

Stock Code : 1514

# 2021

Meeting Agenda Handbook

# AEC



**ALLIS ELECTRIC CO.,LTD.**



Date: June 24, 2021

Venue: 2F., No.19-10, Sanchong Rd., Nangang Dist., Taipei City  
(Nankang Software Park Convention Center)

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Allis Electric Co., Ltd  
2021 Regular Shareholders' Meeting Agenda

Time: Thursday, June 24, 2021 at 9:00am

Venue: 2F., No.19-10, Sanchong Rd., Nangang Dist., Taipei City  
(Nankang Software Park Convention Center)

Meeting procedures:

1. Call to order
2. Opening remarks by the chair
3. Reports
  - 1) Report on the Company's operations for FY2020.
  - 2) Report on the Company's endorsements/guarantees and external investments.
  - 3) Report on the distribution of remuneration to employees and directors of the Company for FY2020.
  - 4) Report on the Audit Committee's review of the 2020 annual final accounting books and statements.
4. Recognition
  - 1) Annual Business Report and Financial Statements 2020.
  - 2) Surplus earning distribution for FY2020
5. Discussions
  - 1) The Company intends to issue new shares by way of capital increase through capitalization of retained earnings
  - 2) Amendments to some of the provisions of the Company's articles of incorporation.
6. Extemporaneous Motions
7. Adjournment

## Reports

### 1. The Company's Annual Business Report 2020 for review.

#### Business Report

A summary of the Company's operations for fiscal 2020 is set out below:

#### 1) Production:

Total production input costs for the year were NT\$4,182,869 in thousands, an increase of NT\$237,319 in thousands or 6.02% over the previous year's NT\$3,945,540 in thousands, with comparisons by product as follows:

	2020	2019	Rate of increase/decrease %
Electrical products	864,344	821,779	+ 5.18
Transformers	351,598	464,767	- 24.35
Electrical equipment	807,612	873,612	- 7.55
Electronic products	1,009,214	960,619	+ 5.06
Materials	66,442	56,725	+ 17.13
Engineering (with installation)	1,073,598	759,592	+ 41.34
Other	10,061	8,446	+ 19.12
<hr/>			
Total	4,182,869	3,945,540	+ 6.02

#### 2) Operations:

Total operating revenue for the year was NT\$5,012,368 in thousands (including domestic sales of NT\$4,802,299 in thousands (95.81%) and external sales of NT\$210,069 in thousands (4.19%)), an increase of NT\$293,343 in thousands or 6.22% over the previous year's turnover of NT\$4,719,025 in thousands, with comparisons by product as follows:

	2020	2019	Rate of increase/decrease %
Electrical products	981,519	930,799	+ 5.45
Transformers	424,777	559,890	- 24.13
Electrical equipment	1,054,210	1,093,964	- 3.63
Electronic products	1,239,979	1,192,933	+ 3.94
Materials	98,086	100,841	- 2.73
Engineering (with installation)	1,199,486	829,212	+ 44.65
Other	14,311	11,386	+ 25.69
<hr/>			
Total	5,012,368	4,719,025	+ 6.22

### 3) Surplus:

Net income after tax for fiscal 2020 was NT\$323,925 in thousands, an increase of NT\$28,344 in thousands, or 9.59%, compared to net income after tax of NT\$295,581 in thousands for fiscal 2019.

### 4) Overview and FY2021 Management Policy, Business Summary and Development Strategy:

#### 1. Overview:

The Directorate-General of Budget, Accounting and Statistics announced Taiwan's economic growth rate of 3.11% in 2020, which was higher than expected than the global GDP growth rate. The economic growth rate for 2021 is forecasted to be 4.64%, mainly due to the significant growth in commodity exports and the continued increase in domestic investment, coupled with the return of Taiwanese businesses, the expansion of investment in semiconductors and the increase in manufacturing capacity, which will sustain the overall economic growth momentum. However, whether the global pandemic can be effectively contained, the subsequent development of the US-China dispute, as well as the direction and effectiveness of the fiscal and monetary policies of various countries will be uncertainties that will affect the subsequent economic trends and should be closely monitored. In recent years, government investment has continued to expand and the forward-looking infrastructure program has continued to be promoted. In 2021, government investment is expected to continue to grow by 0.65% despite the substantial investment in recent years, leading the way for Taiwan's economy. This policy of expanding domestic demand over the next few years will be beneficial to the domestic demand-driven industries and will provide stability for the Company's future revenue and profit growth. Over the years, the Company has been committed to innovation and transformation, and has been able to keep pace with the needs of the times with a wide range of products such as power electronics, photovoltaic green energy, electric bus and rail vehicle charging equipment, electrical equipment and smart devices, etc. The sustained investment in research and development has resulted in a steady growth in the proportion of sales, which has smoothed out the risks of maturing markets for traditional heavy electrical products. The transformation process, albeit difficult, has been quite successful. Thanks to the efforts of all our staff, we were able to increase the number of orders received and profitability in 2020, which was not easy to achieve in the face of a serious global pandemic.

#### 2. Business Policy:

The global real economy is bound to face long-term structural adjustment. Taiwan is faced with the urgent need for strategic innovation to drive structural transformation. In fiscal 2021, we are focusing on stabilizing order intake, maximizing the average efficiency of our production capacity, increasing income and reducing expenditure, strengthening product quality, and controlling risks, accelerating the development and launch of new products to continue to drive the company's growth and transformation, and grasping the business opportunities arising from the forward-looking program's track and green photovoltaic construction, the expansion of major semiconductor plants, and the renewal of Taiwan Power's transmission and distribution equipment, and opening

up market space through market segmentation, product differentiation, and system customization with innovation and added value and flexibility to create our own Blue Ocean Strategy.

3. Receiving, Production and Sales Status for FY2021:

As order intake exceeded sales in 2020, orders on hand will be better able to meet the overall capacity requirements in 2021. Heavy electrical equipment industry is an essential manufacturing sector. The global economy has developed over the past few decades and power-related equipment is being replaced with new devices in green energy, energy saving, energy storage, intelligence and efficiency. The Company has been developing new products in line with this trend for many years and expects to see steady growth and breakthroughs in receipts, production and sales in 2021.

4. Future Corporate Development Strategy:

The Company has been investing in research and development for many years, and has been receiving orders for its distribution automation circuit switches since it obtained the localization certification from Taipower, and its PV inverter sales have been satisfactory and will be directed towards the development of new high-capacity products, and its electric bus and railcar charging equipment will also make breakthroughs in keeping with the trend of the times. New products and market development in the future will continue to be based on our accumulated core technologies and move towards new intelligent electrical equipment, power electronics, energy saving, energy storage, smart grids, cloud applications and other related products. The rail industry accounts for a large portion of the future public construction budget and the Company has committed itself to this sector with great efforts and is well positioned for future gains. We will continue to work hard to achieve our goals and thank our shareholders for their support.

Allis Electric Co., Ltd

Chairman    Sung He-yeh

Manager    Cheng Chao-pin

Accounting Officer    Chan I-yuan

2. Report on the Company's Endorsements/Guarantees and External Investments:

- 1) The Company's endorsements and guarantees as at Dec 31, 2020 are set out below for review.
  1. NT\$34,500,000 for Nissin-Allis Electric Co
  2. NT\$125,000,000 for Ares Technology Co
  3. NT\$70,000,000 for Air King Industrial Co
  4. NT\$271,961,613 for Chung Mou Construction Co.

The above totals NT\$501,461,613.

2) External investments approved by the board of directors in FY2020:

1. The Company has a business transaction with AEC International S.R.L. based in Italy and authorized it to represent the Company's brand in Europe. In response to a new law issued by the European Union banks, the Italian company underwent an internal restructuring, and the Company's accounts receivable of approximately Euro 2.15 million (approximately US\$2.4 million) were transferred to equity through a debt negotiation. The Company held 100% of the shares upon completion.
2. To tap into the South African and African markets, it is proposed to increase its investment in PHD Powerhouse Distributions (Pty) Ltd., which has business dealings with the Company in the amount of ZAR10,288,000 (approximately US\$600,000), increasing the Company's shareholding from 45% to 90% upon completion.

3. Report on the Distribution of Remuneration to Employees and Directors of the Company for FY2020:

The Company's profit for fiscal 2020 (pre-tax net income before employee compensation and directors' remuneration) was NT\$403,208,287. Pursuant to Article 25 of the Company's articles of incorporation, a 4% compensation contribution to employees amounting to NT\$16,128,331 and a 2% remuneration contribution to directors amounting to NT\$8,064,165 were paid in cash.

#### 4. The Audit Committee's Review Report on 2020 Financial Statements:

##### Audit Committee's Review Report

The Board of Directors has prepared and submitted the 2020 Business Report, Parent Company Only and Consolidated Financial Statements and Earnings Distribution Proposal of the Company. The CPAs from Hui-Chung CPA Office have audited and certified the Parent Company Only and Consolidated Financial Statements and issued an audit report. The aforementioned business reports, financial statements and earnings distribution proposal have been audited and certified by the Audit Committee with the opinion that no discrepancy has been found. The above is hereby reported in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely

2021 Regular Shareholder's Meeting of Allis Electric Co., Ltd.

Allis Electric Co., Ltd.

WU, YING-CHIN

Convenor of the Audit Committee

March 30, 2021



## Proposals

Proposal 1 (proposed by the Board)

Proposal: Adoption of the 2020 Business Report and Financial Statements

Explanation:

- (1) The Company's 2020 Financial Reports (including the consolidated financial statements) were audited and certified by CPA CHO, MIN-CHIH and CPA HSIAN, WEN-TING, and the documents together with the Business Report were passed after the review by the Audit Committee of the Company. Please refer to Page 2 to Page 4 and Page 8 to Page 25 for the Business Report and Financial Statements.
- (2) The proposal was passed by the resolution of the Board and submitted to the Regular Shareholder's Meeting for adoption.

Resolution:

**Earnest & Co., CPAs.**

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Taipei, Taiwan (R.O.C)

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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)

ASSETS	2020.12.31		2019.12.31		Notes	2020.12.31		2019.12.31		
	Amount	%	Amount	%		Amount	%	Amount	%	
<b>CURRENT ASSETS</b>										
1100 Cash and cash equivalents	\$ 455,866	7.71	\$ 264,767	4.69	2100 Short-term loans	Note 6	\$ 735,000	12.43	\$ 738,038	13.07
1120 Financial assets at fair value through other comprehensive income	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 Contract assets	106,581	1.80	235,722	4.17	2130 Contract liabilities	Note 4	200,719	3.39	204,638	3.63
1150 Notes receivable, net	63,892	1.08	79,386	1.41	2170 Accounts payable	Note 4	991,043	16.76	1,068,283	18.91
1160 Notes receivable from related parties	613	0.01	5,094	0.09	2180 Accounts payable to related parties	Note 7	162,846	2.75	117,340	2.08
1170 Accounts receivable, net	1,752,953	29.64	1,426,799	25.26	2200 Other payables	Note 7	205,100	3.47	176,600	3.13
1180 Accounts receivable from related parties	65,678	1.11	33,098	0.59	2230 Current tax liabilities	Note 4	28,018	0.47	13,325	0.23
1200 Other receivables	147,191	2.49	250,549	4.44	2250 Provisions	Note 4 and 6	12,100	0.20	12,100	0.21
1310 Inventories	941,782	15.92	1,145,947	20.29	2255 Short-term onerous contracts provision		1,633	0.03	8,537	0.14
1410 Prepayments	34,758	0.59	29,301	0.52	2280 Lease liabilities	Note 4	2,827	0.05	4,584	0.08
1479 Other current assets	175	0.00	24	0.00	2399 Other current liabilities		712	0.01	961	0.02
11xx Total current assets	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 Financial assets at fair value through other comprehensive income	225,560	3.81	166,839	2.95						
1550 Investments accounted for using equity method	661,248	11.18	607,226	10.75						
1600 Property, plant and equipment	974,161	16.47	902,016	15.98						
1755 Right-of-use assets	8,954	0.15	13,579	0.24						
1760 Investment properties	357,850	6.05	359,999	6.37						
1780 Intangible assets	8,061	0.14	9,965	0.17						
1840 Deferred tax assets	17,523	0.30	20,461	0.36						
1915 Prepayments for equipment	—	—	6,131	0.12						
1920 Refundable deposits	44,921	0.77	41,453	0.73						
1980 Other receivables	36,530	0.62	38,987	0.69						
1990 Other non-current assets	9,748	0.16	9,748	0.18						
15xx Total non-current assets	2,344,556	39.65	2,176,404	38.54						
1xxx TOTAL ASSETS	\$ 5,914,189	100.00	\$ 5,647,262	100.00						
<b>LIABILITIES AND EQUITY</b>										
<b>CURRENT LIABILITIES</b>										
2540 Long-term loans					2540 Long-term loans	Note 6	47,000	0.80	—	—
2571 Deferred tax liabilities-land value increment tax					2571 Deferred tax liabilities-land value increment tax		174,220	2.95	174,220	3.09
2580 Lease liabilities					2580 Lease liabilities	Note 4	6,293	0.11	9,120	0.16
2640 Net defined benefit liabilities					2640 Net defined benefit liabilities	Note 4 and 6	80,448	1.35	83,525	1.49
2645 Guarantee deposits					2645 Guarantee deposits		3,298	0.06	3,382	0.06
25xx Total non-current liabilities					25xx Total non-current liabilities		311,259	5.27	270,247	4.80
2xxx Total liabilities					2xxx Total liabilities		2,653,032	44.86	2,614,653	46.30
<b>EQUITY</b>					<b>EQUITY</b>	Note 6				
3100 Share capital					3100 Share capital		2,174,540	36.77	2,070,990	36.67
3200 Capital surplus					3200 Capital surplus		68,870	1.16	67,172	1.18
3310 Retained earnings					3310 Retained earnings		132,753	2.24	102,580	1.82
3320 Legal reserve					3320 Legal reserve		452,190	7.65	452,994	8.02
3350 Special reserve					3350 Special reserve		393,242	6.65	328,398	5.82
3300 Total retained earnings					3300 Total retained earnings		978,185	16.54	883,972	15.66
3400 Other equity					3400 Other equity		81,178	1.37	52,091	0.93
3500 Treasury Stock					3500 Treasury Stock		(41,616)	(0.70)	(41,616)	(0.74)
3xxx Total equity					3xxx Total equity		3,261,157	55.14	3,032,609	53.70
<b>TOTAL LIABILITIES AND EQUITY</b>					<b>TOTAL LIABILITIES AND EQUITY</b>		\$ 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			Total 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	
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	—	—	—	21,591	—	(21,591)	—	—	—	—
Legal reserve appropriated	—	—	—	—	—	(140,747)	—	—	—	(140,747)
Cash dividends-NT\$0.70 per share	6,032	60,320	—	—	—	(60,320)	—	—	—	—
Stock dividends-NT\$0.30 per share	—	—	—	—	—	295,581	—	—	—	295,581
Net income in 2019	—	—	—	—	—	5,347	(4,335)	41,409	—	42,421
Other comprehensive income and loss in 2019, net of income tax	—	—	—	—	—	300,928	(4,335)	41,409	—	338,002
Total comprehensive income in 2019	—	—	1,654	—	—	—	—	—	—	1,654
Cash dividends distributed to subsidiaries	—	—	(5)	—	—	—	—	—	—	(5)
Changes in ownership interests in subsidiaries	—	—	94	—	—	—	—	—	—	94
Donation from owners	—	—	—	—	(803)	803	—	—	—	—
Reversal of special reserve	—	—	—	—	452,994	328,398	(11,606)	63,697	(41,616)	3,032,609
BALANCE, DECEMBER 31, 2019	207,099	2,070,990	67,172	102,580	—	328,398	—	—	—	—
Appropriation of the 2019 earnings	—	—	—	30,173	—	(30,173)	—	—	—	—
Legal reserve appropriated	—	—	—	—	—	(144,969)	—	—	—	(144,969)
Cash dividends-NT\$0.70 per share	10,355	103,550	—	—	—	(103,550)	—	—	—	—
Stock dividends-NT\$0.50 per share	—	—	—	—	—	323,925	—	—	—	323,925
Net income in 2020	—	—	—	—	—	(21,366)	596	68,664	—	47,894
Other comprehensive income and loss in 2020, net of income tax	—	—	—	—	—	302,559	596	68,664	—	371,819
Total comprehensive income in 2020	—	—	1,703	—	—	—	—	—	—	1,703
Cash dividends distributed to subsidiaries	—	—	—	—	—	—	—	—	—	—
Disposal of investments in equity instruments at fair value through other comprehensive income	—	—	—	—	—	40,173	—	(40,173)	—	—
Return of donation from owners	—	—	(5)	—	—	—	—	—	—	(5)
Reversal of special reserve	—	—	—	—	(804)	804	—	—	—	—
BALANCE, DECEMBER 31, 2020	217,454	2,174,540	68,870	132,755	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)

**Earnest & Co., CPAs.**

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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		Notes	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	2100	\$ 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	2120	1,775	0.03	—	—
1140 Contract assets	150,479	2.46	235,722	4.07	2130	204,256	3.34	204,802	3.53
1150 Notes receivable, net	64,413	1.05	79,606	1.37	2150	16,178	0.26	22,137	0.38
1160 Notes receivable from related parties	613	0.01	5,094	0.09	2160	6,048	0.10	—	—
1170 Accounts receivable, net	1,844,548	30.14	1,447,234	24.96	2170	1,045,514	17.08	1,120,569	19.33
1180 Accounts receivable from related parties	15,735	0.26	33,517	0.58	2180	85,132	1.39	42,583	0.73
1200 Other receivables	150,523	2.46	253,979	4.38	2200	232,924	3.81	190,730	3.29
1220 Current tax assets	233	0.00	1,426	0.02	2230	29,521	0.48	13,384	0.23
1310 Inventories	1,099,531	17.97	1,238,026	21.35	2250	12,100	0.20	12,100	0.21
1410 Prepayments	46,280	0.76	38,074	0.66	2255	1,633	0.03	8,537	0.15
1479 Other current assets	5,144	0.08	24	0.00	2280	4,155	0.07	4,935	0.09
11xx Total current assets	4,009,698	65.52	3,736,015	64.44	2399	4,850	0.08	1,425	0.02
					21xx	2,451,727	40.07	2,417,240	41.69
<b>NON-CURRENT ASSETS</b>									
1517 Financial assets at fair value through other comprehensive income	247,813	4.05	270,758	4.67	2540	65,118	1.06	—	—
1550 Investments accounted for using equity method	298,148	4.87	276,015	4.76	2571	174,502	2.85	174,220	3.01
1600 Property, plant and equipment	1,088,148	17.78	1,008,812	17.40	2580	7,204	0.12	9,119	0.16
1755 Right-of-use assets	11,185	0.18	13,927	0.24	2640	90,189	1.47	93,379	1.61
1760 Investment properties	357,850	5.85	359,999	6.21	2645	3,378	0.06	3,382	0.06
1780 Intangible assets	30,920	0.51	12,302	0.21	25xxx	340,391	5.56	280,100	4.84
1840 Deferred tax assets	17,605	0.29	21,184	0.37	2xxx	2,792,118	45.63	2,697,340	46.55
1915 Prepayments for equipment	—	—	6,131	0.11					
1920 Refundable deposits	46,519	0.76	41,956	0.72	3100	2,174,540	35.53	2,070,990	35.72
1975 Net defined benefit asset	1,418	0.02	1,706	0.03	3200	68,870	1.12	67,172	1.16
1980 Other receivables	412	0.01	38,987	0.67					
1990 Other non-current assets	9,748	0.16	9,748	0.17	Note 6	978,185	15.99	883,972	15.25
15xx Total non-current assets	2,109,766	34.48	2,061,525	35.56	Note 6	81,178	1.33	52,091	0.90
					Note 6	(41,616)	(0.68)	(41,616)	(0.72)
					31xx	3,261,157	53.29	3,032,609	52.31
					36xx	66,189	1.08	67,591	1.16
					3xxx	3,327,346	54.37	3,100,200	53.47
<b>TOTAL ASSETS</b>	\$ 6,119,464	100.00	\$ 5,797,540	100.00		\$ 6,119,464	100.00	\$ 5,797,540	100.00
<b>LIABILITIES AND EQUITY</b>									
<b>CURRENT LIABILITIES</b>									
2100 Short-term loans					Note 6				
2120 Financial liabilities at fair value through profit or loss					Note 4 and 6				
2130 Contract liabilities									
2150 Notes payable					Note 7				
2160 Notes payable to related parties									
2170 Accounts payable					Note 7				
2180 Accounts payable to related parties					Note 7				
2200 Other payables					Note 4				
2230 Current tax liabilities					Note 4 and 6				
2250 Provisions									
2255 Short-term onerous contracts provision					Note 4				
2280 Lease liabilities									
2399 Other current liabilities									
21xx Total current liabilities						2,451,727	40.07	2,417,240	41.69
<b>NON-CURRENT LIABILITIES</b>									
2540 Long-term loans					Note 6				
2571 Deferred tax liabilities					Note 4 and 6				
2580 Lease liabilities					Note 4				
2640 Net defined benefit liabilities					Note 4 and 6				
2645 Guarantee deposits									
25xxx Total non-current liabilities						340,391	5.56	280,100	4.84
2xxx Total liabilities						2,792,118	45.63	2,697,340	46.55
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>									
3100 Share capital					Note 6	2,174,540	35.53	2,070,990	35.72
3200 Capital surplus					Note 6	68,870	1.12	67,172	1.16
3310 Retained earnings									
3320 Legal reserve									
3330 Special reserve									
3350 Unappropriated earnings									
3300 Total retained earnings					Note 6	978,185	15.99	883,972	15.25
3400 Other equity					Note 6	81,178	1.33	52,091	0.90
3500 Treasury Stock					Note 6	(41,616)	(0.68)	(41,616)	(0.72)
31xx Total equity attributable to owners of the parent						3,261,157	53.29	3,032,609	52.31
36xx NON-CONTROLLING INTERESTS									
3xxx Total equity						66,189	1.08	67,591	1.16
						3,327,346	54.37	3,100,200	53.47
<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 6,119,464	100.00	\$ 5,797,540	100.00		\$ 6,119,464	100.00	\$ 5,797,540	100.00

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

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

	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
	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			Total 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
		\$	\$	\$	\$	\$	\$	\$	\$	\$		\$
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 Ernst & Co., CPAs auditors' report dated March 30, 2021)

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

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

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

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

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

Proposal 2 (proposed by the Board)

Proposal: Adoption of the Proposal for the Distribution of 2020 Earnings

Explanation: (1) The Company's profit after tax in 2020 was NT\$323,925,260, and the proposal for earnings distribution was as follows.

Allis Electric Co., Ltd.  
2020 Earnings Distribution Table

Unit: NT\$	
Item	Amount
Beginning undistributed earnings	49,706,588
Plus (less): reversal of special reserve	803,244
Remeasurements of defined benefit plans in 2020	(21,365,325)
Disposal of equity instruments measured at FVTOCI	40,171,898
Net profit after tax	323,925,260
Subtotal	393,241,665
Listing items:	
Legal reserve	34,353,508
Subtotal of the distributable earnings	358,888,157
Distribution items:	
Bonuses for shareholders:	
Cash dividends (NT\$0.70 per share)	152,217,782
Stock dividends (NT\$0.50 per share)	108,726,980
Total	260,944,762
Ending undistributed earnings	97,943,395

Chairperson Sung He-yeh      Manager Cheng Chao-pin      Accounting Supervisor Chan I-yuan

- (2) The ex-dividend date for cash dividends is planned to be set by the Chairperson of the Board of Directors with authorization after the proposal is approved at the 2021 Regular Shareholders' Meeting. The cash dividends are calculated on the basis of the distribution ratio up to NT\$, with the amount below NT\$1 being rounded off and the total amount of the deficiency not exceeding NT\$ being transferred to the Employee Benefit Committee of the Company.

Resolution:

## Discussion Matters

Proposal 1 (proposed by the Board)

Proposal: Discussion on the Company' plan to perform the capitalization of earnings for the issuance of new shares.

Explanation:

- (1) In order to increase working capital, the Company plans to transfer NT\$108,726,980 from the distributable earnings in 2020 to increase capital and to issue 10,872,698 shares of common stock.
- (2) The bonuses for the shareholders of common stock are calculated based on the shareholders and their shareholding ratio as recorded in the shareholders' register on the base date of the capital increase and dividend issuance, and 50 shares are allotted without compensation for every 1,000 shares. If the dividend is less than one share, the shareholder may apply to the Company's stock agent for consolidation within five days after the base date of the capital increase and dividend issuance. If the consolidation is overdue or if the dividend is still less than one share after consolidation, the fractional shares shall be converted to cash at par value up to NT\$1 (rounded down to NT\$1) in accordance with Article 240 of the Company Act, and the shareholders' meeting shall authorize the chairperson to negotiate with a specific person to subscribe for the shares at par value.
- (3) The Board of Directors will determine the base date for the capital increase and dividend issuance after the shareholders' meeting has approved and submitted the proposal to the competent authority for approval; if there is any actual need or when the competent authority approves the necessary changes, the Board of Directors will be authorized to handle the matter at its sole discretion.
- (4) The new shares issued after the capital increase are issued in a non-physical form, and their rights and obligations are the same as those of the common shares originally issued by the Company.

Resolution:

Proposal 2 (proposed by the Board)

Proposal: Discussion on the proposed amendments to part of the provisions of the “Articles of Incorporation” of the Company.

Explanation: In order to meet business needs, we plan to make the following amendments to part of the provisions of the “Articles of Incorporation” of the Company.

**Comparison of the amendment and the original articles of the Article of Incorporation**

Amendment	Original	Reason
<p>Article 5            The Company's capital is set at <u>NT\$3.5 billion, divided into 350 million shares</u> at NT\$10 per share, with unissued shares authorized to be issued by the Board of Directors in installments as necessary.</p>	<p>Article 5            The Company's capital is set at <u>NT\$2.4 billion, divided into 240 million shares</u> at NT\$10 per share, with unissued shares authorized to be issued by the Board of Directors in installments as necessary.</p>	Increase in total capitalization
<p>Article 6            The Company's shares are issued in registered form with the signatures or seals of <u>the director representing the Company</u>, and are issued with a certification in accordance with the law. The shares issued by the Company are exempted from the requirement to print share certificates, and shall be registered at the centralized securities depository.</p>	<p>Article 6            The Company's shares are issued in registered form with the signatures or seals of <u>three or more directors of the Company</u>, and are issued with a certification in accordance with the law. The shares issued by the Company are exempted from the requirement to print share certificates, and shall be registered at the centralized securities depository.</p>	Amend the text of the stock issue description.
<p>Article 10            The shareholders of the Company shall have one vote per share, <u>unless otherwise provided in the Company Law.</u>  <b>【Omitted】</b></p>	<p>Article 10            The shareholders of the Company shall have one vote per share, <u>except in the case of Article 157, Paragraph 3 of the Company Act.</u>  <b>【Omitted】</b></p>	Discretionary amendment.
<p>Article 28            The Article was established on Aug.9, 1968. 41<sup>th</sup> amendment was made on <u>Jun.21, 2017.42<sup>th</sup> amendment was made on Jun.24, 2021</u></p>	<p>Article 28            The Article was established on Aug.9, 1968. 41<sup>th</sup> amendment was made on Jun.21, 2017.</p>	Amending the By-Laws in line with the amendment

Resolution:

## Extraordinary Motions

### Adjournment

## Appendices

### Appendix 1

#### Allis Electric Co., Ltd.

##### Shareholding Status of the Directors

Base date of the information: April 26, 2021

Title	Name	Number of shares held when being elected	Number of shares held as of the book closure date for the shareholders' meeting
Chairperson	Huide Industrial Co., Ltd. Representative: SUNG, HE-YEH	6,070,653	8,650,185
Vice Chairperson	CHENG, CHAO-PIN	376,974	399,667
Director	Chen-Jui Investment Co., Ltd. Representative: YANG, CHEN-TUNG	3,704,910	3,890,155
Director	LI, WEN	629,132	639,738
Director	CHEN, WEN-CHIN	127,752	134,139
Director	CHEN, MING-SHENG	8,306,735	8,722,071
Director	Du-Du Investment Co., Ltd. Representative: SUNG, WEN-YEH	6,136,352	6,443,169
Director	CHO, SHU-CHI	2,159,336	2,267,302
Director	LO, SHUI-LUNG	1,670,000	1,753,500
Independent Director	WU, YING-CHIN	0	0
Independent Director	HUANG, JUI-HSIANG	0	0
Independent Director	HU, HSIANG-CHI	0	0
Total of the shares held by all the directors		30,139,744	32,899,926
The minimum number of shares shall be held by all the directors in accordance with related laws and regulations		12,000,000	
Outstanding shares of the Company		217,453,974	



## ALLIS ELECTRIC CO.,LTD.

### Rules of Procedure for Shareholders Meetings

Revised on Jun.19, 2012

1. The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
2. Attending shareholders (or proxies) are required to wear their attendance cards and hand in their attendance cards to sign in. The number of shares present will be calculated based on the attendance card paid.
3. Attendance and voting at shareholders' meetings shall be calculated on the basis of shares
4. The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
5. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair. If there is no standing director, a director shall be appointed to act as proxy; if the board of directors does not appoint a proxy, the standing directors or directors shall appoint one from among themselves to act as proxy. If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
6. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity. The personnel conducting the shareholders' meeting should wear identification badges or armbands.
7. A shareholder holding one percent or more of the total number of issued shares may submit to this Corporation a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda.

Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

In one of the cases listed below, the Board of Directors may not consider a motion by a shareholder to be a motion.

- (1) The motion is not resolved by the shareholders' meeting
- (2) If the proposing shareholder holds less than one percent of the shares at the time the Company ceases to transfer shares pursuant to Article 165(2) or (3).
- (3) The motion was filed not in the period of notice of acceptance.

Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall

inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

8. The Company shall record or videotape the entire meeting of shareholders and keep it for at least one year.
9. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.
10. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. After the meeting is adjourned, the shareholders are not allowed to elect another chairman to resume the meeting.
11. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.
12. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
13. When a juristic person is entrusted to attend a shareholders' meeting, such legal entity may appoint only one representative to attend. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
14. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
15. The chair shall allow ample opportunity during the meeting for explanation and discussion; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote.
16. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation. The results of the voting shall be reported on the spot and recorded.
17. When a meeting is in progress, the chair may announce a break
18. A vote on a motion shall be taken by a majority of the votes of the shareholders present and shall be deemed to have been taken if there is no dissenting vote after consultation with the chairman, with the same effect as a poll. The shareholders of the Company shall have one vote per share, except in the case of Article 157, Paragraph 3 of the Company Act.

A person shall not have the right to vote if any of the following applies.

- ( 1 ) The Company holds its own shares in accordance with the law.
- ( 2 ) Shares of the Company held by a subordinate company that holds more than half of the total number of issued voting shares or total capital.
- ( 3 ) The Company and its subsidiaries own, directly or indirectly, more than one-half of the total number of outstanding voting shares or the total capital stock of other companies in which the Company and its subsidiaries hold shares.

19. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
20. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
21. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results. The minutes shall be retained for the duration of the existence of this Corporation. The attendance book or attendance card of shareholders and the proxy form of attendance shall be kept for one year.
22. These Rules shall take effect after having been submitted to Board Meeting and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.

ALLIS ELECTRIC CO.,LTD.

Article of Incorporation

**Chapter 1 General Rules**

Article 1 The Company is organized according to provision of Company Act and the name of the Company is registered as ALLIS ELECTRIC CO.,LTD.

Article 2 Business scope of the Company are as follows:

- (1) CC01010 Manufacture of Power Generation, Transmission and Distribution Machinery
- (2) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
- (3) CA02010 Manufacture of Metal Structure and Architectural Components
- (4) CD01020 Tramway Cars Manufacturing
- (5) CA02080 Metal Forging
- (6) CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classifie
- (7) CB01030 Pollution Controlling Equipment Manufacturing
- (8) CC01060 Wired Communication Equipment and Apparatus Manufacturing
- (9) CC01070 Telecommunication Equipment and Apparatus Manufacturing
- (10) CC01080 Electronics Components Manufacturing
- (11) CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
- (12) CC01110 Computer and Peripheral Equipment Manufacturing
- (13) E501011 Tap Water Pipelines Contractors
- (14) E601010 Electric Appliance Construction
- (15) E601020 Electric Appliance Installation
- (16) E602011 AC Engineering
- (17) E603040 Fire Fighting Equipments Construction
- (18) E603050 Automatic Control Equipment Engineering
- (19) E603080 Traffic Signs Installation Engineering
- (20) E605010 Computer Equipment Installation
- (21) E606010 Power Consuming Equipment Inspecting and Maintenance
- (22) E701040 Basic Telecommunications Equipment Construction
- (23) E903010 Anti-Corrosion and Anti-Rust Engineering
- (24) F113010 Wholesale of Machinery
- (25) F113020 Wholesale of Household Appliance
- (26) F113030 Wholesale of Precision Instruments
- (27) F113070 Wholesale of Telecommunication Apparatus
- (28) F119010 Wholesale of Electronic Materials
- (29) F213010 Retail Sale of Electrical Appliances
- (30) F213040 Retail Sale of Precision Instruments
- (31) F213060 Retail Sale of Telecommunication Apparatus
- (32) F213080 Retail Sale of Other Machinery and Equipment
- (33) F219010 Retail Sale of Electronic Materials
- (34) F401010 International Trade
- (35) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import.
- (36) I301010 Software Design Services
- (37) I301020 Data Processing Services
- (38) I301030 Electronic Information Supply Services
- (39) IG03010 Energy Technical Services

( 40 ) JA02990 Other Repair

( 41 ) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1 The Company may provide external guarantees as necessary for business.

Article 2-2 When the Company is a limited liability shareholder of another company, the total amount of transferred investments shall not exceed 40% of the Company's paid-in capital under Article 13 of the Company Act.

Article 3 The Company is located in Taipei City, and if necessary, may set up branches in domestic and overseas.

Article 4 The announcement of the Company is made in accordance with Article 28 of the Company Act.

### **Chapter 2 Shares**

Article 5 The Company's capital is set at NT\$2.4 billion, divided into 240 million shares at NT\$10 per share, with unissued shares authorized to be issued by the Board of Directors in installments as necessary.

Article 6 The Company's shares are issued in registered form with the signatures or seals of three or more directors of the Company, and are issued with a certification in accordance with the law. The shares issued by the Company are exempted from the requirement to print share certificates, and shall be registered at the centralized securities depository.

Article 7 The Company's stock transactions are handled in accordance with the "Guidelines Governing the Handling of Stock Issued to Public Companies" issued by the competent authorities.

### **Chapter 3 Shareholders' Meeting**

Article 8 The Company's shareholders' meeting shall be convened at least once a year, within six months after the end of each fiscal year, and, if necessary, at an extraordinary meeting of shareholders in accordance with the law.

Article 9 The convening of regular and extraordinary meetings of shareholders is in accordance with the provisions of the Company Act.

Article 10 The shareholders of the Company shall have one vote per share, except in the case of Article 157, Paragraph 3 of the Company Act.

A person shall not have the right to vote if any of the following applies.

- (1) The Company holds its own shares in accordance with the law.
- (2) Shares of the Company held by a subordinate company that holds more than half of the total number of issued voting shares or total capital.
- (3) The Company and its subsidiaries own, directly or indirectly, more than one-half of the total number of outstanding voting shares or the total capital stock of other companies in which the Company and its subsidiaries hold shares.

Article 11 Except as otherwise provided in the relevant laws and regulations, a resolution at a shareholders' meeting shall be made by the affirmative vote of a majority of the shareholders present and representing a majority of the total number of outstanding shares.

Article 12 A shareholder may appoint a proxy to attend a shareholders' meeting in accordance with the Company Law and the "Rules Governing the Use of Proxy Forms for Attending Shareholders' Meetings by Public Companies" published by the competent authorities by issuing a proxy form issued by the Company, stating the scope of authorization.

Article 13 The chairman of the board of directors shall be the chairman of the shareholders' meeting. If the chairman of the board of directors is absent or is unable to exercise his or her duties for any reason, the vice chairman of the board of directors shall act as the chairman of the board of directors; if the vice chairman of the board of directors is also absent or is unable to exercise his or her duties for any reason, the chairman of the board of directors shall designate a director to act as the chairman of the board of directors. If the meeting is convened by someone other than the Board of Directors, the chairman shall be the convener of the meeting. If there are more than two conveners, one of them shall be elected from among themselves.

Article 13-1 The minutes of the shareholders' meeting shall be prepared, signed and sealed by the chairman of the shareholders' meeting, and shall be distributed to the shareholders within 20 days after the meeting.

## Chapter 4 Director and Manager

- Article 14 The Company has 9-13 directors, who are elected by the shareholders' meeting for a term of three years and are eligible for re-election. The total shareholding of all directors shall be in accordance with the regulations of the securities regulatory authorities. The number of independent directors of the Company shall not be less than three (at least one of whom shall have accounting or financial expertise) and shall not be less than one-fifth of the number of directors.
- Article 15 The election of directors is based on a candidate nomination system, and shareholders shall elect directors from a list of candidates in accordance with the provisions of Article 192-1 of the Company Act.  
Independent directors and non-independent directors shall be elected together and the number of elected seats shall be calculated separately. The professional qualifications, shareholdings, restrictions on concurrent employment, nomination and election of independent directors and other matters to be followed shall be in accordance with the relevant regulations of the competent securities authorities.
- Article 16 The power and duty of Board of Directors are as follows:
1. To convene shareholders' meetings and execute their resolutions.
  2. To decide on business plans.
  3. Review and approval of various articles of incorporation and important contracts.
  4. To approve the acquisition and disposal of the Company's important properties.
  5. Decisions on important personnel of the Company.
  6. Decisions to abolish or change the establishment of branches, business premises, or plants.
  7. Preparation and review of budget and operating reports.
  8. Decisions on other important matters.
- Article 17 The Board of Directors shall be composed of a Chairman and a Vice Chairman elected by the Directors from among themselves, who shall represent the Company externally and preside over important affairs. If the Chairman of the Board is unable to exercise his or her authority for any reason, the Vice Chairman of the Board shall act as his or her proxy. If both the chairman and vice chairman are unable to exercise their duties and responsibilities for any reason, the chairman shall designate a director to act as his or her proxy; if the chairman does not designate a proxy, the directors shall elect one from among themselves to act as their proxy.
- Article 18 The board meeting shall be convened by the chairman of the board of directors. The notice of convening may be given in writing, by e-mail or by facsimile, stating the reason for the convening, and shall be given to each director seven days in advance. However, in case of emergency, the meeting may be convened at any time. Unless otherwise provided by law, a resolution of the Board of Directors shall be made with the presence of one-half of the directors and the approval of a majority of the directors present. A director may appoint another director to attend a board meeting as a proxy in accordance with the law, but the proxy may only be appointed by one person.
- Article 19 In accordance with Article 14-4 of the Securities and Exchange Act, the Company has established an Audit Committee, which consists of all independent directors.  
The number, term of office, terms of reference, and rules of procedure of the Audit Committee shall be determined in accordance with the relevant provisions of the Regulations Governing the Exercise of Powers and Functions by the Audit Committee of Public Companies, and shall be governed by the Rules of Organization of the Audit Committee.
- Article 20 All directors are entitled to be paid carriage and horse expenses at the same rate as their peers, and employees are paid salaries and allowances regardless of the Company's profit or loss.  
The compensation of the Chairman, Vice Chairman and Directors is authorized to be determined by the Board of Directors based on the extent of their participation in the Company's operations and the value of their contributions, taking into account the usual standards in the industry.
- Article 21 The Company has a general manager to manage the affairs of the Company by resolution of the Board of Directors, and a number of vice presidents are set to assist the general manager in the management of the Company's affairs. The General Manager shall be appointed and removed by a majority of the Board of Directors present, except that a majority of the Directors present shall approve the appointment and removal of the General Manager. The Vice President and General Manager are proposed to the Board of Directors for appointment and removal. Compensation is

authorized to be determined by the Board of Directors based on the extent of their participation in and value of their contributions to the Company's operations and with reference to the usual industry standards.

Article 22 Other employees of the Company shall be appointed and removed by the President and shall be reported to the Board of Directors for approval.

### **Chapter 5 Accounting**

Article 23 The Company's fiscal year begins on January 1 and ends on December 31 each year, and the accounts are finalized at the end of the year.

Article 24 At the end of the Company's fiscal year, the following table is submitted to the General Meeting of Shareholders for recognition:

1. Business Report

2. Financial Statement

3. The proposal to distribute earnings or make up losses.

Article 25 If the Company makes a profit in a year, 4% of the profit shall be set aside for employee compensation; directors' compensation shall be limited to no more than 2%. However, if the Company has accumulated losses, the amount of compensation shall be reserved in advance.

Article 25-1 If there is any surplus in the Company's annual financial statements, the Company shall first pay taxes and make up for accumulated deficits, then set aside 10% of the legal reserve and set aside or reverse the special reserve as required by law or actual needs, and if there is still surplus and undistributed earnings at the beginning of the period, then the shareholders' meeting shall resolve to distribute dividends to shareholders.

The Company is in a volatile industry and is in a stable growth phase of its corporate life cycle. Based on long-term financial planning and future capital needs, and to meet shareholders' needs for cash inflows, the Company's dividend policy is to pay dividends in the form of cash or stock dividends after considering capital surplus, retained earnings and future profitability. Since the Company is a localized and in a matured industry, the capital consideration is to develop in a stable manner. Cash dividends are preferred over stock dividends, but the percentage of stock dividends shall not exceed 50% of the total dividends.

### **Chapter 6 Supplementary**

Article 26 The Company's by-laws and regulations are subject to separate rules and regulations.

Article 27 Any matters not covered by the Articles of Incorporation shall be governed by the provisions of the Company Act and other relevant laws and regulations.

Article 28 The Article was established on Aug.9, 1968.

1<sup>st</sup> amendment was made on Sep.14, 1968.

2<sup>nd</sup> amendment was made on Nov.15, 1969.

3<sup>rd</sup> amendment was made on Aug.1, 1970.

4<sup>th</sup> amendment was made on Jun.29, 1973.

5<sup>th</sup> amendment was made on May 20, 1974.

6<sup>th</sup> amendment was made on Apr.24, 1975.

7<sup>th</sup> amendment was made on May 29, 1976.

8<sup>th</sup> amendment was made on Aug.14, 1977.

9<sup>th</sup> amendment was made on Jun.30, 1978.

10<sup>th</sup> amendment was made on May 26, 1979.

11<sup>th</sup> amendment was made on Aug.30, 1979.

12<sup>th</sup> amendment was made on Jan.13, 1981.

13<sup>th</sup> amendment was made on May 15, 1981.

14<sup>th</sup> amendment was made on Jun.11, 1982.

15<sup>th</sup> amendment was made on May 20, 1985.

16<sup>th</sup> amendment was made on Oct.19, 1985.

17<sup>th</sup> amendment was made on Dec.18, 1985.

18<sup>th</sup> amendment was made on Jul.22, 1987.

19<sup>th</sup> amendment was made on Jun.17, 1988.

20<sup>th</sup> amendment was made on Jul.15, 1989.  
21<sup>th</sup> amendment was made on Aug.20, 1989.  
22<sup>th</sup> amendment was made on May 11, 1990.  
23<sup>th</sup> amendment was made on May 16, 1991.  
24<sup>th</sup> amendment was made on Jun.26, 1992.  
25<sup>th</sup> amendment was made on May 20, 1994.  
26<sup>th</sup> amendment was made on May 31, 1995.  
27<sup>th</sup> amendment was made on Apr.19, 1997.  
28<sup>th</sup> amendment was made on May 6, 1998.  
29<sup>th</sup> amendment was made on May 14, 1999.  
30<sup>th</sup> amendment was made on May 3, 2000.  
31<sup>th</sup> amendment was made on Jun.13, 2001.  
32<sup>th</sup> amendment was made on Jun.20, 2002.  
33<sup>th</sup> amendment was made on Jun.24, 2003.  
34<sup>th</sup> amendment was made on Jun.22, 2005.  
35<sup>th</sup> amendment was made on Jun.23, 2006.  
36<sup>th</sup> amendment was made on Jun.19, 2008.  
37<sup>th</sup> amendment was made on Jun.19, 2012.  
38<sup>th</sup> amendment was made on Jun.20, 2013.  
39<sup>th</sup> amendment was made on Jun.17, 2015.  
40<sup>th</sup> amendment was made on Jun.229, 2016.  
41<sup>th</sup> amendment was made on Jun.21, 2017.

Chairman: SUNG, HE-YEH



#### Appendix 4

The effects of the stock dividends issued this time on the operating performance of the Company, earnings per share and the return on investment by shareholders.

Item		Y e a r	2021 (estimate)
Beginning paid-in capital			NT\$2,174,539,740
Dividends and Interests	Cash dividends per share (Note 1)		NT\$0.70
	Dividends per share after earnings were transferred to capital (Note 1)		0.05 share
	Dividends per share after additional paid in capital were transferred to capital		-
Changes in Operating Performance	Operating profit		
	Increase (decrease) in operating profit compared with the same period last year		
	Net operating profit after tax		
	Increase (decrease) in net operating profit after tax compared with the same period last year		
	Earnings per share		
	Ratio of increase (decrease) in earnings per share compared with the same period last year		
	Average annual return on investment (reciprocal of average annual price-to-earnings ratio)		
Pro forma earnings per share and price-to-earnings ratio	If the earnings transferred to the capital are used for issuing cash dividends	Pro forma earnings per share (NT\$)	Note 2
		Pro forma average annual return on investment	
	If the capital reserve is not transferred to the capital	Pro forma earnings per share (NT\$)	
		Pro forma average annual return on investment	
	If the capital reserve is not transferred to the capital and the earnings transferred to the capital are used for issuing cash dividends	Pro forma earnings per share (NT\$)	
		Pro forma average annual return on investment	

Note 1: The information of the estimate of the dividends to be issued in 2021 was filled in based on the proposal for earnings distribution approved by the resolution of the Board on March 30, 2021.

Note 2: The Company does not disclose its financial forecast for 2021, so this is not applicable.



ALLIS ELECTRIC CO.,LTD.

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