the issuance period of the capital increase.

4. If the preferred stock is a non-convertible cumulative preferred stock, the current year's dividends (whether or not distributed) shall be reduced from net income after tax or by increasing net loss after tax. If the preferred stock is non-cumulative, the dividends shall be reduced from net income if there is a net income after tax; if there is a loss, no adjustment is required.

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

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

2. Capital expenditures represent the annual cash outflows from capital investments.

3. Increases in inventories are included only if the ending balance is greater than the opening balance, and are calculated as zero if inventories decrease at the end of the year.

4. Cash dividends include cash dividends of common shares and preferred shares.

5. Gross fixed assets represent the total fixed assets before accumulated depreciation.

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

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

## Financial Analysis – Parent Company Only

Year (Note 1)  Item (Note 3)		2016-2020 Financial Analysis				
		2016	2017	2018	2019	2020
Financial Structure %	Liabilities to assets ratio	46.82	45.93	48.80	46.30	44.86
	Long-term capital to property, plant and equipment ratio	338.33	336.74	347.57	366.16	366.72
Debt Service Capacity %	Current Ratio	152.86	154.29	144.05	148.05	152.43
	Quick Ratio	116.00	115.53	99.84	87.86	106.17
	Interest cover multiple	16.78	14.72	28.80	38.02	42.32
Operation Capabilities	Receivables turnover rate (times)	2.05	1.85	2.28	2.79	2.92
	Average number of days of receipt	178	197	160	131	125.00
	Inventory turnover rate (times)	3.90	4.04	3.24	3.04	3.15
	Turnover rate of accounts payable (times)	2.86	2.69	2.29	2.61	2.81
	Average number of sales days	94	90	113	120	116.00
	Property, plant and equipment turnover rate (times)	4.10	4.08	4.69	5.25	5.34
	Total assets turnover (times)	0.74	0.72	0.80	0.84	0.87
Profitability	Return on Assets (%)	2.19	2.47	4.25	5.41	5.73
	Return on Equity (%)	3.79	4.32	7.82	10.08	10.29
	Net income before tax as a percentage of paid-in capital (%) (Note 7)	5.55	6.29	12.45	15.69	17.43
	Net Profit Rate (%)	2.78	3.21	5.17	6.26	6.46
	Earnings per share (NT\$)	0.51	0.58	1.09	1.44	1.51
Cash Flow	Cash flow ratio (%)	-	23.78	-	10.43	17.23
	Cash flow fair value ratios (%)	65.70	94.06	64.32	64.34	92.54
	Cash reinvestment ratio (%)	-	9.91	-	2.88	6.04
Leverage	Operating leverage	6.38	5.19	3.39	3.01	2.52
	Financial leverage	1.10	1.10	1.05	1.03	1.03
<p>Please explain the reasons for the changes in each financial ratio for the last two years. (The analysis is exempted if the change is less than 20%)</p> <p>Increase in return on assets: Due to the increase in net income after tax.</p> <p>Increase in cash flow ratio: Due to the increase in net cash inflow from operating activities.</p> <p>Increase in cash reinvestment ratio: Due to the increase in net cash inflows from operating activities.</p>						

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

Note 2: : Companies that are listed or whose shares are traded on the stock exchange should include in their analysis the financial information for the current year ending one quarter prior to the printing date of the annual report.

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

1. Financial structure
  - (1) Debt ratio = Total liabilities / Total assets.
  - (2) Ratio of long-term capital to fixed assets = (Total stockholders' equity + Non-current liabilities) / Property, plant and equipment, net.
2. Solvency
  - (1) Current ratio = Current assets / Current liabilities.
  - (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / Current liabilities.
  - (3) Interest earned ratio = Net income before tax and interest expense / Interest expense.
3. Operating performance
  - (1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = Net sales / average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).
  - (2) Average collection period = 365 / Account receivable turnover.
  - (3) Inventory turnover = Cost of goods sold / Average inventory.
  - (4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = Cost of goods sold / Average balance of account payable (including accounts payable and notes payable resulted from business operation).
  - (5) Average days in sales = 365 / Inventory turnover.
  - (6) Property, plant and equipment turnover = Net sales / Average property, plant and equipment, net.
  - (7) Total assets turnover = Net sales / Average total assets.
4. Profitability
  - (1) Return on assets (%) = [ Post-tax profit or loss + Interest expenses × (1 – Tax rate) ] / Average total assets.
  - (2) Return on stockholders' equity = Post-tax profit or loss / Average total stockholders' equity.
  - (3) Profit ratio = Profit after tax / Net sales.
  - (4) Earnings per share = (Profit or loss attributable to owners of the parent company – Preferred stock dividend) / Weighted average stock shares issued. (Note 3)
5. Cash flow
  - (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
  - (2) Cash flow adequacy ratio = Net cash flow from operating activities within five years / (Capital expenditure + inventory increase + cash dividend) within five year.
  - (3) Cash reinvestment ratio = (Net cash flow from operating activities – Cash dividends) / (Total property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 4)
6. Leverage:
  - (1) Operating leverage = (Net sales – Variable cost of sales and expenses) / Operating income (Note 5).
  - (2) Financial leverage = Operating income / (Operating income – Interest expenses).

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

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

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

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

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

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

### 3. Audit Committee's Report for the Most Recent Year (2020)

#### **Audit Committee's Report**

We have audited the annual report on operations, the parent company only financial statements and the consolidated financial statements of the Company for the year ended December 31, 2020 and have concluded that there are no irregularities. We hereby propose the report according to article 14-4 of Security Transaction Act and Article 219 of Company Act.

2021 Annual Shareholders' Meeting of Allis Electronic Co., Ltd.

The audit committee of Allis Electronic Co., Ltd.

Convener of the audit committee: WU, YING-CHIN

March 30, 2021

#### 4. Financial statements for the most recent year (2020)

##### 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

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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**

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## **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)

	2020.12.31		2019.12.31		2020.12.31		2019.12.31	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
1100 Cash and cash equivalents	\$ 616,704	10.08	\$ 394,219	6.80	\$ 807,641	13.20	\$ 796,038	13.73
1120 Financial assets at fair value through other comprehensive income	15,495	0.25	9,094	0.16	1,775	0.03	—	—
1140 Contract assets	150,479	2.46	235,722	4.07	204,256	3.34	204,802	3.53
1150 Notes receivable, net	64,413	1.05	79,606	1.37	16,178	0.26	22,137	0.38
1160 Notes receivable from related parties	613	0.01	5,094	0.09	6,048	0.10	—	—
1170 Accounts receivable, net	1,844,548	30.14	1,447,234	24.96	1,045,514	17.08	1,120,569	19.33
1180 Accounts receivable from related parties	15,735	0.26	33,517	0.58	85,132	1.39	42,583	0.73
1200 Other receivables	150,523	2.46	253,979	4.38	232,924	3.81	190,730	3.29
1220 Current tax assets	233	0.00	1,426	0.02	29,521	0.48	13,384	0.23
1310 Inventories	1,099,531	17.97	1,238,026	21.35	1,633	0.03	12,100	0.21
1410 Prepayments	46,280	0.76	38,074	0.66	1,633	0.03	8,537	0.15
1479 Other current assets	5,144	0.08	24	0.00	4,155	0.07	4,935	0.09
11xx Total current assets	<u>4,009,698</u>	<u>65.52</u>	<u>3,736,015</u>	<u>64.44</u>	<u>4,850</u>	<u>0.08</u>	<u>1,425</u>	<u>0.02</u>
					<u>2,451,727</u>	<u>40.07</u>	<u>2,417,240</u>	<u>41.69</u>
<b>NON-CURRENT ASSETS</b>								
1517 Financial assets at fair value through other comprehensive income	247,813	4.05	270,758	4.67	3,378	0.06	3,382	0.06
1550 Investments accounted for using equity method	298,148	4.87	276,015	4.76	340,391	5.56	280,100	4.84
1600 Property, plant and equipment	1,088,148	17.78	1,008,812	17.40	2,792,118	45.63	2,697,340	46.53
1755 Right-of-use assets	11,185	0.18	13,927	0.24	—	—	—	—
1760 Investment properties	357,850	5.85	359,999	6.21	—	—	—	—
1780 Intangible assets	30,920	0.51	12,302	0.21	—	—	—	—
1840 Deferred tax assets	17,605	0.29	21,184	0.37	—	—	—	—
1915 Prepayments for equipment	—	—	6,131	0.11	—	—	—	—
1920 Refundable deposits	46,519	0.76	41,956	0.72	132,753	2.17	102,580	1.77
1975 Net defined benefit asset	1,418	0.02	1,706	0.03	452,190	7.39	452,994	7.81
1980 Other receivables	412	0.01	38,987	0.67	393,242	6.43	328,398	5.67
1990 Other non-current assets	9,748	0.16	9,748	0.17	978,185	15.99	883,972	15.25
15xx Total non-current assets	<u>2,109,760</u>	<u>34.48</u>	<u>2,061,525</u>	<u>35.56</u>	<u>81,178</u>	<u>1.33</u>	<u>52,091</u>	<u>0.90</u>
					<u>(41,616)</u>	<u>(0.68)</u>	<u>(41,616)</u>	<u>(0.72)</u>
					<u>3,261,157</u>	<u>53.29</u>	<u>3,032,609</u>	<u>52.31</u>
<b>LIABILITIES AND EQUITY</b>								
<b>CURRENT LIABILITIES</b>								
2100 Short-term loans	—	—	—	—	—	—	—	—
2120 Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—	—
2130 Contract liabilities	—	—	—	—	—	—	—	—
2150 Notes payable	—	—	—	—	—	—	—	—
2160 Notes payable to related parties	—	—	—	—	—	—	—	—
2170 Accounts payable	—	—	—	—	—	—	—	—
2180 Accounts payable to related parties	—	—	—	—	—	—	—	—
2200 Other payables	—	—	—	—	—	—	—	—
2230 Current tax liabilities	—	—	—	—	—	—	—	—
2250 Provisions	—	—	—	—	—	—	—	—
2255 Short-term onerous contracts provision	—	—	—	—	—	—	—	—
2280 Lease liabilities	—	—	—	—	—	—	—	—
2399 Other current liabilities	—	—	—	—	—	—	—	—
21xx Total current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>NON-CURRENT LIABILITIES</b>								
2540 Long-term loans	—	—	—	—	—	—	—	—
2571 Deferred tax liabilities	—	—	—	—	—	—	—	—
2580 Lease liabilities	—	—	—	—	—	—	—	—
2640 Net defined benefit liabilities	—	—	—	—	—	—	—	—
2645 Guarantee deposits	—	—	—	—	—	—	—	—
25xx Total non-current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
2xxx Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>								
3100 Share capital	—	—	—	—	—	—	—	—
3200 Capital surplus	—	—	—	—	—	—	—	—
3310 Retained earnings	—	—	—	—	—	—	—	—
3320 Legal reserve	—	—	—	—	—	—	—	—
3330 Special reserve	—	—	—	—	—	—	—	—
3350 Unappropriated earnings	—	—	—	—	—	—	—	—
3400 Total retained earnings	—	—	—	—	—	—	—	—
3400 Other equity	—	—	—	—	—	—	—	—
3500 Treasury Stock	—	—	—	—	—	—	—	—
31xx Total equity attributable to owners of the parent	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
36xx NON-CONTROLLING INTERESTS	—	—	—	—	—	—	—	—
3xxx Total equity	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 6,119,464</u>	<u>100.00</u>	<u>\$ 5,797,540</u>	<u>100.00</u>	<u>\$ 6,119,464</u>	<u>100.00</u>	<u>\$ 5,797,540</u>	<u>100.00</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  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Notes	2020		2019		
		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
8600	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)
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 Earmest & 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>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
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	344,296	353,450
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
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	(12,067)	(30,357)
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>		
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	(111,292)	(314,648)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	1,548	(2,631)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	222,485	5,814
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	394,219	388,405
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	\$ 616,704	\$ 394,219

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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.

#### ① Financial 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.

#### ② Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost 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.

#### ③ Investments in equity instruments at FVTOCI

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

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
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	<u>104,064</u>	<u>29,900</u>
Total	<u>\$ 616,704</u>	<u>\$ 394,219</u>

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

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

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:

	<u>Maturity Date</u>	<u>Contract Amount</u>
<u>2020.12.31</u>		
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)

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

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

(4) Notes receivable and accounts receivable

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

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:

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

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

(6) Other receivables, net

	<u>2020.12.31</u>	<u>2019.12.31</u>
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	<u>\$ 150,935</u>	<u>\$ 292,966</u>
Current	\$ 150,523	\$ 253,979
Non-current	412	38,987
Total	<u>\$ 150,935</u>	<u>\$ 292,966</u>

(7) Investments accounted for using equity method

Name of Associates	<u>2020.12.31</u>		<u>2019.12.31</u>	
	% 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		<u>\$ 298,148</u>		<u>\$ 276,015</u>

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

Aggregate information of associates that are not individually material:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Equity	<u>\$ 911,550</u>	<u>\$ 809,325</u>



	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>
<u>Accumulated depreciation</u>							
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

	<u>2020.12.31</u>	<u>2019.12.31</u>
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	<u>49,581</u>	<u>51,730</u>
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>
<b>Cost</b>			
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>
<b>Accumulated depreciation</b>			
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	12,667	—
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>	Computer Software	Technology Royalty	Other Intangible Assets	Goodwill	Total
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

	2020.12.31	2019.12.31
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	<u>9,748</u>	<u>9,748</u>
Total	<u>\$ 14,892</u>	<u>\$ 9,772</u>

## (13) Short-term loans

	<u>2020.12.31</u>	<u>2019.12.31</u>
Material purchase loans	\$ —	\$ 3,038
Unsecured loans	324,396	130,000
Secured loans	<u>483,245</u>	<u>663,000</u>
	<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

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

		<u>2020.12.31</u>		<u>2019.12.31</u>	
		Interest (%)	Amount	Interest (%)	Amount
Bank	Loan period and repayment term				
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%	<u>865</u>	—	—
Total			<u>\$ 65,118</u>	<u>\$ —</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>\$ 387,731</u>	<u>\$ 380,493</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>\$ 1,623</u>	<u>\$ 2,257</u>

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

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
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)
	<u>2020.12.31</u>	<u>2019.12.31</u>
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

	<u>2020.12.31</u>	<u>2019.12.31</u>
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

	<u>2020.12.31</u>	<u>2019.12.31</u>
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:

	<u>2019</u>	<u>2018</u>
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)	<u>103,550</u>	<u>60,320</u>
	<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:

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 452,994	\$ 453,797
Reversal:		
Depreciation expense on investment properties	<u>(804)</u>	<u>(803)</u>
Balance, end of year	<u><u>\$ 452,190</u></u>	<u><u>\$ 452,994</u></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><u>\$ (11,010)</u></u>	<u><u>\$ 92,188</u></u>	<u><u>\$ 81,178</u></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><u>\$ (11,606)</u></u>	<u><u>\$ 63,697</u></u>	<u><u>\$ 52,091</u></u>

f. Non-controlling interests

	<u>2020</u>	<u>2019</u>
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)	
	<u>2020.12.31</u>	<u>2019.12.31</u>
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

	<u>2020</u>	<u>2019</u>
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

	<u>2020</u>	<u>2019</u>
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

	<u>2020</u>	<u>2019</u>
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	<u>12,771</u>	<u>13,373</u>
	<u><u>\$ 31,635</u></u>	<u><u>\$ 33,910</u></u>
 (21) Other gains and losses		
	<u>2020</u>	<u>2019</u>
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	<u>(288)</u>	<u>(169)</u>
	<u><u>\$ (24,699)</u></u>	<u><u>\$ (6,988)</u></u>
 (22) Finance costs		
	<u>2020</u>	<u>2019</u>
Interest on bank loans	\$ 10,904	\$ 9,707
Interest on lease liabilities	227	969
Others	<u>36</u>	<u>33</u>
	<u><u>\$ 11,167</u></u>	<u><u>\$ 10,709</u></u>
 (23) Additional information of expenses by nature		
Net income included the following items:		
	<u>2020</u>	<u>2019</u>
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	<u>4,965</u>	<u>4,836</u>
Total	<u><u>\$ 49,559</u></u>	<u><u>\$ 48,241</u></u>
Operating expenses directly related to investment properties:		
	<u>2020</u>	<u>2019</u>
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	<u>5</u>	<u>5</u>
Total	<u><u>\$ 1,195</u></u>	<u><u>\$ 1,211</u></u>
Research and development costs expensed as incurred	<u><u>\$ 110,594</u></u>	<u><u>\$ 107,788</u></u>

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

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

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

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

	<u>2020</u>	<u>2019</u>
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

	<u>2020</u>	<u>2019</u>
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:

<u>2020</u>						
Deferred tax assets	Opening Balance	Acquisition of Subsidiary	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Effect of Foreign Currency Exchange Differences	Closing Balance
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	<u>5,293</u>	<u>57</u>	<u>(744)</u>	<u>—</u>	<u>1</u>	<u>4,607</u>
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
<u>Deferred tax liabilities</u>						
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>
<u>2019</u>						
<u>Deferred tax assets</u>						
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

	<u>2020</u>	<u>2019</u>
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:

	<u>2020</u>	<u>2019</u>
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

	<u>2020</u>	<u>2019</u>
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:

	<u>2020.12.31</u>	<u>2019.12.31</u>
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

Financial assets	2020.12.31	2019.12.31
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>
Financial liabilities	2020.12.31	2019.12.31
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
<u>Non-derivative financial liabilities</u>			
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
<u>Non-derivative financial liabilities</u>			
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.

	Less than 1 Year	
	2020.12.31	2019.12.31
<u>Derivative financial instruments</u>		
<u>Gross settled foreign exchange contract</u>		
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

<u>Related Party</u>	<u>Relationship with the Group</u>
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

<u>Line Items</u>	<u>Related Parties Categories</u>	<u>2020</u>	<u>2019</u>
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

<u>Line Items</u>	<u>Related Parties Categories</u>	<u>2020</u>	<u>2019</u>
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

<u>Line Items</u>	<u>Related Parties Categories</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable from related parties	Others	\$ 613	\$ 5,094
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	\$ 981,519	\$ 930,799	\$ 424,777	\$ 559,890	\$ 1,054,210	\$ 1,093,964	\$ 1,368,927	\$ 1,274,073	\$ 1,170,022	\$ 853,884	\$ 401,460	\$ 334,996	\$ (287,023)	\$ (228,452)	\$ 5,113,892	\$ 4,819,154
Interest expense	\$ 1,338	\$ 1,158	\$ 1,101	\$ 895	\$ 1,789	\$ 1,386	\$ 5,348	\$ 4,564	\$ 1,597	\$ 2,310	\$ 333	\$ 396	\$ —	\$ (339)	\$ 11,167	\$ 10,709
Depreciation and amortization expense	\$ 10,054	\$ 8,947	\$ 6,477	\$ 5,803	\$ 10,540	\$ 9,922	\$ 14,862	\$ 13,265	\$ 3,571	\$ 4,181	\$ 1,906	\$ 3,974	\$ —	\$ —	\$ 47,410	\$ 46,092
Segment profit or loss	\$ 27,127	\$ 20,124	\$ 17,339	\$ 40,103	\$ 147,317	\$ 115,291	\$ 54,949	\$ 47,320	\$ 52,723	\$ 13,751	\$ 50,810	\$ 37,992	\$ (1,515)	\$ 2,444	\$ 348,750	\$ 277,025

(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>\$ 5,113,892</u>	<u>\$ 4,819,154</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>\$ 1,497,851</u>	<u>\$ 1,404,788</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>\$ 1,877,153</u>	<u>\$ 2,003,175</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	—	—
1	Air King Industrial Co., Ltd.	Zhong Mou Construction Co., Ltd.	e	\$ 450,000 (Note 3)	\$ 271,962\$	\$ 271,962\$	271,962	—	8.34%	\$ 500,000 (Note 3)	—	—	—
		Allis Electric Co., Ltd.	c		\$ 71,499\$	\$ 71,499\$	71,499	—	105.11%		—	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	
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		0.19%
				Purchase	768		0.02%
				Construction contract cost	168,877		3.30%
				Accounts receivable	818	(Note 2)	0.01%
				Other receivables	38		0.00%
				Accounts payable	36,626		0.60%
				Other payables	446		0.01%
				Revenue from sale of goods	1,171		0.02%
				Purchase	65,028		1.27%
				Rental income	154	(Note 2)	0.00%
Accounts receivable	19		0.00%				
Accounts payable	33,162		0.54%				
Allis Communications Co., Ltd.			a	Purchase	1,226		0.02%
				Research and development expenses	423	(Note 2)	0.01%
				Accounts payable	50		0.00%
				Other payables	10		0.00%
Qingdao Liming Industry Co., Ltd.			a	Purchase	7,283		0.14%
				Factory overhead	87	(Note 2)	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				% to Consolidated Total Revenues or Assets
				Financial Statement Accounts	Amount (Note 3)	Payment Terms		
0	Allis Electric Co., Ltd.	AEC International S.r.l.	a	Revenue from sale of goods Purchase Accounts receivable Other receivables Accounts payable Interests income	11,580 263 15,794 36,530 386 339	(Note 2)	0.23% 0.01% 0.26% 0.60% 0.01% 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 Accounts receivable	5,708 20,481	(Note 2)	0.11% 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	\$ 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	32,670	—	
	Ares Technology Co., Ltd.	New Taipei City, Taiwan	Manufacturing of UPS	75,560	74,652	6,800,000	100.00%	62,474	(1,884)	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	(2,978)	Note 2	
	Yishun Investment CO., LTD.	Taipei, Taiwan	Investment and holding	179,900	179,900	17,990,000	99.94%	99,060	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)	Note 2	
	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)	
	AEC International S.r.l.	Italy	Selling of electrical equipment	62,771	—	300,000	100.00%	11,179	444	444	
	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 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.

## 5. Parent company only financial statements audited by CPAs for the most recent year (2020)

### **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  
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## **INDEPENDENT AUDITORS' REPORT**

Allis Electric Co., Ltd.

### **Opinion**

We have audited the accompanying parent company only financial statements of Allis Electric Co., Ltd., which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter section), the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of Allis Electric Ltd. as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

#### Revenue Recognition

Please refer to Note 4(16) of the parent company only 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 Ltd.'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 parent company only financial statements for the accounting policies on impairment of accounts receivables and Note 5 of the parent company only 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 investee companies as of and for the years ended December 31, 2020 and 2019, which reflected in the parent company only 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 Ltd.'s parent company only financial statements for such investee companies, is based solely on the reports of other auditors. As of December 31, 2020 and 2019, the aforementioned investment accounted for using equity method were NT\$328,682 thousand and NT\$276,015 thousand, respectively, which represented 5.56% and 4.89%, respectively, of the total assets. Allis Electric Ltd.'s share of comprehensive income or loss of such investee companies were NT\$41,216 thousand and NT\$47,615 thousand for the years ended December 31, 2020 and 2019, respectively, which represented 11.08% and 14.09%, respectively, of total comprehensive income.

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing Allis Electric Ltd.'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 Ltd. 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 Ltd.'s financial reporting process.



## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

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

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

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

where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 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 parent company only financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.*

Allis Electric Co., Ltd.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	Notes	2020.12.31		2019.12.31		2020.12.31		2019.12.31									
		Amount	%	Amount	%	Amount	%	Amount	%								
<b>ASSETS</b>																	
<b>CURRENT ASSETS</b>																	
1100		\$	455,866	7.71	\$	264,767	4.69	2100	Short-term loans	Note 6	\$	735,000	12.43	\$	738,038	13.07	
1120			144	0.00		171	0.00	2120	Financial liabilities at fair value through profit or loss	Note 4 and 6		1,775	0.03		—		
1140			106,581	1.80		235,722	4.17	2130	Contract liabilities	Note 4		200,719	3.39		204,638	3.63	
1150			63,892	1.08		79,386	1.41	2170	Accounts payable	Note 4		991,043	16.76		1,068,283	18.91	
1160			613	0.01		5,094	0.09	2180	Accounts payable to related parties	Note 7		162,846	2.75		117,340	2.08	
1170			1,752,953	29.64		1,426,799	25.26	2200	Other payables	Note 7		205,100	3.47		176,600	3.13	
1180			65,678	1.11		33,098	0.59	2230	Current tax liabilities	Note 4		28,018	0.47		13,325	0.23	
1200			147,191	2.49		250,549	4.44	2250	Provisions	Note 4 and 6		12,100	0.20		12,100	0.21	
1310			941,782	15.92		1,145,947	20.29	2255	Short-term onerous contracts provision	Note 4 and 6		1,633	0.03		8,537	0.14	
1410			34,758	0.59		29,301	0.52	2280	Lease liabilities	Note 4		2,827	0.05		4,584	0.08	
1479			175	0.00		24	0.00	2399	Other current liabilities	Note 4		712	0.01		961	0.02	
11xx			3,569,633	60.35		3,470,858	61.46	21xx	Total current liabilities			2,341,773	39.59		2,344,406	41.50	
<b>NON-CURRENT ASSETS</b>																	
1517			225,560	3.81		166,839	2.95		Long-term loans	Note 6		47,000	0.80		—	—	
1550			661,248	11.18		607,226	10.75		Deferred tax liabilities-land value increment tax	Note 6		174,220	2.95		174,220	3.09	
1600			974,161	16.47		902,016	15.98	3100	Share capital	Note 4		6,293	0.11		9,120	0.16	
1755			8,954	0.15		13,579	0.24	3200	Capital surplus	Note 4 and 6		80,448	1.35		83,525	1.49	
1760			357,850	6.05		359,999	6.37	2645	Net defined benefit liabilities	Note 4 and 6		3,298	0.06		3,382	0.06	
1780			8,061	0.14		9,965	0.17	25xx	Guarantee deposits			311,259	5.27		270,247	4.80	
1840			17,523	0.30		20,461	0.36	2xxx	Total non-current liabilities			2,653,032	44.86		2,614,653	46.30	
1915			—	—		6,131	0.12		Legal reserve			132,753	2.24		102,580	1.82	
1920			44,921	0.77		41,453	0.73	3320	Special reserve			452,190	7.65		452,994	8.02	
1980			36,530	0.62		38,987	0.69	3350	Unappropriated earnings			393,242	6.65		328,398	5.82	
1990			9,748	0.16		9,748	0.18	3400	Total retained earnings			978,185	16.54		883,972	15.66	
15xx			2,344,556	39.65		2,176,404	38.54	3500	Other equity			81,178	1.37		52,091	0.93	
1xxx			5,914,189	100.00		5,647,262	100.00	3xxx	Treasury Stock			(41,616)	(0.70)		(41,616)	(0.74)	
									Total equity			3,261,157	55.14		3,032,609	53.70	
									TOTAL LIABILITIES AND EQUITY			\$	5,914,189	100.00	\$	5,647,262	100.00

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

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

	Notes	2020		2019		
		Amount	%	Amount	%	
4000	OPERATING REVENUE	Note 4, 6 and 7	\$ 5,012,368	100.00	\$ 4,719,025	100.00
5000	OPERATING COST	Note 6 and 7	4,182,869	83.45	3,945,550	83.61
5900	GROSS PROFIT		829,499	16.55	773,475	16.39
5910	LESS: UNREALIZED GROSS PROFIT ON SALES		4,585	0.09	—	—
5920	ADD: REALIZED GROSS PROFIT ON SALES		—	—	81	0.00
5950	NET GROSS PROFIT		824,914	16.46	773,556	16.39
	OPERATING EXPENSES					
6100	Selling and marketing expenses	Note 7	232,486	4.64	233,699	4.95
6200	General and administrative expenses		125,247	2.50	117,601	2.49
6300	Research and development expenses	Note 7	99,772	1.99	96,728	2.05
6450	Expected credit impairment loss		15,088	0.30	49,879	1.06
6000	Total operating expenses		472,593	9.43	497,907	10.55
6900	OPERATING INCOME		352,321	7.03	275,649	5.84
	NON-OPERATING INCOME AND EXPENSES					
7010	Other income	Note 6 and 7	25,609	0.51	25,355	0.54
7020	Other gains and losses	Note 6	(26,576)	(0.53)	(5,543)	(0.12)
7050	Finance costs	Note 6	(9,173)	(0.18)	(8,775)	(0.19)
7060	Share of profit of subsidiaries and associates accounted for using equity method	Note 4 and 6	36,835	0.73	38,173	0.81
7000	Total non-operating income and expenses		26,695	0.53	49,210	1.04
7900	INCOME BEFORE INCOME TAX		379,016	7.56	324,859	6.88
7950	INCOME TAX EXPENSE	Note 4 and 6	55,091	1.10	29,278	0.62
8200	NET INCOME		323,925	6.46	295,581	6.26
	OTHER COMPREHENSIVE INCOME (LOSS)					
	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans	Note 4 and 6	(20,274)	(0.40)	5,782	0.12
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	Note 4 and 6	55,769	1.11	24,463	0.52
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method		11,803	0.24	16,511	0.35
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating foreign operation		114	0.00	(3,302)	(0.07)
8380	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method		482	0.01	(1,033)	(0.02)
8300	Other comprehensive income, net		47,894	0.96	42,421	0.90
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 371,819	7.42	\$ 338,002	7.16
		Note 6				
9750	EARNINGS PER SHARE		\$ 1.51		\$ 1.38	

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

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

	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 Equity
								Financial Assets	Other		
BALANCE, JANUARY 1, 2019	201,067	\$ 2,010,670	\$ 65,429	\$ 80,989	\$ 454,797	\$ 249,325	\$ (7,271)	\$ 22,288	\$ (41,616)	\$ 2,833,611	
Appropriation of the 2018 earnings											
Legal reserve appropriated				21,591		(21,591)					
Cash dividends-NT\$0.70 per share						(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	
Other comprehensive income and loss in 2019, net of income tax						5,347	(4,335)	41,409		42,421	
Total comprehensive income in 2019						300,928	(4,335)	41,409		338,002	
Cash dividends distributed to subsidiaries			1,654							1,654	
Changes in ownership interests in subsidiaries			(5)							(5)	
Donation from owners			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	
Appropriation of the 2019 earnings											
Legal reserve appropriated				30,173		(30,173)					
Cash dividends-NT\$0.70 per share						(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	
Other comprehensive income and loss in 2020, net of income tax						(21,366)	596	68,664		47,894	
Total comprehensive income in 2020						302,559	596	68,664		371,819	
Cash dividends distributed to subsidiaries			1,703							1,703	
Disposal of investments in equity instruments at fair value through other comprehensive income											
Return of donation from owners						40,173		(40,173)			
Reversal of special reserve			(5)		(804)	804				(5)	
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	

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

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income tax	\$ 379,016	\$ 324,859
Adjustments for		
Adjustments to reconcile profit (loss)		
Depreciation expense	41,084	39,460
Amortization expense	3,338	3,449
Expected credit impairment loss	15,088	49,879
Net loss (gain) on financial instruments at fair value through profit or loss	4,370	(4,427)
Interest expense	9,173	8,775
Interest income	(3,472)	(5,389)
Dividend income	(2,148)	(1,855)
Share of profit of subsidiaries and associates accounted for using equity method	(36,835)	(38,173)
Net gain on disposal of property, plant and equipment	(10)	(267)
Unrealized (realized ) gross profit on sales	4,585	(81)
Changes in operating assets and liabilities		
Decrease in contract assets	129,141	55,534
Decrease (increase) in notes receivable	15,582	(9,177)
Decrease in notes receivable from related parties	4,481	1,115
Decrease (increase) in accounts receivable	(353,904)	176,477
Decrease (increase) in accounts receivable from related parties	(32,580)	79,175
Decrease (increase) in other receivables	105,598	(244,245)
Decrease (increase) in inventories	204,165	(127,271)
Decrease (increase) in prepayments	(5,457)	21,828
Decrease (increase) in other current assets	(151)	9
Changes in financial instruments at fair value through profit or loss	(2,595)	3,958
Increase (decrease) in contract liabilities	(3,919)	103,368
Increase (decrease) in accounts payable	(77,240)	9,868
Increase (decrease) in accounts payable to related parties	45,506	(168,599)
Increase in other payables	28,550	19,430
Increase (decrease) in short-term onerous contracts provision	(6,904)	8,537
Increase (decrease) in other current liabilities	(249)	94
Decrease in net defined benefit liabilities	(23,351)	(14,177)
Cash inflow generated from operations	440,862	292,154
Income tax paid	(37,460)	(47,547)
Net cash generated from operating activities	403,402	244,607

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

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Decrease in other receivables from related parties	\$ —	\$ 58,083
Acquisition of financial assets at fair value through other comprehensive income	(2,925)	—
Acquisition of investments accounted for using equity method	(19,662)	(30,000)
Proceeds from liquidation of investments accounted for using equity method	5,969	—
Acquisition of property, plant and equipment	(100,324)	(38,060)
Proceeds from disposal of property, plant and equipment	10	267
Acquisition of intangible assets	(1,434)	(1,066)
Increase in prepayments for equipment	—	(1,981)
Increase in refundable deposits	(3,468)	(14,780)
Decrease in other receivables	—	969
Interest received	3,689	5,495
Cash dividend received	20,745	19,555
Net cash flows used in investing activities	(97,400)	(1,518)
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>		
Increase in short-term loans	4,558,568	3,837,635
Decrease in short-term loans	(4,561,606)	(3,879,597)
Increase (decrease) in guarantee deposits	(84)	200
Repayment of the principal portion of lease liabilities	(4,584)	(5,074)
Increase in long-term loans	47,000	—
Interest paid	(9,223)	(8,823)
Cash dividends paid	(144,969)	(140,747)
Others	(5)	94
Net cash flows used in financing activities	(114,903)	(196,312)
NET INCREASE IN CASH AND CASH EQUIVALENTS	191,099	46,777
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	264,767	217,990
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 455,866	\$ 264,767

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



Allis Electric Co., Ltd.  
NOTES TO PARENT COMPANY ONLY 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. The Company is engaged in manufacturing and selling of switchgear, transformer, electrical products, and construction and installation of electrical equipment.

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

The parent company only 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 Company’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 parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the aforementioned standards and interpretations will have on the Company'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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### **(2) Basis of preparation**

When preparing the parent company only financial statements, the Company account for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

##### **(3) Foreign currencies**

In preparing the parent company only financial statements, 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 parent company only financial statements, the assets and liabilities of the Company's foreign operations 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.

##### **(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 parent company only financial statements are authorized for issue; and
- c. Liabilities for which the Company 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 Company 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 Company'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 Company 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.

① Financial 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.

② Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost 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.

③ Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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 Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

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 Company 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 Company 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 Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, 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 Company derecognizes financial liabilities when, and only when, the Company'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 Company 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 standard cost and adjusted to approximate weighted-average cost on the reporting date.

## (8) Investments accounted for using equity method

Investments accounted for using equity method include investments in subsidiaries and associates.

### a. Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in a subsidiary are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognizes the changes in the Company's share of equity of subsidiaries. When the Company's share of losses of an subsidiary equals or exceeds its interest in that subsidiary (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 Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company 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 previous carrying amount of the investments in such subsidiary. In addition, the Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

#### b. Investment in associates

An associate is an entity over which the Company 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 Company 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 Company's share of the profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes the changes in the Company's share of equity of associates. When the Company'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 Company's net investment in the associate), the Company discontinues recognizing its share of further losses, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company'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 Company'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 Company 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 Company's proportionate interest in the net assets of the associate. The Company 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 Company'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 Company 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 Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

#### (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 Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for 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 parent company only 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 Company uses the lessee's incremental borrowing rate.

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

b. The Company as lessor

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

Lease 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 Company 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 other than goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized immediately 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 rereasurement) 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 Company'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 Company 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 Company recognizes revenue over time. The Company 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 Company 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 Company adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Company 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, 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 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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 Company 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 Company'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 Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. 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\$1,818,631 thousand and NT\$1,459,897 thousand, respectively.

## 6. SIGNIFICANT ACCOUNTS DISCLOSURES

### (1) Cash and cash equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Petty cash and cash on hand	\$ 900	\$ 900
Checking accounts and demand deposits	426,866	233,877
Cash equivalents		
Time deposits with original maturities less than one year	<u>28,100</u>	<u>29,990</u>
Total	<u><u>\$ 455,866</u></u>	<u><u>\$ 264,767</u></u>

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

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

a. The Company 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 Company did not apply hedge accounting treatment for these forward exchange contracts.

b. Outstanding forward exchange contracts consisted of the following:

<u>2020.12.31</u>	<u>Maturity Date</u>	<u>Contract Amount</u>
Sell NTD/Buy USD	2021.02.03-2021.04.15	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)

	<u>2020.12.31</u>	<u>2019.12.31</u>
Listed shares	\$ 144	\$ 171
Unlisted shares	<u>225,560</u>	<u>166,839</u>
Total	<u>\$ 225,704</u>	<u>\$ 167,010</u>
Current	\$ 144	\$ 171
Non-current	<u>225,560</u>	<u>166,839</u>
Total	<u>\$ 225,704</u>	<u>\$ 167,010</u>

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

(4) Notes receivable and accounts receivable

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable	\$ 64,244	\$ 79,826
Less: Allowance for impairment loss	<u>(352)</u>	<u>(440)</u>
Notes receivable, net	<u>\$ 63,892</u>	<u>\$ 79,386</u>
Accounts receivable	\$ 1,842,272	\$ 1,598,429
Less : Unrealized interest income	(8,830)	(8,794)
Allowance for impairment loss	<u>(80,489)</u>	<u>(162,836)</u>
Accounts receivable, net	<u>\$ 1,752,953</u>	<u>\$ 1,426,799</u>
Accounts receivable from related parties	<u>\$ 65,678</u>	<u>\$ 33,098</u>

The Company 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	\$ 1,221,049	\$ 356,414	\$ 104,094	\$ 64,408	\$ 67,614	\$ 42,570	\$ 51,801	\$ 1,907,950
Loss allowance	(27,844)	(3,564)	(1,041)	(644)	(676)	(10,066)	(36,654)	(80,489)
Amortized cost	<u>\$ 1,193,205</u>	<u>\$ 352,850</u>	<u>\$ 103,053</u>	<u>\$ 63,764</u>	<u>\$ 66,938</u>	<u>\$ 32,504</u>	<u>\$ 15,147</u>	<u>\$ 1,827,461</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	\$ 901,141	\$ 351,493	\$ 112,639	\$ 73,754	\$ 29,248	\$ 75,545	\$ 87,707	\$ 1,631,527
Loss allowance	(9,011)	(5,883)	(4,282)	(10,287)	(13,725)	(45,708)	(73,940)	(162,836)
Amortized cost	<u>\$ 892,130</u>	<u>\$ 345,610</u>	<u>\$ 108,357</u>	<u>\$ 63,467</u>	<u>\$ 15,523</u>	<u>\$ 29,837</u>	<u>\$ 13,767</u>	<u>\$ 1,468,691</u>

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

	2020	2019
Balance, beginning of the year	\$ 163,276	\$ 139,413
Loss allowance recognized	15,088	49,176
Amounts written off	(97,523)	(25,313)
Balance, end of the year	<u>\$ 80,841</u>	<u>\$ 163,276</u>

(5) Other receivables, net

	2020.12.31	2019.12.31
Pledged time deposits	\$ —	\$ 3,577
Loan receivable	36,530	38,987
Restricted deposit	143,524	242,731
Others	3,667	4,241
Other receivables, net	<u>\$ 183,721</u>	<u>\$ 289,536</u>
Current	\$ 147,191	\$ 250,549
Non-current	36,530	38,987
Total	<u>\$ 183,721</u>	<u>\$ 289,536</u>

(6) Inventories

	<u>2020.12.31</u>	<u>2019.12.31</u>
Finished goods	\$ 234,331	\$ 338,372
Work-in-process	229,495	286,832
Raw materials	448,732	518,969
Inventory in transit	<u>29,224</u>	<u>1,774</u>
Inventories, net	<u><u>\$ 941,782</u></u>	<u><u>\$ 1,145,947</u></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:

	<u>2020</u>	<u>2019</u>
Inventory losses (reversal of write-down of inventories)	<u><u>\$ (5,210)</u></u>	<u><u>\$ 26,857</u></u>

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

(7) Investments accounted for using equity method

Investments accounted for using the equity method consisted of the following:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Subsidiaries	\$ 363,100	\$ 331,211
Associates	<u>298,148</u>	<u>276,015</u>
	<u><u>\$ 661,248</u></u>	<u><u>\$ 607,226</u></u>

a. Investments in subsidiaries

Subsidiaries consisted of the following:

Name of Subsidiaries	<u>2020.12.31</u>		<u>2019.12.31</u>	
	% of Ownership	Amount	% of Ownership	Amount
Air King Industrial Co., Ltd.	83.12%	\$ 56,540	83.12%	\$ 49,324
Ares Technology Co., Ltd.	100.00%	62,474	99.79%	64,023
Allis Communications Co., Ltd.	76.86%	35,989	76.86%	37,768
Yishun Investment Co., Ltd.	99.94%	99,060	99.94%	86,730
Qingdao Liming Industry Co., Ltd.	65.38%	72,625	65.38%	78,125
Hengyuan Allis Electric Co., Ltd.	65.38%	5,878	65.38%	8,776
Allis International Inc.	100.00%	—	100.00%	6,465
AEC International S.r.l.	100.00%	11,179	—	—
PHD Powerhouse Distributions (PTY) Ltd.	90.00%	<u>19,355</u>	—	<u>—</u>
Total		<u><u>\$ 363,100</u></u>		<u><u>\$ 331,211</u></u>

The aforementioned subsidiaries were not listed companies.

Please refer to Table 5 and 6 for the details of the subsidiaries.

b. Investments in associates

Associates consisted of the following:

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%	—
Intelicis Corporation	29.16%	—	29.16%	—
PHD Powerhouse Distributions (PTY) Ltd.	—	—	45.00%	14,166
Total		<u>\$ 298,148</u>		<u>\$ 276,015</u>

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

Aggregate information of associates that are not individually material:

	2020.12.31	2019.12.31
Equity	<u>\$ 911,550</u>	<u>\$ 809,325</u>
	2020	2019
The Company's share of :		
Net income for the year	\$ 56,901	\$ 39,706
Other comprehensive income (loss)	(291)	(962)
Total comprehensive income for the year	<u>\$ 56,610</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	\$ 573,475	\$ 573,475
Buildings	199,644	208,435
Machinery and equipment	61,550	67,797
Transportation equipment	8,017	6,893
Other equipment	40,372	45,416
Construction in progress	91,103	—
Total carrying amounts	<u>\$ 974,161</u>	<u>\$ 902,016</u>

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Balance at January 1, 2020	\$ 573,475	\$ 553,374	\$ 420,190	\$ 37,427	\$ 107,145	\$ —	\$ 1,691,611
Additions	—	2,413	8,399	2,422	2,118	84,972	100,324
Disposals	—	—	(2,084)	(560)	(2,015)	—	(4,659)
Transfer from prepayments for equipment	—	—	—	—	—	6,131	6,131
Balance at December 31, 2020	<u>\$ 573,475</u>	<u>\$ 555,787</u>	<u>\$ 426,505</u>	<u>\$ 39,289</u>	<u>\$ 107,248</u>	<u>\$ 91,103</u>	<u>\$ 1,793,407</u>
Accumulated depreciation							
Balance at January 1, 2020	\$ —	\$ 344,939	\$ 352,393	\$ 30,534	\$ 61,729	\$ —	\$ 789,595
Depreciation expense	—	11,204	14,646	1,298	7,162	—	34,310
Disposals	—	—	(2,084)	(560)	(2,015)	—	(4,659)
Balance at December 31, 2020	<u>\$ —</u>	<u>\$ 356,143</u>	<u>\$ 364,955</u>	<u>\$ 31,272</u>	<u>\$ 66,876</u>	<u>\$ —</u>	<u>\$ 819,246</u>
Carrying amounts at December 31, 2020	<u>\$ 573,475</u>	<u>\$ 199,644</u>	<u>\$ 61,550</u>	<u>\$ 8,017</u>	<u>\$ 40,372</u>	<u>\$ 91,103</u>	<u>\$ 974,161</u>
Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Balance at January 1, 2019	\$ 573,475	\$ 546,974	\$ 411,573	\$ 34,642	\$ 105,384	\$ —	\$ 1,672,048
Additions	—	6,400	18,877	3,852	8,931	—	38,060
Disposals	—	—	(10,260)	(1,067)	(7,170)	—	(18,497)
Balance at December 31, 2019	<u>\$ 573,475</u>	<u>\$ 553,374</u>	<u>\$ 420,190</u>	<u>\$ 37,427</u>	<u>\$ 107,145</u>	<u>\$ —</u>	<u>\$ 1,691,611</u>
Accumulated depreciation							
Balance at January 1, 2019	\$ —	\$ 334,161	\$ 348,911	\$ 30,552	\$ 62,356	\$ —	\$ 775,980
Depreciation expense	—	10,778	13,742	1,049	6,543	—	32,112
Disposals	—	—	(10,260)	(1,067)	(7,170)	—	(18,497)
Balance at December 31, 2019	<u>\$ —</u>	<u>\$ 344,939</u>	<u>\$ 352,393</u>	<u>\$ 30,534</u>	<u>\$ 61,729</u>	<u>\$ —</u>	<u>\$ 789,595</u>
Carrying amounts at December 31, 2019	<u>\$ 573,475</u>	<u>\$ 208,435</u>	<u>\$ 67,797</u>	<u>\$ 6,893</u>	<u>\$ 45,416</u>	<u>\$ —</u>	<u>\$ 902,016</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, 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	\$ 293	\$ 527
Transportation equipment	—	1,793
Other equipment	8,661	11,259
Total carrying amounts	<u>\$ 8,954</u>	<u>\$ 13,579</u>

Cost	Buildings	Transportation Equipment	Other Equipment	Total
Balance at January 1, 2020	\$ 761	\$ 4,159	\$ 13,858	\$ 18,778
Additions	—	—	—	—
Disposals	—	(509)	—	(509)
Balance at December 31, 2020	<u>\$ 761</u>	<u>\$ 3,650</u>	<u>\$ 13,858</u>	<u>\$ 18,269</u>
Accumulated depreciation				
Balance at January 1, 2020	\$ 234	\$ 2,366	\$ 2,599	\$ 5,199
Depreciation expense	234	1,793	2,598	4,625
Disposals	—	(509)	—	(509)
Balance at December 31, 2020	<u>\$ 468</u>	<u>\$ 3,650</u>	<u>\$ 5,197</u>	<u>\$ 9,315</u>
Carrying amounts at December 31, 2020	<u>\$ 293</u>	<u>\$ —</u>	<u>\$ 8,661</u>	<u>\$ 8,954</u>

Cost	Buildings	Transportation Equipment	Other Equipment	Total
Balance arising from Initial application at January 1, 2019	\$ 761	\$ 4,159	\$ 13,858	\$ 18,778
Additions	—	—	—	—
Balance at December 31, 2019	<u>\$ 761</u>	<u>\$ 4,159</u>	<u>\$ 13,858</u>	<u>\$ 18,778</u>
Accumulated depreciation				
Balance at January 1, 2019	\$ —	\$ —	\$ —	\$ —
Depreciation expense	234	2,366	2,599	5,199
Balance at December 31, 2019	<u>\$ 234</u>	<u>\$ 2,366</u>	<u>\$ 2,599</u>	<u>\$ 5,199</u>
Carrying amounts at December 31, 2019	<u>\$ 527</u>	<u>\$ 1,793</u>	<u>\$ 11,259</u>	<u>\$ 13,579</u>

(10) Investment properties

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

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

<u>Cost</u>			
Balance at January 1, 2019	\$ 308,269	\$ 74,077	\$ 382,346
Additions	—	—	—
Balance at December 31, 2019	<u><u>\$ 308,269</u></u>	<u><u>\$ 74,077</u></u>	<u><u>\$ 382,346</u></u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ —	\$ 20,198	\$ 20,198
Depreciation expense	—	<u>2,149</u>	<u>2,149</u>
Balance at December 31, 2019	<u><u>\$ —</u></u>	<u><u>\$ 22,347</u></u>	<u><u>\$ 22,347</u></u>
Carrying amounts at December 31, 2019	<u><u>\$ 308,269</u></u>	<u><u>\$ 51,730</u></u>	<u><u>\$ 359,999</u></u>

- a. The investment properties held by the Company are depreciated on a straight-line basis over the estimated useful lives of 45 to 60 years.
- b. For the carrying amount of investment properties pledged as collateral for bank borrowings, please refer to Note 8.
- c. The fair values of the investment properties owned by the Company 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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Computer software	\$ 1,724	\$ 1,784
Other intangible assets	<u>6,337</u>	<u>8,181</u>
Total carrying amounts	<u><u>\$ 8,061</u></u>	<u><u>\$ 9,965</u></u>

Cost	Computer Software	Other Intangible Assets	Total
Balance at January 1, 2020	\$ 32,775	\$ 33,732	\$ 66,507
Additions	1,194	240	1,434
Balance at December 31, 2020	<u>\$ 33,969</u>	<u>\$ 33,972</u>	<u>\$ 67,941</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 30,991	\$ 25,551	\$ 56,542
Amortization expense	1,254	2,084	3,338
Balance at December 31, 2020	<u>\$ 32,245</u>	<u>\$ 27,635</u>	<u>\$ 59,880</u>
Carrying amounts at December 31, 2020	<u>\$ 1,724</u>	<u>\$ 6,337</u>	<u>\$ 8,061</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 31,824	\$ 34,757	\$ 66,581
Additions	951	115	1,066
Disposals	—	(1,140)	(1,140)
Balance at December 31, 2019	<u>\$ 32,775</u>	<u>\$ 33,732</u>	<u>\$ 66,507</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2019	\$ 29,770	\$ 24,463	\$ 54,233
Amortization expense	1,221	2,228	3,449
Disposals	—	(1,140)	(1,140)
Balance at December 31, 2019	<u>\$ 30,991</u>	<u>\$ 25,551</u>	<u>\$ 56,542</u>
Carrying amounts at December 31, 2019	<u>\$ 1,784</u>	<u>\$ 8,181</u>	<u>\$ 9,965</u>

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

Computer software	2-5 years
Other intangible assets	3-10 years

(12) Other assets

	2020.12.31	2019.12.31
Golf club card	\$ 12,847	\$ 12,847
Others	175	24
Less: Accumulated impairment	(3,099)	(3,099)
Total	<u>\$ 9,923</u>	<u>\$ 9,772</u>
Current	\$ 175	\$ 24
Non-current	9,748	9,748
Total	<u>\$ 9,923</u>	<u>\$ 9,772</u>

(13) Short-term loans

	<u>2020.12.31</u>	<u>2019.12.31</u>
Material purchase loans	\$ —	\$ 3,038
Unsecured loans	325,000	130,000
Secured loans	<u>410,000</u>	<u>605,000</u>
	<u>\$ 735,000</u>	<u>\$ 738,038</u>
Annual interest rate	<u>0.95%~1.10%</u>	<u>1.00%~3.30%</u>

(14) Provisions

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

		<u>2020.12.31</u>		<u>2019.12.31</u>	
		Interest (%)	Amount	Interest (%)	Amount
<u>Bank</u>	<u>Loan period and repayment term</u>				
Taiwan		1.4%	\$ 47,000	—	\$ —
Cooperative	2020.12.24 ~ 2022.12.24				
Bank					
Total			<u>\$ 47,000</u>		<u>\$ —</u>

(16) Retirement benefit plans

a. Defined contribution plans

The Company 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 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. The Company contributes amounts equal to 8.9% of total monthly salaries and wages to a pension fund administered by the pension

fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

	2020.12.31	2019.12.31
Present value of defined benefit obligation	\$ (452,930)	\$ (447,942)
Fair value of plan assets	372,482	364,417
Net defined benefit liabilities	<u>\$ (80,448)</u>	<u>\$ (83,525)</u>

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

	2020	2019
Balance, beginning of year	\$ 447,942	\$ 450,950
Current service cost	1,084	1,400
Interest expense	2,650	3,576
Remeasurement		
Actuarial loss - changes in financial assumptions	8,294	5,721
Actuarial loss - experience adjustments	24,370	1,395
Benefits paid	(31,410)	(15,100)
Balance, end of year	<u>\$ 452,930</u>	<u>\$ 447,942</u>

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

	2020	2019
Balance, beginning of year	\$ 364,417	\$ 347,466
Interest revenue	2,197	2,814
Remeasurement		
Return on plan assets (excluding amounts included in net interest expense)	12,390	12,898
Contributions from employer	15,822	16,205
Benefits paid	(22,344)	(14,966)
Balance, end of year	<u>\$ 372,482</u>	<u>\$ 364,417</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>
Current service cost	\$ 1,084	\$ 1,400
Net interest expense	<u>453</u>	<u>762</u>
Total	<u>\$ 1,537</u>	<u>\$ 2,162</u>

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

- ① Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2 year time deposit with local banks.
- ② Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- ③ Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such an increase in the 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%
Expected rate of salary increase	1.8%	1.8%

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:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rates		
0.1 % increase	\$ (2,799)	\$ (6,304)
0.1 % decrease	2,832	2,916
Expected rate of salary increase		
0.1 % increase	2,376	2,475
0.1 % decrease	(2,359)	(5,870)

	<u>2020.12.31</u>	<u>2019.12.31</u>
The expected contributions to the plan for the next year	\$15,600	\$16,200
The average duration of the defined benefit obligation	5.8 years	6.1 years

(17) Equity

a. Ordinary shares

	<u>2020.12.31</u>	<u>2019.12.31</u>
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

	<u>2020.12.31</u>	<u>2019.12.31</u>
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 shares 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 dividend, 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	—	55,769	55,769
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	482	(27,278)	(26,796)
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	—	24,463	24,463
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(1,033)	16,946	15,913
Balance at December 31, 2019	<u>\$ (11,606)</u>	<u>\$ 63,697</u>	<u>\$ 52,091</u>

f. 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 \$43,561 thousand, respectively.

The Company's shares held by subsidiaries are regarded 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

	<u>2020</u>	<u>2019</u>
Revenue from sale of goods	\$ 4,062,991	\$ 4,014,567
Construction contract revenue	935,067	693,072
Other operating revenue	<u>14,310</u>	<u>11,386</u>
	<u>\$ 5,012,368</u>	<u>\$ 4,719,025</u>

(19) Operating cost

	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 3,288,988	\$ 3,295,355
Construction contract cost	883,821	641,749
Technical service cost	<u>10,060</u>	<u>8,446</u>
	<u>\$ 4,182,869</u>	<u>\$ 3,945,550</u>

(20) Other income

	<u>2020</u>	<u>2019</u>
Interest income		
Bank deposits	\$ 716	\$ 1,016
Others	2,756	4,373
Rental income	12,755	13,490
Others	<u>9,382</u>	<u>6,476</u>
	<u>\$ 25,609</u>	<u>\$ 25,355</u>

(21) Other gains and losses

	<u>2020</u>	<u>2019</u>
Net foreign exchange losses	\$ (19,817)	\$ (7,973)
Net (loss) gain on financial instruments at fair value through profit or loss	(4,370)	4,427
Net gain on disposal of property, plant and equipment	10	267
Depreciation on investment properties	(2,149)	(2,149)
Other losses	<u>(250)</u>	<u>(115)</u>
	<u>\$ (26,576)</u>	<u>\$ (5,543)</u>

(22) Finance costs

	<u>2020</u>	<u>2019</u>
Interest on bank loans	\$ 8,931	\$ 8,445
Interest on lease liabilities	206	297
Others	36	33
	<u>\$ 9,173</u>	<u>\$ 8,775</u>

(23) Additional information of expenses by nature

Net income included the following items:

	<u>2020</u>	<u>2019</u>
Depreciation and amortization expense		
Depreciation on property, plant and equipment	\$ 34,310	\$ 32,112
Depreciation on right-of-use assets	4,625	5,199
Depreciation on investment properties	2,149	2,149
Amortization on intangible assets	3,338	3,449
Total	<u>\$ 44,422</u>	<u>\$ 42,909</u>

Operating expenses directly related to investment properties:

	<u>2020</u>	<u>2019</u>
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>

	<u>2020</u>	<u>2019</u>
Research and development costs expensed as incurred	<u>\$ 99,772</u>	<u>\$ 96,728</u>

	<u>2020</u>	<u>2019</u>
Employee benefits expense		
Post-employment benefits (Note 6(16))		
Defined contribution plans	\$ 18,522	\$ 17,963
Defined benefit plans	1,537	2,162
Subtotal	20,059	20,125
Salaries and bonus expense	519,568	494,664
Insurance expense	42,675	42,942
Others	23,856	23,215
Total	<u>\$ 606,158</u>	<u>\$ 580,946</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:

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

	<u>2020</u>	<u>2019</u>
Current tax		
In respect of the current year	\$ 48,679	\$ 32,838
Adjustments for prior years	<u>3,474</u>	<u>4,624</u>
Subtotal	<u>52,153</u>	<u>37,462</u>
Deferred tax		
Origination and reversal of temporary differences	<u>2,938</u>	<u>(8,184)</u>
Income tax expense	<u>\$ 55,091</u>	<u>\$ 29,278</u>

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

	<u>2020</u>	<u>2019</u>
Income before tax	<u>\$ 379,016</u>	<u>\$ 324,859</u>
Income tax expense calculated at the statutory rate (20%)	\$ 75,803	\$ 64,971
Tax effect of adjusting items:		
Nondeductible items in determining taxable income	228	248
Tax-exempt income	(429)	(371)

	<u>2020</u>	<u>2019</u>
Origination and reversal of temporary differences	(21,706)	(23,682)
Income tax on unappropriated earnings	272	—
Investment tax credit	(5,489)	(8,328)
Adjustments for prior years	<u>3,474</u>	<u>4,624</u>
Current tax	52,153	37,462
Deferred tax		
Origination and reversal of temporary differences	<u>2,938</u>	<u>(8,184)</u>
Income tax expense	<u><u>\$ 55,091</u></u>	<u><u>\$ 29,278</u></u>

b. Deferred tax assets

The movements of deferred tax assets were as follows:

	<u>2020.1.1</u>	Recognized in <u>Profit or Loss</u>	<u>2020.12.31</u>
Temporary differences			
Allowance for inventory loss	\$ 9,965	\$ (4,090)	\$ 5,875
Unrealized exchange losses	1,619	898	2,517
Payable for annual leave	4,243	363	4,606
Others	<u>4,634</u>	<u>(109)</u>	<u>4,525</u>
	<u><u>\$ 20,461</u></u>	<u><u>\$ (2,938)</u></u>	<u><u>\$ 17,523</u></u>
	<u>2019.1.1</u>	Recognized in <u>Profit or Loss</u>	<u>2019.12.31</u>
Temporary differences			
Allowance for inventory loss	\$ 4,593	\$ 5,372	\$ 9,965
Unrealized exchange losses	453	1,166	1,619
Payable for annual leave	4,194	49	4,243
Others	<u>3,037</u>	<u>1,597</u>	<u>4,634</u>
	<u><u>\$ 12,277</u></u>	<u><u>\$ 8,184</u></u>	<u><u>\$ 20,461</u></u>

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Deductible temporary differences	<u><u>\$ 65,481</u></u>	<u><u>\$ 149,359</u></u>

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

(25) Earnings per share

	<u>2020</u>	<u>2019</u>
Basic earnings per share (NT\$)	<u><u>\$ 1.51</u></u>	<u><u>\$ 1.38</u></u>

The earnings and weighted average number of ordinary shares outstanding in the

computation of earnings per share were as follows:

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

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 Company as lessee

	<u>2020</u>	<u>2019</u>
Expenses relating to short-term leases	<u>\$ 13,563</u>	<u>\$ 12,568</u>
Total cash outflow for leases	<u>\$ 18,353</u>	<u>\$ 17,642</u>

c. The Company as lessor

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Not later than 1 year	\$ 12,849	\$ 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	<u>18,345</u>	<u>23,698</u>
Total	<u>\$ 60,007</u>	<u>\$ 72,642</u>

(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 Company 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.

② Financial 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 Company'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	\$ 144	\$ —	\$ —	\$ 144
Unlisted shares	—	—	225,560	225,560
Total	<u>\$ 144</u>	<u>\$ —</u>	<u>\$ 225,560</u>	<u>\$ 225,704</u>
Financial liabilities at FVTPL	<u>\$ —</u>	<u>\$ 1,775</u>	<u>\$ —</u>	<u>\$ 1,775</u>
	2019.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	\$ 171	\$ —	\$ —	\$ 171
Unlisted shares	—	—	166,839	166,839
Total	<u>\$ 171</u>	<u>\$ —</u>	<u>\$ 166,839</u>	<u>\$ 167,010</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	\$ 166,839	\$ 142,409
Acquisition of financial assets at FVTOCI	2,925	—
Accounted for unrealized gains from investments in equity instruments measured at FVTOCI	55,796	24,430
Balance, end of the year	<u>\$ 225,560</u>	<u>\$ 166,839</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

Financial assets	2020.12.31	2019.12.31
FVTOCI	\$ 225,704	\$ 167,010
Amortized cost (Note)	<u>2,567,644</u>	<u>2,140,133</u>
Total	<u><u>\$ 2,793,348</u></u>	<u><u>\$ 2,307,143</u></u>
Financial liabilities		
Amortized cost		
Short-term loans	\$ 735,000	\$ 738,038
Accounts payable	1,153,889	1,185,623
Current tax liabilities	28,018	13,325
Other payables	205,100	176,600
Long-term loans	47,000	—
Lease liabilities	9,120	13,704
Guarantee deposits	3,298	3,382
FVTPL	<u>1,775</u>	<u>—</u>
Total	<u><u>\$ 2,183,200</u></u>	<u><u>\$ 2,130,672</u></u>

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

c. Financial risk management objectives and policies

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

① Foreign currency risk

The Company undertook transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arose. The Company 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 Company'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	\$ 10,084	28.10	283,351	±10%	±28,335	±28,335
EUR	38	34.59	1,321	±10%	±132	±132
JPY	2	0.2725	1	±10%	—	—
SGD	474	21.27	10,084	±10%	±1,008	±1,008
RMB	8,197	4.325	35,452	±10%	±3,545	±3,545
<u>Non-monetary items</u>						
RMB	18,678	4.325	80,782	±10%	—	±8,078
ZAR	4,861	1.921	9,338	±10%	—	±934
EUR	373	34.59	12,902	±10%	—	±1,290
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	1,173	28.10	32,972	±10%	∓3,297	∓3,297
EUR	467	34.59	16,148	±10%	∓1,615	∓1,615
RMB	1,947	4.325	8,422	±10%	∓842	∓842

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	\$ 11,558	29.99	346,632	±10%	±34,663	±34,663
EUR	40	33.64	1,338	±10%	±134	±134
JPY	2	0.2761	1	±10%	—	—
SGD	572	22.26	12,739	±10%	±1,274	±1,274
RMB	6,575	4.295	28,238	±10%	±2,824	±2,824
<u>Non-monetary items</u>						
RMB	20,233	4.295	86,901	±10%	—	±8,690
ZAR	2,189	2.12	4,641	±10%	—	±464
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	447	29.99	13,412	±10%	∓1,341	∓1,341
EUR	32	33.64	1,073	±10%	∓107	∓107
JPY	11,187	0.2761	3,089	±10%	∓309	∓309
RMB	146	4.295	628	±10%	∓63	∓63

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 Company is exposed to interest rate risks related to floating rate short-term loans. The management of the Company expected no material change in interest rate; therefore, the Company 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 Company's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease/increase by NT\$1,838 thousand and NT\$1,845 thousand, respectively.

## ③ Other price risk

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

The Company 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\$11,285 thousand and NT\$8,351 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 Company. The Company 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 Company's maximum credit risk exposure is equal to the carrying amount of the recognized financial assets as stated in the parent company only balance sheets.

① Business related credit risk

In order to maintain the credit quality of accounts receivables, the Company 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 Company 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 Company's ten largest customers accounted for 68.35% and 88.99% of its total accounts receivables, respectively.

② Financial credit risk

The Company's exposure to financial credit risk which pertained to bank deposits, fixed-income investments and other financial instruments were evaluated and monitored by the Company'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 Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company 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\$2,446,353 thousand and NT\$2,627,286 thousand, respectively.

① Liquidity risk table for non-derivative financial liabilities

The table below summarized the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	2020.12.31			2019.12.31		
	Less than 1 Year	More than 1 Year	Total	Less than 1 Year	More than 1 Year	Total
Non-derivative financial liabilities						
Short-term loans	\$ 735,000	\$ —	\$ 735,000	\$ 738,038	\$ —	\$ 738,038
Accounts payable	1,115,497	38,392	1,153,889	1,133,316	52,307	1,185,623
Current tax liabilities	28,018	—	28,018	13,325	—	13,325
Other payables	183,166	21,934	205,100	155,124	21,476	176,600
Long-term loans	—	47,000	47,000	—	—	—
Lease liabilities	2,827	6,293	9,120	4,584	9,120	13,704
Guarantee deposits	—	3,298	3,298	1,307	2,075	3,382
	<u>\$ 2,064,508</u>	<u>\$ 116,917</u>	<u>\$ 2,181,425</u>	<u>\$ 2,045,694</u>	<u>\$ 84,978</u>	<u>\$ 2,130,672</u>

② Liquidity risk table for derivative financial liabilities

The following table detailed the Company'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

Details of transactions between the Company and other related parties were disclosed below:

(1) Names and relationships of related parties

Related Party	Relationship with the Company
Air King Industrial Co., Ltd.	Subsidiary
Ares Technology Co., Ltd.	Subsidiary
Allis Communications Co., Ltd.	Subsidiary
Qingdao Liming Industry Co., Ltd. (Qingdao Liming)	Subsidiary

Related Party	Relationship with the Company
Hengyuan Allis Electric Co., Ltd.	Subsidiary
PHD Powerhouse Distributions (PTY) Ltd.	Subsidiary (Note)
AEC International S.r.l (AEC)	Subsidiary
Nissin-Allis Electric Co., Ltd.	Associate
Nissin Allis Union Ion Equipment Co., Ltd.	Associate
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

Note: Change from associate to subsidiary on December 1, 2020.

(2) Operating revenue

Line Items	Related Parties Categories	2020	2019
Operating Revenue	Subsidiaries	\$ 40,933	\$ 5,073
	Associates	62,424	68,105
	Others	2,376	6,270
		<u>\$ 105,733</u>	<u>\$ 79,448</u>

(3) Purchase and factory overhead

Line Items	Related Parties Categories	2020	2019
Purchase and factory overhead	Subsidiaries	\$ 243,532	\$ 220,939
	Associates	116,856	107,633
	Others	155,617	137,159
		<u>\$ 516,005</u>	<u>\$ 465,731</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	Subsidiaries	\$ 52,675	\$ 975
	Associates	12,766	30,772
	Others	237	1,351
		<u>\$ 65,678</u>	<u>\$ 33,098</u>

Line Items	Related Parties Categories	2020.12.31	2019.12.31
Other receivables	Subsidiaries	\$ 38	\$ 20
	Associates	69	49
	Others	—	4
		\$ 107	\$ 73

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
Accounts payable to related parties	Subsidiaries	\$ 77,714	\$ 74,757
	Associates	39,853	10,527
	Others	45,279	32,056
		\$ 162,846	\$ 117,340
Other payables	Subsidiaries	\$ 562	\$ 747
	Others	567	1,053
		\$ 1,129	\$ 1,800

(6) Others

Line Items	Related Parties Categories	2020	2019
Selling and marketing expenses	Subsidiaries	\$ —	\$ 30
	Others	629	973
		\$ 629	\$ 1,003
Research and development expenses	Subsidiaries	\$ 423	\$ 320
	Others	—	98
		\$ 423	\$ 418
Other income	Subsidiaries	\$ 154	\$ 154
	Associates	1,120	1,027
		\$ 1,274	\$ 1,181
		2020.12.31	2019.12.31
Prepayments	Subsidiaries	\$ —	\$ 383
Construction in Progress	Subsidiaries	\$ 8,496	\$ —

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) Financing provided

	2020				
	Highest Balance	Ending Balance	Allowance for Impairment Loss	Interest Rate	Interest revenue
AEC	\$ 39,416	\$ 36,530	\$ —	3%	\$ 339

	2019				
	Highest Balance	Ending Balance	Allowance for Impairment Loss	Interest Rate	Interest revenue
Qingdao Liming	\$ 58,828	\$ —	\$ —	3%	\$ 903

The financing provided to AEC and Qingdao Liming are unsecured.

(8) Compensation of key management personnel

	2020	2019
Short-term benefits	\$ 34,578	\$ 29,944
Post-employment benefits	455	373
	<u>\$ 35,033</u>	<u>\$ 30,317</u>

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

(9) 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:

	2020.12.31	2019.12.31
Pledged time deposits (accounted for as other receivables)	\$ —	\$ 3,577
Property, plant and equipment, net	715,152	748,191
Investment properties, net	350,625	352,572
Total	<u>\$ 1,065,777</u>	<u>\$ 1,104,340</u>

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

(1) The guaranteed notes issued were NT\$1,978,575 thousand, including:

- a. The guaranteed notes issued for bank loans were NT\$1,750,000 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).

(2) Information on investees (excluding investee company in mainland China): Please refer to Table 5 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 6 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 to Note 7.

(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.

Allis Electric Co., Ltd.  
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 1)	Aggregate Financing Limits (Note 2)
												Item	Value		
0	Allis Electric Co., Ltd.	AEC International S.r.l.	Other receivables	\$ 39,416	\$ 36,530	\$ 36,530	3.00%	Business Transaction	\$ 49,530	—	\$ —	None	None	\$ 326,116	\$ 652,231

Note 1: The total amount for lending to a company should not exceed 10% of the Company's net equity.

Note 2: 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/Guaranteee		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	—	—
1	Air King Industrial Co., Ltd.	Zhong Mou Construction Co., Ltd.	e	\$ 450,000 \$ (Note 3)	\$ 271,962 \$	271,962 \$	271,962	—	8.34%	\$ 500,000 (Note 3)	—	—	—
		Allis Electric Co., Ltd.	c		\$ 71,499 \$	71,499 \$	71,499	—	105.11%		—	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			
				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 Leadteng 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			
				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
	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

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			
				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)	
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance
Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	Subsidiary	Purchase	\$ 169,645	4.67%	115 days	—	\$ (36,626)	(3.17%)
Allis Electric Co., Ltd.	Nissin-Allis Electric Co., Ltd.	Associate	Purchase	\$ 116,856	3.22%	115 days	—	\$ (39,853)	(3.45%)

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 5

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	\$ 8,609	—	
	Nissin-Allis Electric Co., Ltd.	Taoyuan, Taiwan	Manufacturing of SF6 capacitor and GIS	90,000	90,000	9,000,000	30.00%	197,597	32,670	—	
	Ares Technology Co., Ltd.	New Taipei City, Taiwan	Manufacturing of UPS	75,560	74,652	6,800,000	100.00%	62,474	(1,884)	—	
	Allis Communications Co., Ltd.	New Taipei City, Taiwan	Manufacturing of GPS antennas	85,410	85,410	7,685,981	76.86%	35,989	(2,978)	—	
	Yishun Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	179,900	179,900	17,990,000	99.94%	99,060	2,016	Note	
	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)	—	
	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)	
	AEC International S.r.l.	Italy	Selling of electrical equipment	62,771	—	300,000	100.00%	11,179	444	444	
	Intelicis Corporation	Santa Clara, U.S.	Developing of radio frequency products	—	—	1,875,500	29.16%	—	—	—	

Note: 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).



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 6

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	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
\$ 106,207(USD3,266)	\$ 206,102(USD 6,411)	1,956,694

Note: The share of profit (loss) was recognized based on the financial statements certificated by the CPA of the parent company in Taiwan.

6. If the Company and its associates have experienced financial difficulties in the most recent year and by the print date of the annual report, the impact on the financial position of the Company shall be specified:  
None.

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

### 1. Financial Status

#### Comparative Analysis of Financial Position

Unit: NT\$1,000

Item \ Year	2020	2019	Differences		Analysis
			Amount	Change ratio (%)	
Current assets	4,009,698	3,736,015	273,683	7.33	—
Property, plant and equipment	1,088,148	1,008,812	79,336	7.86	—
Other Assets	1,021,618	1,052,713	(31,095)	(2.95)	—
Total Assets	6,119,464	5,797,540	321,924	5.55	—
Current liabilities	2,451,727	2,417,240	34,487	1.43	—
Non-current liabilities	340,391	280,100	60,291	21.52	1
Total liabilities	2,792,118	2,697,340	94,778	3.51	—
Owners' equity attributable to the parent company	3,261,157	3,032,609	228,548	7.54	—
Equity	2,174,540	2,070,990	103,550	5.00	—
Capital fund	68,870	67,172	1,698	2.53	—
Retention Surplus	978,185	883,972	94,213	10.66	—
Other interests	81,178	52,091	29,087	55.84	2
Treasury Unit	(41,616)	(41,616)	0	0.00	—
Non-controlling interests	66,189	67,591	(1,402)	(2.07)	—
Total shareholders' equity	3,327,346	3,100,200	227,146	7.33	—

If the percentage of increase or decrease is 20% or more, and the amount of change is NT\$10 million or more, the following is an analysis.

1. Non-current liabilities: The expansion of the new electric material plant was financed by long-term loans.

## 2. Financial Performance

### Comparative Financial Performance Analysis

Unit: NT\$1,000

Item \ Year	2020	2019	Differences		Analysis
			Amount	Change ratio(%)	
Total operating income	5,117,542	4,823,807	293,735	6.09	—
Less: Return and discount	(3,650)	(4,653)	1,003	(21.56)	1
Net operating income	5,113,892	4,819,154	294,738	6.12	—
Operating Cost	4,209,656	3,979,225	230,431	5.79	—
Operating Gross Profit	904,236	839,929	64,307	7.66	—
(Un)realized benefits	(394)	81	(475)	(586.42)	2
Realized gross profit on sales	903,842	840,010	63,832	7.60	—
Operating expense	555,092	562,985	(7,893)	(1.40)	—
Operating income	348,750	277,025	71,725	25.89	3
Non-operating income and expenses	40,670	50,919	(10,249)	(20.13)	4
Continuing business units Net income before tax	389,420	327,944	61,476	18.75	—
Income tax expense	69,275	30,521	38,754	126.97	5
Continuing business units Net income for the period	320,145	297,423	22,722	7.64	—
Net income (loss)	320,145	297,423	22,722	7.64	—

The percentage change of 20% or more is explained as follows:

1. Decrease in returns and discounts: Due to the decrease in sales returns.
2. Decrease in unrealized gain: The decrease was due to unrealized gain on sales in 2020.
3. Increase in operating income: The increase in realized gross profit from sales was due to the fact that operating expenses did not increase significantly.
4. Decrease in non-operating income and expenses: Due to the increase in exchange loss and the increase in the net loss of financial liabilities measured at FVTPL.
5. Increase in income tax expense: Due to the increase in operating income.

### 3. Analysis of Cash Flow

#### (1) 2020 Analysis of changes in cash flows for the year

Unit: NT\$1,000

Cash equivalents at beginning of period: a	All year round Business Activities Cash flow: b	From investment and fundraising activities and fundraising activities, etc. Net cash flows: c	Cash surplus (Shortfall) Amount a + b + c	Cash Shortfall Remedial Measures	
				Investment Plan	Financing Plan
394,219	344,296	(121,811)	616,704	—	—
1. Cash inflow from operating activities: due to the decrease in inventory. 2. Net cash outflow from investing activities and financing activities: due to the issuance of cash dividends. 3. Remedial measures for cash deficiency and liquidity analysis: None.					

#### (2) Cash flow analysis for the coming year

Unit: NT\$1,000

Cash equivalents at beginning of period: a	All year round Business Activities Cash flow: b	Expected Full Year Cash outflow: c	Cash surplus (Shortfall) Amount a + b + c	Cash Shortfall Remedial Measures	
				Investment Plan	Investment Plan
616,704	250,000	(200,000)	666,704	—	—
1. Cash flow analysis for the coming year: (1) Operating activities: Net cash inflow from operating activities due to expected increase in profit and collection of payments in 2020 (2) Investing activities and fundraising activities: Yangmei's expansion of new plants and purchase of additional equipment will result in cash outflow. 2. Estimated cash shortage remediation and liquidity analysis: None.					

#### 4. The Impact of Major Capital Expenditures on Financial Operations: No.

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

##### 1. Investment policy and main reasons for profit or loss in recent years, and improvement plans.

In view of the poor performance of non-industry related investments in the past, the Company has been actively cleaning up the ineffective ones, and the benefits have been shown.

##### 2. Investment plans for the coming year: None.

## 6. Analysis and Assessment of Risks (for the Most Recent Year and by the Print Date of the Annual Report)

1. The impact of interest rates, exchange rate changes and inflation on the Company's profit and loss and future measures to address them.

(1) Global interest rates have been significantly reduced, the Company has established a long-term mutual trust with banks, and has been able to obtain the most favorable financing rates, and is committed to asset leaning, sound financial structure, and a small percentage of financing facilities, even if interest rates fluctuate, if the market interest rate changes by 1%, the change in cash flow of the Company is about \$7 million to \$8 million, which has little impact.

The impact on profitability will be limited as the changes in interest rates are not significant.

(2) The Company's import and export transactions are mostly denominated in U.S. dollars, and the relative appreciation of the Taiwan dollar since 2009 has caused some exchange losses to those who have unrealized foreign currency assets in the U.S. dollar segment.

Countermeasures: The Company has established an exchange rate group for many years to review the exchange rate on a regular basis, and the foreign currency portion is mainly for hedging purposes.

(3) As a result, the prices of raw materials and base metals that are relevant to the Company fluctuate, slightly lowering the costs of the cases we undertake, but delaying some of the supply. In response, the Company's orders are mostly system integration projects, and the costs have been determined in advance with our suppliers, so the impact on gross margin is not significant.

2. policy of engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement and guarantee, and derivative transactions, the main reasons for profit or loss, and future measures to address them:

The Company strictly prohibits high-risk and high-leverage investment activities, and the use of funds is mainly related to the operation of the Company's business. The Company has established "Procedures for Lending and Endorsement of Funds and Guarantees" to regulate the lending and endorsement of funds to companies with actual business dealings, or to subsidiaries and investees that are guaranteed by each shareholder in proportion to its shareholding due to joint investment. The Company does not engage in derivative transactions except for hedging purposes. If the Company needs to do so for business purposes, it must comply with the Company's "Procedures for Engaging in Derivative Financial Instruments".

3. Future R&D plans and estimated R&D expenses :

(1) The Company's research and development projects are thoroughly evaluated in advance and are fully related to the industry. The research and development process is regularly

reviewed and revised, and approximately 2.0% to 2.5% of revenue is charged to research and development expenses each year, regardless of profit or loss.

- (2) Please refer to the business description in the "Business Overview" of this annual report for the R&D plan.
4. The impact of significant domestic and foreign policy and legal changes on the Company's financial operations and the corresponding measures: None.
  5. The impact of technological changes and industrial changes on the company's financial operations and measures to address them: Private investment is still on the sidelines, but the government's investment in public construction has increased significantly and will play a leading role in Taiwan's economy. The Company's outstanding orders for 109 years are still reasonable, and in the first quarter of 110 years, the Company has received normal orders and has a sound financial structure, so the impact is still under control.
  6. The impact of corporate image change on corporate crisis management and response measures: None.
  7. Expected benefits and possible risks of the merger and acquisition and measures to address them: None.
  8. Expected benefits and possible risks of plant expansion and measures to address them.  
The expansion of the Yangmei plant and the purchase of additional equipment will increase the production capacity. Although there will be some cash outflow, the Company will still have sufficient credit facilities after deducting the budget for the construction of the plant, so there will not be any risk.
  9. Risks associated with the concentration of incoming or outgoing shipments and measures to address them: None.
  10. The impact of a significant transfer or change in shareholding of directors or substantial shareholders holding more than 10% of the shares on the Company and the risk and response measures: Not applicable.
  11. Effect of the change in operating right on the Company and the risk and response measures: Not applicable.
  12. As of the printing date of the annual report, the Company has made appropriate allowances for losses that may be incurred in litigation or non-litigation cases.
  13. Other important risks and countermeasures: Global networking has increased the risk of corporate information security. The Company has strengthened the installation of anti-hacking information security software and systems and signed annual maintenance contracts with the original manufacturers to upgrade the anti-hacking software immediately to prevent the hacking of new virus software.

## 7. Other Important Matters: No.

## VIII. Special Disclosure

### 1. Associates

Overview of affiliated companies

(1) Basic information of affiliated companies.

Unit: Thousands of dollars (The rest is in New Taiwan dollars unless stated in U.S. dollars)

Name of Company	The Shareholding Ratio	Date of Incorporation	Address	Paid-in capital	Main Business Items
Air King Industrial Co., Ltd.	83.12%	May 1989	4F, No. 275, Chung-Yang Road, Nangang District, Taipei City, Taiwan	49,500	Electric and Electrical Engineering
Allis Communications Co., Ltd.	76.86%	December 1995	10F-3 No. 31-1 Alley 169 Kangning St., Xizhi Dist., New Taipei City	100,000	Satellite and M2M Wireless Communication System R&D, Manufacturing
ARES Technology Co., Ltd.	100.00%	November 1988	9F No. 29 Alley 169 Kangning St., Xizhi Dist., New Taipei City	68,000	Research and development of uninterrupted power supply system equipment
Yishun Investment Co., Ltd.	99.94%	August 1996	12F, No. 19-11, Sanchong Road, Nangang District, Taipei City, Taiwan	180,000	Securities and Various Investments in securities and various businesses
Liming Communication Equipment (Qingdao) Co., Ltd.	65.38%	March 1999	No. 86 Zhuzhou Rd., Laoshan Dist., Qingdao City	2,600 USD	Communication equipment, power accessories processing and manufacturing
Allis Electrics (Hengyuan, Qingdao) Co., Ltd.	65.38%	April 2007	No. 86 Zhuzhou Rd., Laoshan Dist., Qingdao City	800 USD	Electrical switchgear
ALLIS INTERNATIONAL INC.	—	August 1999	4 <sup>th</sup> Floor, Ellen Skelton Building 3076 Sir Francis Drake Highway Road Town, Tortola VG 1110 Virgin Islands, British	—	Investment holdings
AEC International S.r.l.	100.00%	June 1998	VIA NERVIANO 55 LAINATE (MI), ITALY	300,000 EURO	Sales of power supply system equipment and communications equipment
PHD Powerhouse Distributions (PTY) Ltd.	90.00%	July 2016	PO BOX 2100 BEDFORDVIEW, 0,2008 SOUTH AFRICA	100 ZAR	Sales of power supply system equipment and communications equipment

(1) Matters to be disclosed if there is a presumption of control and subordination in accordance with Article 369 of the Company Law: None

(2) The industries covered by the business of the affiliated companies and the division of business. between them

A. Industries covered by each affiliate's business

- Industries covered by each affiliate Manufacture and sale of power products for transmission, distribution and substation
- Manufacture and sale of industrial electronic products Manufacture and sale of industrial electronic products
- Manufacture and sale of industrial electronic products Communication DC power supply equipment, GPS antenna manufacturing and sales
- Manufacture and sale of Hydroelectricity and engineering contracting
- Investment

B. The businesses of the affiliated companies are divided among themselves.

- The Company and its subsidiaries are independent legal entities. The Company and each of its subsidiaries are independently owned and operated, except for Yaxin, which is partially contracted for the Company's bid, and Yare Technologies, which is responsible for the manufacture of the Company's single-phase UPS for external sales, and the rest are independently engaged in business without any division of business.

(1) The names of the directors, supervisors and general managers of the affiliated companies and their shareholdings or capital contributions to the companies

Name of the Company	Title	Name or Representative	Shareholding	
			Number of shares (in thousands)	Shareholding ratio(%)
Air King Industrial Co., Ltd	Director	HUANG, WEN-FENG	78.5	1.59
	Honorary Chairperson	YANG, ZHEN-TONG	316.6	6.40
	Director	CHEN, MING-SHENG	0.6	0.01
	Director	CHUEH, WEN-ZHANG	94.8	1.92
	Director	WANG, YING-BAI	142.8	2.88
	Director	HUANG, ZHI-LI	22.0	0.44
	Director	TENG, CHUN-SHENG	10.0	0.2
	Supervisor	LI, WEN	2.42	0.05
	General Manager	HUANG, WEN-FENG	78.5	1.59
Allis Communications Co., Ltd.	Chairperson	SUNG, WEN-YEH	327	3.27
	Director	CHANG, BAI-CHENG (Note 1)	7,686	76.86
	Director	SUNG, HE-YEH	327	3.27
	Director	LI WEN	5	0.05
	Supervisor	YANG, ZHEN-TONG	35	0.35
	Supervisor	TENG, CHUN-SHENG	8	0.08
	General Manager	KE, BO-WEN	0	0.00
ARES Technology Co., Ltd.	Chairperson	CHENG, CHAO-PIN(Note 1)	6,800	100
	Director	LIN, YING-HONG(Note 1)		
	Director	LI, WEN (Note 1)		
	Director	LIU, CHI-JEN(Note 1)		
	Supervisor	TENG, CHUN-SHENG(Note 1)		
	General Manager	LIN, YING-HONG		
Yishun Investment Co., Ltd.	Chairperson	LI, WEN(Note 1)	17,990	99.94
	Director	HSU, KE-CHIEH(Note 1)		
	Director	TENG, CHUN-SHENG	1	0.01
	Supervisor	CHAN, YI-YUAN	0	0.00
Liming Communication Equipment (Qingdao) Co., Ltd.	Chairperson	SUNG, HE-YEH(Note 2)	—	34.62
	Director	LI, WEN (Note 1)	—	65.38
	Director	CHENG, CHAO-PIN(Note 1)		
	Supervisor	TENG, CHUN-SHENG (Note 1)	—	65.38
Allis Electrics (Hengyuan, Qingdao) Co., Ltd.	Chairperson	CHENG, CHAO-PIN (Note 1)	—	65.38
	Director	HUANG, YONG-GUANG (Note 1)	—	
	Director	SUNG, HE-YEH (Note 2)	—	34.62
ALLIS INTERNATIONAL INC.	Director	SUNG, HE-YEH (Note 1)	—	0.00
AEC International S.r.l. PHD Powerhouse Distributions (PTY) Ltd.	Director Oresident	Bruno Carozzi	0	0
	Director vice president	SUNG, HE-YEH(Note 1)	300	100
	Director	CHENG, CHAO-PIN(Note 1)	300	100
	Director	CHANG, BAI-CHENG (Note 1)	0.09	90
	Director	Warren Botten	0.01	10
	Director	Fatima Pires	0	0

Note 1 : As the legal representative of the Company.

Note 2 : As the legal representative of Li-Ming Industrial Co.



## 2. Operating Status of the Associates

Units: NT\$1,000 unless otherwise specified

Name of the Company	Amount of Capital	Total Value of Assets	Total liabilities	Net value	Operating Revenue	Operating Interests	Profit or loss after tax for the period	After-tax Earnings per share (NT\$)
Air King Industrial Co., Ltd.	49,500	107,555	39,532	68,023	191,196	11,837	10,357	2.09
ARES Technology Co., Ltd.	68,000	154,186	91,712	62,474	80,507	-898	-1,565	-0.23
Allis Communications Co., Ltd.	100,000	62,402	15,578	46,824	43,350	-7,652	-3,876	-0.39
Yishun Investment Co., Ltd.	180,000	165,961	109	165,852	2,620	2,053	2,016	0.11
Allis International Inc.	0	0	0	0	0	0	0	0
Nissin-Allis Electric Co.,Ltd.	300,000	906,337	246,165	660,172	735,212	132,327	108,900	3.63
NISSIN ALLIS UNION ION EQUIPMENT CO., LTD.	100,000	360,188	108,810	251,378	218,813	29,092	54,297	5.43
AYM INTERNATIONAL INC.	14,855	62,481	62,481	0	0	0	0	0.00
PHD POWERHOUSE DISTRIBUTIONS CC.	336	44,523	34,147	10,376	74,659	1,753	1,155	34.38
AEC INTERNATIONAL S.R.L	10,464	115,398	102,483	12,915	101,626	1,782	972	0.93
Liming Communication Equipment (Qingdao) Co., Ltd.	86,258	111,781	700	111,081	7,342	-392	-11,479	-1.33
Allis Electrics (Hengyuan, Qingdao) Co., Ltd.	23,228	56,059	43,584	12,475	20,799	-1,183	-1,114	-0.48

Note: Allis International Inc. was liquidated in December 2020.

### 3. Consolidated Financial Statements of the Associates

#### Consolidated Financial Statements of the Associates

For fiscal year 2020 (from January 1, 2020 to December 31, 2020), the companies required to be included in the preparation of the consolidated financial statements of affiliated companies in accordance with the "Regulations Governing the Preparation of Consolidated Statements of Operations of Affiliated Companies and Related Party Reports" are the same as those required to be included in the preparation of the consolidated financial statements of the parent company and its subsidiaries in accordance with IAS 10. The information required to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the consolidated financial statements of the parent company and its subsidiaries mentioned above, so we will not otherwise prepare the consolidated financial statements of affiliated companies.

Name of the Company: Allis

Electric Co., Ltd.

Representative: SUNG, HE-YEH

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(2) Relationship Report: Not applicable.

2. Private placement of securities for the most recent year and as of the date of the annual report: None.

### 3. Holding or disposing of the Company's shares by subsidiaries

#### For the year ended March 31, 2020 and 2021, the Company's shares were held or disposed of by subsidiaries.

Unit: thousands NTD, unless otherwise specified; Shares; %

Name of Subsidiary (Note 1)	Paid-in Capital	Funding Source	The Company Shareholding Percentage	Obtain or Disposition Date	Number of shares and acquired amount (Note 2)	Number of shares and amount disposed (Note 2)	Investment Profit or loss	Number and amount of shares held as of March 31, 2021 (Note 3)	Situation of pledge setting (Note 4)	The guaranteed amount of the endorsement of the Company	Amount of loan from the Company to Subsidiary
Air King Industrial Co., Ltd.	49,500	Self-possessed capital	83.12	-	-	-	-	0 shares 0 dollars	-	130,400	-
Allis Communications Co., Ltd.	100,000	Self-possessed capital	76.86	-	-	-	-	0 shares 0 dollars	-	-	-
ARES Technology Co., Ltd.	68,000	Self-possessed capital	100.00	-	-	-	-	0 shares 0 dollars	-	125,000	-
Yishun Investment Co., Ltd.	180,000	Self-possessed capital	99.94	-	-	-	-	2,556,805 shares 66,093 仟元	-	-	-
Liming Communication Equipment (Qingdao) Co., Ltd.	USD2,600 thousand	Self-possessed capital	65.38	-	-	-	-	0 shares 0 dollars	-	-	-
Allis Electrics (Hengyuan, Qingdao) Co., Ltd.	USD800 thousand	Self-possessed capital	65.38	-	-	-	-	0 shares 0 dollars	-	-	-
ALLIS INTERNATIONAL INC.	-	Self-possessed capital	-	-	-	-	-	-	-	-	-
AEC International S.r.l.	300,000 EURO	Self-possessed capital	100.00	-	-	-	-	0 shares 0 dollars	-	-	-
PHD Powerhouse Distributions (PTY) Ltd.	100 ZAR	Self-possessed capital	90.00	-	-	-	-	0 shares 0 dollars	-	-	-

Note 1: Please list them separately by subsidiary.

Note 2: The amount referred to is the actual amount acquired or disposed of.

Note 3: The holding and disposing situations should be shown separately.

Note 4: The impact on the Company's financial performance and financial position is also described.

#### 4. Basis and evaluation of the presentation of asset and liability valuation accounts

(1) Allowance for losses

The impairment loss on financial assets (including accounts receivable) measured at amortized cost is assessed at each balance sheet date based on expected credit losses. An allowance for impairment is recognized on accounts receivable based on the expected credit losses over the period of time. If there is no significant increase in credit risk, an allowance for loss is recognized on the basis of expected credit losses over 12 months; if there is a significant increase, an allowance for loss is recognized on the basis of expected credit losses over the period.

(2) Allowance for loss on decline in value of inventories

Allowance for inventory losses is measured at the lower of cost or net realizable value, and should be compared and evaluated on a case-by-case basis, except for similar inventories.

(3) Provision for warranty liabilities

The allowance for doubtful accounts is based on management's estimate of the allowance for doubtful accounts based on historical experience and other known reasons, and the Company periodically reviews the reasonableness of the estimate.

(4) Employee short-term benefit liabilities

Based on past experience, the Company estimates that each employee will use accumulated compensated absences to recognize employee short-term benefit liabilities.

#### 5. Industry-specific KPIs:

Products	2020 Annual Occupancy Rate
Power distribution and substation class	25%
Electrical equipment	25%
Power Electronics	10%

#### 6. Other necessary items to be supplemented: None.

7. For the most recent year and as of the date of the annual report, if any of the events specified in Article 36(2)(2) of the Securities and Exchange Act that have a significant effect on shareholders' equity or the price of securities have occurred, they should also be itemized as follows: None.

Allis Electric Co., Ltd.

Responsible Person: SUNG, HE-YEH



ALLIS ELECTRIC CO.,LTD.

AEC