Stock Code : 1514

2021
Annual Report

ALLIS ELECTRIC CO.,LTD.

Annual Report
2021

Issued on May 20, 2022

MOPS Website: https://mops.twse.com.tw
Company Official Website: https://www.allis.com.tw

I. The Spokesperson and Deputy Spokesperson of the Company

Information \ Spokesperson	Spokesperson	Deputy Spokesperson
Name	TENG, CHUN-SHENG	CHAN, YI-YUAN
Title	Vice General Manager, Division of Administration and Materials	Accounting Supervisor
TEL	(02) 2655-3456 ext.2620	(02) 2655-3456 ext.2640
E-mail	dennis@allis.com.tw	jamesjan@allis.com.tw

II. Addresses and Telephone Numbers

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TEL: (02) 2655-3456
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TEL: (03) 475-5191
Address of Xinzhuang Factory: No. 317, Qionglin S. Rd., Xinzhuang Dist., New Taipei City 24264
TEL: (2) 2202-2233

III. Stock Transfer Agent

Name: Yuanta Securities Co., Ltd.
Address: B1, No. 210, Sec. 3, Chengde Rd., Taipei City
Website: http://www.yuanta.com.tw
Tel: (02) 2586-5859

IV. Information of the CPAs for the Financial Statements of the Most Recent Fiscal Year

CPAs: CHO, MIN-CHIH, HSIANG, WEN-TING
Name of the Accounting Firm: Hui-Chung CPA Firm
Address: 4F, No. 501, Sec. 2, Tiding Boulevard, Taipei City
Websites: No
TEL: (02) 8751-9698

V. Official Website of the Company

http://www.allis.com.tw

VI. Overseas Securities Exchange: No

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I. Report to Shareholders

(I) Annual Business Report

Company operations in 2021 were as follows:

A. Production:

Total production total costs in 2021 were NT$4,581,055,000, an increase of 9.52% (+NT$4,182,869,000) of the previous year (NT$398,186,000), with comparisons by product as follows:

	2021	2020	Growth Rate %	
Electrical Products	1,317,155	864,344	+	52.39
Transformers	556,529	351,598	+	58.29
Electrical Equipment	628,119	807,612	-	22.23
Electronic Products	966,763	1,009,214	-	4.21
Materials	118,819	66,442	+	78.83
Engineering (With Installation)	991,601	1,073,598	-	7.64
Other	2,069	10,061	-	79.44
Total	4,581,055	4,182,869	+	9.52

B. Operations

Total operating revenue of the year was NT$5,390,995,000 (94.20% was domestic sales valued at NT$5,078,526,000 and 5.80% was external sales valued at NT$312,469,000), an increase of 7.55% (NT$5,012,368,000) of that of the previous year of NT$378,627,000, with comparisons by product as follows:

	2021	2020	Growth Rate %	
Electrical Products	1,457,654	981,519	+	48.51
Transformers	619,711	424,777	+	45.89
Electrical Equipment	830,414	1,054,210	-	21.23
Electronic Products	1,171,106	1,239,979	-	5.55
Materials	176,210	98,086	+	79.65
Engineering (With Installation)	1,124,065	1,199,486	-	6.29
Other	11,835	14,311	-	17.30
Total	5,390,995	5,012,368	+	7.55

C. Profit:

Net income after tax of the fiscal year 2021 was NT$361,521,000, an increase of 11.61% (NT$323,925,000) of that of the fiscal year 2020 (NT$37,596,000).

D. General description in addition to operational policy, business summary, and development strategy of 2022:

1. General Description:

According to approximate statistics provided by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the economic growth rate of Taiwan in 2021 was 6.45%, ranking the top in global GDP growth rate. It's estimated that the economic growth rate in 2022 will be 4.42%, mainly because the export of goods is expected to continue growing, as well as overseas Taiwanese businesses returning home, investment and subsequent expansion of semiconductor factories, domestic investment, and "The Forward-Looking Infrastructure Development Program" continuously promoted by the government. All of these factors are boosting overall economic growth momentum. However, the fact that the global COVID-19 pandemic has yet to be effectively controlled, and there is a China–United States trade war and Ukraine-Russia conflict, both of which disrupt the world financial order, the fiscal and monetary policies of every country will continue to be affected. These factors have caused disruption to supply chains and inflation as well as harming global economic growth. In recent years, the government's investment in public infrastructure has increased, and is viewed as a key factor in boosting Taiwan's economy. The policy of increasing domestic demand has been implemented for years and is beneficial to domestic demand-driven industries. Lately, there has been a string of power outage incidents. The Electricity Distribution System Enhancement Program is important to Taiwan Power Company and this will also make company's revenue and profits grow steadily in the future. For years we have been committed to innovation and transformation. We developed smart switch gear, optoelectronics, green energy, energy-saving solutions, and energy storage products for Tai Power company's Electricity Distribution System Enhancement Program. We also continue to create and develop power electronics, electric buses and rail-car charging equipment products. These products are all able to meet the demand of the current domestic electrical grids and the needs of the era. Meanwhile, the revenue of these products is steadily growing, which also helps reduce the mature market risk that traditional heavy electrical equipment products are facing. The transformation process is difficult but successful. In 2021, due to the efforts of all colleagues, the number of orders increased and profits grew. There are large number of current orders on hand; a hard-earned milestone for the company.

2. Operational Strategy:
   The global economy will definitely face long-term structural adjustments. The structural transformation is a key change that Taiwan is facing and requires strategy and innovation. The priority of the annual operational policy in 2022 is to take orders immediately and seek stable growth to maximize the average effectiveness of production capacity; in addition to increasing revenue and reducing expenditure, we will focus on strengthening product quality as well as controlling risks. Moreover, we will accelerate the development and launch of new products to keep the company growing and transforming. We will also focus on tracking forward-looking plans and the business opportunities within optoelectronic and green energy construction, the expansion of semiconductor factories, equipment upgrade of Tai Power Company's smart substations and the Electricity Distribution System Enhancement Program. Through innovation and the added-value created by market segmentation, product differentiation, and system customization, as well as expanding into the market with mobility and flexibility, we will create our own blue ocean.
3. Orders, production and sales in 2022
   As the number of orders in 2021 was larger than sales, current orders on hand can meet the needs of overall production capacity more in 2022. Heavy electrical equipment industry is the basic industry of the country. The global economy, after

decades of development, is heading towards the development of green energy, energy-saving solutions, energy storage, intelligence, and high efficiency, which renders old electronical equipment replaceable. Over the years, we will continue developing new products in line with this global shift. It is expected that in 2022 the number of orders taken and production and sales levels should grow steadily and break through.

4. Company development strategy in the future
   Our devotion to research and development over many years has produced results. Various circuit switches for electricity distribution automation have obtained localization certifications from Tai Power Company, and orders are therefore successively fulfilled. Products all meet the production capacity of the newly built electrical construction materials factory as well. Due to the successful sale of PV inverters, a new, large-volume product is being developed. Charging equipment for electric buses and rail EVU will also see a breakthrough in development in line with the latest trend. Regarding the development direction of new products and the market in the future, we will continue to use accumulated core technology to develop new products, including smart electrical equipment, power electronics, energy-saving solutions, energy storage products, smart electrical grids, and cloud application related products. In addition, the construction of semiconductor factories and the rail transit industry will still account for the bulk of the budget in public infrastructure construction in the future. Therefore, we will dedicate a lot of our resources to these two related fields, and occupy a good share of the industry from which we can reap the benefits in the future. All colleagues will work harder to achieve goals, and we appreciate the support of all our shareholders.

Allis Electric Co., Ltd
Chairman: Sung, He-Yeh
Manager: Cheng, Chao-Pin
Accounting Supervisor: Chan, I-Yuan

(II) 2022 Outline of Business Plan

A. Business Plan

1. The global economic recession will be -3.3% in 2020. According to the International Monetary Fund (IMF), the global economic growth rate in 2021 can turn into a positive growth rate of 5.9%. The Accounting and Statistics Department announced that the economic growth rate of Taiwan will be 3.11% in 2020, and predicted that the annual economic growth rate will reach 5.88% in 2021 and 3.69% in 2022. With the global epidemic raging, the overall economic performance of Taiwan Province in recent years is not easy. Recently, the international prices of basic metals, crude oil/natural gas and agricultural and industrial raw materials have all risen sharply. Coupled with the global supply chain disorder and high air and sea freight rates, global inflation has been formed, which may be detrimental to the pace and strength of international economic recovery.
   Cross-strait relations are not advancing but retreating, and the red supply chain is rising more rapidly. I don't know when the Sino-US economic, trade and technological war will end. Taiwan Provinceis in the middle of it and has been excluded from the signing of regional free trade agreements, and the situation is still very embarrassing; The government's southward policy is ineffective, and all industries have no clear vision of transformation, which will lead to the outflow of capital and talents, and private investment still depends on the support of large enterprises with growth; Economic growth depends on the foreign trade surplus of information and communication products, which leads to the imbalance of industrial structure, worsening wealth distribution, conservative consumption and high savings rate, all of which are detrimental to the long-term economic development. Therefore, despite the financial difficulties, the government has to continue to promote the construction of public investment, which is in line with the urgent needs of domestic demand industries. At present, the most important task is to cooperate with the government's public building design plans and the demand of Taiwanese businessmen returning to build factories, accelerate the development and listing of new products to drive the company's transformation, and at the same time, on the basis of existing products with advantages, expand the market space with innovative value-added and flexibility of market segmentation, product differentiation and system customization.
2. It's not easy to open up new sources of income, the price of raw materials is soaring and the exchange rate fluctuates violently. It's really important to control the cost in advance and continuously reduce and strictly control the cost in each case. All institutions and cases need to generate reasonable added value and squeeze out the expected profit. Although the recovery of accounts receivable is not too risky, the amount is still relatively high. It is more important to urge shortening the period of payment recovery, restructuring the bank credit line, paying attention to the control of cash flow and reinvestment, etc., so that the financial structure is stable, and the group enterprises grow steadily and develop sustainably.
3. The R&D results in recent years have demonstrated significant outcome but the Company shall deliberately evaluate and shorten the time to market so that new product sales will continue to surpass 20% of the annual revenue regularly.
4. The domestic heavy electric market has reached the maturity market and faces with intense competition. The Company actively cooperates with government policies to control the equipment upgrade of electric factories, and transmission robust plan: Taiwan Railway, MRT, light track and other industrial construction; smart, green energy, power storage, energy saving and implementation; electric bus/ rail vehicle charging equipment, cloud big data, IDC machine room, 5G/6G and other opportunities,

system integration and potential to strengthen project turnkey, all of which will solidify and improve market share and while the Company strengths will drive the Company to grow.

5. As for foreign markets, strengthen the management of foreign subsidiaries, participate in the exhibition and promote new products in due course, and promote the export of products by leveraging the strategic cooperation mode, so as to ensure that the external sales volume accounts for more than 20% of self-made products.
6. The Company upholds to people oriented corporate philosophy and faces with change of generations, developing the successors for all departments so that the Company will breach out in prosperity.

B. Important Production and Marketing Policies

1. Implement the spirit and operation of ISO9001 quality management, ISO14001 environmental management, ISO45001 occupational safety and health management and the Responsible Business Alliance Code of Conduct (RBA) , and achieve the goal of satisfying customers with products and services.
2. The production line and process of Yangmei's newly-built production site are properly planned, and the continuous improvement of process and automation technology improves productivity and strengthens collaborative resources, so that the most streamlined manpower can reach the optimum productivity, and the marginal productivity can be increased to create the maximum added value.
3. Cooperate with government laws and regulations and customer requirements to actively obtain industry and related product qualification certification, seize opportunities first, and strive for business opportunities driven by forward-looking construction plans. At the same time, the long-term deployment and construction planning of relative measures for energy conservation and carbon reduction should be considered.
4. Pay close attention to the integration and application of information and communication, smart grid/green energy/energy storage/energy conservation, rail industry construction, electric vehicles, 5G/6G, cloud big data and Internet of Things and other industrial trends and related products, and create new technologies, new products and new business opportunities by combining the R&D foundation of the company and its subsidiaries and domestic and foreign sales channels.

C. Forecast Sales Volume and Basis:

According to the domestic and international 2021 economy, and the order schedule received by the Company, the 2022 sales volume are projected as follows:

Type of Product	2021 Sales Volume	2022 Sales Volume (estimate)
Electrical Products	12,045 sets	13,000 sets
Transformers	4,942 units	5,200 units
Electrical Equipment	19,490 sets	23,000 sets
Electronic Products	6,429 sets	10,000 sets
Replaced Material	—	2,500 sets
Engineering (With Installation)/ Other Operation Income	—	—

D. Important Production and Marketing Policies

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

II. Company Profile

(I) Date of Incorporation

The Company was incorporated on Sep. 25, 1968.

(II) Company History

Year	Course of Development
1968	✧ Founded on September 25, 1968.
1969	✧ Completed factory building and opened for operation on June, 6, 1969; producing distribution board and aluminum cable spare parts.
1974	✧ Relocated to current address in Xinzhuang due to business expansion, increase manufacturing factory for power distribution voltage.
1975	✧ Collaborated with Aichi Electric Works Co., Ltd. for vacuum circuit breaker (below 24KV) in December.
1975	✧ Reinvested and established "LE MIN INDUSTRIAL CO., LTD." with specialization in manufacturing distribution wiring route hardware.
1977	✧ Transformer and distribution products awarded by BSMI of MOEA as "Class A Quality Assurance" Factory.
1978	✧ Collaborated and invested with Shikoku Marine Electric Co., Ltd. to establish the Taiwan Marine Electric Co., Ltd. ✧ Collaborated with Aichi Electric Works Co., Ltd. in April to sign the distribution apparatus technical cooperation. ✧ Collaborated with SIEMENS-ALLIS INC. in September to produce 69KV air break switch (ABS). ✧ Assessed by MOEA as First-Grade Factory in distribution apparatus and voltage.
1979	✧ Collaborated with Shindengen in June to manufacture telecommunication and rectifier equipment system.
1980	✧ Purchased 11,000 pings (level ground) of land in Yangmei in April to expand the Allis Yangmei factory.
1981	✧ First company to collaborate with German TU Company in October, producing 24KV grade of epoxy mold dry voltage under 2500KVA.
1982	✧ Developed Quality Control Circle (QCC) activities in September. ✧ Awarded with metal in "Quality Control Distinguished Factory" by BSMI of MOEA in October.
1983	✧ Collaborated with SIEMENS ENERGY & AUTOMATION INC. in May to produce 161KV ABS and passed the test from Taiwan Power Company in November.
1984	✧ Ground breaking in Yangmei Factory in October, preparing to produce dry voltages and high-end enclosed switchgear.
1985	✧ Collaborated with Taiwan Electric Research & Testing Center to complete the short circuit test equipment in April, the first company to apply for vacuum circuit breaker (VCB) and qualification test for metal clad switchgear.
1986	✧ Yangmei Factory Phase I construction completed in April. ✧ Collaborated with Takamatsu in November to produce gas switch of 15KV and lower of SF6 gas switch.
1987	✧ Yangmei Factory Phase II new factory build in July, "Sheet Plating Factory" officially operated on 17th of July.

Year	Course of Development
1988	⌖ Yangmei Factory Phase III Building Operating in October. ⌖ The Company passed the corporate synergy team by Industrial Development Bureau of MOEA in November and officially established the Allis E&M Center Satellite Factory System.
1989	⌖ Signed investment contract with Nissin Electric Co., Ltd. from Japan. ⌖ Approved by Board of Directors in April, reinvested in Air King Industrial Co., Ltd. with business lines including the various hazard treatment equipment, dust collection equipment, and sewage treatment business. ⌖ Signed technical transfer contract for "remote terminal unit (RTU)" with ITRI Computer and Communication Industry Research Institute in May. ⌖ Collaborated with KEARNEY NATIONAL INC. from U.S. on technology cooperation in December to produce fuse cut out.
1990	⌖ Yangmei Factory Phase IV Distribution Apparatus Factory building in March.
1991	⌖ Collaborated with KEARNEY NATIONAL INC. for hydraulic circuit breaker in October. ⌖ Cooperated with INTERNATIONAL POWER MACHINES CORP. for technical production of UPS In October. ⌖ Collaborated with Nissin Electric Co., Ltd. to establish the joint venture company in November, Nissin-Allis Electric Co., Ltd. to produce SF6 capacitor, hydraulic insulation switch and spare parts.
1992	⌖ Technical collaboration with ABB from Germany in July to produce MNS TYPE MCC.
1993	⌖ Entered joint venture (Nissin-Allis Electric Co. Ltd.) with Nissin Electric Co., Ltd. in May for ground breaking and factory building. The initial products is to produce gas-insulation high-voltage power capacitor and gas insulation switch equipment.
1994	⌖ Became listed company on March 26. ⌖ Awarded with ISO-9001 international standard quality assurance system recognition and registration in May. ⌖ Awarded with Chinese Society for Quality-Quality Control Group Award in September.
1995	⌖ Reinvested in ARES TECHNOLOGY CO., LTD. in April to produce UPS equipment and related products. ⌖ Reinvested in Allis Communications in November to product and sell GPS antenna, TV planar antenna and antenna for airplane, vessel, automobile, and mobile phones.
1996	⌖ The Company's distribution apparatus and voltage are awarded with TEEMA Golden Quality Award and Excellent Function Award in March.
1997	⌖ Collaborated with Nissin Electric Co., Ltd. in June to produce the 25.8KV GIS pressure insulation switch equipment.
1998	⌖ Collaborated with POWERTRONIX S.P.A in June to develop intermediate and large high-frequency three-phase UPS.
1999	⌖ Collaborated with RECTIFIER TECHNOLOGY in December to produce new high-frequency exchange converter.
2000	⌖ Reinvested in AEC SPA in December to engage in power electric product sales.

Year	Course of Development
2001	⌖ Reinvested in Nissin Allis Union Ion Equipment Co., Ltd. in May to engage in the maintenance and services for semiconductor equipment.
2002	⌖ Reinvested in Nippon Signal Co., Ltd. in March to engage in railway signal and traffic signal maintenance and buy/sell business. ⌖ Invested in Qingdao Yee-He Allis Electric Co., Ltd. in July to engage in the manufacturing of power switch products.
2003	⌖ Yangmei Factory successfully introduced OHSAS18001 in October.
2004	⌖ Invested in Qingdao Yee-He Allies Voltage Co., Ltd. in March to engage in the manufacturing of power voltage products.
2005	⌖ Invested in AEC POWER CONTROL LTD in August to expand the export market for electric and power products to Europe.
2006	⌖ Invested in Intelicis Corporation, in Sillicone Valley, US, in June; engaged in wireless networking products application, development and sales.
2007	⌖ Invested in Qingdao Liming Communication Equipment Co., Ltd. in China in November; engaging in telecommunication equipment and power switch device manufacturing and sales.
2008	⌖ Invested in Qingdao Hengyuan Yali Electric Co., Ltd in March; engaged in the manufacturing and sales of electric switch device. ⌖ Expanded new epoxy mold voltage vacuum injection manufacturing equipment to improve product quality and export capacity.
2009	⌖ New German HEDRICH injection equipment, upgrading capacity and product quality.
2010	⌖ Xinzhuang Factory and Yangmei Factory passed OHSAS18001 and TOSHMS. ⌖ Yangmei Factory certified by ISO14001. ⌖ Xinzhuang Laboratory and Yangmei Laboratory passed ISO/IEC17025from Taiwan Accreditation Foundation (TAF) ISO/IEC17025.
2011	⌖ Xinzhuang Laboratory certified by Taiwan Accreditation Foundation (TAF). ⌖ Yangmei Laboratory certified by Taiwan Accreditation Foundation (TAF). ⌖ Established Salary and Remuneration Committee in December.
2012	⌖ Xinzhuang Factory passed the review with cognition by high-voltage power equipment manufacturers and acquired the MOEA recognition registration certificate on January 4, 2012. ⌖ Yangmei factory passed the review with recognition by high-voltage power equipment manufacturers and acquired the MOEA recognition registration certificate on July 17, 2012.
2013	⌖ Invested AYM International Inc. in Guam in October and engaged in power system turnkey project and equipment sales, maintenance, and other related business.
2014	⌖ Contracted Taichung Longjing Phase II Photovoltaic New Deployment project in December and was awarded by Public Construction Commission of Executive Yuan for Public Construction Quality Gold Award in “Design” and “construction” categories.
2015	⌖ Completed the 24kV SF6 elevated load breaker switch with PT. Sintra Sinarindo Electrik of Indonesia for local production, cooperation and sales plan in Indonesia.

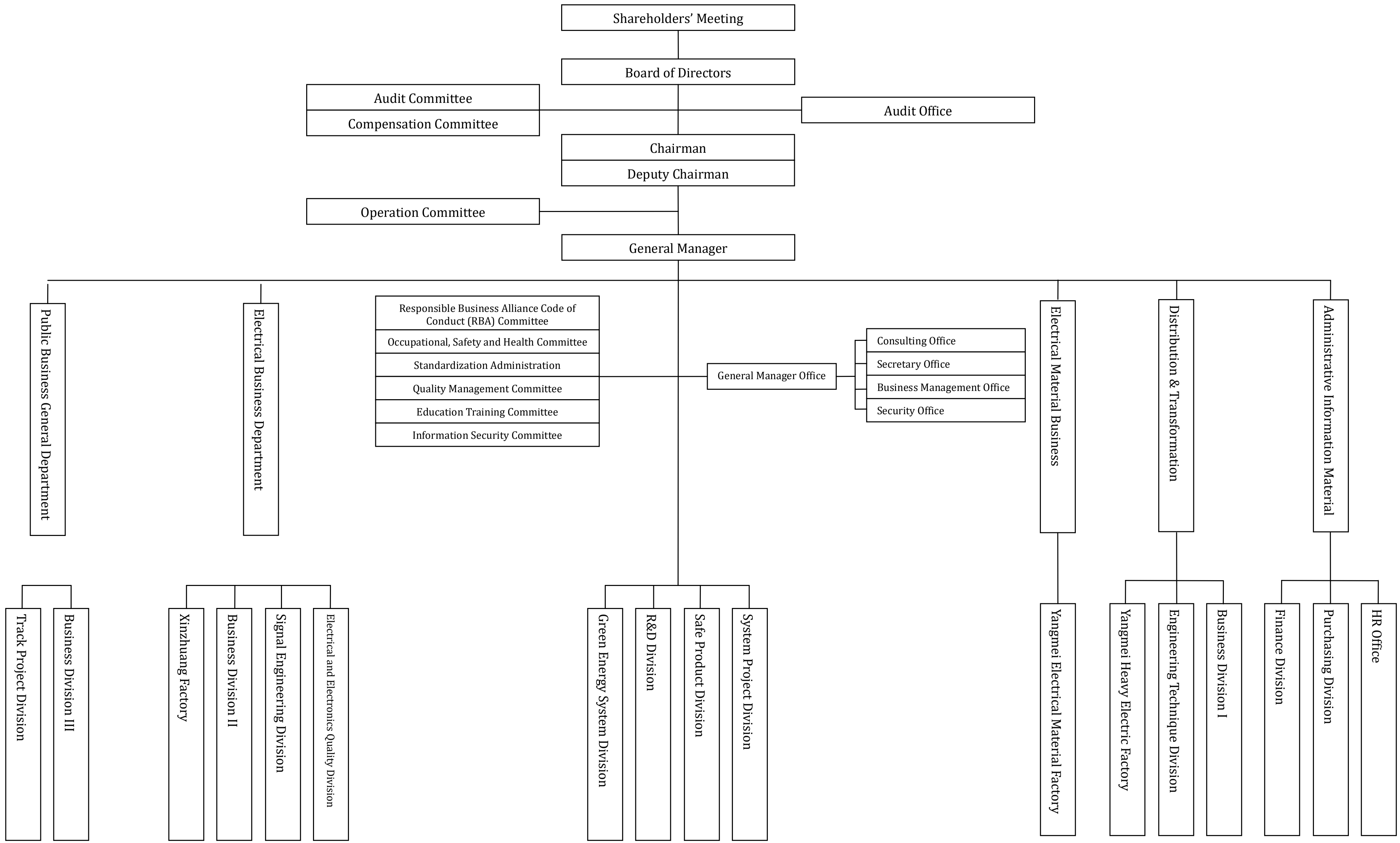
Year	Course of Development
2016	✧ Invested in PHD Powerhouse Distributions (PTY) LTD in July and engaged to the sales of UPS uninterrupted power systems.
2017	✧ Established Audit Committee in June. ✧ Invested in Leadtang Technology Co., Ltd.in October to engage in battery module, power storage and smart charger products business. ✧ Invested in Advantage International Green Energy Co., Ltd in December to engage in solar power equipment installation and technical services business.
2018	✧ Fiftieth Anniversary of company foundation. The Company proejcts to the future benchmark with "Centennial Business After Fifty Years of Glory." ✧ Invested in Tangeng Advanced Vehicles Co., Ltd. in October to engage in the production and sales of electric bus and related power storage equipment.
2019	✧ Allis Electric Group CEO Zheng-Tong Yang was honored with the Eighth New Academician of Industrial Technology Research Institute.
2020	✧ In February, the construction of Yangmei Electric Material Building commenced. ✧ Yangmei factory and Xinzhuang Factory received ISO45001 from Taiwan BSMI. ✧ Invested in AEC International SRL and authorized it to distribute the AEC Brand in Europe. ✧ Increased the investment in PHD Powerhouse Distributions (PTY) LTD. in South Africa and operated the sale of UPS Systems.
2021	✧ In June, the new construction of Yangmei Electric Material Building was completed, and it was officially put into production in October. ✧ In December, the new construction of Yangmei Transformer No.2 Plant started.

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

III. Company Governance Report

(I) Organization System

Allis Electric Co.,Ltd. Organization



Major Corporate Functions

President Office	1. Coordinating the alliance with international technical cooperation contract, contract management, and reinvestment accounts management. 2. Coordinating human resource management, employee salary and benefits, and educational training. 3. Coordinating market information collection and assisting with sales in product promotion and management. Coordinating and executing company-wide quality environment, safety and health policy.
Finance Division	Coordinating funds transfer, cost management, accounting and accounts, financial investment management, taxation handling, information security establishment, and stock affairs of the Company.
Purchasing Division	Coordinating procurement of materials and equipment, undertaking import/export business, and coordinating general affairs of the Company.
R&D Division	Coordinating the research, development of new products in power distribution equipment, power switch, and power electric related applications and the quality improvement on existing products.
Xinzhuang Factory	Coordinating the transmission and distribution equipment switch, the design, manufacturing, quality control, and post-sales services of power electric and green energy products.
Yangmei Heavy Electric Factory	Coordinating the design, manufacturing, quality control and post-sales services of distribution apparatus and transformer products.
Yangmei Factory	Coordinating the design, manufacturing, quality control, and post-sales services of T&D apparatus and switch products.
Business Division 1	Coordinating distribution apparatus, transformer and other product sales.
Business Division 2	Coordinating telecommunication power equipment, track vehicles and EMU charging equipment, UPS, solar power converter, and other product sales.
Business Division 3	Coordinating distribution apparatus, transformer, reactor, IED equipment and factory, switch equipment, aluminum kit and devices sales related matters.
System Engineering Division	Coordinating automatic monitoring plan/establishment/integration, agency/plan for protective relay, application/integration of smart grid, system and engineering related product technology introduction and sales.
Power Quality Division	Coordinating Uninterrupted Power System (UPS), high voltage direct current equipment (HVDC) and other product sales.
Green Energy System	Coordinating renewable energy, solar power converter, power conversion application of green power room and products sales, contracting, planning, design, construction, test and training for power and renewable energy construction turnkey projects.
Signal Engineering Division	Coordinating track signal equipment, signal power and signal project contracting, planning, design, construction, and test.
Track Engineering Division	Coordinating track EMU line system engineering and relevant equipment sales, and Taiwan Power Company Construction Division related power system and power related equipment sales.
Safety and Quality Assurance Division	Coordinating management regulations of the Company, educational training, occupational safety and health management, quality management, environmental management and other systems and system establishment, promotion and maintenance.

(II) Director, President, Vice President, Senior Manager, Branch Chief, Head of Critical Departments

A. Directors

Information of Directors 1

Shareholding Reference Date: 2022-04-23

Title	Nationality/ Country of Origin	Name	Sex Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience Education	The current positions of the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	ROC	Huede Industrial Co., Ltd. Representative He-Ye Song	Male 51~60	June 23, 2010	3 years	June 25, 2014	6,070,653 3,611,158	2.93 1.74	9,082,694 1,599,900	3.98 0.70	0 0	0.00 0.00	0 0	0.00 0.00	LE MIN INDUSTRIAL CO., LTD Chairman Allis Communications Director AEC International Srl Director Nissin Allis Union Ion Equipment Co., Ltd. Director Nissin-Allis Electric Co., Ltd Director ABICO NetCom Co., Ltd. Independent Director University of Southern California	The same as the information on the left	Director Director Representative	CHEN, MING-SHENG SUNG, WEN-YEH	Mother and Son Brother
Vice Chairman	ROC	Chao-Bin Zheng	Male 71~80	June 23, 2010	3 years	June 19, 2008	376,974	0.18	424,767	0.19	6,246	0.00	0	0.00	ARES TECHNOLOGY CO., LTD Chairman Qingdao Hengyuan Yali Electric Co., Ltd Director Nissin-Allis Electric Co., Ltd Supervisor National Taiwan University of Science and Technology	Concurrent position as the president of the Company and the ones listed on the left.	No	No	No
Director	ROC	Chengrui Investment Co., Ltd. Representative Cheng-Tong Yang	Male 81~90	June 23, 2010	3 years	June 25, 2014	3,704,910 5,363,013	1.79 2.59	4,084,662 5,912,721	1.79 2.59	0 2,175,534	0.00 0.95	0 0	0.00 0.00	Air King Industrial Co., Ltd. Director LE MIN INDUSTRIAL CO., LTD Director Nissin-Allis Electric Co., Ltd Director Allis Communications Supervisor Taiwan Marine Electric Co., Ltd. Supervisor National Taipei University of Technology	Concurrent position as the CEO of the Company and the ones listed on the left.	No	No	No
Director	ROC	Wen Li	Male 71~80	June 23, 2010	3 years	September 30, 1985	629,132	0.30	660,724	0.29	328	0.00	0	0.00	Yishun Investment CO., LTD. Chairman ARES TECHNOLOGY CO., LTD. Director Allis Communications Director Nissin Allis Union Ion Equipment Co., Ltd. Director Air King Industrial Co., Ltd. Supervisor Fu Jen Catholic University	Concurrent position at the senior consultant in chief of the Company	No	No	No
Director	ROC	Wen-Jing Chen	Male 61~70	June 23, 2010	3 years	June 21, 2017	127,752	0.05	146,845	0.06	136	0.00	0	0.00	National Taipei University of Technology	Concurrent position as the senior vice president of the Company	No	No	No
Director	ROC	Min-Shen Chen	Female 81~90	June 23, 2010	3 years	August 9, 1968 Elected as a supervisor May 29, 1976 Elected as a director.	8,306,735	4.01	4,958,174	2.17	0	0.00	4,200,000	1.84	Taiwan Marine Electric Co., Ltd. Chairman Air King Industrial Co., Ltd. Director LE MIN INDUSTRIAL CO., LTD Director Soochow University	Concurrent position as the consultant of the Company and listed on the left.	Chairman Representative Director Representative	SUNG, HE-YEH SUNG, WEN-YEH	Mother and Son Mother and Son
Director	ROC	Dudu Investments Co., Ltd. Representative Wen-Ye Song	Male 41~50	June 23, 2010	3 years	June 25, 2014	6,136,352 0	2.96 0.00	6,765,327 0	2.96 0.00	0 0	0.00 0.00	0 0	0.00 0.00	Allis Communications Chairman Pepperdine University	The same as the information on the left	Director Chairman Representative	CHEN, MING-SHENG SUNG, HE-YEH	Mother and Son Brother
Director	ROC	Shu-Ji Zhuo	Female 71~80	June 23, 2010	3 years	June 22, 2005 Elected as a supervisor June 21, 2017 Elected as a director.	2,159,336	1.06	2,380,667	1.04	0	0.00	0	0.00	PROLITECH CORP. Chairman YU SAN ELECTRIC CO., LTD Chairman Ming Chuan University	The same as the information on the left	No	No	No
Director	ROC	Shui-Long Luo	Male 61~70	June 23, 2010	3 years	June 19, 2008	1,670,000	0.81	1,841,175	0.81	495,110	0.22	0	0.00	PAI POLE ENTERPRISE CO., LTD. Yinming Senior High School	The same as the information on the left	No	No	No
Independent Director	ROC	Yin-Tai Wu	Male 71~80	June 23, 2010	3years	June 21, 2017	0	0.00	0	0.00	0	0.00	0	0.00	Chien Hsin University of Science and Technology, Dept. of Electrical Engineering Professor and Dean of College of Engineering and Computer Science University of Michigan: PhD in Naval Architecture and Marine Engineering Master in Computer, Information and Control Engineering Master in in Naval Architecture and Marine Engineering University of Washington: Master in Aeronautics and Astronautics Chung Cheng Institute of Technology: B.S. in Mechanical Engineering	No	No	No	No

Title	Nationality/ Country of Origin	Name	Sex Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience Education	The current positions of the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	ROC	Rui-Xiang Huang	Male 61~70	June 23, 2010	3years	June 21, 2017	0	0.00	0	0.00	0	0.00	0	0.00	Feida Business Consulting Co., Ltd. President IBF Securities Independent Director Tze Shin International Co., Ltd. Independent Director IVES OPTOELECTRONICS CO., LTD Director FASPRO SYSTEMS CO., LTD Supervisor CSSP INC. Supervisor Master in Accounting, National Chengchi University B.S. in Accounting, National Chengchi University	The same as the information on the left	No	No	No
Independent Director	ROC	SHIANG-CHI HU	Male 61~70	June 23, 2010	3years	June 21, 2017	0	0.00	0	0.00	0	0.00	0	0.00	IKKA HOLDING(CAYMAN) LIMITED Chairman JABON INTERNATIONAL CO., LTD. Chairman ABICO NetCom CO., Ltd Chairman Transystem Inc. Chairman ABICO Investment Co.,Ltd Chairman ABICO Asia Investment Co., Ltd Chairman Ability Enterprise Co., Ltd. Director DR.Chip Biotech Director JSL CONSTRUCTION & DEVELOPMENT CO., LTD Independent Director International Business, National Taiwan University, Master National Taiwan University Department of Electrical Engineering Bachelor	The same as the information on the left	No	No	No

Table 1: Major shareholders of the Institutional Shareholders

Shareholding Reference Date: 2022-04-23

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

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

Diretors’ Data 2

(A) Disclosure of professional qualifications of directors and independence information of independent directors:

Condition / Name	Profession and Experience	Independent Situation	Number of independent directors of other public companies concurrently
Hui De Co., Ltd Representative Song Heye	Chairman Song Heye graduated from the Department of Economics of the University of Southern California, and has more than 30 years' experience in the field of mechanical and electrical industry. He has served as chairman of LE MIN INDUSTRIAL CO., LTD, director of ALLIS COMMUNICATIONS COMPANY, LTD., director of NISSIN ALLIS UNION ION EQUIPMENT Co., Ltd, director of NISSIN-ALLIS ELECTRIC CO., LTD. and independent director of Feng Sheng Technology Co., Ltd, and has the background of industrial science and technology.	N/A	1
Zheng Chaobin	Vice Chairman Zheng Chaobin graduated from the Institute of Management of National Taiwan University of Science and Technology and the Department of Electrical Engineering of National Taipei University of Technology. He has nearly 50 years' experience in the field of electrical and mechanical industry. He is currently the vice chairman and general manager of our company, and has served as the chairman of ARES TECHNOLOGY CO., LTD, the chairman of Qingdao Hengyuan Yali Electric Co., Ltd and the supervisor of Nissin-Allis Electric Co., Ltd He has the background of industrial technology and marketing.	N/A	—
Zhenrui Investment Co., Ltd Representative Yang Zhentong	Director Yang Zhentong, one of the founders of Yali Group, graduated from the Department of Electrical Engineering of National Taipei University of Technology, and has more than 50 years' experience in the field of electrical and mechanical industry. He has served as the vice chairman of the Taiwan Electrical and Electronic Manufacturers' Association, the director of TERTEC, and an associate professor of Longhua Institute of Technology. In 2019, he was hired as an academician of the Industrial Technology Research Institute, and he has won the honors of Outstanding Contribution Award of Taiwan Power and Energy Engineering Association, Electric Contribution Award of Power Engineering Seminar of the Republic of China, and Top 100 Outstanding Alumni of National Taipei University of Technology. He has the background of industrial technology and education	N/A	—
Li Wen	Director Li Wen graduated from English Department of Fu Jen Catholic University, and has nearly 50 years' experience in the field of mechanical and electrical industry. He used to be the general manager and chairman of our company, as well as the chairman of Yishun Investment CO., LTD, the director of ARES TECHNOLOGY CO., LTD, the director of ALLIS COMMUNICATIONS COMPANY, LTD, the director of NISSIN ALLIS UNION ION EQUIPMENT CO., LTD. and the supervisor of AIR KING INDUSTRIAL CO., LTD. He has the background of industrial technology and marketing.	N/A	—
Chen Wenjin	Director Chen Wenjin graduated from the Department of Electrical Engineering of National Taipei University of Technology, and has nearly 50 years' experience in the field of electrical and mechanical industry. He once served as the director and assistant of our company, and is now the senior deputy general manager with the background of industrial technology and marketing.	N/A	—
Chen Mingsheng	Director Chen Mingsheng graduated from Soochow University. He is currently the chairman of TAIWAN MARINE ELECTRIC CO., LTD., the director of AIR KING INDUSTRIAL CO., LTD. and the director of LE MIN INDUSTRIAL CO., LTD. He has the background of industrial science and technology.	N/A	—

Condition / Name	Profession and Experience	Independent Situation	Number of independent directors of other public companies concurrently
Dudu Investment Co., Ltd Representative Song Wenye	Director Song Wenye graduated from Pepperdine University, and is currently the chairman of ALLIS COMMUNICATIONS COMPANY, LTD.. He has nearly 30 years' experience in the field of science and technology, and has the background of industrial science and technology.	N/A	—
Zhuo Shuji	Director Zhuo Shuji graduated from Ming Chuan University, served as the supervisor of our company, and is currently the chairman of YU SAN ELECTRIC CO., LTD. and PROLITECH CORP. She has nearly 50 years' experience in mechanical and electrical industry, and has the background of industrial technology and marketing.	N/A	—
Luo Shuilong	Director Luo Shuilong graduated from Yi Ming Senior High School, worked in PAI POLE ENTERPRISE CO., LTD., and had an industrial marketing background.	N/A	—
WU, YING-CHIN	WU, YING-CHIN, an independent director, holds a doctorate in shipbuilding and marine engineering from the University of Michigan, a master's degree in computer/information and control engineering, a master's degree in shipbuilding and marine engineering, and a master's degree in aeronautics and space from the University of Washington, USA. He has served as deputy general manager of Chunghwa Picture Tubes, Ltd., general manager of Saiyin Technology Company, general manager of Opti-UPS Company, vice chairman of Jingying Management Consulting Company, director of Energy and Environment Institute of Industrial Technology Research Institute, associate professor of Chung Cheng Institute of Technology, dean of Electrical Engineering Department of Chien Hsin University of Science and Technology, with more than 50 years' experience in the field of science and technology, with industrial science and technology and educational background.	All of them are in compliance with the independence-related provisions of Article 3 of "the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". • I, my spouse and relatives within the second degree have not served as directors, supervisors or employees of the Company or its relationship; • I, my spouse, relatives within the second degree (or in the name of others) do not hold shares of the company; • Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company; • In the last two years, he/she has not provided the business, legal affairs, finance and accounting services of the company or related enterprises, so he/she has not obtained the relevant remuneration amount.	—
HUANG, JUI-HSIANG	HUANG, JUI-HSIANG, an independent director, holds a master's degree from the Institute of Accounting of National Chengchi University. He used to be the assistant manager of KPMG Taiwan, the manager of Huizhong United Certified Public Accountants and the general manager of Dinkum & Co., CPAs. He is currently the general manager of Feida Enterprise Management Consulting Company, the independent director of Waterland Securities Co., Ltd. , the independent director of Tze Shin International Co. Ltd. , the director of IVES OPTOELECTRONICS CO., LTD, the supervisor of FASPRO SYSTEMS CO., LTD and the supervisor of CSSP INC. He has more than 30 years' experience in the field of enterprise management and possesses industrial technology.		2
HU, HSIANG-CHI	HU, HSIANG-CHI, an independent director, holds a master's degree and a bachelor's degree in electrical engineering from the Institute of International Business of National Taiwan University. He used to be an engineer of National Chung-Shan Institute of Science and Technology, an IBM professional management consultant, the general manager of Kaiju Company, the chairman of EKEEN PRECISION CO.,LTD., the chairman/general manager of CHIPCERA TECHNOLOGY CO.,LTD and the general manager of global business of YAGEO Corporation. He is currently the chairman of IKKA Holdings (Cayman) Limited, JABON INTERNATIONAL CO.,LTD, Feng Sheng Technology Co., Ltd, Transystem Inc., Abico Venture Capital Company, director and general manager of AVY Precision Technology INC., director of Ability Enterprise Co., Ltd., director of DR.Chip Biotech and independent director of JSL CONSTRUCTION & DEVELOPMENT CO., LTD.. More than 30 years' experience in the field of science and technology, with the background of industrial science and technology and marketing management.		1

Note: None of the directors of the Company or the representatives appointed by the corporate directors have any cases mentioned in Article 30 of the Company Law.

(B) Diversity and independence of the Board of Directors:

(1) Diversification of the board of directors:

In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, the composition of the board of directors considers various needs such as the company's operating structure, business development direction and future development trend, and evaluates various diversified aspects, such as basic composition (such as gender, nationality, age, tenure, etc.), management ability, cross-cultural leadership and industrial knowledge and experience.

The current board of directors of the Company consists of 12 directors, including 9 directors and 3 independent directors, whose members have rich experience and expertise in the fields of industry, finance, business and management.

In the list of 12 directors of Heng Company, 4 directors with employee status account for 33.33%, and independent directors account for 25%. The term of office of 3 independent directors is 4-6 years, 2 directors are under 60 years old, 4 directors are 60-69 years old, and 6 directors are over 70 years old. Considering the needs of business development and diversification, the company pays attention to the professional experience, knowledge and skills of board members, and aims to increase the number of directors with expertise and experience in the motor industry by more than 20%. At present, there are 8 directors with background in the motor industry, accounting for 66.66%. The company has always paid attention to the gender equality of board members. At present, the target of female directors ratio is over 15%, and currently there are 2 female directors out of 12 directors, accounting for 16.66%.

(2) Independence of the Board of Directors:

There are 12 directors in total, of which 3 are independent directors (accounting for 25%), all of whom meet all the conditions of independence.

The term of office of independent directors shall not exceed three consecutive terms, and the number of independent directors concurrently serving as other public companies shall not exceed two.

All directors are highly self-disciplined, and those who have an interest in the proposals listed by the board of directors, themselves or the legal persons they represent, shall not participate in the discussion and vote when the current board of directors explains the important contents of their interest, such as the danger of harming the company's interests, and shall withdraw from the discussion and vote, and shall not exercise their voting rights on behalf of other directors.

B. Management Team

Information of general manager, deputy general manager, assistant manager, heads of departments and branches

Shareholding Reference Date: 2022-04-23

Title	Nationality / Country of Origin	Name	Sex	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	The current the Company and other companies	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager	ROC	CHENG, CHAO-PIN	Male	July 1, 2011	424,767	0.19	6,246	0.00	0	0.00	Please refer to information on directors.	The same as the information on the left	No	No	No
Senior Vice General Manager	ROC	CHEN, WEN-CHIN	Male	July 1, 2020	146,845	0.06	136	0.00	0	0.00	Please refer to information on directors.	The same as the information on the left	No	No	No
Vice General Manage	ROC	TENG, CHUN-SHENG	Male	July 1, 2020	76,692	0.03	0	0.00	0	0.00	Air King Industrial Co., Ltd. Director Yishun Investment CO., LTD. Director Allis Communications Supervisor ARES TECHNOLOGY CO., LTD. Supervisor National Taipei University of Business	The same as the information on the left	No	No	No
Vice General Manage	ROC	LIU, CHI-JEN	Male	July 1, 2020	28,911	0.01	2,271	0.00	0	0.00	ARES TECHNOLOGY CO., LTD. Director National Taiwan University of Science and Technology	The same as the information on the left	No	No	No
Senior Manager	ROC	FANG, CHIH-HANG	Male	1060701	26,117	0.01	0	0.00	0	0.00	National Chiao Tung University, EECS	No	No	No	No
Senior Manager	ROC	HSU, CHUN-HUANG	Male	1100101	0	0.00	0	0.00	0	0.00	National Cheng Kung University, Department of Electrical Engineering	No	No	No	No
Senior Manager	ROC	WU, JEN-LUNG	Male	1100101	1,389	0.00	0	0.00	0	0.00	National Chin-Yi University of Technology-Department of Mechanical Engineering	No	No	No	No
Accounting Supervisor	ROC	CHAN, YI-YUAN	Male	July 1, 2020	2,357	0.00	2,205	0.00	0	0.00	Yishun Investment CO., LTD. Supervisor National Taipei University of Business, Department of Business Administration, EMBA	The same as the information on the left	No	No	No

C. Remuneration of general directors, independent directors, general manager and deputy general manager

1. Remuneration of Directors and Independent Directors-the Company

(Unit: NT$ thousands)

Title	Name	Remuneration of Directors				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Relevant Remuneration Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E +F+G) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)	Severance Pay (B)	Bonus to Directors (C)	Allowances (D)		Salary, Bonuses, and Allowances (E)	Severance Pay(F)	Profit Sharing- Employee Bonus (G)			
									Cash	Stock		
Chairman	Huede Industrial Co., Ltd. Representative He-Ye Song	0	0	1,732,469	180,000 and rent for automobile, which was 242,856	2,155,325 0.60%	6,355,500	2,696	515,520	0	9,029,041 2.50%	No
Vice Chairman	Chao-Bin Zheng	0	0	866,236	180,000 and rent for automobile, which was 422,856	1,469,092 0.41%	6,427,500	112,261	494,040	0	8,502,893 2.35%	No
Director	Chengrui Investment Co., Ltd. Representative Cheng-tung Yang	0	0	866,236	180,000 and rent for automobile, which was 906,288	1,952,524 0.54%	0	0	0	0	1,952,524 0.54%	No
Director	Wen Li	0	0	866,236	180,000 and rent for automobile, which was 422,856	1,469,092 0.41%	2,504,025	108,000	236,280	0	4,317,397 1.19%	No
Director	Wen-Jing Chen	0	0	866,236	180,000	1,046,236 0.29%	3,541,662	111,287	269,574	0	4,968,759 1.37%	No
Director	Min-Shen Chen	0	0	866,236	180,000	1,046,236 0.29%	420,000	0	0	0	1,466,236 0.41%	No
Director	Dudu Investments Co., Ltd. Representative Wen-Ye Song	0	0	866,236	180,000	1,046,236 0.29%	0	0	0	0	1,046,236 0.29%	No
Director	CHO, SHU-CHI	0	0	866,236	180,000	1,046,236 0.29%	0	0	0	0	1,046,236 0.29%	No
Director	CHEN, TZU-KUNG	0	0	0	45,000	45,000 0.01%	150,000	0	0	0	195,000 0.05%	No
Director	LO, SHUI-LUNG	0	0	866,236	180,000	1,046,236 0.29%	0	0	0	0	1,046,236 0.29%	No
Independent Director	WU, YING-CHIN	0	0	0	420,000	420,000 0.12%	0	0	0	0	420,000 0.12%	No
Independent Director	HUANG, JUI-HSIANG	0	0	0	420,000	420,000 0.12%	0	0	0	0	420,000 0.12%	No
Independent Director	HU, HSIANG-CHI	0	0	0	420,000	420,000 0.12%	0	0	0	0	420,000 0.12%	No

(1) The Company independent directors not only take part in the operation of Board of Directors but also take concurrent positions in the salary and remuneration committee and audit committee. Regardless of profit or loss, the independent directors only receive fixed transportation fees. The company does not offer additional pay to the independent directors while the independent directors do not participate in the distribution of bonus to directors.
(2) Retirement pension funds are appropriations.
(3) Director Zi-Gong Chen ceded in March, 2021

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

(Unit: NT$ thousands)

Title	Name	Remuneration of Directors				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Relevant Remuneration Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E +F+G) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)	Severance Pay (B)	Bonus to Directors (C)	Allowances (D)		Salary, Bonuses, and Allowances (E)	Severance Pay(F)	Profit Sharing- Employee Bonus (G)			
									Cash	Stock		
Chairman	Huede Industrial Co., Ltd. Representative He-Ye Song	0	0	1,732,469	300,000 and rent for automobile, which was242,856	2,275,325 0.63%	6,760,500	2,696	515,520	0	9,554,041 2.64%	No
Vice Chairman	Chao-Bin Zheng	0	0	866,236	180,000 and rent for automobile, which was422,856	1,469,092 0.41%	6,832,500	112,261	494,040	0	8,907,893 2.46%	No
Director	Chengrui Investment Co., Ltd. Representative Cheng-tung Yang	0	0	1,069,990	360,000 and rent for automobile, which was906,288	2,336,278 0.65%	1,441,297	0	0	0	3,777,575 1.04%	No
Director	Wen Li	0	0	1,069,990	420,000 and rent for automobile, which was422,856	1,912,846 0.53%	2,504,025	108,000	236,280	0	4,761,151 1.32%	No
Director	Wen-Jing Chen	0	0	866,236	180,000	1,046,236 0.29%	3,541,662	111,287	269,574	0	4,968,759 1.37%	No
Director	Min-Shen Chen	0	0	1,069,990	240,000	1,309,990 0.36%	960,000	0	0	0	2,269,990 0.63%	No
Director	Dudu Investments Co., Ltd. Representative Wen-Ye Song	0	0	866,236	300,000	1,166,236 0.32%	1,563,000	0	0	0	2,729,236 0.75%	No
Director	CHO, SHU-CHI	0	0	866,236	180,000	1,046,236 0.29%	0	0	0	0	1,046,236 0.29%	No
Director	CHEN, TZU-KUNG	0	0	0	45,000	45,000 0.01%	150,000	0	0	0	195,000 0.05%	No
Director	LO, SHUI-LUNG	0	0	866,236	180,000	1,046,236 0.29%	0	0	0	0	1,046,236 0.29%	No
Independent Director	WU, YING-CHIN	0	0	0	420,000	420,000 0.12%	0	0	0	0	420,000 0.12%	No
Independent Director	HUANG, JUI-HSIANG	0	0	0	420,000	420,000 0.12%	0	0	0	0	420,000 0.12%	No
Independent Director	HU, HSIANG-CHI	0	0	0	420,000	420,000 0.12%	0	0	0	0	420,000 0.12%	No

(1) The Company independent directors not only take part in the operation of Board of Directors but also take concurrent positions in the salary and remuneration committee and audit committee. Regardless of profit or loss, the independent directors only receive fixed transportation fees. The company does not offer additional pay to the independent directors while the independent directors do not participate in the distribution of bonus to directors.
(2) Retirement pension funds are appropriations.
(3) Director Zi-Gong Chen ceded in March, 2021.

2. Remuneration of the General Manager and Vice General Manager -the Company

(Unit: NT$ thousands)

Title	Name	Salary (A)	Retire Pension (B)	Bonus and Special expenditure, etc. (C)	Staff Compensation (D)		A Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
					Cash	Stock		
General Manager	CHENG, CHAO-PIN	2,867,500	112,261	3,560,000	494,040	0	7,033,801 1.95%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,741,662	111,287	1,800,000	269,574	0	3,922,523 1.09%	No
Vice General Manager	TENG, CHUN-SHENG	1,481,436	100,950	1,255,000	148,212	0	2,985,598 0.83%	No
Vice General Manager	LIU, CHI-JEN	1,380,564	93,348	1,200,000	182,580	0	2,856,492 0.79%	No

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

Remuneration of the General Manager and Vice General Manager -the Company

(Unit: NT$ thousands)

Title	Name	Salary (A)	Retire Pension (B)	Bonus and Special expenditure, etc. (C)	Staff Compensation (D)		A Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
					Cash	Stock		
General Manager	CHENG, CHAO-PIN	3,227,500	112,261	3,605,000	494,040	0	7,438,801 2.06%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,741,662	111,287	1,800,000	269,574	0	3,922,523 1.09%	No
Vice General Manager	TENG, CHUN-SHENG	1,865,436	100,950	1,528,385	148,212	0	3,642,983 1.01%	No
Vice General Manager	LIU, CHI-JEN	1,380,564	93,348	1,200,000	182,580	0	2,856,492 0.79%	No

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

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

(Unit: NT$ thousands)

Title	Name	Salary (A)	Retire Pension (B)	Bonus and Special expenditure, etc. (C)	Staff Compensation (D)		A Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
					Cash	Stock		
General Manager	CHENG, CHAO-PIN	2,867,500	112,261	3,560,000	494,040	0	7,033,801 1.95%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,741,662	111,287	1,800,000	269,574	0	3,922,523 1.09%	No
Senior Manager	HSU, CHUN-HUANG	1,657,500	99,360	1,300,000	137,633	0	3,194,493 0.88%	No
Vice General Manager	TENG, CHUN-SHENG	1,481,436	100,950	1,255,000	148,212	0	2,985,598 0.83%	No
Senior Manager	FANG, CHIH-HANG	1,853,738	107,748	744,853	193,320	0	2,899,659 0.80%	No

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

Remuneration of the top five top executives-all companies in the financial report

(Unit: NT$ thousands)

Title	Name	Salary (A)	Retire Pension (B)	Bonus and Special expenditure, etc. (C)	Staff Compensation (D)		A Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
					Cash	Stock		
General Manager	CHENG, CHAO-PIN	3,227,500	112,261	3,605,000	494,040	0	7,438,801 2.06%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,741,662	111,287	1,800,000	269,574	0	3,922,523 1.09%	No
Senior Manager	HSU, CHUN-HUANG	1,657,500	99,360	1,300,000	137,633	0	3,194,493 0.88%	No
Vice General Manager	TENG, CHUN-SHENG	1,865,436	100,950	1,528,385	148,212	0	3,642,983 1.01%	No
Senior Manager	FANG, CHIH-HANG	1,853,738	107,748	744,853	193,320	0	2,899,659 0.80%	No

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

Name of the Manager s Who Distribute the Employee Bonus and the Situation of Distribution

March 29, 2022

	Title	Name	Stock amount	Cash amount	Total	Ratio of Total Amount to Net Income (%)
Manager	General Manager	CHENG, CHAO-PIN	0	1,590,541	1,590,541	0.44%
	Senior Vice General Manager	CHEN, WEN-CHIN				
	Vice General Manager	TENG, CHUN-SHENG				
	Vice General Manager	LIU, CHI-JEN				
	Senior Manager	FANG, CHIH-HANG				
	Senior Manager	HSU, CHUN-HUANG				
	Senior Manager	WU, JEN-LUNG				
	Accounting Supervisor	CHAN, YI-YUAN				

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

	2020		Consolidated, 2020		2021		Consolidated, 2021	
	Total remuneration (NT$ thousands)	Ratio to net income after tax (%)	Total remuneration (NT$ thousands)	Ratio to net income after tax (%)	Total remuneration (NT$ thousands)	Ratio to net income after tax (%)	Total remuneration (NT$ thousands)	Ratio to net income after tax (%)
Director	34,211	10.56	39,154	12.09	34,830	9.63	40,516	11.20
General Manager and Vice eneral Manager	15,010	4.63	15,964	4.93	16,798	4.65	17,860	4.94

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

(III) Implementation of Corporate Governance

A. Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in 2021. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Huede Industrial Co., Ltd. Representative He-Ye Song	6	0	100 %	-
Vice Chairman	CHENG, CHAO-PIN	6	0	100 %	-
Director	Chengrui Investment Co., Ltd. Representative Cheng-tung Yang	6	0	100 %	-
Director	LI, WEN	6	0	100 %	-
Director	CHEN, WEN-CHIN	6	0	100 %	-
Director	CHEN, MING-SHENG	6	0	100 %	-
Director	Dudu Investments Co., Ltd. Representative Wen-Ye Song	3	1	50 %	-
Director	CHO, SHU-CHI	6	0	100 %	-
Director	CHEN, TZU-KUNG	1	0	100 %	Ceded March, 2021
Director	LO, SHUI-LUNG	3	0	50 %	-
Independent Director	WU, YING-CHIN	6	0	100 %	-
Independent Director	HUANG, JUI-HSIANG	5	1	83.33 %	-
Independent Director	HU, HSIANG-CHI	6	0	100 %	-

Other mentionable items:

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

Information on the operation of the audit committee

1. The Audit Committee held 6 meetings in 2021 (A). The attendance of independent directors is as follows:

Title	Name	Actual Attendance Times (B)	Entrusted Attendance Times	Actual Attendance Rate (%)(B/A)	Remark
Convener	WU, YING-CHIN	6	0	100 %	-
Committee Member	HUANG, JUI-HSIANG	5	1	83.33 %	-
Committee Member	HU, HSIANG-CHI	6	0	100 %	-

Other items to be recorded:

I. If the operation of the audit committee is under any of the following circumstances, the date and period of the audit committee meeting, the contents of the proposal, the objections of independent directors, reservations or major suggestions, the results of the resolutions of the audit committee and the company's handling of the audit committee's opinions shall be stated.
   (I) The items listed in Article 14-5 of the Securities and Exchange Act: none.
   (II) Except for the matters mentioned in the preceding paragraph, other matters resolved without the approval of the Audit Committee but with the consent of more than two-thirds of all directors: none.

II. The implementation of the independent director's withdrawal from the proposal of interest shall state the name of the independent director, the content of the proposal, the reason for withdrawal of interest and the voting situation: none.

III. Communication between independent directors, internal audit supervisors and accountants:
   (I) The annual internal audit plan, implementation situation and audit deficiency tracking results report will be reviewed and answered by independent directors.
   (II) Independent directors inquire about the company's business and financial status by telephone from time to time, and answer questions with the attending supervisors in the audit meeting.
   (III) Accountants communicate with independent directors in writing about the company's financial situation and implementation of internal control, and attend the annual financial report to explain.

2. Important resolutions of the Audit Committee in the latest year:

Meeting Date Session	Motion contents and resolutions	Matters listed in Article 14-5 of the Security and Exhange Act	Resolutions not approved by the Audit Committee but approved by more than 2/3 of all directors.
2021.1.14 The 2nd Session The 4th Time	1. The internal audit plan.	V	—
	2. Engage in derivative commodity trading cases.	V	—
	3. The case of external endorsement guarantee.	V	—
	4. The case of remuneration for the appointment of certified accountants.	V	—
	Resolution: All members of the Audit Committee agreed to adopt it.		
	Handling the opinions of the audit committee of the company: all the directors present agreed to pass.		
2021.3.30 The 2nd Session The 5th Time	1. Adoption of financial statements.	V	—
	2. The internal audit plan.	V	—
	3. Assessment of the effectiveness of internal control system and the case of "Statement of Internal Control System".	V	—
	4. Engage in derivative commodity trading cases.	V	—
	5. The case of external endorsement guarantee.	V	—

Meeting Date Session	Motion contents and resolutions	Matters listed in Article 14-5 of the Security and Exhange Act	Resolutions not approved by the Audit Committee but approved by more than 2/3 of all directors.
	6. Case of lending funds to others.	V	—
	7. Business report and financial statements.	V	—
	8. Surplus distribution case.		—
	9. Handling the case of transferring surplus to capital increase and issuing new shares.	V	—
	Resolution: All members of the Audit Committee agreed to adopt it.		
	Handling the opinions of the audit committee of the company: all the directors present agreed to pass.		
2021.5.13 The 2nd Session The 6th Time	1. Report the financial statements.	V	—
	2. The internal audit plan.	V	—
	3. Engage in derivative commodity trading cases.	V	—
	4. The case of external endorsement guarantee.	V	—
	5. Case of lending funds to others.	V	—
	Resolution: All members of the Audit Committee agreed to adopt it.		
	Handling the opinions of the audit committee of the company: all the directors present agreed to pass.		
2021.6.17 The 2nd Session The 7th Time	1. The case of external endorsement guarantee.	V	—
	2. Case of lending funds to others.	V	—
	Resolution: All members of the Audit Committee agreed to adopt it.		
	Handling the opinions of the audit committee of the company: all the directors present agreed to pass.		
2021.8.12 The 2nd Session The 8th Time	1. Report the financial statements.	V	—
	2. The internal audit plan.	V	—
	3. The case of external endorsement guarantee.	V	—
	4. Engage in derivative commodity trading cases.	V	—
	Resolution: All members of the Audit Committee agreed to adopt it.		
	Handling the opinions of the audit committee of the company: all the directors present agreed to pass.		
2021.11.10 The 2nd Session The 9th Time	1. Report the financial statements.	V	—
	2. The internal audit plan.	V	—
	3. Engage in derivative commodity trading cases.	V	—
	4. The case of external endorsement guarantee.	V	—
	Resolution: All members of the Audit Committee agreed to adopt it.		
	Handling the opinions of the audit committee of the company: all the directors present agreed to pass.		

B. Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company develop and disclose Corporate Governance Best Practice Principles pursuant to Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		◆ The Company has developed the Corporate Governance Best Practice Principles with the approval by the Board of Directors.	◆ None
2. Shareholding structure & shareholders' rights				
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		◆ Shareholders are advised to reach consensus at shareholders meeting and have spokesperson handling all suggestions or doubts from shareholders. The Company website shall set up a Shareholder/Investor section to fully and instantly disclose the information needed for investors.	◆ None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		◆ The Company shall assign a stock affairs specialist in charge of the actual control of corporate major shareholders and the ultimate control list of major shareholders.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		◆ The Company shall clearly divide the managerial responsibilities of the personnel, assets, and finance between the Company and the associates through independent operation. The Company shall also setup a planning and management department in charge of control while the audit office shall routinely conduct audit according to internal control procedures.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		◆ The Company shall advocate the laws and regulation promulgated by the competent authorities to the directors and managerial officers during the Board meeting for uniform compliance.	
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		◆ The composition of the Board of Directors comply with Articles of Incorporation and relevant laws and regulations. The Board adhere to the implementation and execution of corporate governance in internal harmony and external integrity, which comes with diversified governance guidelines.	◆ None
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	◆ Processing according to the actual demand of the Company.	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? And are the results of measurement reported to the Board and used as the reference for the remuneration, nomination and re-election of its members?	✓		◆ The Company has developed the Regulations governing Board of Director Performance Appraisal in 2020 and completed the appraisal for 2021 at Q1 2022.	
(4) Does the company regularly evaluate the independence of CPAs?	✓		◆ Normal.	
4. Does the Company have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to information needed for directors to execute business, assist directors with legal compliance, processing meeting related matters for Board of Directors and Shareholders Meeting, and preparing meeting minutes for Board of Directors and Shareholders Meeting)?	✓		◆ In accordance with the provisions of the competent authority and laws, the board of directors of the Company passed a resolution on January 14th, 2021 to add a director of corporate governance, with Director Zhan Yiyuan as the director, and appointed him to comprehensively handle the affairs of the committees according to their functions and powers. I. The main responsibilities of the head of corporate governance are as follows: 1. Handle matters related to meetings of the board of directors and shareholders' meeting according to law. 2. Make minutes of the board of directors and shareholders' meeting. 3. Assisting directors in taking office and continuing education. 4. Provide the information necessary for the directors to carry out their business. 5. Assist the directors to comply with the law. II. 2021 Corporate Governance Executive Training (Note 1).	◆ None
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		◆ The Company shall set up spokesperson system and customer service department to provide communication channel and announce operations and management on the Market Observation Post System (MOPS). The Company website features a section dedicated to investor services and section of stakeholders.	◆ None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		◆ The Company entrusts Yuanta Securities Co., Ltd to assist with holding shareholders meeting and related matters.	◆ None
7. Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		◆ The Company follows competent authority and the laws to set up company website and regularly update the website content, with full disclosure of financial operations and information, in addition to disclosing matters and material information on MOPS on a regular basis. The Company also established the spokesperson system.	◆ None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		◆ The Company held a performance presentation meeting on November 16th, 2021, and put the contents of the presentation meeting on the company website.	
(3) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?		✓	◆ The Company publishes and reports its annual financial report within three months after the end of a fiscal year. The Company also publishes and reports its financial reports for the first, second and third quarters within the 45 days after the end of the current as well as its operating status for each month before the specified deadline.	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		◆ In accordance with the regulations of the competent authorities and laws, the company has set up a company website and regularly updated the contents of the website. Besides fully disclosing financial business information, the company has also set up a corporate social responsibility area, which includes interested parties and complaint areas, and exposes the business philosophy, labor policy and moral policy, human rights code, salary and remuneration policy. Besides, there are also special areas for shareholder/investor services. The company also buys liability insurance for directors. In 2020, the Company also formulated the performance evaluation method of the board of directors, and completed the performance evaluation in 2021 in the first quarter of 2022. At the same time, relevant matters and important information are regularly disclosed in the public information observatory, and a spokesperson system is established.	◆ None
9. Please explain the improved situation according to the corporate governance evaluation results released by the Corporate Governance Center of Taiwan Stock Exchange in the latest year, and put forward the priority strengthening items and measures for those that have not been improved. On May 10, 2017, the Board of Directors of the Company adopted the Organizational Rules of Audit Committee. On June 21, 2017, the shareholders' general meeting elected independent directors and set up an audit committee, and all independent directors formed a "salary and remuneration committee" to strengthen the operation of corporate governance. On November 10, 2020, the board of directors adopted five important codes, namely, "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Corporate Social Responsibility Principles", "Professional Ethics Principles" and "Self-Evaluation or Peer Evaluation of the Board of Directors of XX Co., Ltd.", in order to implement and promote corporate governance. In addition, the company has taken relevant improvement measures for the evaluation results of corporate governance in 2021.				

Note 1. 2021 Corporate Governance Executive Training.

S/N	Training Institute	Course Name	Training Period		Training Hour
			Start	End	
1	Securities and Future Institute	Practical class for directors and supervisors (including independence) and corporate governance executives-Taipei class	2021/10/19	2021/10/20	12.0
2	Securities and Future Institute	Advanced seminar with directors and supervisors (including independence) and corporate governance supervisors-talking about the functions of the board of directors from the perspective of enterprise fraud prevention	2021/09/23	2021/09/23	3.0
3	Securities and Future Institute	Advanced seminar with directors and supervisors (including independence) and corporate governance executives-the key to becoming a sustainable enterprise: ESG practice	2021/11/12	2021/11/12	3.0

C. Information of the Remuneration Committee Members and Its Operation

Information of the Remuneration Committee Members

Title	Criteria / Name	Profession and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
Convener Independent Director	WU, YING-CHIN	Please refer to the professional and experience of directors on page 15.	All of them are in compliance with the independence-related provisions of Article iii of “the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. • I, my spouse and relatives within the second degree have not served as directors, supervisors or employees of the Company or its relationship; • I, my spouse, relatives within the second degree (or in the name of others) do not hold shares of the company; • Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company; • In the last two years, he/she has not provided the business, legal affairs, finance and accounting services of the company or related enterprises, so he/she has not obtained the relevant remuneration amount.	0	-
Independent Director	HUANG, JUI-HSIANG			0	-
Independent Director	HU, HSIANG-CHI			1	-

<u>Operation of the Remuneration Committee</u>

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

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (Ｂ/Ａ)	Remarks
Convener	WU, YING-CHIN	3	0	100 %	-
Member	HUANG, JUI-HSIANG	2	1	66.66 %	-
Member	HU, HSIANG-CHI	3	0	100 %	-
Other mentionable items: 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None. 2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

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

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

3. Recent important resolutions of the annual remuneration committee:

Meeting Date/Session	Motion contents	Resolutions
2021.1.14 The 2nd Time of The 4th Session	Deliberating the 2020 year-end bonus case of the chairman and manager of the Company.	It was approved by all the present remuneration committee members and submitted to the board of directors for approval according to law.
2021.3.30 The 3rd Time of The 4th Session	Discuss the Company's 2020 directors' compensation distribution ratio case.	It was approved by all the present remuneration committee members and submitted to the board of directors for approval according to law.
2021.8.12 The 4th Time of The 4th Session	Discuss the Company's 2020 directors' compensation and manager's employee compensation distribution case.	It was approved by all the present remuneration committee members and submitted to the board of directors for approval according to law.

D. Implementation of sustainable development promotion and differences and reasons of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies

Assessment item	Operatoin situation			Differences and reasons of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1. Has the company established a governance structure to promote sustainable development, and set up a special (part-time) unit to promote sustainable development, which is authorized by the board of directors to be handled by the senior management, and the situation of supervision by the board of directors?	✓		◆ The Company has set up the Responsible Business Alliance Code of Conduct (RBA) Committee, and the board of directors authorizes the general manager to handle matters related to corporate social responsibility. The general manager may appoint a senior executive as the management representative of the committee and report to the board of directors on the handling of corporate social responsibility. 2021RBA education and training (Note 1).	◆ None
2. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's operation according to the principle of materiality, and formulate relevant risk management policies or strategies?	✓		◆ The Company's business philosophy is harmony, innovation and responsibility, and it is implemented in the management culture. Besides, the management rules are complete, and regular business meetings are held to formulate the response strategies for various business risks.	◆ None
3. Environmental issues				
(1) Has the company established an appropriate environmental management system according to its industrial characteristics?	✓		◆ The Company has already obtained ISO9001 quality management certification. In recent years, we have completed ISO14001 environmental management, ISO45001, OHSAS18001 and TOSHMS occupational safety and health management certification respectively, which is consistent with the spirit of developing sustainable environment.	◆ None
(2) Is the company committed to improving energy efficiency and using recycled materials with low impact on environmental load?	✓		◆ The Company's main business is technical design, assembly and systematic integration of related equipment and services, with little impact on the environment and greenhouse gas emissions.	
(3) Does the company assess the potential risks and opportunities of climate change to the enterprise now and in the future, and take measures to deal with climate-related issues?	✓		◆ The Company set up a research and development center to develop new products in the direction of wisdom, energy saving, efficiency improvement and green energy, so as to reduce the load impact on the environment.	
(4) Does the company make statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?		✓	◆ Every year, we invest the established funds to deal with the minimal pollution and waste disposal in the operation process, in order to comply with the environmental protection regulations, and in response to the implementation of the government's energy-saving and carbon-reduction policy, we have made a little effort to fund-raising activities such as Taipower and Taiwan Electric Research & Testing Center.	
4. Social issues				
(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		◆ Our company abides by the laws and regulations, fulfills its social responsibilities, and abides by conventions such as the Responsible Business Alliance Code of Conduct (RBA) , the Tripartite Declaration of Principles of the International Labour Organization (ILO), the Guidelines of Organization for Economic Co-operation and Development (OECD), the United Nations Universal Declaration of Human Rights, the United Nations Global Covenant, etc.	◆ None
(2) Has the company formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflected its business performance or achievements in employee compensation?	✓		◆ In terms of employee rights and interests, the company's management standards have established a very complete system. People-oriented, in addition to considering the price and the company's profit regularly, adjusting the employees' treatment and paying attention to the employees' opinions, the company has set up an Employees' Welfare Committee and formulated the retirement system and personnel management regulations, which are handled in accordance with the Labor Standards Act and the Labor Pension Act.	
(3) Does the company provide a safe and healthy working environment for employees, and regularly carry out safety and health education for employees?	✓		◆ For the safety and health of employees, Xinzhuang Factory and Yangmei Factory of the Company have been certified by ISO45001, OHSAS18001 and TOSHMS occupational safety and health management system of the Bureau of Standards of the Ministry of Economic Affairs, so that employees can work in a safe and secure environment. Every year, we hold health check-ups for employees of the whole company with well-known hospitals, and have professional occupational nurses for continuous follow-up management to maintain physical and psychological health; Participate in community networking activities, such as fire drills, urging relatives and neighbors. Occasional occupational safety and health on-the-job education and training, health talks and study activities.	

Assessment item	Operatoin situation			Differences and reasons of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
(4) Has the company established an effective training plan for employees' career development?	✓		◆ For new recruits, the Company basically has three months' education and training for their specialties. For grass-roots supervisors, there are diversified education and training courses for reserve cadres every year. In addition, for all professional skills, certificates and studies that are conducive to the career development of employees and the needs of the company, the company will fully subsidize the external training expenses.	
(5) Regarding the issues of customer health and safety, customer privacy, marketing and labeling of products and services, has the company complied with relevant laws and international standards, and formulated relevant policies and complaint procedures to protect consumers' or customers' rights and interests?	✓		◆ The company has set up quality assurance departments in each factory, which, in addition to regularly maintaining product quality and safety, will solve problems as soon as possible in case of customer requirements, and serve customers, so as to achieve the policy objective that all products and services of the company satisfy customers.	
(6) Has the company formulated a supplier management policy, requiring suppliers to comply with relevant norms on issues such as environmental protection, occupational safety and health or labor human rights, and its implementation?	✓		◆ Suppliers are required to jointly participate in the Responsible Business Alliance Code of Conduct (RBA) , abide by their labor, health, safety, environment, ethics, management system and other relevant norms, and sign the Declaration of Social Responsibility Cooperation of Partners.	
5. Does the company refer to internationally accepted standards or guidelines for the preparation of reports, and prepare reports that disclose the company's non-financial information, such as perpetual reports? Has the previous report obtained the assurance or guarantee opinion of the third-party verification unit?		✓	◆ According to the actual needs of the company.	◆ None

6. If the company has its own sustainable development code according to the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies”, please describe the differences between its operation and the established code:
On November 10th, 2020, the Company formulated “the Principles for Corporate Social Responsibility”, which was implemented in the spirit of the four principles (implementing corporate governance, developing sustainable environment, maintaining social welfare, and strengthening disclosure of corporate social responsibility information), and promoted “Responsible Business Alliance Code of Conduct (RBA) ”, and continued to implement the introduction plan in 2021.

7. Other important information that is helpful to understand the operation of sustainable development:
- The Company abides by various government laws and regulations, including employing employees according to law, providing reasonable salary and welfare, and regularly reporting various pollution prevention and control effects to the competent authorities, so as to fulfill its corporate social responsibility.
- In response to the implementation of the government's green energy policy, the company has purchased 100,000 kilowatt-hours of green power from Taipower Company every year since 2015 to reduce carbon emissions. At the same time, in line with the government's million-sunshine roof policy, solar photovoltaic power generation systems were built on the roofs of Xinzhuang and Yangmei production factories respectively. The total capacity of the device is about 500kWh, which is helpful to achieve the goal of non-nuclear home.
- On behalf of the Company and Taiwan High Speed Rail, the president of our group co-sponsored the "Pinwheel Children's Art Project of 368 Towns" and invited the "Pinwheel Troupe" to perform "Fantasia of Taiwan" at Tainan Guiren Elementary School, so as to take root in children's art, stimulate creativity, aesthetics, love and care, and shorten the gap between urban and rural areas in children's education.
- In order to improve the quality of employees, encourage employees and their children to pursue further studies and reduce the educational burden, scholarships are provided for about NT$ 500,000 each year.
- In response to the government's implementation of environmental protection, the company's factory celebration activities are also geared towards planning meaningful outdoor activities, such as beach cleaning, tree planting, etc.

Note: 2021 "Code of Conduct for Responsible Business Alliance (RBA 7.0)" education and training

S/N	Course Name	Course Outline	Date	Hour (hrs)	Training Personal
1	Concept Class	Introduction of the Responsible Business Alliance Code of Conduct (RBA7.0), declaration by senior executives, and preparation	03/04	1	36
2	for the introduction of remedial classes before introduction.	[D. Ethics] Good faith management, no improper income, information disclosure, intellectual property rights, fair trade, advertising and competition, identity protection and retaliation prevention, responsible mineral procurement, privacy.	03/04	6	16
		[E. Management system] Company commitment, management responsibilities and responsibilities, laws and customer requirements, risk assessment and risk management, improvement objectives, training, communication, employee opinions, participation and complaints, audit and evaluation, corrective measures, documents and records, and supplier responsibilities.	03/16	3	19
		[A. Labor] Free choice of occupation, young labor, working hours, wages and benefits, humane treatment, non-discrimination/harassment, and freedom of association.	04/08	3	20
		[B. Health and Safety] Occupational safety, emergency preparedness, industrial hygiene, manual labor, machine protection, public health and accommodation, health and safety communication.	04/22	5	16
		[C. Environment] Environmental permit and reporting, pollution prevention and resource conservation, harmful substances, solid waste, exhaust gas emission, material control, water resources management, energy consumption and greenhouse gas emission.	05/06	5	18
		Establishment of RBA procedure documents, check of factory inspection documents list, announcement and publicity of policies and systems.	10/20	5	15
3	Auditor Class	Five major areas: comprehensive training, internal audit, key intensive training and testing.	11/24	6	19 (All pass)

E. Implementation of Ethical Corporate Management and Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company established the ethical corporate management policies approved by the Board and declare the policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		◆ The Company has established the company since some 50 years ago, emphasizing on the business philosophy of "harmony, innovation and liability." The Company's quality policy aims to "satisfy customers with all products and services" and develops various complete for management standards and supporting administrative standards. Meanwhile, the Company has introduced ERP system for years, fully implementing the internal control and internal audit systems, thereby building integrity, reputation and internal harmony into the foundation of the Company's sustainable management. Such philosophy has been infused into the essential culture of the Company.	◆ None
(2) Does the company establish assessment mechanism for the risk of unethical conducts, regularly analyze and assess the operating activities with higher risk of unethical conducts in its business scope, establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		◆ The Company has been promoting the Responsible Business Alliance Code of Conduct (RBA) and has established relevant rules and regulations as well as employee social responsibility and anti-bribery pledges.	
(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		◆ The Company has established an effective accounting system and internal control system, which is regularly checked by auditors and the declaration of internal control system is completed to show responsibility. The complaint system for interested parties has been established, and a special area for interested parties and complaints has been set up on the website to prevent dishonest behavior and implement it.	
2. Implementation of Ethical Corporate Management				
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		◆ Our company is a well-known heavy power manufacturer, which participates in various domestic construction projects. Most of the trading partners are those who have a certain reputation and take good faith into consideration. Besides, our company has formulated the Code of Ethics Conduct on November 10, 2020 to regulate the trading partners. And the supplier is required to sign the "Declaration Commitment Letter of Cooperation in Corporate Social Responsibility" to implement the company's honest management.	◆ None
(2) Does the Company establish a designated section in charge of promoting corporate ethics management under the Board of Directors and routinely (at least once a year) report to the Board for the solutions and supervisions on ethics management policy and prevention of unethical conducts?	✓		◆ In accordance with the code of good faith management adopted by the board of directors, the company has set up a dedicated unit for good faith management, which regularly reports to the board of directors its good faith management policy, the plan for preventing dishonest behaviors and the supervision and implementation. In 2021, it will report the records and implementation matters to the board of directors: August 12th: the manufacturer evaluates the audit results, replies to relevant questionnaires, counseling and training records and formulates relevant measures. November 10th: the manufacturer evaluates the audit results, replies to relevant questionnaires, counseling and training records and formulates relevant measures.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		◆ Directors and managers of the Company shy away from matters of interest, and are controlled by internal control and internal audit system.	
(4) Has the Company established effective accounting system and internal control system and for the implementation of ethics management while the internal audit section has formulated relevant audit plan according to the evaluation results of unethical conduct risks, in addition to audit the compliance of preventing unethical conducts or entrusting the CPA for audit check?	✓		◆ The Company directors and managerial officers avoid affairs related to interest of conflicts, using internal control and internal audit system for control.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		◆ The Company has been promoting the Responsible Business Alliance Code of Conduct (RBA), and has established relevant rules and codes of conduct and employee social responsibility and anti-bribery pledges, as well as arranging regular education and training.	
3. Operation of Company's Integrity Channel				
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		◆ The Company shall follow the "Procedures for Reporting and Grievance Management" established by the Company. A team shall be established within three working days after receiving a complaint to commence an investigation, with at least one member from each of the supervisor of the person being complained against and the supervisor of the Human Resources Division, and the convener of the team shall be the person receiving the complaint.	◆ None
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		◆ The above team shall notify the complainant in writing within 14 working days to present the facts, and may investigate the facts in strict confidentiality.	
(3) Does the company provide proper whistleblower protection?	✓		◆ In accordance with the above procedures, the process of receiving reports shall be kept confidential for the purpose of whistleblower protection.	
4. Strengthening information disclosure				
Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		◆ The Code of Conduct for Integrity has been disclosed on the company's website and the Market Observation Post System, and the information is updated from time to time. At the same time, we continue to promote it through our internal collaboration platform, and it is deeply rooted in our company culture.	◆ None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has established the ethical corporate management policies for compliance of corporate ethics management while improving the internal management standards and administrative standards of the Company, without discrepancy between the policies and implementations.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (i.e. review and correct the ethical corporate management policies formulated by the Company): Same as mentioned above.				

F. A summary of the resignations and dismissals of the Company's Chairman, General Manager, Accounting Supervisor, Head of Finance, Head of Internal Audit, Head of Corporate Governance, and Head of Research and Development for the most recent year and as of the date of the annual report is as follows: None

G. If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched: Homepage of ALLIS ELECTRIC CO., LTD. website (www.allis.com.tw) > Shareholders / Investors Service > Corporate Governance > Key Regulations
Including ①Corporate Governance Best Practice Principles, ② Ethical Corporate Management Best Practice Principles, ③ Corporate Social Responsibility Best Practice Principles, ④Codes of Ethics and Business Conducts, ⑤Self-Evaluation or Peer Evaluation of the Board of Directors ⑥Measures for prevention and control of insider trading

H. Other material information sufficient to enhance the understanding of Implementation of Corporate Governance, shall be disclosed accordingly:
   1. Established corporate governance supervisor on February 1, 2021, who is responsible for promoting corporate governance related matters.
   2. Actively introducing "Responsible Business Alliance (RBA)" to strengthen the improvement on five agenda, namely labor, health and safety, environment, ethics and conducts, and management system.

I. Implementation of Internal Control Systems

1. Statement on Internal Control

ALLIS ELECTRIC CO., LTD.

Statement of Internal Control

Date: March 29, 2022

The Company hereby states the following with regards to its internal control 2021 based on the results of self-evaluation:

1. The Company is fully aware that the establishment, implementation, and maintenance of the internal control system is the responsibility of the board of directors and management. The Company has established such a system with the objective to provide reasonable assurance for attainment of operating effect and efficiency (including profits, performance, and safeguard of asset security), reliability of financial reports, and regulatory compliance.
2. An internal control system has its inherent limitations. No matter how perfect the system is in design, an effective internal control system can only provide reasonable assurance for the attainment of the three goals described above. However, the Company's internal control system is equipped with the function of self-monitoring, that the Company will take immediate action once a deficiency is identified.
3. The Company determines if the design and implementation of its internal control system are effective based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (referred to as the Regulations hereunder) The said criteria divide internal control into five elements based on the process of management control: 1. Control Environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Supervision. Each element contains several items. Please refer to the Guidelines.
4. The Company has evaluated the validity of the design and implementation of its internal control system based on the aforesaid criteria.
5. Based on the results of aforementioned evaluation, it is found that the internal control system of the Company as of December 31, 2021 (including the supervision and management of subsidiaries), was effective in design and implementation, that it reasonably assures the attainment of aforesaid goals, including operating effect and efficiency, reliability of financial reports, and regulatory compliance.
6. This Statement shall become a major part of the annual report and prospectus of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Law.
7. This statement has been passed by the board of directors in the meeting held on March 29, 2022, where none of the 11 attending directors voiced any dissenting view to the content of this statement.

ALLIS ELECTRIC CO., LTD.

Chairman: He-Ye Song Signature (Seal)
General Maneger: Chao-Bin Zheng Signature(Seal)

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

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

K. Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year (2021) or during the current fiscal year up to the date of publication of the annual report:

1. Important resolutions and implementation of shareholders' meeting:

Meeting Date	Important Resolution	Implementation Situation
2021.7.13	◎ Pass 2020. Business report and financial statements. ◎ Pass 2020. Surplus distribution case. ◎ Pass the case of transferring surplus to capital increase and issuing new shares. ◎ Pass the revision for some articles of the Articles of Association of the Company.	In September 2021, a cash dividend of NT$ 0.70 per share and a stock dividend of NT$ 0.50 per share were issued according to the earnings distribution resolution.

2. Important resolutions of shareholders' meeting:

Meeting Date	Important Resolution
2021.1.14	◎ Pass the recommendation of the company's salary compensation committee. ◎ Pass the external endorsement guarantee case of the Company. ◎ Pass the case of remuneration for the appointment of certified accountants. ◎ Pass the case of setting up a corporate governance supervisor of company.
2021.3.30	◎ Pass 2020 distribution of directors' and employees' remuneration. ◎ Pass 2020. Business report and financial statements. ◎ Pass 2020. Surplus distribution case. ◎ Pass the case of the Company handling to transfer surplus to capital increase and issue new shares. ◎ Pass “2020 Internal Control Declaration” case of the Company. ◎ Pass the revision for some articles of the Articles of Association of the Company. ◎ Pass 2021 case of reasons for convening shareholders' general meeting and relevant time and place.
2021.5.13	◎ Report the consolidated financial statements for the first quarter of 2021. ◎ Pass the Company's external endorsement guarantee and fund loan case.
2021.6.17	◎ Pass the 2021 case on the date and place of postponement of the general meeting of shareholders. ◎ Pass the Company's external endorsement guarantee and fund loan case. ◎ Pass the case of new plant.
2021.8.12	◎ Report the consolidated financial statements for the second quarter of 2021. ◎ Pass 2020 distribution of directors' and employees' remuneration of the Company.

Meeting Date	Important Resolution
	◎ Pass The 2021 case of cash dividend distribution and surplus transfer to capital increase to issue new shares of the Company. ◎ Pass the external endorsement guarantee case of the Company.
2021.11.10	◎ Report the consolidated financial statements for the third quarter of 2021. ◎ Pass the "2022 Audit Plan" case. ◎ Pass the "2022 Operation Plan" case. ◎ Pass the external endorsement guarantee case of the Company.
2022.1.13	◎ Pass the recommendation of the company's salary compensation committee. ◎ Pass the external endorsement guarantee case of the Company. ◎ Pass the 2022 case of remuneration for the appointment of certified accountants.
2022.3.29	◎ Pass "2021 Internal Control Declaration" case of the Company. ◎ Pass 2021 distribution of directors' and employees' remuneration. ◎ Pass 2021. Business report and financial statements. ◎ Pass 2021. Surplus distribution case. ◎ Pass the case of the Company handling to transfer surplus to capital increase and issue new shares. ◎ Pass foreign investment and endorsement guarantee case of the Company. ◎ Pass the 2022 case of reasons for convening shareholders' general meeting and relevant time and place.

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

(IV) Audit Fee for CPAs:

Table of the Fee Range of CPAs

Accounting Firm	CPA Name	Accountant audit period	Audit Fee	Non-Audit Fee	Total	Remark
Hui-Chung CPA Firm	CHO, MIN-CHIH	2021.1.1~ 2021.12.31	3,395,000.00	792,000.00	4,187,000.00	Non-audit fee content: transfer pricing report, business registration and financial report translation, etc.
	HSIANG, WEN-TING	2021.1.1~ 2021.12.31				

Note: If the Company changes accountants or accounting firms this year, please list the audit period separately, explain the reasons for the change in the remarks column, and disclose the information of audit and non-audit fees paid in turn. Non-audit fees shall be accompanied by notes explaining their service contents.

◎ When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: N/A.

◎ When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: N/A.

(V) Replacement of CPA: No.

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

(VII) During the 2021 fiscal year and up to the date of publication of the annual report, any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent.

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

Unit: share

Title	Name	2021		End on 2022-03-31	
		Increasing (Decreasing) number of shareholding	Increasing (Decreasing) number of pledged shares	Increasing (Decreasing) number of shareholding	Increasing (Decreasing) number of pledged shares
Chairman	Hui De Co., Ltd	2,708,509	0	0	0
	Representative Song Heye	(2,191,815)	0	0	0
Deputy Chairman General Manager	Zheng Chaobin	25,100	0	0	0
Director	Zhenrui Investment Co., Ltd	194,507	0	0	0
	Representative Yang Zhentong	281,558	0	0	0
Director	Li Wen	31,986	0	(11,000)	0
Director Senior Deputy Manager	Chen Wenjin	6,706	0	0	0
Director	Chen Mingsheng	(3,763,897)	0	0	0
Director	Dudu Investment Co., Ltd	322,158	0	0	0
	Representative Song Wenye	0	0	0	0
Director	Zhuo Shuji	113,365	0	0	0
Director	Chen Zigong	0	0	-	-
Director	Luo Shuilong	87,675	0	0	0
Independent Director	WU, YING-CHIN	0	0	0	0
Independent Director	HUANG, JUI-HSIANG	0	0	0	0
Independent Director	HU, HSIANG-CHI	0	0	0	0
Deputy Manager	Deng Chunsheng	3,652	0	0	0
Deputy Manager	Liu Qiren	1,376	0	0	0
Assistant Manager	FANG, CHIH-HANG	1,243	0	0	0
Assistant Manager	HSU, CHUN-HUANG	0	0	0	0
Assistant Manager	Wu Renlong	66	0	0	0
Accountant Director	Zhan Yiyuan	112	0	0	0

Note: Director Chen Zigong was dismissed in March 2021.

(2) The counterpart of the equity transfer or pledge is a related party.

Name	Reasons for equity transfer	Trading Date	Trading Counterpart	The relationship between the counterpart and the company, directors, managers and shareholders whose shareholding ratio exceeds 10%	Stock Amount	Trading Price
Hui De Co., Ltd	Gain	2021.01.12 2021.01.18 2021.01.29	Song Heye	Song Heye is the representative of this company	800,000 800,000 676,000	26.50 25.30 23.55
Song Heye	Disposal	2021.01.12 2021.01.18 2021.01.29	Hui De Co., Ltd	Song Heye is the representative of this company	800,000 800,000 668,000	26.50 25.30 23.55
Chen Mingsheng	Disposal	2021.07.14	EVERBRIGHT INVESTMENT CONSULTANT CO., LIMITED	Chen Mingsheng is the representative of this company	4,000,000	25.65

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

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

Name (Note 1)	Self Shareholding		Spouse and Minors Shareholding		Use others' names to hold shares in total.		NAMES AND RELATIONSHIPS OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED TO EACH OTHER OR ARE RELATIVES WITHIN T HE SECOND DEGREE OR SPOUSE. (NOTE 3)		Remark
	Stock Amount	Share holding ratio %	Stock Amount	Share holding ratio %	Stock Amount	Share holding ratio %	Name	Relationship	-
Hui De Co., Ltd Responsible Person Song Xinye	9,082,694 88	3.98 0.00	- -	- -	- -	- -	-	-	-
CTBC Bank is entrusted to keep the investment account of The Nippon Signal Co., Ltd..	6,813,450	2.98	-	-	-	-	-	-	-
Dudu Investment Co., Ltd Responsible Person Zhang Zhengyi	6,765,327 -	2.96 -	- 1,019	- 0.00	- -	- -	-	-	-
Nissin Electric Co, Ltd Responsible Person Saito Shigeo	6,470,206 -	2.83 -	- -	- -	- -	- -	-	-	-
DESIGNED SPORTS IMAGE CORP. Responsible Person Zhang Zhengyi	6,251,668 -	2.74 -	- 1,019	- 0.00	- -	- -	-	-	-
Yang, Chen-Tung	5,912,721	2.59	2,175,534	0.95	-	-	-	-	-
Chen, Ming-Sheng	4,958,174	2.17	-	-	4,200,000	1.84	Everbright Investment Consultant Co., Limited Sung, Mei-Ting	Related Party Mother and Daughter	-
EVERBRIGHT INVESTMENT CONSULTANT CO., LIMITED Responsible Person Chen Mingsheng	4,200,000 4,958,174	1.84 2.17	- -	- -	- -	- -	Chen, Ming-Sheng	Related Party	-
Zhenrui Investment Co., Ltd Responsible Person Chen Weiping	4,084,662 1,455,807	1.79 0.64	- -	- -	- -	- -	-	-	-
Sung, Mei-Ting	3,902,934	1.71					Chen, Ming-Sheng	Mother and Daughter	

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

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

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

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

Comprehensive Shareholding Ratios

Unit: share, %

Joint Venture (Note)	The Company Investment		Directors, managers and direct or indirect control investments		Comprehensive Investment	
	Stock Amount	Ratio	Stock Amount	Ratio	Stock Amount	Ratio
AIR KING INDUSTRIAL CO., LTD.	4,114,275	83.12%	330,850	6.68%	4,445,125	89.80%
NISSIN-ALLIS ELECTRIC CO., LTD.	9,000,000	30.00%	0	0.00%	9,000,000	30.00%
ARES TECHNOLOGY CO., LTD.	6,800,000	100.00%	0	0	6,800,00	100.00%
ALLIS COMMUNICATIONS COMPANY, LTD.	4,958,380	82.64%	315,462	5.26%	5,273,842	87.90%
Yishun Investment CO., LTD.	17,990,000	99.94%	1,000	0.00%	17,991,000	99.95%
NISSIN ALLIS UNION ION EQUIPMENT CO., LTD.	4,000,000	40.00%	0	0.00%	4,000,000	40.00%
Qingdao Hengyuan Yali Electric Co., Ltd	-	65.38%	-	0.00%	-	65.38%
Intelicis Corporation	1,875,500	29.16%	0	0.00%	1,875,500	29.16%
AYM International Inc.	2,000	40.00%	0	0.00%	2,000	40.00%
PHD POWERHOUSE Distributions CC	90	90.00%	0	0.00%	90	90.00%
AEC International SRL	300,000	100.00%	0	0.00%	300,000	100.00%

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

IV. Capital Overview

(I) Capital and Shares

A. Source of Capital

Unit: NT$, share

Year Month	Issue Price	Authorized Stock		Paid-up Capital		Remark		
		Stock Amount	Amount	Stock Amount	Amount	Source of Equity	Use assets other than cash to offset the share payment.	Other
The company was established in September, 1968. Registration approval	50	40,000	2,000,000	40,000	2,000,000	Set up full share payment	No	No
Capital increase in December, 1969	50	90,000	4,500,000	90,000	4,500,000	Cash increase of NT$ 2,500,000	No	No
Capital increase in June, 1973	50	200,000	10,000,000	200,000	10,000,000	Cash increase of NT$ 5,500,000	No	No
May 27th, 1974 Economy (1974) Business No.13355	10	3,000,000	30,000,000	3,000,000	30,000,000	Cash increase of NT$ 20,000,000	No	No
May 27th, 1975 Economy (1975) Business No.10651	10	4,050,000	40,500,000	4,050,000	40,500,000	Transfer surplus to capital increase of NT$ 10,500,000	No	No
July 18th, 1978 Economy (1978) Business No.24685	10	5,000,000	50,000,000	5,000,000	50,000,000	Cash increase of NT$ 9,500,000	No	No
December 10th, 1979 Economy (1979) Business No.43150	10	10,000,000	100,000,000	10,000,000	100,000,000	Cash increase of NT$ 47,500,000 Transfer of special surplus to capital increase of NT$ 1,902,728 Transfer of capital surplus to capital increase of NT$ 597,272	No	No
July 31th, 1981 Economy (1981) Business No.30928	10	12,000,000	120,000,000	12,000,000	120,000,000	Transfer surplus to capital increase of NT$ 20,000,000	No	No
February 24th, 1986 Economy (1986) Business No.07769	10	14,000,000	140,000,000	14,000,000	140,000,000	Cash increase of NT$ 20,000,000	No	No
August 20th, 1987 Economy (1987) Business No.42092	10	17,080,000	170,800,000	17,080,000	170,800,000	Transfer surplus to capital increase of NT$ 30,800,000	No	No
December 14th, 1989 JTS (1989) No.7794	30	18,080,000	180,800,000	18,080,000	180,800,000	Cash increase of NT$ 10,000,000	No	No
December 11th, 1990 JTS (1990) GS No.8376	20	31,710,188	317,101,880	31,710,188	317,101,880	Cash increase of NT$ 15,000,000 Transfer surplus to capital increase of NT$ 121,301,880	No	No
October 7th, 1992 JTS (1992) GS No.6942	10	60,000,000	600,000,000	40,271,938	402,719,380	Transfer surplus to capital increase of NT$ 72,933,430 Transfer of capital surplus to capital increase of NT$ 12,684,070	No	No

Year Month	Issue Price	Authorized Stock		Paid-up Capital		Remark		
		Stock Amount	Amount	Stock Amount	Amount	Source of Equity	Use assets other than cash to offset the share payment.	Other
September 10th, 1993 JTS (1993) GS No.6205	20	60,000,000	600,000,000	51,131,763	511,317,630	Cash increase of NT$ 20,000,000 Transfer surplus to capital increase of NT$ 60,407,900 Transfer of capital surplus to capital increase of NT$ 28,190,350	No	No
August 25th, 1994 JTS (1994) GS No.5180	10	65,000,000	650,000,000	61,358,115	613,581,150	Transfer surplus to capital increase of NT$ 81,810,820 Capital surplus to capital increase of NT$ 20,452,700	No	No
October 20th, 1995 Economy (1995) Business No.116287	10	75,000,000	750,000,000	68,721,088	687,210,880	Transfer surplus to capital increase of NT$ 73,629,730	No	No
September 16th, 1996 Economy (1996) Business No.113759	10	75,000,000	750,000,000	74,218,775	742,187,750	Transfer surplus to capital increase of NT$ 54,976,870	No	No
September 2nd, 1997 Economy (1997) Business No.115390	24	180,000,000	1,800,000,000	105,898,464	1,058,984,640	Transfer surplus to capital increase of NT$ 66,796,890 Cash increase of NT$ 250,000,000	No	No
September 10th, 1998 Economy (1998) Business No.087127465	26	180,000,000	1,800,000,000	142,842,217	1,428,422,170	Cash increase of NT$ 200,000,000 Transfer surplus to capital increase of NT$ 63,539,070 Transfer of capital surplus to capital increase of NT$ 105,898,460	No	No
August 3rd, 1999 Economy (1999) Business No.088127512	10	180,000,000	1,800,000,000	167,125,393	1,671,253,930	Transfer surplus to capital increase of NT$ 99,989,550 Transfer of capital surplus to capital increase of NT$ 142,842,210	No	No
July 17th, 2000 Economy (2000) Business No.124711	10	240,000,000	2,400,000,000	197,207,963	1,972,079,630	Transfer surplus to capital increase of NT$ 133,700,310 Transfer of capital surplus to capital increase of NT$ 167,125,390	No	No
May 24th, 2001 Economy (2001) Business No.09001180810	10	240,000,000	2,400,000,000	183,698,963	1,836,989,630	Write-off of treasury stock and capital reduction of NT$ 135,090,000	No	No
August 22nd, 2001 Economy (2001) Business No.09001330260	10	240,000,000	2,400,000,000	198,217,359	1,982,173,590	Transfer surplus to capital increase of NT$ 45,369,990 Transfer of capital surplus to capital increase of NT$ 99,813,970	No	No

Year Month	Issue Price	Authorized Stock		Paid-up Capital		Remark		
		Stock Amount	Amount	Stock Amount	Amount	Source of Equity	Use assets other than cash to offset the share payment.	Other
September 9th, 2002 Economy (2002) Business No.09101366150	10	240,000,000	2,400,000,000	206,087,013	2,060,870,130	Transfer surplus to capital increase of NT$ 33,446,030 Transfer of capital surplus to capital increase of NT$ 45,250,510	No	No
January 15th, 2003 Economy (2003) Business No.09201009140	10	240,000,000	2,400,000,000	201,987,013	2,019,870,130	Write-off of treasury stock and capital reduction of NT$ 41,000,000	No	No
December 22nd, 2003 Economy (2003) Business No.09201339560	10	240,000,000	2,400,000,000	201,067,013	2,010,670,130	Write-off of treasury stock and capital reduction of NT$ 9,200,000	No	No
September 25th, 2019 Economy Business No.10801129820	10	240,000,000	2,400,000,000	207,099,023	2,070,990,230	Transfer surplus to capital increase of NT$ 60,320,100	No	No
December 17th, 2020 Economy Business No.10901173250	10	240,000,000	2,400,000,000	217,453,974	2,174,539,740	Transfer surplus to capital increase of NT$ 103,549,510	No	No
December 22nd, 2021 Economy Business No.11001165220	10	350,000,000	3,500,000,000	228,326,672	2,283,266,720	Transfer surplus to capital increase of NT$ 108,726,980	No	No

Note 1 Current year information as of the printing date of the annual report should be included.
Note 2 The effective (approval) date and document number should be added to the capital increase section.
Note 3 If shares are issued at a price lower than the par value, they should be prominently displayed.
Note 4 For those who offset the share price with monetary debts or technology, it should be specified and the type and amount of offset should be added.
Note 5 rivate collections should be marked in a prominent manner.

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Ordinary shares	Outstanding shares 228,326,672	121,673,328	350,000,000	—

Note: Please indicate whether the stock is a listed or over-the-counter company (if it is restricted from trading on the stock exchange or over-the-counter, please add a note).
Information about the comprehensive reporting system: No.

B. Shareholder Structure

April 23, 2022

Shareholder Structure / Quantity	Government Agency	Finance Agency	Other Legal Persons	Individual	Foreign Agency and Foreigner	Total
Personal Number	0	0	165	39,971	69	40,205
Shareholding Amount	0	0	35,242,357	175,429,026	17,655,289	228,326,672
Shareholding Ratio (%)	0.0000	0.0000	15.4350	76.8325	7.7325	100

C. Shareholding Distribution Status

The book value of each share was NT$10.

April 23, 2022

Class of Shareholding	Number of Shareholders	Shareholding (Share)	Percentage (%)
1 ~ 999	22,861	1,504,054	0.66
1,000 ~ 5,000	12,662	25,895,400	11.34
5,001 ~ 10,000	2,285	16,571,043	7.26
10,001 ~ 15,000	941	11,035,447	4.83
15,001 ~ 20,000	372	6,710,778	2.94
20,001 ~ 30,000	398	9,589,408	4.2
30,001 ~ 40,000	191	6,694,104	2.93
40,001 ~ 50,000	115	5,189,970	2.27
50,001 ~ 100,000	195	13,162,551	5.76
100,001 ~ 200,000	93	13,006,505	5.7
200,001 ~ 400,000	32	8,889,259	3.89
400,001 ~ 600,000	20	9,421,249	4.13
600,001 ~ 800,000	8	5,576,058	2.44
800,001 ~ 1,000,000	6	5,204,200	2.28
No less than 1,000,001	26	89,876,646	39.37
Total	40,205	228,326,672	100.00

Preferred Shares: None.

D. List of Major Shareholders

Share / Name of major shareholders (Top 10 people with equity ratio)	Shareholding Amount (Shares)	Shareholding Ratio %
Hui De Co., Ltd Responsible Person Song Xinye	9,082,694	3.98
CTBC Bank is entrusted to keep the investment account of The Nippon Signal Co., Ltd..	6,813,450	2.98
Dudu Investment Co., Ltd Responsible Person Zhang Zhengyi	6,765,327	2.96
Nissin Electric Co,Ltd Responsible Person Saito Shigeo	6,470,206	2.83
DESIGNED SPORTS IMAGE Co., Ltd Responsible Person Zhang Zhengyi	6,251,668	2.74
Yang Zhentong	5,912,721	2.59
Chen Mingsheng	4,958,174	2.17
EVERBRIGHT INVESTMENT CONSULTANT Co., Ltd Responsible Person Chen Mingsheng	4,200,000	1.84
Zhenrui Investment Co., Ltd Responsible Person Chen Weiping	4,084,662	1.79
Song Meiting	3,902,934	1.71

E. Market Price, Net Worth, Earnings and Dividends per Share in the Last Two Years

<table>
<tr><th colspan="3">Item \ Year</th><th>2020</th><th>2021</th><th>End on 2022-03-31 (Note 5)</th></tr>
<tr><td rowspan="3">Market Price per Share</td><td colspan="2">Highest</td><td>31.65</td><td>28.55</td><td>30.00</td></tr>
<tr><td colspan="2">Lowest</td><td>13.40</td><td>20.50</td><td>23.20</td></tr>
<tr><td colspan="2">Average</td><td>23.35</td><td>24.79</td><td>25.42</td></tr>
<tr><td rowspan="2">Net Value per Share</td><td colspan="2">Before Distribution</td><td>15.18</td><td>15.67</td><td>16.25</td></tr>
<tr><td colspan="2">After Distribution</td><td>13.78</td><td>14.20</td><td>14.75</td></tr>
<tr><td rowspan="3">Surplus per Share</td><td colspan="2">Weighted average number of shares (thousand shares)</td><td>214,899</td><td>225,644</td><td>225,644</td></tr>
<tr><td rowspan="2">Surplus Per Share</td><td>Before Tracing Adjustment</td><td>1.51</td><td>1.60</td><td>0.57</td></tr>
<tr><td>After Tracing Adjustment</td><td>1.44</td><td>1.53</td><td>—</td></tr>
<tr><td rowspan="4">Dividend per Share</td><td colspan="2">Cash Divident</td><td>0.70</td><td>0.75</td><td>—</td></tr>
<tr><td rowspan="2">Stock Grant</td><td>Stock Dividend from Retained Earnings</td><td>0.50</td><td>0.50</td><td>—</td></tr>
<tr><td>Capital Surplus Dividend</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td colspan="2">Accumulated Unpaid Dividend</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td rowspan="3">Analysis of Return on Investment</td><td colspan="2">Price Earnings Ratio (Note 2)</td><td>15.46</td><td>15.49</td><td>—</td></tr>
<tr><td colspan="2">Price to Dividend Ratio(No te 3)</td><td>33.36</td><td>33.05</td><td>—</td></tr>
<tr><td colspan="2">Cash Dividend Yield Ratio (Note 4)</td><td>3.00%</td><td>3.03%</td><td>—</td></tr>
</table>

Note 1 The appropriation of earnings for 2021 has not yet been approved by the 2022 Annual Shareholders Meeting.
Note 2 Capital gain ratio = average closing price per share for the year / earnings per share.
Note 3 Principal-to-profit ratio = average closing price per share for the year / cash dividends per share
Note 4 Cash dividend yield rate = Cash dividend per share / Average closing price per share for the year.
Note 5 The net value per share and earnings per share should be presented as of the latest quarterly period audited by the accountants as of the date of the annual report; the rest of the columns should be presented as of the current year as of the date of the annual report.

F. Dividend Policy under the Articles of Incorporation and Its Implementation

1. Principle of Dividend Policy

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

2. Dividend policy for the next three years

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

3. 2020 dividend policy implementation status

   On March 30, 2021, the board of directors approved the proposed distribution of 2020 cash dividend (NT$ 152,217,782) and allocated NT$ 108,726 from the distributable surplus of 2020 to issue 10,872,698 ordinary shares, with a share of NT$ 0.70, that is, 50 shares per thousand shares with a share dividend of NT$ 0.50.

G. The effect of the gratis share placement on the Company's operating performance, earnings per share and shareholders' return on investment:

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

H. Bonus to Directors and Employees

1. Salary and Remuneration Policy:
   (1) The remuneration of the Company's directors shall be divided into carriage fees and remuneration, which shall be paid at the usual rate. If the directors and employees are employees, they shall be paid in accordance with the provisions of (2) and (3) below.
   (2) The remuneration standards for the Company's managers are set by the human resources department of the Company in accordance with the "Regulations Governing the Payment of Salaries and Bonuses to Employees (including Managers)" of the Company, based on the individual's performance and contribution to the Company's overall operations, and with reference to the market standards.
   (3) Our compensation policy is based on the individual's ability, contribution to the company, performance, and the positive correlation with the operating performance; the overall salary and compensation package mainly consists of three parts: basic salary, bonus, employee bonus, and benefits. The basic salary is based on the competitive market situation and the company's policy; bonuses and employee bonuses are paid in relation to the achievement of employee and departmental goals or the company's operating performance; and benefits are designed in accordance with the law and the needs of the employees.
2. The number or scope of employees and Bonus to Directors as set forth in the Articles of Incorporation:
   Article 25 of the Articles of Incorporation:
   If the Company makes a profit in a year, 4% of the profit shall be set aside for employee compensation; Bonus to Directors shall be limited to 2%. However, if the Company has accumulated losses, it should reserve the amount of compensation in advance.
3. The basis for estimating the amount of compensation to employees and directors, the basis for calculating the number of shares for employee compensation distributed by stock, and the accounting treatment if the actual amount distributed differs from the estimated amount.:
   Based on the profit in 2021, the amount of employee's remuneration and director's remuneration is estimated according to the percentage stipulated in the Articles of Association of the Company, and recognized as the expenses in 2021. The Company estimates that the proportion of employee's remuneration and director's remuneration in 2021 is 4% and 2% respectively. However, if the actual allotment amount is different from the estimated amount, it will be listed as the profit and loss in 2022.
4. Distribution of remuneration by the Board of Directors:
   (1) Amount of employee's remuneration and director's remuneration:
   On March 29th, 2022, the board of directors approved the distribution of

employee's remuneration (4% of the current year's profit) of NT$ 17,324,715 and director's remuneration (2% of the current year's profit) of NT$ 8,662,357. The above amounts were paid in cash.

If there is any difference with the annual estimated amount of recognized expenses, the number, reasons and treatment of the difference shall be disclosed:

N/A.

(2) The amount of employee's remuneration distributed by shares and its proportion to the net profit after tax and the total amount of employee's remuneration in the current individual or individual financial report:

N/A.

(3) The actual distribution of the remuneration of employees and directors in the previous year (including the number of shares distributed, the amount and the share price), and if there is any difference between it and the recognized remuneration of employees and directors, the difference, the reasons and the treatment shall be stated:

In 2020, the Company actually distributed employee bonus (4%) of NT$ 16,128,331 and director's remuneration (2%) of NT$ 8,064,165, and there was no difference between the aforementioned amount and the amount recognized in the financial statements.

I. The Company bought back the Company's shares:

Repurchase period (Note)	1st Time	2nd Time	3rd Time	4th Time
Goal of Repurchase	Transfer of shares to employees	Protecting the Company's Credit and shareholders' rights	Protecting the Company's Credit and shareholders' rights	Protecting the Company's Credit and shareholders' rights
Time of Repurchase	November 6,2000~November 25, 2000	November 27, 2000~January 2, 2001	January 29, 2001~March 28, 2001	September 12, 2002~November 11, 2002
Regional Prices of Repurchase	$ 9.0~15.2	$ 9.0~15.2	$ 11.0~18.0	$ 6.0~12.0
Types and Numbers of Repurchased Shares	Ordinary Shares 2,973,000 shares	Ordinary Shares 8,505,000 shares	Ordinary Shares 5,004,000 shares	Ordinary Shares 4,100,000 shares
Amount of repurchased shares	$ 28,511,878	$ 88,261,883	$ 61,605,703	$ 29,538,584
Ratio of Scheduled Repurchased Shares Taken up in Purchase (%)	99.10%	70.88%	100%	68.33%
Number of shares cancelled and transferred	2,973,000 shares	8,505,000 shares	5,004,000 shares	4,100,000 shares
Cumulative holdings of shares of the Company	—	—	—	—
Number of shares of the Company held cumulatively as a percentage of the total number of shares in issue (%)	—	—	—	—

(II) Corporate Bonds: No.

(III) Preferred Shares: No.

(IV) Global Depository Receipts: No.

(V) Employee Stock Options: No.

(VI) Employee Stock Options and Restricted Stock Awards: No.

(VII) Financing Plans and Implementation:

A. Content of the Plan

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

B. Implementation

Not applicable.

V. Operational Highlights

(I) Business Activities

A. Scope of Business

1. The main contents of our business 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 Rail Vehicle and Parts Manufacturing
   - (5) CA02080 Metal Forging
   - (6) CA02990 Other Metal Products Manufacturing
   - (7) CB01030 Pollution Controlling Equipment Manufacturing
   - (8) CC01060 Wired Communication Mechanical Equipment Manufacturing
   - (9) CC01070 Wireless Communication Mechanical Equipment Manufacturing
   - (10) CC01080 Electronics Components Manufacturing
   - (11) CC01100 Controlled Telecommunications Radio-Frequency Devices 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 Refrigeration and Air Conditioning Engineering
   - (17) E603040 Fire Safety Equipment Installation Engineering
   - (18) E603050 Automatic Control Equipment Engineering
   - (19) E603080 Traffic Signs Installation Engineering
   - (20) E605010 Computer Equipment Installation
   - (21) E701040 Simple Telecommunications Equipment Installation
   - (22) E701040 Simple Telecommunications Equipment Installation
   - (23) E903010 Anti-Corrosion and Anti-Rust Engineering
   - (24) F113010 Wholesale of Machinery
   - (25) F113020 Wholesale of Electrical Appliances
   - (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 Machinery and Tools
   - (33) F219010 Retail Sale of Electronic Materials
   - (34) F401010 International Trade
   - (35) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
   - (36) I301010 Information Software 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 activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Operating Share of Major Businesses

Unit: %

Product Category	2021	2020
Electrical Products	27.04	19.58
Transformers	11.50	8.47
Electrical Equipment	15.40	21.03
Electronic Products	21.72	24.74
Materials	3.27	1.96
Engineering (With Installation)	20.85	23.93
Other	0.22	0.29
Total	100.00	100.00

3. Our current products and services

(1) Products

<u>Switchboards</u>

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

<u>Transformer</u>

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

<u>Industrial and Communication Electronics</u>

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

<u>Transmission and distribution equipment</u>

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

(2) Services

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

4. New product projects planned for development Detailed technology and R&D profile.

B. Industry Overview

1. Current Industry Status and Development Trends

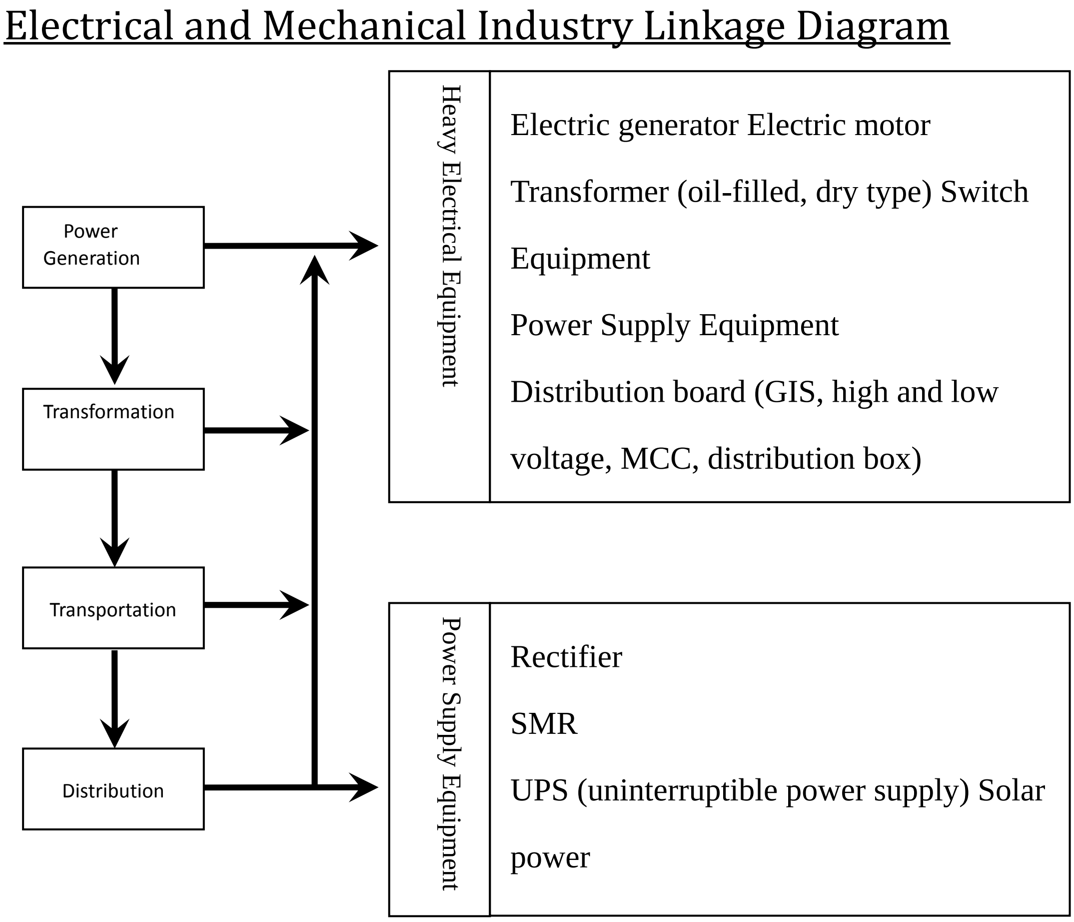
(1) The Company belongs to the heavy electric power transmission and distribution industry and related industries, which is a basic industry of domestic demand, capital-intensive and technology-intensive localized industry, the threshold of entry is not easy, Taiwan's hinterland is not large, products and markets are becoming more mature, demand and economic growth into the same proportion of the pulse relationship, domestic manufacturers supplying heavy electric machinery, electrical equipment and power electronics and other related products have their own market positioning and differentiation. The future development of the market is related to the economic growth and the demand driven by the increase and replacement of power plants and power transmission related equipment. The future market trend will be innovative in line with the trend of smart, efficient, cloud-based big data and IDC rooms, 4G, 5G, green energy/storage/energy saving and environmental protection. The upstream, midstream and downstream supply-demand relationship has been growing steadily for decades and has largely established a strong dependency.

(2) Heavy Electric's power transmission and distribution and related industry products are mainly transformers, distribution panels, monitoring systems, high-voltage GIS, ratio devices and high- and low-voltage capacitors, which are important equipment for industrial development. The market in advanced countries in Europe and the U.S. and Taiwan is mature, and the demand in emerging countries is still growing. In the future, the demand in Taiwan will be mainly from intelligent grid renewal, green energy, energy storage, and energy supply, and construction of equipment and switchgear.

(3) Bureau of Energy, Ministry of Economic Affairs (MOEA), in accordance with Article 401 of the "House Circuit Installation Regulations", in 2012, for eight types of high voltage equipment, including lightning arresters, power and distribution transformers, voltage dividers, voltage dividers, gas insulated switchgear (GIS), circuit breakers, and high voltage distribution panels, manufacturers must obtain the original manufacturer's approval and product type test or feature-by-feature test from the Bureau of Energy before they are allowed to deliver electricity, which is beneficial to the establishment of domestic supply and demand quality.

(4) The demand for construction and equipment in the rail transit industry, including Taiwan Railway, High Speed Rail, MRT, and Light Rail, is the bulk of the future prospective infrastructure in Taiwan. This field requires a proven track record and a professional team to match each other in order to be able to achieve success.

2. Electrical and Mechanical Industry Linkage Diagram



C. Technology and R&D Overview

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

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

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

Year	Expenditure Amount	R&D Achievement
109	NT$ 99,772,000	R&D Achievement: 1. Development of the second generation high frequency bus charger core control board. 2. Application for TES certification for charging of 24kW integrated two-gun electric locomotive. 3. SIV (GTO driver / Power board) component development 4. Transformer supervisory Terminal Unit (TTU). 5. 220/380V 6KW SMR (Efficiency 95%). 6. TPC two-way/four-way switch remote controller. 7. PLN RTU IEC104 communication protocal is finished. 8. Taiwan Railways Administration smart eight-way switch control box. 9. FI Entity DNP 3.0 communication protocal is finished.
110	NT$ 89,477,000	R&D Achievement: 1. SMR 6kW ES6048 communication power supply, etc. 2. Taiwan Railways Administration smart eight-way switch control panel. 3. Taiwan Railways Administration electrical locomotive charger DC 110V 20kW 4. EMU500 charger DC 29V 5kW 5. TPRI single-phase 3000kVAx3 short circuit test transformer 6. TPRI three-phase 1000kVA grounding transformer (GTR) 7. TPC transformer information terminal equipment TTU 8. Taipei Metro SIV GTO driver replacement case 9. Indonesia PLN RTU(DNP3.0 IEC101/104 full communication protocol is finished) 10. GB version electrical bus charging station 120kW 11. TOUGH 50KW/60KW three-phase solar energy inverter 12. Underground four-way auto line switch (standard type), etc. 13. Kiosk switch - Y128(108-10) 14. 14.2000kVA Copper wound molded transformer with primary air channel 15. Centrally Installed Switchgear series (VCB: Mitsubishi) 3-phase 24kV 1250A 25kA, etc. 16. 16.450kVA UPS MBP panel, 825kVA UPS MBP panel

2. 2022 Research plan and estimated R&D expenditure amount
   (1) Track high frequency charger.
   (2) EMU500 charger DC 110V 20kW.
   (3) TOUGH 50KW/60KW three-phase solar energy inverter
   (4) 24kV 600A overhead auto line switch.
   (5) High molecular polymer insulator chain switch group.
   (6) Quad conductor wire intervalometer, multiple conductor wire intervalometer.
   (7) Circuit failure indicator.
   (8) Kiosk four-way switch.
   (9) Underground four-way auto line switch
   (10) TPC Improved bushing-type pole transformer.

   Estimated R&D expenditure: NT$ 106,079,000.

D. Long-term and short-term business development plans:

1. In view of the slowdown of domestic economic growth and the long-term structural adjustment of the real economy in the world, the market competition will become increasingly fierce, and the added value of traditional products will become lower and lower. On the basis of stable development and continuous innovation and added value, enterprises' sustainable management should achieve long-term goals and take international steps; Therefore, in view of the current business expansion in the domestic market, the Company will strengthen its existing competitive advantages, make good use of its excellent goodwill and reputation in the industry, and actively participate in major civil and government construction projects, especially in the construction of power plant equipment obsolescence and expansion, high-tech expansion, rail industry and communication signals in line with the government's forward-looking infrastructure plan, etc.; Strengthening the R&D innovation of independent technologies, such as the integrated application of power monitoring system and the combination of intelligent medium and low voltage circuit breakers, can win huge business opportunities for feeder automation of Taipower in the next few years; In addition, in the field of industrial power electronics and motor equipment, the company has invested in strategic development for many years, has cultivated an independent R&D team, mastered key core technologies, and has taken a big step towards internationalization. Therefore, the product development for uninterruptible power supply and power protection system will continue to bring forth the new and bring forth the old, and actively promote differentiated related motor equipment products according to the demand of replacing the old with the new in the global power market; At the same time, since the development of green energy/energy storage/energy saving products and cloud technology has become a global trend, our company has been engaged in this field for many years, and has the ability to develop products related to power conversion and integrate and apply systems, which can expand the business level and enable domestic and foreign businesses to grow and develop in a balanced way.
2. Short-term plans
   (1) The domestic market is maturing, and growth is limited, so we must actively grasp the opportunities of transmission and distribution strengthening projects, large power plants, Taiwan Railways, MRT, new energy, smart grid, cloud and IDC rooms, and other construction and private investment opportunities to nurture the strength of system integration and turnkey to consolidate the market share.

(2) In the foreign market, we should actively cultivate talents for foreign sales and timely participate in the promotion of innovative new products, so as to ensure continuous growth in the value of foreign sales and additional value of products.
(3) We must leverage our reputation and strengthen our existing niche in existing products, strengthen our manufacturing and engineering business base, and develop new customers for both agency and new products.
(4) In line with government regulations and customer requirements, we are actively obtaining industry and related product certifications to seize opportunities for large-scale construction investment.

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

(II) Market and Sales Overview

A. Market Analysis

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

Domestic sales accounted for 94.20% of the Company's sales in 2021, while foreign sales accounted for 5.80%, with domestic sales and services still being the main market for our products. The domestic market of heavy electric industry is not easy to grow, and the era of global profitability has come, the market in Taiwan will be more open, tariff reduction, the reduction of nationalization protection, the market competition will become more intense, and the exchange rate fluctuates, and the price of oil and base metals related to the production cost of the industry fluctuates, increasing the risk of control, the operation of the heavy electric industry is bound to be more difficult. Except for some parts that need to be imported, our heavy electric products have already matured in terms of technology and cooperation with our domestic suppliers and third-party factories, and we are well-equipped to accept challenges and competition. At present, we have mastered the core technology of each product and are actively exploring foreign markets, aiming to increase the export sales turnover to more than 20% of the turnover year by year to achieve the purpose of driving the transformation of the company to internation alization as well.

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

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

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

(1) Future Market Demand

As the heavy electrical industry is a domestic demand industry, the growth of electricity demand is found to be almost proportional to the economic development in the long term. Therefore, the boom of the heavy machinery industry is closely related to the growth of the domestic economy. With the steady growth of the economy in the future, the demand for electricity is expected to increase steadily, and the economic development of Taiwan for decades, the power system and related equipment need to be retired and renewed, such as the new construction of substations and distribution automation programs, the successive decommissioning of nuclear power, the rise of wind power and solar power, but not enough to completely replace the power plants must be expanded, which will certainly drive the Heavy machinery industry relative supply increase. In addition, in the future, the technologies of power and communication monitoring and intelligent and new energy application development will be integrated with each other, and the transportation construction track industry, such as MRT, Taiwan Railway, high-speed rail and light rail, the government has a long-term and complete construction plan, which is a field that can be further developed in the future. Our company has been working in this field for many years and has been standing in the position of innovation leader. In the area of power electronics, we mainly use the application of communication and information software and hardware peripherals, which are global products. In addition, since the use of wireless communication technology and related products combined with intelligent and green energy-saving products has become a global trend, the Company is also standing at the starting point to develop power monitoring, charging machines, solar energy conversion inverters, energy storage equipment, cloud equipment protection power supply and other equipment, and has also established a new product business unit, the demand for this part is unlimited and boundless.

(2) Future supply of the market

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

(3) Expected sales volume and its basis

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

Based on the Company's business plan, the estimated sales volume for 2022 is as follows:

Items	Quantity	
Electrical Products	13,000	sets
Transformers	5,200	units
Electrical Equipment	23,000	sets
Electronic Products	10,000	sets
Materials	2,500	sets
Engineering	—	
Other	—	

(4) Development Prospects and Favorable and Unfavorable Factors

The government promotes constructive forward-looking plans, and various public investment construction projects and major private investment projects will continue to be carried out, which will stimulate the growth of domestic demand-oriented industries, and among the forward- looking infrastructure projects promoted by special budget, especially the rail industry, including the construction of Taiwan Railway, high-speed rail, metro and light rail. We have been working in this field for many years and have excellent track record and reputation, which will lay the foundation for the company's development in the coming years. In addition, it is the government's policy to build non-nuclear homes, so the construction of green energy and power development will be promoted urgently and continuously. The company has been working hard in the field of solar photovoltaic, and the new solar photovoltaic project of Longjing Phase II in Taichung won the Gold Quality Award for design and construction of public works from the Public Works Commission of the Executive Yuan. Meanwhile, in order to meet the government's promotion of "one million non-nuclear homes with sunny roofs by 2025", we have already set up a green energy office and sold our own PV inverter, and our business has already achieved breakthrough growth. The recent passage of the "Renewable Energy Development Act" by the Legislative Yuan on third reading has confirmed the long-term goal, which has laid confidence in the production and sales of our photovoltaic inverters and the development of energy storage equipment, which is also the direction of our future growth. After decades of economic growth and development both domestically and internationally, there is a need to replace existing transmission and distribution systems and equipment with high quality, highly stable, intelligent, and energy efficient transmission and distribution equipment and devices, which is known as the "Transmission and Distribution Toughness Project". Our company has accumulated more than 50 years of technology, and the quality of our human resources is better than our competitors in the industry. We have the ability of product innovation, system integration and turnkey, and we have been cooperating with famous heavy electric manufacturers in Europe, the United States, Japan and Korea. The system integration and development of many products continue to lead the industry, the quality system is fully implemented, and the reputation and popularity are widely recognized. At the same time, through the operation of the C.H.S. system, the company's production and sales policies complement each other and develop simultaneously, and the future business will be able to meet the needs of domestic and foreign markets.

However, some products of our company still belong to the heavy machinery industry, and the production process and innovation and development of products need more technical manpower, and talents need to be cultivated for a long time to make technology take root. With the advent of the era of low profit, the maturity of the domestic market and the opening of WTO, the competition becomes increasingly fierce. At the same time, the fluctuation of exchange rate and the fluctuation of basic metal prices also increase the risk of operation.

B. Main product applications and production processes

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

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

   (1) Power Distribution Board: It is used to monitor the status of the electrical system and equipment, and has the functions of remote control and operation, so that the electrical system and the peripheral equipment can operate smoothly.

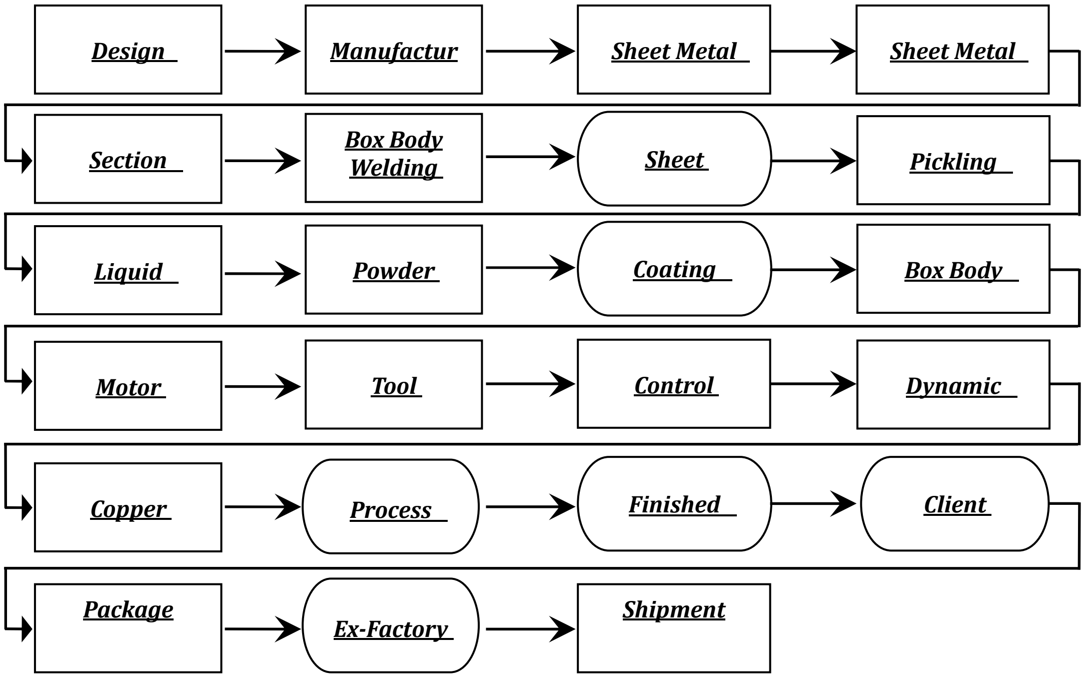
   (2) Transformers: Using the principle of electromagnetic induction to convert the input voltage, it is used in power and communication systems so that generators, transmission and distribution systems and finally various loads can operate at the most appropriate voltage.

   (3) Electrical and electronic equipment: It is used for transmission and distribution lines and provides timely start-up and protection when the circuit is overloaded or malfunctioned.

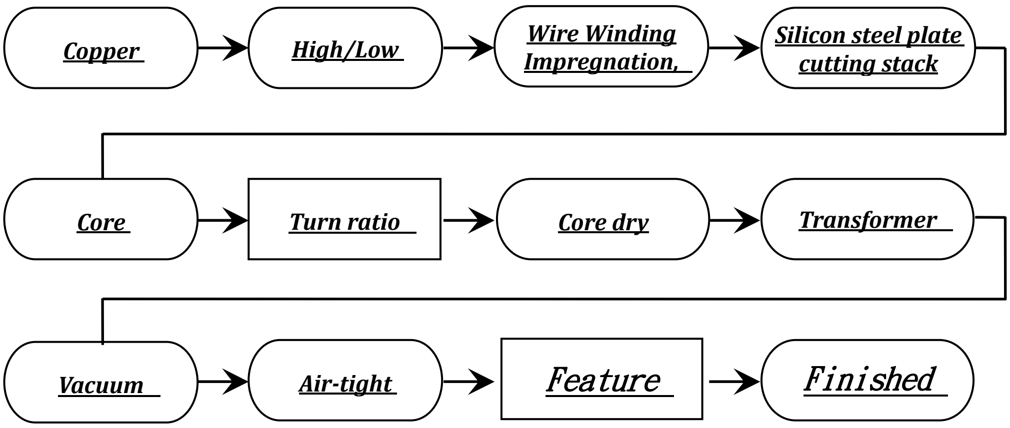
   (4) Power Electronics: It is also used as an uninterrupted and stable power source for various instruments and computers, medical facilities, railroad trolley cars, electric vehicle charging, solar energy conversion equipment, etc.

2. Manufacturing Process:

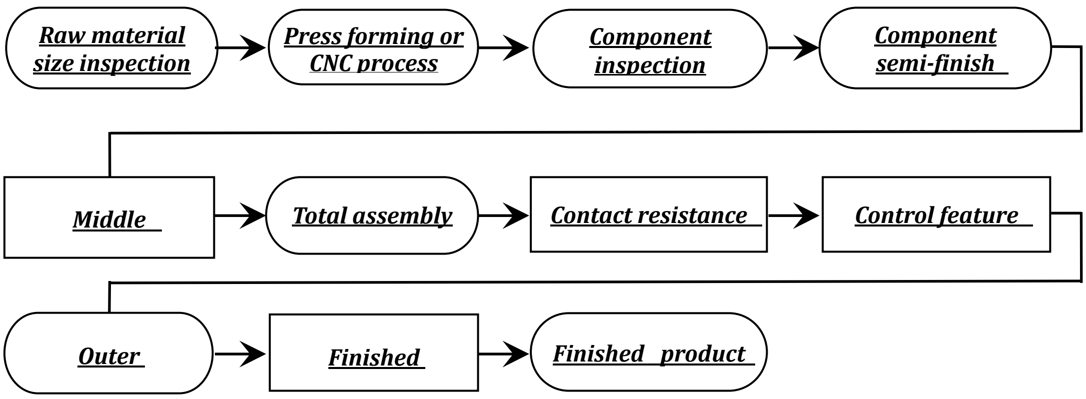
(1) Power distribution board manufacturing process



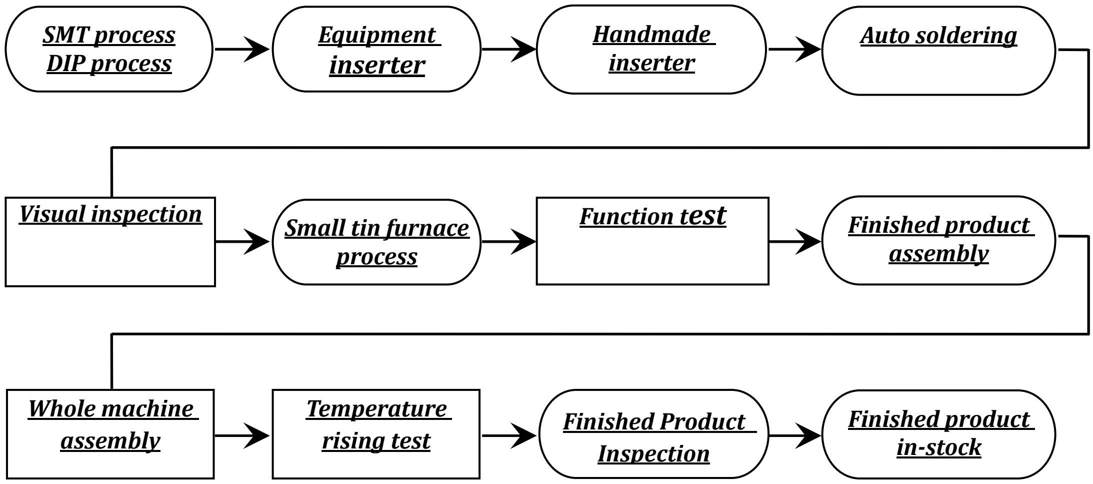
(2) Transformers manufacturing process



(3) Electrical and electronic equipment manufacturing process



(4) Power Electronics manufacturing process



C. Supply of major raw materials

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

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

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

Unit: NT$1,000

2020				2021				2022 until the end of first quarter			
Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Company	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Company	Name	Amount	As a percentage of net imports for the year (%)	Relationship with the Company
None	None	-	None	None	None	-	None	None	None	-	None
Net Import	3,775,267	100	-	Net Import	4,741,944	100	-	Net Import	1,261,687	100	-

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

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

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

Unit: NT$1,000

2020				2021				2022 until the end of first quarter			
Name	Amount	Percentage of net sales for the year ended the previous quarter (%)	Relationship with the Company	Name	Amount	Percentage of net sales for the year ended the previous quarter (%)	Relationship with the Company	Name	Amount	Percentage of net sales for the year ended the previous quarter (%)	Relationship with the Company
Taipower	1,271,587	24.87	None	Taipower	1,342,232	23.62	None	Taipower	297,279	19.90	None
TSMC	605,566	11.84	None	None	None	-	None	UMC	201,016	13.46	None
Net Sales	5,113,892	100	-	Net Sales	5,681,629	100	-	Net Sales	1,493,532	100	-

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

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

E. Table of production value of the last two years (consolidated)

Unit: NT$1,000

Year / Production Value / Main Products (or department)	2020			2021		
	Productivity	Capacity	Product Value	Productivity	Capacity	Product Value
Electrical Products	12,500	11,282	1,073,641	13,000	10,789	889,282
Transformers	100,000	22,589	689,827	110,000	18,832	480,711
Electrical Equipment	10,000	8,052	840,256	13,000	12,903	1,385,436
Electronic Products	5,000	3,360	371,666	6,000	5,423	623,940
Materials	-	-	66,442	-	-	118,819
Engineering	-	-	1,067,937	-	-	1,029,613
Other	-	-	42,115	-	-	50,793
Total	-	45,283	4,151,884	-	47,947	4,578,594

F. Table of sales value of the last two years (consolidated)

Unit: NT$1,000

Year / Production value / Main Products (or department)	2020				2021			
	Internal Sales		External Sales		Internal Sales		External Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Electrical Products	6,136	1,110,146	1,420	177,682	4,589	833,327	2,459	454,235
Transformers	24,512	1,050,889	64	3,321	19,476	830,031	10	383
Electrical Equipment	7,932	954,641	150	26,878	11,625	1,407,151	420	50,503
Electronic Products	3,032	392,323	95	32,454	4,602	576,675	340	43,036
Materials	0	0	0	0	-	176,210	0	0
Engineering	-	986,980	-	3,538	-	955,725	-	4,057
Other	-	337,536	-	37,504	-	208,793	-	141,503
Total	41,612	4,832,515	1,729	281,377	40,292	4,987,912	3,229	693,717

(III) Information of employees in the last two years

Year		2020	2021	2022 until the end of first quarter (Note)
Number of employees	Business Administration	137	136	139
	Indirect Labor and Delivery Staff	310	295	296
	Direct Labor and Delivery Staff	191	203	204
	Total	638	634	639
Average Year		43.36	43.59	43.61
Average Length of Service		14.11	14.48	14.17
Academic History Distribution Ratio Example %	PhD	1.08	0.94	0.93
	Master's Degree	5.54	6.15	6.25
	College	60.40	61.05	61.84
	High School	20.50	22.87	22.22
	Under High School	12.48	8.99	8.76

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

(IV) Environmental Protection Expenditure:

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

	2020	2021	Until April 30, 2022
Pollution status (type, degree)	Mild	Mild	Mild
Compensation object or Amount of disposal unit	None	None	None
Compensation or circumstances of disposition	None	None	None
Other losses	None	None	None

B. Response to the policy

1. Proposed improvement measures

(1) Improvement Program

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

(2) Environmental expense for next three years

	2022	2023	2024
Proposed pollution prevention and control Equipment or expenses	Maintenance Fee	Maintenance Fee	Maintenance Fee
Expected improvements	Compliant to Environmental Testing Standards	Compliant to Environmental Testing Standards	Compliant to Environmental Testing Standards
Amount (approx.)	7,000,000	8,000,000	9,000,000

(3) Impact of improvements

Effect on net income (approx.)	7,000,000	8,000,000	9,000,000
Effect on Competitive Position	None	None	None

2. No countermeasures: None

(V) Labor Relations

A. Current Significant Labor Agreements and Implementation

1. Employees are the most valuable assets of a company. Healthy and happy employees bring high creativity, high efficiency, high productivity and high profitability to the company. The Company has established an Employee Welfare Committee, which is responsible for all recurring employee welfare measures in accordance with the Articles of Incorporation. In addition, all other measures related to employee rights and benefits are handled in accordance with the relevant laws and regulations. Therefore, in the past 50 years since the establishment of the company, there has never been any dispute between the employers and employees, and the company is very harmonious.
2. Employee Benefit Measures
   (1) Based on corporate social responsibility, the company not only insures each employee with labor insurance and universal health insurance according to the law, but also insures all employees with group insurance, including life insurance, accident insurance, medical insurance, occupational accident insurance, cancer insurance, etc., so that employees can be fully protected and can concentrate on their work without worries.
   (2) The staff dormitory provides a good living environment and related recreational. facilities for employees.
   (3) The welfare cafeteria provides employees with nutritious and hygienic meals.
   (4) The reading room provides various books, magazines and reference books to enrich. the spiritual life and knowledge of employees.
   (5) The recreation room of each factory has a variety of balls and sports equipment for. employees to use, so that they can have proper recreational and leisure activities after work.
   (6) Scholarships for employees and their children, various on-the-job training programs to encourage employees to further their studies.
   (7) The welfare committee and the community groups in the factory hold activities from time to time to provide leisure activities for the employees after work and to unite the employees' centripetal force.
3. Retirement Systems

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

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

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

4. Other Important Agreements
   In the meetings, we discuss issues such as working environment, welfare, system and safety of workers, coordinate and communicate with each other, and study feasible solutions for thorough implementation, so as to promote full cooperation between employers and employees, and promote labor-management harmony.
5. Staff Development and Training
   The education and training of employees are conducted in accordance with the Company's "Regulations Governing the Operation of the Employee Education and Training System" in order to cultivate and develop the functions and potential of employees, and through the organizational function of the "Education and Training Committee", the training of employees is actually carried out to promote and review the effectiveness of education and training.
   The effectiveness of education and training in 2021:
   The total number of training participants was approximately 1,240.
   The total number of training hours was about 5,400.
   The average number of training hours per person was about 8.3hr.
   The average number of training sessions per person per year is about 1.90. sessions/year.
   The total training cost is $604,000.
   The average training cost per person is $927.
6. The presence or absence of a code of conduct or ethics for employees
   Employees' behavior and compliance with ethical conduct shall be in accordance with the Company's "Management Standards" and shall be appropriately rewarded or punished for violation of work rules in accordance with the "Employee Reward and Punishment Rules".
7. Work environment and employee safety protection measures
   The protection measures for work environment and employee's personal safety are handled in accordance with the Company's "Occupational Safety and Health Code of Practice" to protect the work safety and health of employees and to prevent the occurrence of occupational disasters.
   We set up the Labor Safety and Health Committee and each factory branch to advocate the correct concept of safety and health, provide feasible resources, adopt the most appropriate human factors engineering technology to achieve the prevention and protection of human and material resources, and listen to reports from safety and health management representatives on the current status of maintaining the safety and health management system and the improvement measures.

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

(VI) Information Security

A. Describe the security risk management structure, security policy, specific management plan and resources invested in security management of the information and communication company;

1. Risk management structure
   (1) Chairman member (serve by general manager)
      1.1 Preside over committee meetings, comprehensively manage affairs,

approve various resolutions and give necessary instructions.

1.2 Verification of information security policies and objectives.

1.3 Review all information security plans and budgets of the whole company.

1.4 Supervise the salary, safety, education, training and business implementation of the whole company.

(2) Member

2.1 Promote the implementation of information security policies and assigned objectives.

2.2 Supervise the implementation of the salary and safety plan for employees in the subordinate departments.

2.3 If the confidential information in the management department is misused or leaked, it should be immediately notified to the executive secretary of Information Security, who will inform the customers and report to the general manager.

2.4 Report and punish the members of the above-mentioned departments who violate the safety regulations.

2.5 Supervise internal employees to use information products according to regulations.

2.6 Participate in the examination and review of various education and training plans and budgets of the whole company.

2.7 Attend the committee meeting to provide information security issues of the company.

(3) Officer's Office (the executive secretary is a member of the Planning Information Management Department)

3.1 Promote information security policies and supervise the implementation of information security objectives of the whole company.

3.2 Assist the chairman to hold a meeting (at least once a year), make meeting minutes and track the matters to be implemented.

3.3 Drawing up the information security plan and budget of the whole company.

3.4 Statistics and evaluation of information security achievements of the whole company.

3.5 Statistics of information security expenses and implementation status throughout the year.

3.6 Perform information security related operations.

(4) Audit Office

4.1 According to the relevant regulations of the company's internal control and internal audit, audit the Committee's financial security.

4.2 All capital safety audits shall be conducted at least once a year.

2. Information security policies

Ensure the smooth and safe operation of all information systems, data, equipment and network of our company, and at the same time achieve the confidentiality, integrity and availability of information systems. Under this policy, all employees are obliged to actively participate in and promote this information security policy, and all employees are expected to understand, implement and maintain it, so as to avoid the risk of information system being attacked, leaked, destroyed or lost due to external threats or the management of internal personnel, and choose appropriate protection measures to make the risk acceptable, so as to achieve the goal of continuous operation of the company.

3. Detailed management plan
   (1) The committee will hold meetings from time to time (at least once a year).
      1.1 Review the formulation, revision and review of information security policies and their objectives.
      1.2 There is a review of information security management standards and administrative norms.
      1.3 Review of information security plan and budget.
      1.4 There are plans for information security education and training, revision and review.
      1.5 Information security measures implementation status report, evaluation of implementation performance and effectiveness review.
      1.6 Other information security developments.
   (2) Designate dedicated personnel to be responsible for software and hardware management.
   (3) Evaluate the security and maintenance management of network information system.
   (4) Formulate emergency response measures.
4. In 2021, the actual investment cost of maintenance, equipment replacement and cloud operation was about NT$ 4.5 million, and the second internal information and publicity course was conducted, and the employees of information and security seed were trained for a total of 52 person-times.

B. List the losses, possible impacts and countermeasures suffered due to major financial and communication security incidents in the latest year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: none.

(VII) Important Contracts

Contract Nature	Party	Year and Month of Contract	Main Content	Limit Terms
Engineering Contract	CTCI Smart Engineering Corporation	2021.01	Transformer substation expansion project	No Special Limit Terms
Engineering Contract	Mackay Memorial Hospital	2021.02	Equipment updating project	No Special Limit Terms
Engineering Contract	UMC	2021.02	Equipment maintenance, updating and other projects	No Special Limit Terms
Engineering Contract	ChipMOS	2021.04	Equipment maintenance and other projects	No Special Limit Terms
Purchasing and Engineering Contract	TPC	2021.05	Contracting, equipment maintenance and other projects	No Special Limit Terms
Engineering Contract	Central Taiwan Science Park Administration	2021.06	Taichung Park, Phase I Project	No Special Limit Terms
Engineering Contract	Shengxin Engineering Co., Ltd	2021.07	Equipment maintenance, updating and other projects	No Special Limit Terms
Engineering Contract	CHT	2021.08	Equipment maintenance, replacement and other projects	No Special Limit Terms
Engineering Contract	Zhongmou Construction Co., Ltd	2021.10	ALLIS ELECTRIC CO., LTD	No Special Limit Terms

VI. Financial Information

(I) Condensed Balance Sheet and Statement of Comprehensive Income of the Last 5 Years

A. Concise Balance Sheet-Consolidation

Unit: NT$1,000

Item \ Year		2017~2021 Finance Data (Note 1) 2017	2018	2019	2020	2021	Finance Data of Current Year to 2022-03-31 (Note 3)
Current asset		3,338,901	3,737,583	3,736,015	4,009,698	5,720,305	5,856,007
Property, Plant and Equipment (Note 2)		982,749	1,005,520	1,008,812	1,088,148	1,354,528	1,385,523
Intangible asset		21,346	16,072	12,302	30,920	14,581	13,259
Other assets (Note 2)		809,127	943,811	1,040,411	990,698	1,102,629	1,097,087
Total asset		5,152,123	5,702,986	5,797,540	6,119,464	8,192,043	8,351,876
Current liability	Before distribution	2,098,155	2,520,053	2,417,240	2,451,727	4,123,893	4,152,519
	After distribution	2,198,689	2,660,800	2,562,209	2,603,945	4,295,138	4,323,764
Noncurrent liability		313,960	290,702	280,100	340,391	459,582	454,808
Total liability	Before distribution	2,412,115	2,810,755	2,697,340	2,792,118	4,583,475	4,607,327
	After distribution	2,512,649	2,951,502	2,842,309	2,944,336	4,754,720	4,778,572
Interest of Consolidated Net Income Attributed to Stockholders of the Company		2,687,992	2,833,611	3,032,609	3,261,157	3,535,570	3,666,396
Capital stock		2,010,670	2,010,670	2,070,990	2,174,540	2,283,267	2,283,267
Capital Surplus		62,480	65,429	67,172	68,870	71,031	71,028
Retained earnings	Before distribution	661,527	784,111	883,972	978,185	1,091,922	1,219,560
	After distribution	560,993	643,364	635,453	717,240	806,514	934,152
Other equity		(5,069)	15,017	52,091	81,178	130,966	134,157
Treasury stock		(41,616)	(41,616)	(41,616)	(41,616)	(41,616)	(41,616)
Non-controlling interest		52,016	58,620	67,591	66,189	72,998	78,153
Total equity	Before distribution	2,740,008	2,892,231	3,100,200	3,327,346	3,608,568	3,744,549
	After distribution	2,639,474	2,751,484	2,955,231	3,175,128	3,437,323	3,573,304

＊ If the company has prepared individual financial reports, it shall separately prepare individual concise balance sheets and comprehensive profit and loss statements for the last five years.

＊ If the financial information using international financial reporting standards is less than 5 years old, the following table shall be prepared separately. (2) Financial information using accounting standards for Taiwan's enterprises.

Note 1 The year that has not been audited and certified by a CPA shall be indicated.

Note 2 If the assets have been revalued in the year, the date of revaluation and the revaluation increment shall be listed.

Note 3 Before the date of publication of the annual report, companies whose stocks have been listed or traded on the markets of securities firms should disclose the latest financial information audited, certified or reviewed by accountants.

Note 4 The above-mentioned figures after distribution shall be filled in according to the resolutions of the board of directors or the shareholders' meeting of the next year.

Note 5 The financial information shall be corrected or redacted by itself when notified by the competent authority, and the corrected or redacted figures shall be listed, and the circumstances and reasons shall be indicated.

Concise Balance Sheet-Individual

Unit: NT$ 1,000

Item \ Year		2017~2021 Finance Data (Note 1)				
		2017	2018	2019	2020	2021
Current asset		3,062,800	3,485,561	3,470,858	3,569,633	5,227,357
Property, Plant and Equipment (Note 2)		886,766	896,068	902,016	974,161	1,175,322
Intangible asset		15,713	12,348	9,965	8,061	7,776
Other assets (Note 2)		1,005,895	1,140,208	1,264,423	1,362,334	1,490,844
Total asset		4,971,174	5,534,185	5,647,262	5,914,189	7,901,299
Current liability	Before distribution	1,985,042	2,419,688	2,344,406	2,341,773	3,978,652
	After distribution	2,085,576	2,560,435	2,489,375	2,493,991	4,149,897
Noncurrent liability		298,140	280,886	270,247	311,259	387,077
Total liability	Before distribution	2,283,182	2,700,574	2,614,653	2,653,032	4,365,729
	After distribution	2,383,716	2,841,321	2,759,622	2,805,250	4,536,974
Interest of Consolidated Net Income Attributed to Stockholders of the Company		2,687,992	2,833,611	3,032,609	3,261,157	3,535,570
Capital stock		2,010,670	2,010,670	2,070,990	2,174,540	2,283,267
Capital Surplus		62,480	65,429	67,172	68,870	71,031
Retained earnings	Before distribution	661,527	784,111	883,972	978,185	1,091,922
	After distribution	560,993	643,364	635,453	717,240	806,514
Other equity		(5,069)	15,017	52,091	81,178	130,966
Treasury stock		(41,616)	(41,616)	(41,616)	(41,616)	(41,616)
Total equity	Before distribution	2,687,992	2,833,611	3,032,609	3,261,157	3,535,570
	After distribution	2,587,458	2,692,864	2,887,640	3,108,939	3,364,325

＊ If the company has prepared individual financial reports, it shall separately prepare individual concise balance sheets and comprehensive profit and loss statements for the last five years.

＊ If the financial information using international financial reporting standards is less than 5 years old, the following table shall be prepared separately. (2) Financial information using accounting standards for Taiwan's enterprises.

Note 1 The year that has not been audited and certified by a CPA shall be indicated.

Note 2 If the assets have been revalued in the year, the date of revaluation and the revaluation increment shall be listed.

Note 3 Before the date of publication of the annual report, companies whose stocks have been listed or traded on the markets of securities firms should disclose the latest financial information audited, certified or reviewed by accountants.

Note 4 The above-mentioned figures after distribution shall be filled in according to the resolutions of the board of directors or the shareholders' meeting of the next year.

Note 5 The financial information shall be corrected or redacted by itself when notified by the competent authority, and the corrected or redacted figures shall be listed, and the circumstances and reasons shall be indicated.

B. Concise Comprehensive Income Statement-Consolidation

Unit: NT$ 1,000

Item \ Year	2017～2021 Finance Data (Note 1)					Finance Data of Current Year to 2022-03-31 (Note 2)
	2017	2018	2019	2020	2021	
Operation Income	3,784,294	4,276,436	4,819,154	5,113,892	5,681,629	1,493,532
Gross Profit	554,199	666,071	840,010	903,842	976,006	291,405
Operating Income	115,506	169,627	277,025	348,750	375,966	123,382
Nonoperating Income and Expenditure	14,777	74,787	50,919	40,670	52,269	29,160
Profit before tax	130,283	244,414	327,944	389,420	428,235	152,542
Nontinuing operations Net Income	116,984	210,462	297,423	320,145	368,408	130,847
Net Income (Loss)	116,984	210,462	297,423	320,145	368,408	130,847
Other comprehensive income (Net amount after tax)	(3,383)	(20,721)	49,544	49,281	64,630	5,137
Total comprehensive income	113,601	189,741	346,967	369,426	433,038	135,984
The net profit attributed to the owner of the parent company	115,913	215,908	295,581	323,925	361,521	127,513
The net profit attributed to Non-controlling interest	1,071	(5,446)	1,842	(3,780)	6,887	3,334
Total comprehensive income attributed to the owner of the parent company	112,894	199,866	338,002	371,819	424,469	130,829
Total comprehensive income attributed to the owner Non-controlling interest	707	(10,125)	8,965	(2,393)	8,569	5,155
Surplus per Share	0.58	1.05	1.44	1.51	1.60	0.57

＊ If the company has prepared individual financial reports, it shall separately prepare individual concise balance sheets and comprehensive profit and loss statements for the last five years.

＊ If the financial information using international financial reporting standards is less than 5 years old, the following table shall be prepared separately. (2) Financial information using accounting standards for Taiwan's enterprises.

Note 1 The year that has not been audited and certified by a CPA shall be indicated.

Note 2 Before the date of publication of the annual report, companies whose stocks have been listed or traded on the markets of securities firms should disclose the latest financial information audited, certified or reviewed by accountants.

Note 3 The loss of a business unit is shown as the net amount after deducting income tax.

Note 4 The financial information shall be corrected or redacted by itself when notified by the competent authority, and the corrected or redacted figures shall be listed, and the circumstances and reasons shall be indicated.

Concise Comprehensive Income Statement-Individual

Unit: NT$ 1,000

Item \ Year	2017~2021 Finance Data (Note 1)				
	2017	2018	2019	2020	2021
Operation Income	3,612,041	4,179,791	4,719,025	5,012,368	5,390,995
Gross Profit	449,131	633,216	773,556	824,914	805,236
Operating Income	97,462	201,968	275,649	352,321	321,977
Nonoperating Income and Expenditure	29,094	48,313	49,210	26,695	85,154
Profit before tax	126,556	250,281	324,859	379,016	407,131
Nontinuing operations Net Income	115,913	215,908	295,581	323,925	361,521
Net Income (Loss)	115,913	215,908	295,581	323,925	361,521
Other comprehensive income (Net amount after tax)	(3,019)	(16,042)	42,421	47,894	62,948
Total comprehensive income	112,894	199,866	338,002	371,819	424,469
Surplus per Share	0.58	1.05	1.44	1.51	1.60

＊ If the company has prepared individual financial reports, it shall separately prepare individual concise balance sheets and comprehensive profit and loss statements for the last five years.

＊ If the financial information using international financial reporting standards is less than 5 years old, the following table shall be prepared separately. (2) Financial information using accounting standards for Taiwan's enterprises.

Note 1 The year that has not been audited and certified by a CPA shall be indicated.

Note 2 Before the date of publication of the annual report, companies whose stocks have been listed or traded on the markets of securities firms should disclose the latest financial information audited, certified or reviewed by accountants.

Note 3 The loss of a business unit is shown as the net amount after deducting income tax.

Note 4 The financial information shall be corrected or redacted by itself when notified by the competent authority, and the corrected or redacted figures shall be listed, and the circumstances and reasons shall be indicated.

Name of accountant and audit opinion for the last five years

Year	Name of certifying accountants	Checking Opinions
2017	HUNG, YU-LING, CHO, MIN-CHIH	No reservations added in paragraphs of other matters
2018	HUNG, YU-LING, CHO, MIN-CHIH	No reservations added in paragraphs of other matters
2019	HUNG, YU-LING, CHO, MIN-CHIH	No reservations added in paragraphs of other matters
2020	CHO, MIN-CHIH, HSIANG, WEN-TING	No reservations added in paragraphs of other matters
2021	CHO, MIN-CHIH, HSIANG, WEN-TING	No reservations added in paragraphs of other matters

(II) Five-Year Financial Analysis

Financial Analysis – Consolidated

Analysis Items (Note 3)		Year (Note 1): Financial Summary for 2017-2021					Financial Information of the year ended on March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Financial Structure%	Liabilities to assets ratio	46.82	49.29	46.53	45.63	55.95	55.17
	Long-term capital to property, plant and equipment plant and equipment ratio	310.76	316.55	328.38	337.06	300.34	303.09
Debt Service Capacity%	Current Ratio	159.14	148.31	154.56	163.55	138.71	141.02
	Quick Ratio	117.11	90.97	92.01	110.46	91.09	89.03
	Interest cover multiple	12.38	22.53	31.62	35.87	31.81	28.64
Operation Capabilities	Receivables turnover rate (times)	1.91	2.28	2.79	2.93	2.25	1.96
	Average number of days of receipt	191	160	131	125	162	186
	Inventory turnover rate (times)	3.60	2.98	2.84	2.83	2.84	2.52
	Turnover rate of accounts payable (times)	2.97	2.48	2.73	2.83	2.72	2.56
	Average days of sales	101	122	129	129	129	142
	Movable Property, Plant and Equipment Turnover (Times)	3.86	4.30	4.78	4.88	4.65	4.36
	Total assets turnover (times)	0.73	0.79	0.84	0.86	0.79	0.72
Profitability	Return on Assets (%)	2.45	4.04	5.32	5.52	5.30	1.64
	Return on Equity (%)	4.28	7.47	9.93	9.96	10.62	3.56
	Net income before income tax as a percentage of paid-in capital ratio (%) (Note 7)	6.48	12.16	15.84	17.91	18.76	6.68
	Net Profit Rate (%)	3.09	4.92	6.17	6.26	6.48	8.76
	Earnings per share (dollar)	0.58	1.09	1.44	1.51	1.60	0.57
Cash Flow	Cash Flow Ratio (%)	28.73	0	14.62	14.04	-	4.04
	Cash flow fair value ratio (%)	96.84	68.75	80.29	96.32	59.78	-
	Cash reinvestment ratio (%)	12.96	0	5.08	4.90	-	-
Leverage Degree	Operating leverage	5.34	4.26	3.22	2.74	2.75	-
	Financial leverage	1.11	1.07	1.04	1.03	1.04	1.05

Please explain the reasons for the changes of financial ratios in the last two years. (If the increase or decrease is less than 20%, the analysis is exempted)

- The ratio of liabilities to assets increased: due to the increase of long-term and short-term loans.
- Decline of accounts receivable turnover rate: the increase of accounts receivable is greater than the increase of sales.
- Average days of cash collection increased: due to the increase of accounts receivable.
- Decrease in cash flow ratio: due to the increase of accounts receivable and inventory.
- Decrease in cash flow allowance ratio: due to the increase of accounts receivable and inventory in recent two years.

＊ If the company prepares individual financial reports, it should prepare an analysis of the company's individual financial ratio.

＊ If the financial information using international financial reporting standards is less than 5 years old, the following table shall be prepared separately. (2) Financial information using accounting standards for Taiwan's enterprises.

Note 1 The year that has not been audited and certified by a CPA shall be indicated.

Note 2 Before the date of publication of the annual report, companies whose stocks have been listed or traded on the markets of securities firms should disclose the latest financial information audited, certified or analyzed by accountants.

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

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

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

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

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

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

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

Finance Analysis-Individual

Item (Note 3)		Year (Note 1) 2017	2018	2019	2020	2021
		2017-2021 Financial Analysis				
Financial Structure%	Liabilities to assets ratio	45.93	48.80	46.30	44.86	55.25
	Long-term capital to property, plant and equipment ratio	336.74	347.57	366.16	366.72	333.75
Debt Service Capacity%	Current Ratio	154.29	144.05	148.05	152.43	131.39
	Quick Ratio	115.53	99.84	87.86	106.17	87.96
	Interest cover multiple	14.72	28.80	38.02	42.32	41.82
Operation Capabilities	Receivables turnover rate (times)	1.85	2.28	2.79	2.92	2.16
	Average number of days of receipt	197	160	131	125	169
	Inventory turnover rate (times)		3.24	3.04	3.15	3.15
	Turnover rate of accounts payable (times)	2.69	2.29	2.61	2.81	2.59
	Average number of sales days	90	113	120	116	116
	Property, plant and equipment turnover rate (times)	4.08	4.69	5.25	5.34	5.02
	Total assets turnover (times)	0.72	0.80	0.84	0.87	0.78
Profitability	Return on Assets (%)	2.47	4.25	5.41	5.73	5.35
	Return on Equity (%)	4.32	7.82	10.08	10.29	10.64
	Net income before tax as a percentage of paid-in capital (%) (Note 7)	6.29	12.45	15.69	17.43	17.83
	Net Profit Rate (%)	3.21	5.17	6.26	6.46	6.71
	Earnings per share (NT$)	0.58	1.09	1.44	1.51	1.60
Cash Flow	Cash flow ratio (%)	23.78	-	10.43	17.23	-
	Cash flow fair value ratios (%)	94.06	64.32	64.34	92.54	56.91
	Cash reinvestment ratio (%)	9.91	-	2.88	6.04	-
Leverage	Operating leverage	5.19	3.39	3.01	2.52	2.72
	Financial leverage	1.10	1.05	1.03	1.03	1.03

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

- The ratio of liabilities to assets increased: due to the increase of long-term and short-term loans.
- Decline of accounts receivable turnover rate: the increase of accounts receivable is greater than the increase of sales.
- Average days of cash collection increased: due to the increase of accounts receivable.
- Decrease in cash flow ratio: due to the increase of accounts receivable and inventory.
- Decrease in cash flow allowance ratio: due to the increase of accounts receivable and inventory in recent two years.

* If the company prepares individual financial reports, it should prepare an analysis of the company's individual financial ratio.

* If the financial information using international financial reporting standards is less than 5 years old, the following table shall be prepared separately. (2) Financial information using accounting standards for Taiwan’s enterprises.

Note 1 The year that has not been audited and certified by a CPA shall be indicated.

Note 2 Before the date of publication of the annual report, companies whose stocks have been listed or traded on the markets of securities firms should disclose the latest financial information audited, certified or analyzed by accountants.

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

1. Financial structure
   (1) Debt ratio＝Total liabilities/Total assets.
   (2) Ratio of long-term capital to fixed assets ＝ (Total stockholders’ equity ＋ Non-current liabilities)/Property, plant and equipment, net.
2. Solvency
   (1) Current ratio＝Current assets/Current liabilities.
   (2) Quick ratio＝(Current assets－Inventory－Prepaid expense)/Current liabilities.
   (3) Interest earned ratio＝Net income before tax and interest expense/Interest expense.
3. Operating performance
   (1) Account receivable turnover (including accounts receivable and notes receivable resulted from

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

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

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

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

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

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

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

4. Profitability

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

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

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

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

5. Cash flow

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

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

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

6. Leverage:

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

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

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

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

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

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

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

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

(III) Audit Committee Review Report of 2021 Financial Report

Audit Committee review report

Hereby

The Board of Directors has sent the Company's 2021 business report, individual and consolidated financial statements, and earnings distribution proposal, among which the individual and consolidated financial statements have been audited by Huizhong United Certified Public Accountants, and the audit report has been issued. The above-mentioned business report, individual and consolidated financial statements, and earnings distribution proposal have been examined by this audit committee, and found that there are no discrepancies. The reports are prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, so please check them.

Best regards

Allis Electric Co., Ltd. Annual General Meeting in 2022

Allis Electric Co., Ltd.
Convener of Audit Committee WU, YING-CHIN

2022-03-29

(IV) Financial statements for the most recent year (2021)

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as those included in the consolidated financial statements of Allis Electric Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Allis Electric Co., Ltd. and its subsidiaries. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

ALLIS ELECTRIC CO., LTD.

By

____

Herr-Yeh Sung
Chairman

March 29, 2022

Earnest & Co., CPAs.

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

惠眾聯合會計師事務所
台北市堤頂大道二段 501 號 4 樓
TEL:(02)87519698 FAX:(02)87515658

INDEPENDENT AUDITORS' REPORT

Allis Electric Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Allis Electric Co., Ltd. and its subsidiaries (collectively referred to as "Allis Electric Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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, 2021. 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 years ended December 31, 2021 and 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, 2021 and 2020, the total assets of such subsidiaries were NT$186,379 thousand and NT$155,148 thousand, respectively, which represented 2.28% and 2.54%, respectively, of Allis Electric Group's consolidated total assets. For the year ended December 31, 2021 and 2020, the operating revenue of such subsidiaries were NT$241,832 thousand and NT$48,179 thousand,respectively, which represented 4.26% and 0.94%, respectively, 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, 2021 and 2020, 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, 2021 and 2020, the aforementioned investments accounted for using equity method were NT$320,114 thousand and NT$298,148 thousand, respectively, which represented 3.91% and 4.87%, respectively, of Allis Electric Group's consolidated total assets. Allis Electric Group's share of comprehensive income or loss of such associates were NT$52,561 thousand and NT$44,609 thousand for the years ended December 31, 2021 and 2020, respectively, which represented 12.14% and 12.08%, 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, 2021 and 2020 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, 2021 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 29, 2022

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

Code	ASSETS	Notes	2021.12.31 Amount	%	2020.12.31 Amount	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	Note 4 and 6	$ 499,304	6.10	$ 616,704	10.08
1110	Financial assets at fair value through profit or loss	Note 4 and 6	800	0.01	–	–
1120	Financial assets at fair value through other comprehensive income	Note 4 and 6	32,835	0.40	15,495	0.25
1140	Contract assets		318,776	3.89	150,479	2.46
1150	Notes receivable, net	Note 4 and 6	102,446	1.25	64,413	1.05
1160	Notes receivable from related parties	Note 7	–	–	613	0.01
1170	Accounts receivable, net	Note 4 and 6	2,975,697	36.32	1,844,548	30.14
1180	Accounts receivable from related parties	Note 6 and 7	37,752	0.46	15,735	0.26
1200	Other receivables	Note 4, 6, 7, and 8	107,751	1.32	150,523	2.46
1220	Current tax assets		70	0.00	233	0.00
1310	Inventories	Note 4 and 6	1,572,188	19.19	1,099,531	17.97
1410	Prepayments		72,334	0.88	46,280	0.76
1479	Other current assets	Note 6	352	0.01	5,144	0.08
11xx	Total current assets		5,720,305	69.83	4,009,698	65.52
	NON-CURRENT ASSETS					
1517	Financial assets at fair value through other comprehensive income	Note 4 and 6	307,501	3.75	247,813	4.05
1550	Investments accounted for using equity method	Note 4 and 6	320,114	3.91	298,148	4.87
1600	Property, plant and equipment	Note 4, 6 and 8	1,354,528	16.53	1,088,148	17.78
1755	Right-of-use assets	Note 4 and 6	8,962	0.11	11,185	0.18
1760	Investment properties	Note 4, 6 and 8	355,701	4.34	357,850	5.85
1780	Intangible assets	Note 4 and 6	14,581	0.18	30,920	0.51
1840	Deferred tax assets	Note 4 and 6	21,800	0.27	17,605	0.29
1915	Prepayments for equipment		5,719	0.07	–	–
1920	Refundable deposits		71,369	0.87	46,519	0.76
1975	Net defined benefit asset	Note 4 and 6	1,341	0.02	1,418	0.02
1980	Other receivables	Note 6	374	0.00	412	0.01
1990	Other non-current assets	Note 6	9,748	0.12	9,748	0.16
15xx	Total non-current assets		2,471,738	30.17	2,109,766	34.48
1xxx	TOTAL ASSETS		$ 8,192,043	100.00	$ 6,119,464	100.00

Code	LIABILITIES AND EQUITY	Notes	2021.12.31 Amount	%	2020.12.31 Amount	%
	CURRENT LIABILITIES					
2100	Short-term loans	Note 6	$ 1,899,344	23.19	$ 807,641	13.20
2120	Financial liabilities at fair value through profit or loss	Note 4 and 6	442	0.01	1,775	0.03
2130	Contract liabilities		251,134	3.06	204,256	3.34
2150	Notes payable		17,203	0.21	16,178	0.26
2160	Notes payable to related parties	Note 7	–	–	6,048	0.10
2170	Accounts payable		1,451,174	17.71	1,045,514	17.08
2180	Accounts payable to related parties	Note 7	172,456	2.11	85,132	1.39
2200	Other payables	Note 7	257,123	3.14	232,924	3.81
2230	Current tax liabilities	Note 4	52,387	0.64	29,521	0.48
2250	Provisions	Note 4 and 6	12,100	0.15	12,100	0.20
2255	Short-term onerous contracts provision		62	0.00	1,633	0.03
2272	Current portion of long-term loans	Note 6	5,025	0.06	–	–
2280	Lease liabilities	Note 4	4,274	0.05	4,155	0.07
2399	Other current liabilities		1,169	0.01	4,850	0.08
21xx	Total current liabilities		4,123,893	50.34	2,451,727	40.07
	NON-CURRENT LIABILITIES					
2540	Long-term loans	Note 6	216,458	2.64	65,118	1.06
2571	Deferred tax liabilities	Note 4 and 6	174,486	2.13	174,502	2.85
2580	Lease liabilities	Note 4	5,039	0.06	7,204	0.12
2640	Net defined benefit liabilities	Note 4 and 6	60,191	0.74	90,189	1.47
2645	Guarantee deposits		3,408	0.04	3,378	0.06
25xx	Total non-current liabilities		459,582	5.61	340,391	5.56
2xxx	Total liabilities		4,583,475	55.95	2,792,118	45.63
	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
3100	Share capital	Note 6	2,283,267	27.87	2,174,540	35.53
3200	Capital surplus	Note 6	71,031	0.87	68,870	1.12
	Retained earnings					
3310	Legal reserve		167,107	2.04	132,753	2.17
3320	Special reserve		451,387	5.51	452,190	7.39
3350	Unappropriated earnings		473,428	5.78	393,242	6.43
3300	Total retained earnings	Note 6	1,091,922	13.33	978,185	15.99
3400	Other equity		130,966	1.60	81,178	1.33
3500	Treasury Stock	Note 6	(41,616)	(0.51)	(41,616)	(0.68)
31xx	Total equity attributable to owners of the parent		3,535,570	43.16	3,261,157	53.29
36xx	NON-CONTROLLING INTERESTS		72,998	0.89	66,189	1.08
3xxx	Total equity		3,608,568	44.05	3,327,346	54.37
	TOTAL LIABILITIES AND EQUITY		$ 8,192,043	100.00	$ 6,119,464	100.00

The accompanying notes are an integral part of the consolidated financial statements.
(With Earnest & Co., CPAs auditors' report dated March 29, 2022)

Allis Electric Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

			2021		2020	
		Notes	Amount	%	Amount	%
4000	OPERATING REVENUE	Note 4, 6 and 7	$ 5,681,629	100.00	$ 5,113,892	100.00
5000	OPERATING COST	Note 6 and 7	4,705,428	82.82	4,209,656	82.32
5900	GROSS PROFIT		976,201	17.18	904,236	17.68
5910	LESS: UNREALIZED GROSS PROFIT ON SALES		195	0.00	394	0.01
5950	NET GROSS PROFIT		976,006	17.18	903,842	17.67
	OPERATING EXPENSES					
6100	Selling and marketing expenses	Note 7	335,803	5.91	280,993	5.50
6200	General and administrative expenses		157,038	2.76	147,167	2.88
6300	Research and development expenses	Note 7	100,143	1.76	110,594	2.16
6450	Expected credit impairment loss		7,056	0.13	16,338	0.32
6000	Total operating expenses		600,040	10.56	555,092	10.86
6900	OPERATING INCOME		375,966	6.62	348,750	6.81
	NON-OPERATING INCOME AND EXPENSES					
7010	Other income	Note 6 and 7	26,327	0.46	31,635	0.62
7020	Other gains and losses	Note 6	(13,558)	(0.24)	(24,699)	(0.48)
7050	Finance costs	Note 6	(13,897)	(0.24)	(11,167)	(0.22)
7060	Share of profit of associates accounted for using equity method	Note 4 and 6	53,397	0.94	44,901	0.88
7000	Total non-operating income and expenses		52,269	0.92	40,670	0.80
7900	INCOME BEFORE INCOME TAX		428,235	7.54	389,420	7.61
7950	INCOME TAX EXPENSE	Note 4 and 6	59,827	1.05	69,275	1.35
8200	NET INCOME		368,408	6.49	320,145	6.26
	OTHER COMPREHENSIVE INCOME (LOSS)					
	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans	Note 6	10,123	0.18	(20,692)	(0.40)
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	Note 4	57,779	1.02	69,760	1.36
8321	Share of remeasurement of defined benefit plans of associates accounted for using equity method		(503)	(0.01)	(774)	(0.02)
8349	Income tax relating to items that will not be reclassified to profit or loss	Note 6	16	0.00	60	0.00
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating foreign operation		(2,452)	(0.05)	445	0.01
8370	Share of other comprehensive income (loss) of associates accounted for using equity method		(333)	(0.01)	482	0.01
8300	Other comprehensive income, net		64,630	1.13	49,281	0.96
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 433,038	7.62	$ 369,426	7.22
8600	NET INCOME ATTRIBUTABLE TO					
8610	Owners of the parent		$ 361,521	6.37	$ 323,925	6.33
8620	Non-controlling interests		6,887	0.12	(3,780)	(0.07)
			$ 368,408	6.49	$ 320,145	6.26
8700	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO					
8710	Owners of the parent		$ 424,469	7.47	$ 371,819	7.27
8720	Non-controlling interests		8,569	0.15	(2,393)	(0.05)
			$ 433,038	7.62	$ 369,426	7.22
9750	EARNINGS PER SHARE	Note 6	$ 1.60		$ 1.44	

The accompanying notes are an integral part of the consolidated financial statements.

(With Earnest & Co., CPAs auditors’ report dated March 29, 2022)

Allis Electric Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	Equity Attributable to Owners of Parent												
	Share Capital			Retained Earnings			Other Equity					
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated earnings	Exchange differences on translating foreign operation	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2020	207,099	$ 2,070,990	$ 67,172	$ 102,580	$ 452,994	$ 328,398	$ (11,606)	$ 63,697	$ (41,616)	$ 3,032,609	$ 67,591	$ 3,100,200
Appropriation of the 2019 earnings												
Legal reserve appropriated	–	–	–	30,173	–	(30,173)	–	–	–	–	–	–
Cash dividends-NT$0.70 per share	–	–	–	–	–	(144,969)	–	–	–	(144,969)	–	(144,969)
Stock dividends-NT$0.50 per share	10,355	103,550	–	–	–	(103,550)	–	–	–	–	–	–
Net income in 2020	–	–	–	–	–	323,925	–	–	–	323,925	(3,780)	320,145
Other comprehensive income and loss in 2020, net of income tax	–	–	–	–	–	(21,366)	596	68,664	–	47,894	1,387	49,281
Total comprehensive income in 2020	–	–	–	–	–	302,559	596	68,664	–	371,819	(2,393)	369,426
Cash dividends from subsidiaries	–	–	–	–	–	–	–	–	–	–	(242)	(242)
Cash dividends distributed to subsidiaries	–	–	1,703	–	–	–	–	–	–	1,703	1	1,704
Disposal of investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	40,173	–	(40,173)	–	–	–	–
Changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	1,232	1,232
Return of donation from owners	–	–	(5)	–	–	–	–	–	–	(5)	–	(5)
Reversal of special reserve	–	–	–	–	(804)	804	–	–	–	–	–	–
BALANCE, DECEMBER 31, 2020	217,454	2,174,540	68,870	132,753	452,190	393,242	(11,010)	92,188	(41,616)	3,261,157	66,189	3,327,346
Appropriation of the 2020 earnings												
Legal reserve appropriated	–	–	–	34,354	–	(34,354)	–	–	–	–	–	–
Cash dividends-NT$0.70 per share	–	–	–	–	–	(152,217)	–	–	–	(152,217)	–	(152,217)
Stock dividends-NT$0.50 per share	10,873	108,727	–	–	–	(108,727)	–	–	–	–	–	–
Net income in 2021	–	–	–	–	–	361,521	–	–	–	361,521	6,887	368,408
Other comprehensive income and loss in 2021, net of income tax	–	–	–	–	–	9,647	(2,797)	56,098	–	62,948	1,682	64,630
Total comprehensive income in 2021	–	–	–	–	–	371,168	(2,797)	56,098	–	424,469	8,569	433,038
Cash dividends from subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,253)	(1,253)
Cash dividends distributed to subsidiaries	–	–	1,789	–	–	–	–	–	–	1,789	1	1,790
Disposal of investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	3,513	–	(3,513)	–	–	–	–
Changes in ownership interests in subsidiaries	–	–	511	–	–	–	–	–	–	511	(508)	3
Return of donation from owners	–	–	(139)	–	–	–	–	–	–	(139)	–	(139)
Reversal of special reserve	–	–	–	–	(803)	803	–	–	–	–	–	–
BALANCE, DECEMBER 31, 2021	228,327	$ 2,283,267	$ 71,031	$ 167,107	$ 451,387	$ 473,428	$ (13,807)	$ 144,773	$ (41,616)	$ 3,535,570	$ 72,998	$ 3,608,568

The accompanying notes are an integral part of the consolidated financial statements.

(With Earnest & Co., CPAs auditors' report dated March 29, 2022)

Allis Electric Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	$ 428,235	$ 389,420
Adjustments for		
Adjustments to reconcile profit (loss)		
Depreciation expense	45,144	44,594
Amortization expense	5,662	4,965
Expected credit impairment loss	7,056	16,338
Net loss (gain) on financial instruments at fair value through profit or loss	(1,482)	4,370
Interest expense	13,897	11,167
Interest income	(3,243)	(3,671)
Dividend income	(2,895)	(2,167)
Share of profit of associates accounted for using equity method	(53,397)	(44,901)
Net loss on disposal of property, plant and equipment	685	4
Loss on disposal of investments	692	—
Unrealized gross profit on sales	195	394
impairment loss	12,667	—
Changes in operating assets and liabilities		
Decrease (increase) in contract assets	(168,297)	85,243
Decrease (increase) in notes receivable	(38,202)	15,281
Decrease in notes receivable from related parties	613	4,481
Increase in accounts receivable	(1,143,432)	(362,548)
Decrease (increase) in accounts receivable from related parties	(22,017)	17,782
Decrease in other receivables	102,609	107,306
Decrease (increase) in inventories	(479,687)	225,887
Increase in prepayments	(26,145)	(5,955)
Decrease (increase) in other current assets	4,833	(5,145)
Increase in net defined benefit asset	(4)	(12)
Changes in financial instruments at fair value through profit or loss	(146)	(2,595)
Increase (decrease) in contract liabilities	47,500	(594)
Increase (decrease) in notes payable	1,025	(5,959)
Increase (decrease) in notes payable to related parties	(6,048)	6,048
Increase (decrease) in accounts payable	412,636	(148,877)
Increase in accounts payable to related parties	87,324	42,549
Increase in other payables	24,400	32,372
Decrease in short-term onerous contracts provision	(1,571)	(6,904)
Decrease in other current liabilities	(3,634)	(3,026)

Allis Electric Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
Decrease in net defined benefit liabilities	$ (19,794)	$ (23,582)
Cash inflow (outflow) generated from (used in) operations	(774,821)	392,265
Income tax paid	(40,972)	(47,969)
Net cash generated from (used in) operating activities	(815,793)	344,296
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of financial assets at fair value through profit or loss	(3,030)	—
Proceeds from disposal of financial assets at fair value through profit or loss	3,209	—
Acquisition of financial assets at fair value through other comprehensive income	(33,910)	(9,872)
Proceeds from disposal of financial assets at fair value through other comprehensive income	13,226	95,404
Acquisition of subsidiary	—	(12,163)
Acquisition of property, plant and equipment	(306,614)	(102,338)
Proceeds from disposal of property, plant and equipment	871	98
Acquisition of intangible assets	(2,638)	(2,092)
Increase in prepayments for equipment	(5,719)	—
Increase in refundable deposits	(24,850)	(4,563)
Increase in other receivables	(59,714)	—
Interest received	3,124	3,888
Cash dividend received	33,295	19,571
Net cash flows used in investing activities	(382,750)	(12,067)
CASH FLOWS FROM FINANCING ACTIVITIES：		
Increase in short-term loans	8,199,910	4,831,725
Decrease in short-term loans	(7,105,087)	(4,838,299)
Increase in long-term loans	160,250	55,653
Decrease in long-term loans	(2,249)	—
Increase (decrease) in guarantee deposits	30	(4)
Interest paid	(13,497)	(11,214)
Repayment of the principal portion of lease liabilities	(4,652)	(5,642)
Cash dividends paid	(151,682)	(143,506)
Cash capital increase	3	—
Others	(139)	(5)
Net cash flows generated from (used in) financing activities	1,082,887	(111,292)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,744)	1,548
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(117,400)	222,485
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	616,704	394,219
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 499,304	$ 616,704

The accompanying notes are an integral part of the consolidated financial statements.
(With Earnest & Co., CPAs auditors' report dated March 29, 2022)

Allis Electric Co., Ltd. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL

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

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

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 29, 2022.

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

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

(2) The IFRSs endorsed by the FSC for application starting from 2022

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of consolidation

a. The basis of the consolidated financial statements

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

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

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

b. The subsidiaries in the consolidated financial statements

Name of Subsidiaries	Principle Businesses Activities	Location	Percentage of Ownership 2021.12.31	Percentage of Ownership 2020.12.31
Air King Industrial Co., Ltd.	Design and installation of electrical equipment	Taipei, Taiwan	83.12%	83.12%
Ares Technology Co., Ltd.	Manufacturing of UPS	New Taipei City, Taiwan	100.00%	100.00%
Yishun Investment Co., Ltd.	Investment and holding	Taipei, Taiwan	99.94%	99.94%
Allis Communications Co., Ltd.	Manufacturing of GPS antennas	New Taipei City, Taiwan	82.64%	76.86%
Qingdao Liming Industry Co., Ltd.	Selling of electrical equipment	Qingdao, China	— (Note ①)	65.38%
Hengyuan Allis Electric Co., Ltd.	Selling of electrical equipment	Qingdao, China	65.38%	65.38%
AEC International S.r.l.	Selling of electrical equipment	Italy	100.00%	100% (Note②)
PHD Powerhouse Distributions (PTY) Ltd.	Selling of UPS	South Africa	90.00%	90.00% (Note③)

Note:

① On September 27, 2021, Qingdao Liming Industry Co., Ltd. was merged into Hengyuan Allis Electric Co., Ltd.

② The Company acquired 100% ownership of AEC International S.r.l. on September 11, 2020 and AEC International S.r.l. has been included in the consolidated financial statements since then.

③ The Company acquired 45% ownership of PHD Powerhouse Distributions (PTY) Ltd. on December 1, 2020, leading to an increase in ownership to 90% and a change in identity of the latter from associate to subsidiary, and PHD Powerhouse Distributions (PTY) Ltd. has been included in the consolidated financial statements since then.

(3) Foreign currencies

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currency different from the currency of the Company) are translated into the New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to the owners of the Company and non-controlling interests as appropriate).

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

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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

(5) Cash and cash equivalents

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

(6) Financial instruments

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

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

Financial assets

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

a.Measurement categories

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

①Financial assets at FVTPL

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

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

②Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

③Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

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

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

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

c.Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

(7) Inventories

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

(8) Investments accounted for using equity method

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

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

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

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

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

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

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

(9) Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

(10)Leases

a. The Group as lessee

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

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

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

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

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

b.The Group as lessor

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

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

(11) Investment properties

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

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

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

(12) Intangible assets

a. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

b. Other intangible assets

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

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

(13) Impairment of tangible and intangible assets

a. Goodwill

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

b.Tangible assets and other intangible assets

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

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

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

(14) Provisions

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

(15) Retirement benefits

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

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

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

(16) Revenue Recognition

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

a. Revenue from sale of goods

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

b. Construction contract revenue

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

(17) Taxation

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

a. Current tax

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

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

b.Deferred tax

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

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

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

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

c. Current and deferred tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of accounts receivables

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

As of December 31, 2021 and 2020, the carrying amounts of accounts receivable were NT$3,103,449 thousand and NT$1,860,283 thousand, respectively.

6. SIGNIFICANT ACCOUNTS DISCLOSURES

(1) Cash and cash equivalents

	2021.12.31	2020.12.31
Petty cash and cash on hand	$ 1,792	$ 1,804
Checking accounts and demand deposits	373,696	510,836
Cash equivalents		
Time deposits with original maturities less than one year	123,816	104,064
Total	$ 499,304	$ 616,704

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

Financial assets	2021.12.31	2020.12.31
Financial assets mandatorily classified as at FVTPL		
Convertible Bonds	$ 800	$ —

Financial liabilites	2021.12.31	2020.12.31
Financial liabilities held for trading		
Foreign exchange contracts	$ (442)	$ (1,775)

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

b. Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount
2021.12.31		
Sell NTD/Buy USD	2022.01.14-2022.06.01	USD 10,818 /NTD 108,162
2020.12.31		
Sell NTD/Buy USD	2021.2.3-2021.4.15	USD 1,739 /NTD 50,624

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

	2021.12.31	2020.12.31
Listed shares	$ 32,835	$ 15,495
Unlisted shares	307,501	247,813
Total	$ 340,336	$ 263,308
Current	$ 32,835	$ 15,495
Non-current	307,501	247,813
Total	$ 340,336	$ 263,308

As of December 31, 2021 and 2020, FVTOCI were not pledged as collateral for bank borrowings.

(4) Notes receivable and accounts receivable

	2021.12.31	2020.12.31
Notes receivable	$ 102,967	$ 64,765
Less: Allowance for impairment loss	(521)	(352)
Notes receivable, net	$ 102,446	$ 64,413
Accounts receivable	$ 3,080,596	$ 1,936,157
Less：Unrealized interest income	(15,015)	(8,830)
Allowance for impairment loss	(89,884)	(82,779)
Accounts receivable, net	$ 2,975,697	$ 1,844,548
Accounts receivable from related parties	$ 37,752	$ 15,735

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

All notes receivable were not past due.

The following table details the loss allowance of accounts receivables:

2021.12.31

	Not Past Due	Past Due 0-3 Months	Past Due 3-6 Months	Past Due 6-9 Months	Past Due 9-12 Months	Past Due 1-2 years	Past Due Over 2 years	Total
Gross carrying amount	$ 2,048,784	$ 647,618	$ 163,022	$ 87,750	$ 88,591	$ 38,786	$ 43,797	$ 3,118,348
Loss allowance	(35,735)	(6,452)	(1,622)	(877)	(5,120)	(1,683)	(38,395)	(89,884)
Amortized cost	$ 2,013,049	$ 641,166	$ 161,400	$ 86,873	$ 83,471	$ 37,103	$ 5,402	$ 3,028,464

2020.12.31

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

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

	2021.12.31	2020.12.31
Balance, beginning of the year	$ 83,131	$ 164,563
Loss allowance recognized	7,306	16,088
Amounts written off	—	(97,523)
Effect of foreign currency exchange differences	(32)	3
Balance, end of the year	$ 90,405	$ 83,131

(5) Inventories

	2021.12.31	2020.12.31
Finished goods	$ 395,066	$ 329,300
Work-in-process	448,111	236,798
Raw materials	646,166	500,404
Inventory in transit	82,845	33,029
Inventories, net	$ 1,572,188	$ 1,099,531

For the cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020, please refer to Note 6(19).

For the years ended December 31, 2021 and 2020, write-down of inventories to net realizable value and reversal of write-down of inventories resulting from disposal of slowing-moving inventories were included in the cost of goods sold as follows:

	2021	2020
Inventory losses (reversal of write-down of inventories)	$ 22,576	$ (4,506)

As of December 31, 2021 and 2020, inventories were not pledged as collateral for bank borrowings.

(6) Other receivables, net

	2021.12.31	2020.12.31
Pledged time deposits	$ 5,033	$ —
Loan receivable	59,714	—
Restricted deposit	37,798	143,524
Others	5,580	7,661
Less：Allowance for impairment loss	—	(250)
Other receivables, net	$ 108,125	$ 150,935
Current	$ 107,751	$ 150,523
Non-current	374	412
Total	$ 108,125	$ 150,935

(7) Investments accounted for using equity method

	2021.12.31		2020.12.31	
Name of Associates	% of Ownership	Amount	% of Ownership	Amount
Nissin-Allis Electric Co., Ltd.	30.00%	$ 214,265	30.00%	$ 197,597
Nissin Allis Union Ion Equipment Co., Ltd.	40.00%	105,849	40.00%	100,551
AYM International Corporation	40.00%	—	40.00%	—
Intelici Corporation	29.16%	—	29.16%	—
Total		$ 320,114		$ 298,148

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

Aggregate information of associates that are not individually material:

	2021.12.31	2020.12.31
Equity	$ 981,006	$ 911,550

	2021	2020
The Group's share of :		
Net income for the year	$ 53,397	$ 56,901
Other comprehensive income (loss)	(836)	(292)
Total comprehensive income (loss) for the year	$ 52,561	$ 56,609
Impairment loss recognized	$ —	$ 12,000

(8) Property, plant and equipment

	2021.12.31	2020.12.31
Land	$ 711,977	$ 646,993
Buildings	240,871	229,204
Machinery and equipment	61,527	67,737
Transportation equipment	9,078	8,809
Other equipment	48,546	44,302
Construction in progress	282,529	91,103
Total carrying amounts	$ 1,354,528	$ 1,088,148

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction In Progress	Total
Balance at January 1, 2021	$ 646,993	$ 609,257	$ 448,685	$ 42,945	$ 145,361	$ 91,103	$ 1,984,344
Additions	64,984	24,168	10,771	2,563	12,702	191,426	306,614
Disposals	—	(1,962)	(15,094)	(3,097)	(5,214)	—	(25,367)
Effect of foreign currency exchange differences	—	—	(1,645)	(82)	(313)	—	(2,040)
Balance at December 31, 2021	$ 711,977	$ 631,463	$ 442,717	$ 42,329	$ 152,536	$ 282,529	$ 2,263,551
Accumulated depreciation							
Balance at January 1, 2021	$ —	$ 380,053	$ 380,948	$ 34,136	$ 101,059	$ —	$ 896,196
Depreciation expense	—	12,501	16,263	1,315	8,078	—	38,157
Disposals	—	(1,962)	(14,860)	(2,138)	(4,851)	—	(23,811)
Effect of foreign currency exchange differences	—	—	(1,161)	(62)	(296)	—	(1,519)
Balance at December 31, 2021	$ —	$ 390,592	$ 381,190	$ 33,251	$ 103,990	$ —	$ 909,023
Carrying amounts at December 31, 2021	$ 711,977	$ 240,871	$ 61,527	$ 9,078	$ 48,546	$ 282,529	$ 1,354,528

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction In Progress	Total
Balance at January 1, 2020	$ 646,993	$ 606,844	$ 424,886	$ 39,776	$ 145,751	$ —	$ 1,864,250
Acquisition of subsidiary	—	—	17,837	1,229	1,986	—	21,052
Additions	—	2,413	8,399	2,476	4,078	84,972	102,338
Disposals	—	—	(2,294)	(560)	(6,494)	—	(9,348)
Transfer from prepayments for equipment	—	—	—	—	—	6,131	6,131
Effect of foreign currency exchange differences	—	—	(143)	24	40	—	(79)
Balance at December 31, 2020	$ 646,993	$ 609,257	$ 448,685	$ 42,945	$ 145,361	$ 91,103	$ 1,984,344
Accumulated depreciation							
Balance at January 1, 2020	$ —	$ 367,861	$ 356,756	$ 32,520	$ 98,301	$ —	$ 855,438
Acquisition of subsidiary	—	—	11,560	667	1,072	—	13,299
Depreciation expense	—	12,192	15,015	1,495	8,054	—	36,756
Disposals	—	—	(2,294)	(560)	(6,392)	—	(9,246)
Effect of foreign currency exchange differences	—	—	(89)	14	24	—	(51)
Balance at December 31, 2020	$ —	$ 380,053	$ 380,948	$ 34,136	$ 101,059	$ —	$ 896,196
Carrying amounts at December 31, 2020	$ 646,993	$ 229,204	$ 67,737	$ 8,809	$ 44,302	$ 91,103	$ 1,088,148

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

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

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

c. For the years ended December 31, 2021, capitalized interests was NT$1,816 thousand and capitalization rate was 0.98%.

d. As of December 31, 2021 and 2020, the title of farmland with carrying amounts of NT$308 thousand were temporarily registered in the name of Herr-Yeh Sung who had signed an agreement and had pledged the land to the Company.

(9) Right-of-use assets

	2021.12.31	2020.12.31
Buildings	$ 955	$ 1,677
Transportation equipment	1,944	847
Other equipment	6,063	8,661
Total carrying amounts	$ 8,962	$ 11,185

Cost	Buildings	Transportation Equipment	Other Equipment	Total
Balance at January 1, 2021	$ 2,837	$ 4,521	$ 13,858	$ 21,216
Additions	2,016	1,695	—	3,711
Decrease	(2,076)	(3,650)	—	(5,726)
Effect of foreign currency exchange differences	—	(68)	—	(68)
Balance at December 31, 2021	$ 2,777	$ 2,498	$ 13,858	$ 19,133
Accumulated depreciation				
Balance at January 1, 2021	$ 1,160	$ 3,674	$ 5,197	$ 10,031
Depreciation expense	1,700	540	2,598	4,838
Decrease	(1,038)	(3,650)	—	(4,688)
Effect of foreign currency exchange differences	—	(10)	—	(10)
Balance at December 31, 2021	$ 1,822	$ 554	$ 7,795	$ 10,171
Carrying amounts at December 31, 2021	$ 955	$ 1,944	$ 6,063	$ 8,962

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

(10) Investment properties

	2021.12.31	2020.12.31
Land	$ 308,269	$ 308,269
Buildings	47,432	49,581
Total carrying amounts	$ 355,701	$ 357,850

Cost	Land	Buildings	Total
Balance at January 1, 2021	$ 308,269	$ 74,077	$ 382,346
Additions	—	—	—
Balance at December 31, 2021	$ 308,269	$ 74,077	$ 382,346
Accumulated depreciation			
Balance at January 1, 2021	$ —	$ 24,496	$ 24,496
Depreciation expense	—	2,149	2,149
Balance at December 31, 2021	$ —	$ 26,645	$ 26,645
Carrying amounts at December 31, 2021	$ 308,269	$ 47,432	$ 355,701

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

a. The investment properties held by the Group are depreciated on a straight-line basis over the estimated useful lives of 45 to 60 years.

b. For the carrying amount of investment properties pledged as collateral for bank borrowings, please refer to Note 8.

c. The fair values of the investment properties owned by the Group were NT$483,666 thousand and NT$488,329 thousand as of December 31, 2021 and 2020, respectively. The fair value of investment properties was measured using the comparison approach with unobservable inputs (Level 3).

(11) Intangible assets

	2021.12.31	2020.12.31
Computer software	$ 3,932	$ 3,615
Other intangible assets	10,649	14,638
Goodwill	—	12,667
Total carrying amounts	$ 14,581	$ 30,920

Cost	Computer Software	Technology Royalty	Other Intangible Assets	Goodwill	Total
Balance at January 1, 2021	$ 42,723	$ 9,054	$ 72,906	$ 12,667	$ 137,350
Additions	1,979	—	659	—	2,638
Retirements	—	(9,054)	—	—	(9,054)
Impairment loss	—	—	—	(12,667)	(12,667)
Effect of foreign currency exchange differences	—	—	(3,464)	—	(3,464)
Balance at December 31, 2021	$ 44,702	$ —	$ 70,101	$ —	$ 114,803
Accumulated amortization					
Balance at January 1, 2021	$ 39,108	$ 9,054	$ 58,268	$ —	$ 106,430
Amortization expense	1,662	—	4,000	—	5,662
Retirements	—	(9,054)	—	—	(9,054)
Effect of foreign currency exchange differences	—	—	(2,816)	—	(2,816)
Balance at December 31, 2021	$ 40,770	$ —	$ 59,452	$ —	$ 100,222
Carrying amounts at December 31, 2021	$ 3,932	$ —	$ 10,649	$ —	$ 14,581

Cost	Computer Software	Technology Royalty	Other Intangible Assets	Goodwill	Total
Balance at January 1, 2020	$ 41,147	$ 9,054	$ 35,333	$ —	$ 85,534
Acquisition of subsidiary	—	—	37,366	12,667	50,033
Additions	1,576	—	516	—	2,092
Retirements	—	—	(309)	—	(309)
Balance at December 31, 2020	$ 42,723	$ 9,054	$ 72,906	$ 12,667	$ 137,350
Accumulated amortization					
Balance at January 1, 2020	$ 37,238	$ 9,054	$ 26,940	$ —	$ 73,232
Acquisition of subsidiary	—	—	28,462	—	28,462
Amortization expense	1,870	—	3,095	—	4,965
Retirements	—	—	(229)	—	(229)
Balance at December 31, 2020	$ 39,108	$ 9,054	$ 58,268	$ —	$ 106,430
Carrying amounts at December 31, 2020	$ 3,615	$ —	$ 14,638	$ 12,667	$ 30,920

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

Computer software	2-7 years
Technology royalty	20 years
Other intangible assets	3-10 years

(12) Other assets

	2021.12.31	2020.12.31
Golf club card	$ 12,847	$ 12,847
Others	352	5,144
Less: Accumulated impairment	(3,099)	(3,099)
Total	$ 10,100	$ 14,892
Current	$ 352	$ 5,144
Non-current	9,748	9,748
Total	$ 10,100	$ 14,892

(13) Short-term loans

	2021.12.31	2020.12.31
Purchase loans	$ 48,353	$ —
Unsecured loans	992,654	324,396
Secured loans	858,337	483,245
	$ 1,899,344	$ 807,641
Annual interest rate	0%~3.00%	0.95%~3.00%

(14) Provisions

Warranty provision	2021	2020
Balance, beginning of the year	$ 12,100	$ 12,100
Provisions recognized	2,591	3,930
Utilized	(2,591)	(3,930)
Balance, end of the year	$ 12,100	$ 12,100

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

(15) Long-term loans

		2021.12.31		2020.12.31	
Bank	Loan period and repayment term	Interest (%)	Amount	Interest (%)	Amount
Taiwan Cooperative Bank	2020.10.25 ～ 2029.12.24	1.40	$ 47,000	1.40	$ 47,000
	2021.10.25 ～ 2029.12.24	1.40	103,000	—	—
Popolare di bari	2018.2.27~2026.1.31; principal is payable in monthly installments	4.75	6,793	4.75	10,335
Popolare di bari	2020.9.15~2026.9.30; principal is payable in monthly installments commencing 2022.10.30	3.00	5,905	3.00	6,918

		2021.12.31		2020.12.31	
Bank	Loan period and repayment term	Interest (%)	Amount	Interest (%)	Amount
Banco BPM	2020.7.27~2025.5.27; principal is payable in monthly installments commencing 2022.6.27	1.275	634	1.275	865
E.Sun Commercial Bank	2021.3.5~2041.3.5; principal is payable in monthly installments	1.15	58,151	—	—
Subtotal			221,483		65,118
Less: Current portion			(5,025)		—
Total			$ 216,458		$ 65,118

(16) Retirement benefit plans

a. Defined contribution plans

The Company and domestic subsidiaries adopted a pension plan under the R.O.C. Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. For employee benefit expenses under the defined contribution plan for the years ended December 31, 2021 and 2020, please refer to Note 6(23).

b. Defined benefit plans

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

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

	2021.12.31	2020.12.31
Present value of defined benefit obligation	$ (447,669)	$ (476,502)
Fair value of plan assets	388,819	387,731
Net defined benefit liabilities	$ (58,850)	$ (88,771)
Accounted for as net defined benefit liabilities	$ (60,191)	$ (90,189)
Accounted for as net defined benefit assets	$ 1,341	$ 1,418

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

	2021	2020
Balance, beginning of year	$ 476,502	$ 472,166
Current service cost	877	1,114
Interest expense	1,402	2,820
Remeasurement		
Actuarial loss (gain) - changes in financial assumptions	(8,076)	9,130
Actuarial loss - experience adjustments	3,725	24,479
Benefits paid	(26,761)	(33,207)
Balance, end of year	$ 447,669	$ 476,502

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

	2021	2020
Balance, beginning of year	$ 387,731	$ 380,493
Interest revenue	1,167	2,311
Remeasurement		
Return on plan assets (excluding amounts included in net interest expense)	5,772	12,917
Contributions from employer	20,910	16,152
Benefits paid	(26,761)	(24,142)
Balance, end of year	$ 388,819	$ 387,731

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

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

	2021	2020
Current service cost	$ 877	$ 1,114
Net interest expense	235	509
Total	$ 1,112	$ 1,623

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

①Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2 year time deposit with local banks.

②Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

③Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	Measurement Date	
	2021.12.31	2020.12.31
Discount rate	0.6%~0.7%	0.3%
Expected rate of salary increase	0.5%~3.0%	0.5%~3.0%

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

	2021.12.31	2020.12.31
Discount rates		
0.1 % increase	$ (2,562)	$ (3,012)
0.1 % decrease	2,592	3,048
Expected rate of salary increase		
0.1 % increase	$ 2,157	$ 2,566
0.1 % decrease	(2,135)	(2,548)

	2021.12.31	2020.12.31
The expected contributions to the plan for the next year	$21,646	$21,100
The average duration of the defined benefit obligation	5.3~8.3 years	5.8~9.1 years

(17) Equity

a. Ordinary shares

	2021.12.31	2020.12.31
Authorized share capital	$ 3,500,000	$ 2,400,000
Issued share capital	$ 2,283,267	$ 2,174,540

The par value is NT$10 dollars.

The capitalization of retained earnings of NT$108,727 thousand and issuance of 10,873 thousand shares have been approved in the stockholders' meeting on July 13, 2021. The ex-right date and stock issuance date were September 5, 2021 and September 30, 2021, respectively.

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

b. Capital surplus

	2021.12.31	2020.12.31
From the issuance of ordinary shares	$ 58,393	$ 58,393
From treasury stock transactions	10,415	8,626
From difference between consideration and carrying amount arising from actual acquisition or disposal of subsidiaries	610	99
From donations	1,613	1,752
	$ 71,031	$ 68,870

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

c. Retained Earnings and Dividend Policy

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

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

②Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

③Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. For any subsequent reversal of the deduction in other shareholders' equity, the appropriate amount of earnings distribution should be reversed from the net debit balance.

④ The appropriations of earnings for 2020 and 2019 approved in the shareholders' general meetings on July 13, 2021 and June 23, 2020, respectively.

The appropriations of 2020 and 2019 earnings were as follows:

	2020	2019
Legal reserve	$ 34,354	$ 30,173
Cash dividends (NT$0.7 per share for 2020 and 2019)	152,217	144,969
Stock dividends (NT$0.5 per share for 2020 and 2019)	108,727	103,550
	$ 295,298	$ 278,692

The appropriations of earnings for 2021 were proposed by the Company's board of directors on March 29, 2022 as follows:

	2021
Legal reserve	$ 37,549
Cash dividends (NT$0.75 per share)	171,245
Stock dividends (NT$0.5 per share)	114,163
	$ 322,957

The appropriations of 2021 earnings are subject to the resolution of the shareholders' meeting to be held on June 21, 2022.

d. Special reserves

	2021	2020
Balance, beginning of year	$ 452,190	$ 452,994
Reversal:		
Depreciation expense on investment properties	(803)	(804)
Balance, end of year	$ 451,387	$ 452,190

f. Non-controlling interests

	2021	2020
Balance, beginning of year	$ 66,189	$ 67,591
Attributable to non-controlling interests		
Net income (loss)	6,887	(3,780)
Exchange differences on translating foreign operation	12	331
Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	1,681	1,097
Remeasurement of defined benefit plans	(11)	(41)
Cash dividends distributed by subsidiaries	(1,253)	(242)
Cash dividends distributed to subsidiaries	1	1
Others	(508)	1,232
Balance, end of year	$ 72,998	$ 66,189

g. Treasury stock

(In thousands of shares)

	2021.12.31	2020.12.31
Shares held by the subsidiaries	2,683	2,555

The Corporation's shares held by the subsidiary, Yishun Investment Co., Ltd., are accounted for as treasury stock. As of December 31, 2021 and 2020, the book value of treasury stock were NT$41,616 thousand; the market value of treasury stock were NT$69,759 thousand and NT$66,693 thousand, respectively.

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

(18) Operating revenue

	2021	2020
Revenue from sale of goods	$ 4,637,608	$ 4,134,800
Construction contract revenue	1,023,347	956,196
Other operating revenue	20,674	22,896
	$ 5,681,629	$ 5,113,892

(19) Operating cost

	2021	2020
Cost of goods sold	$ 3,797,712	$ 3,308,655
Construction contract cost	897,077	880,251
Other operating cost	10,639	20,750
	$ 4,705,428	$ 4,209,656

(20) Other income

	2021	2020
Interest income		
Bank deposits	$ 386	$ 915
Others	2,857	2,756
Rental income	13,481	13,026
Dividend Income	2,895	2,167
Others	6,708	12,771
	$ 26,327	$ 31,635

(21) Other gains and losses

	2021	2020
Net foreign exchange gain (losses)	$ 1,211	$ (17,888)
Net gain (loss) on financial instruments at fair value through profit or loss	1,482	(4,370)
Net loss on disposal of property, plant and equipment	(685)	(4)
Loss on disposals of investments	(692)	–
Depreciation on investment properties	(2,149)	(2,149)
Impairment loss	(12,667)	–
Other losses	(58)	(288)
	$ (13,558)	$ (24,699)

(22) Finance costs

	2021	2020
Interest on bank loans	$ 13,693	$ 10,904
Interest on lease liabilities	168	227
Others	36	36
	$ 13,897	$ 11,167

(23) Additional information of expenses by nature

Net income included the following items:

	2021	2020
Depreciation and amortization expense		
Depreciation on property, plant and equipment	$ 38,157	$ 36,756
Depreciation on right-of-use assets	4,838	5,689
Depreciation on investment properties	2,149	2,149
Amortization on intangible assets	5,662	4,965
Total	$ 50,806	$ 49,559

Operating expenses directly related to investment properties:

	2021	2020
Direct operating expenses of investment properties that generated rental income	$ 1,197	$ 1,190
Direct operating expenses of investment properties that did not generate rental income	9	5
Total	$ 1,206	$ 1,195
Research and development costs expensed as incurred	$ 100,143	$ 110,594

Employee benefits expense	2021	2020
Post-employment benefits (Note 6(16))		
Defined contribution plans	$ 21,646	$ 20,737
Defined benefit plans	1,112	1,623
Subtotal	22,758	22,360
Salaries and bonus expense	623,148	597,448
Insurance expense	52,836	52,805
Others	26,987	25,234
Total	$ 725,729	$ 697,847

According to Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors at the rates of 4% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 201 and 2020 were as follows:

	2021	2020
Employees' compensation	$ 17,325	$ 16,128
Remuneration of directors	8,662	8,064
	$ 25,987	$ 24,192

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2020.

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

(24) Income taxes

a. Income tax expense recognized in profit or loss

①Major components of income tax expense：

	2021	2020
Current tax		
In respect of the current year	$ 63,826	$ 61,523
Adjustments for prior years	219	3,773
Subtotal	64,045	65,296
Deferred tax		
Origination and reversal of temporary differences	(4,218)	3,979
Income tax expense	$ 59,827	$ 69,275

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

	2021	2020
Income before tax	$ 428,235	$ 389,420
Income tax expense calculated at the statutory rate	$ 95,861	$ 76,382
Tax effect of adjusting items:		
Tax-exempt income	(1,518)	(1,035)
Investment loss	(9,395)	—
Nondeductible items in determining taxable income	255	260
Origination and reversal of temporary differences	(9,316)	(8,613)
Income tax on unappropriated earnings	—	273
Loss carryforwards	(4,274)	(255)
Investment tax credit	(7,787)	(5,489)
Adjustments for prior years	219	3,773
Current tax	64,045	65,296
Deferred tax		
Origination and reversal of temporary differences	(4,218)	2,979
Loss carryforwards	—	1,000
Subtotal	(4,218)	3,979
Income tax expense	$ 59,827	$ 69,275

③ Income tax recognized in other comprehensive income

	2021	2020
Deferred income tax expense		
Related to remeasurement of defined benefit obligation	$ 16	$ 60

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

b. Deferred tax assets

The movements of deferred tax assets were as follows:

2021

Deferred tax assets	Opening Balance	Acquisition of Subsidiary	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Effect of Foreign Currency Exchange Differences	Closing Balance
Temporary differences						
Allowance for inventory loss	$ 5,875	$ –	$ 4,391	$ –	$ –	$ 10,266
Payable for annual leave	4,606	–	(6)	–	–	4,600
Unrealized exchange losses	2,517	–	(1,539)	–	–	978
Others	4,607		1,372	–	(23)	5,956
Total	$ 17,605	$	$ 4,218	$ –	$ (23)	$ 21,800

Deferred tax liabilities	Opening Balance	Acquisition of Subsidiary	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Effect of Foreign Currency Exchange Differences	Closing Balance
Land value increment tax	$ (174,220)	$ –	$ –	$ –	$ –	$ (174,220)
Others	(282)	–	–	16	–	(266)
Total	$ (174,502)	$ –	$ –	$ 16	$ –	$ (174,486)

2020

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

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

c. Information about loss carryforwards

As of December 31, 2021, unused loss carryforwards and expiry year were as follows:

Unused Amount		Expiry Year
$	3,997	2023
	6,590	2024
	5,773	2025
	14,081	2026
	12,545	2028
	19,152	2029
	6,061	2030
	4,193	2031
$	72,392	

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

	2021.12.31	2020.12.31
Loss carryforwards	$ 72,392	$ 68,200
Deductible temporary differences	70,805	80,935
Total	$ 143,197	$ 149,135

e. Income tax assessments

The income tax returns of the Company, Air King Industrial Co., Ltd., Allis Communications Co., Ltd., Ares Technology Co., Ltd., and Yishun Investment Co., Ltd. through 2019 have been assessed by the tax authority.

(25) Earnings per share

	2021	2020
Basic earnings per share (NT$)	$ 1.60	$ 1.44

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

	2021	2020
Net income for the year attributable to owners of the Company	$ 361,521	$ 323,925
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands of shares)	225,644	225,644

Retroactive adjustments were applied to the Company’s basic earnings per share for the years ended December 31, 2021 and 2020.

(26) Significant lease agreements

a. The Group as lessee

	2021	2020
Expenses relating to short-term leases	$ 21,273	$ 16,234
Total cash outflow for leases	$ 26,050	$ 22,104

b. The Group as lessor

As of December 31, 2021 and 2020, the future lease payments receivable under operating leases of investment properties were as follows:

	2021.12.31	2020.12.31
Not later than 1 year	$ 11,952	$ 12,929
1-2 years	6,495	11,753
2-3 years	5,249	6,457
3-4 years	5,354	5,249
4-5 years	5,406	5,354
Later than 5 years	11,546	18,345
Total	$ 46,002	$ 60,087

(27) Capital management

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

(28) Financial instruments

a. Fair value of financial instruments

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

②Financial instruments that are measured at fair value

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either

directly or indirectly; and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	2021.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Convertible Bond	$ 800	$ —	$ —	$ 800
	$ 800	$ —	$ –	$ 800
Financial assets at FVTOCI				
Listed shares	$ 32,835	$ —	$ —	$ 32,835
Unlisted shares	—	—	307,501	307,501
Total	$ 32,835	$ —	$ 307,501	$ 340,336
Financial liabilities at FVTPL	$ —	$ 442	$ —	$ 442

	2020.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	$ 15,495	$ —	$ —	$ 15,495
Unlisted shares	—	—	247,813	247,813
Total	$ 15,495	$ —	$ 247,813	$ 263,308
Financial liabilities at FVTPL	$ –	$ 1,775	$ –	$ 1,775

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

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

	Financial assets at FVTOCI	
	2021	2020
Balance, beginning of the year	$ 247,813	$ 270,758
Acquisition of financial assets at fair value through other comprehensive income	8,112	3,677
Disposal of financial assets at fair value through other comprehensive income	(692)	(90,195)
Accounted for unrealized gains from investments in equity instruments measured at FVTOCI	52,327	63,573
Effects of foreign currency exchange differences	(59)	—
Balance, end of the year	$ 307,501	$ 247,813

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

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

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

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

b. Categories of financial instruments

Financial assets	2021.12.31	2020.12.31
FVTPL	$ 800	–
FVTOCI	340,336	263,308
Amortized cost (Note)	3,794,763	2,739,700
Total	$ 4,135,899	$ 3,003,008

Financial liabilities	2021.12.31	2020.12.31
Amortized cost		
Short-term loans	$ 1,899,344	$ 807,641
Notes and accounts payable	1,640,833	1,152,872
Other payables	257,123	232,924
Current tax liabilities	52,387	29,521
Long-term loans	221,483	65,118
Lease liabilities	9,313	11,359
Guarantee deposits	3,408	3,378
FVTPL	442	1,775
	$ 4,084,333	$ 2,304,588

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

c. Financial risk management objectives and policies

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

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

d. Market risk

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

① Foreign currency risk

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

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

	2021.12.31					
			Carrying Amounts	Sensitivity Analysis		
Financial assets	Foreign Currencies	Exchange Rate	(NTD)	Variations	Impact on Profit (loss)	Impact on Equity
Monetary items						
USD	$ 7,191	27.655	198,867	±10%	±19,887	±19,887
EUR	2,320	31.38	72,802	±10%	±7,280	±7,280
JPY	4,757	0.2405	1,144	±10%	±114	±114
SGD	1,073	20.48	21,975	±10%	±2,198	±2,198
ZAR	6,897	1.734	11,959	±10%	±1,196	±1,196
RMB	44,728	4.341	194,164	±10%	±19,416	±19,416
Financial liabilities						
Monetary items						
USD	4,527	27.655	125,194	±10%	∓12,519	∓12,519
JPY	6,983	0.2405	1,679	±10%	∓168	∓168
ZAR	2,005	1.734	3,477	±10%	∓348	∓348
RMB	2,271	4.341	9,858	±10%	∓986	∓986
EUR	1,207	31.38	37,876	±10%	∓3,788	∓3,788

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

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

②Interest rate risk

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

For sensitivity analysis of interest rate risk, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. If interest rates had been a quarter of a percent higher/lower and all other variables were held constant, the Group’s pre-tax profit for the years ended December 31, 2021 and 2020 would decrease/increase by NT$4,894 thousand and NT$2,019 thousand, respectively

③ Other price risk

The Group is exposed to price risk through its investments in equity securities and convertible bonds. The management of the Group manages risk by holding different risk portfolios.

If equity and commodity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2021 would have increased/decreased by NT$40 thousand as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by NT$17,017 thousand and NT$13,165 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

e. Credit risk management

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

① Business related credit risk

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

As of December 31, 2021 and 2020, the Group’s ten largest customers accounted for 79.40% and 66.81%of its total accounts receivables, respectively.

② Financial credit risk

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

f. Liquidity risk management

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the amount of unused financing facilities were NT$1,713,683 thousand and NT$2,674,353 thousand, respectively.

①Liquidity risk table for non-derivative financial liabilities

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

	2021.12.31		
Non-derivative financial liabilities	Less than 1 Year	More than 1 Year	Total
Short-term loans	$ 1,899,344	$ －	$ 1,899,344
Notes and accounts payable	1,607,975	32,858	1,640,833
Other payables	228,733	28,390	257,123
Current tax liabilities	52,387	－	52,387
Long-term loans	5,025	216,458	221,483
Lease liabilities	4,274	5,039	9,313
Guarantee deposits	－	3,408	3,408
	$ 3,797,738	$ 286,153	$ 4,083,891

	2020.12.31		
Non-derivative financial liabilities	Less than 1 Year	More than 1 Year	Total
Short-term loans	$ 807,641	$ －	$ 807,641
Notes and accounts payable	1,101,176	51,696	1,152,872
Other payables	209,623	23,301	232,924
Current tax liabilities	29,521	－	29,521
Long-term loans	－	65,118	65,118
Lease liabilities	4,155	7,204	11,359
Guarantee deposits	－	3,378	3,378
	$ 2,152,116	$ 150,697	$ 2,302,813

② Liquidity risk table for derivative financial liabilities

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

	Less than 1 Year	
Derivative financial instruments	2021.12.31	2020.12.31
Gross settled foreign exchange contract		
Inflows	$ 107,721	$ 48,849
Outflows	(108,163)	(50,624)
	$ (442)	$ (1,775)

7. TRANSACTIONS WITH RELATED PARTIES

Transactions, balances, revenue and expenses between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

(1) Names and relationships of related parties

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

(2) Operating revenue

Line Items	Related Parties Categories	2021	2020
Operating revenue	Associates	$ 50,098	$ 62,424
	Others	15,664	12,605
		$ 65,762	$ 75,029

(3) Purchase and factory overhead

Line Items	Related Parties Categories	2021	2020
Purchase and factory overhead	Associates	$ 228,125	$ 137,790
	Others	113,955	155,617
		$ 342,080	$ 293,407

(4) Receivables from related parties

Line Items	Related Parties Categories	2021.12.31	2020.12.31
Notes receivable from related parties	Others	$ −	$ 613
Accounts receivable from related parties	Associates	$ 33,661	$ 12,766
	Others	4,091	2,969
		$ 37,752	$ 15,735
Other receivables	Associates	$ 102	$ 69

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for receivables from related parties.

(5) Payable to related parties

Line Items	Related Parties Categories	2021.12.31	2020.12.31
Notes payable to related parties	Associates	$ —	$ 6,048
Accounts payable to related parties	Associates	$ 124,304	$ 39,853
	Others	48,152	45,279
		$ 172,456	$ 85,132
Other payables	Others	$ 795	$ 567

(6) Others

Line Items	Related Parties Categories	2021	2020
Selling and marketing expenses	Others	$ 643	$ 629
Research and development expenses	Others	$ 72	$ —
Other income	Associates	$ 79	$ 1,120
	Others	18	—
		$ 97	$ 1,120
		2021.12.31	2020.12.31
Contract liability	Associates	$ 315	$ —

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

(7) Compensation of key management personnel

	2021	2020
Short-term benefits	$ 72,139	$ 54,755
Post-employment benefits	1,127	817
	$ 73,266	$ 55,572

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

(8) Other

As of December 31, 2021 and 2020, the title of farmland with carrying amounts of NT$308 thousand were temporarily registered in the name of Herr-Yeh Sung who had signed an agreement and had pledged the land to the Company. Please refer to Note 6(8).

8. PLEDGED ASSETS

The following assets had been pledged or mortgaged as collateral for short-term and long-term loans, tender bonds provided on construction bidding or performance bonds:

	2021.12.31	2020.12.31
Pledged time deposits (accounted for as other receivables)	$ 5,033	$ –
Property, plant and equipment, net	844,152	801,909
Investment properties, net	348,678	350,625
Total	$ 1,197,863	$ 1,152,534

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2021, significant contingent liabilities and unrecognized commitments of the Group were as follows:

(1) The guaranteed notes issued were NT$2,172,982 thousand, including:

a. The guaranteed notes issued for bank loans were NT$1,890,000 thousand.

b. The guaranteed notes issued for sales contracts performance guarantees were NT$282,982 thousand.

(2) Information related endorsements/guarantees provided, please refer to Table 2 attached.

(3) Unused letters of credit were USD$4,064 thousand and JYP5,747 thousand.

10. SIGNIFICANT LOSS FROM DISASTERS: None.

11. SIGNIFICANT SUBSEQUENT EVENTS: None.

12. OTHERS: None.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions:

a. Financing provided to others: Please refer to Table 1 attached.

b. Endorsements/guarantees provided: Please refer to Table 2 attached.

c. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Please refer to Table 3 attached.

d. Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital: None.

e. Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

f. Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

g. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please refer to Table 4 attached.

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

i. Trading in derivative instruments：Please refer to Note 6(2).

j. Others: Intercompany relationships and significant intercompany transactions：Please refer to Table 5 attached.

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

(3) Information on investment in mainland China:

a. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Please refer to Table 7 attached.

b. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please refer Table 5 attached.

(4) Information of major shareholder

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

14. SEGMENT INFORMATION

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

The reporting segments were as follows:

Switchgear segment- manufacture and sale of high and low voltage switchgear.
Transformer segment- manufacture and sale of high and low voltage transformer.
Transmission and distribution apparatus segment - manufacture and sale of transmission & distribution line apparatus.
Power and electrical equipment segment - manufacture and sale of industrial power and electrical equipment.
Engineering segment- construction and installation of electrical equipment.
Other segment –sale of GPS antennas and relay equipment.

(1) Segment revenues and results:

	Switchgear segment		Transformer segment		Transmission and distribution apparatus segment		Power and electrical equipment segment		Engineering segment		Other segment		elimination of intersegment transactions		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue from external customers	$ 1,457,654	$ 981,519	$ 619,711	$ 424,777	$ 830,414	$ 1,054,210	$ 1,302,958	$ 1,287,828	$ 959,781	$ 990,518	$ 511,111	$ 375,040	$ −	$ −	$ 5,681,629	$ 5,113,892
Inter-segment revenue	−	−	−	−	−	−	204,411	81,099	359,768	179,504	20,436	26,420	(584,615)	(287,023)	−	−
Total revenue	$ 1,457,654	$ 981,519	$619,711	$424,777	$ 830,414	$ 1,054,210	$ 1,507,369	$ 1,368,927	$ 1,319,549	$ 1,170,022	$ 531,547	$ 401,460	$ (584,615)	$ (287,023)	$ 5,681,629	$ 5,113,892
Interest expense	$ 1,695	$ 1,338	$ 1,197	$ 1,101	$ 1,795	$ 1,789	$ 6,394	$ 5,348	$ 3,147	$ 1,597	$ 567	$ 333	$ (898)	$ (339)	$ 13,897	$ 11,167
Depreciation and amortization expense	$ 10,459	$ 10,054	$ 5,939	$ 6,477	$ 7,720	$ 10,540	$ 16,722	$ 14,862	$ 4,338	$ 3,571	$ 3,479	$ 1,906	$ −	$ −	$ 48,657	$ 47,410
Segment profit or loss	$ 39,186	$ 27,127	$ 5,939	$ 17,339	$ 121,832	$ 147,317	$ 40,334	$ 54,949	$ 61,485	$ 52,723	$ 118,480	$ 50,810	$ (11,290)	$ (1,515)	$ 375,966	$ 348,750

(2) Geographical information：

	2021	2020
Revenue from external customers		
Geographical areas		
Taiwan	$ 4,987,912	$ 4,832,515
Others	693,717	281,377
Total	$ 5,681,629	$ 5,113,892

	2021.12.31	2020.12.31
Non-current assets		
Geographical areas		
Taiwan	$ 1,714,155	$ 1,480,797
Others	29,365	17,054
Total	$ 1,743,520	$ 1,497,851

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

(3) Information about major customers:

	2021	2020
Customer A	$ 528,523	$ 605,566
Customer B	1,342,232	1,271,587
	$ 1,870,755	$ 1,877,153

Allis Electric Co., Ltd. and Subsidiaries

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Table 1

No.	Lender	Borrower	Financial Statement Account	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limits (Note 3)
												Item	Value		
0	Allis Electric Co., Ltd.	AEC International S.r.l.	Other receivables	$ 36,400	$ 26,272 (Note 1)	$ 26,272	3.00%	Business Transaction	$ 105,098	—	$ —	None	None	$ 353,557	$ 707,114
		Zhong Mou Construction Co., Ltd.	Other receivables	$ 70,000	$ 59,714	$ 59,714	1.50%	Short-term Financing	$ —	Operating capital	$ —	None	None	$ 353,557	$ 707,114

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

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

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

Allis Electric Co., Ltd. and Subsidiaries
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Table 2

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Amount Actually Drawn	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in the Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relation-ship (Note 1)										
0	Allis Electric Co., Ltd.	Nissin-Allis Electric Co., Ltd.	f	$ 1,178,523 (Note 2)	$ 65,000	$ 65,000	$ 47,156	—	1.84%	$ 1,767,785 (Note 2)	—	—	—
		Ares Technology Co., Ltd.	b		$ 125,000	$ 125,000	$ 68,000	—	3.54%		Y	—	—
		Air King Industrial Co., Ltd.	b		$ 180,400	$ 180,400	$ 133,151	—	5.10%		Y	—	—
		Zhong Mou Construction Co., Ltd.	e		$ 271,962	$ 271,962	$ 271,962	—	7.69%		—	—	—
1	Air King Industrial Co., Ltd.	Allis Electric Co., Ltd.	c	$ 450,000 (Note 3)	$ 27,766	$ 27,766	$ 27,766	—	29.45%	$ 500,000 (Note 3)	—	Y	—

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

a. A company that the Corporation has business relationship with.

b. The Corporation owns directly or indirectly over 50% ownership of the investee company.

c. The company that owns directly or indirectly hold over 50% ownership of the Corporation.

d. In between companies that were held over 90% of voting shares directly or indirectly by an entity.

e. The Corporation is required to provide guarantees or endorsements for the construction project based on the construction contract.

f. Shareholder of the investee provides endorsements/guarantees to the company in proportion to their shareholding percentages.

g. According to Consumer Protection Act, companies in the same industry enter into collateral performance guarantees for pre-construction home sales agreements.

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

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

Allis Electric Co., Ltd. and Subsidiaries
MARKETABLE SECURITIES HELD
(Excluding Investment in Subsidiaries, Associates and Joint Controlled Entities)
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Table 3

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
Allis Electric Co., Ltd.	Stocks of FIC Global, Inc.	—	Financial assets at fair value through other comprehensive income-current	1,273	96	—	96	
	Stocks of Taiwan High Speed Rail Corporation	—	Financial assets at fair value through other comprehensive income-current	4,000	119	—	119	
	Stocks of Pacific Electric Wire and Cable Co., Ltd.	—	Financial assets at fair value through profit or loss- noncurrent	585	—	—	—	
	Stocks of Prodisc Technology Inc.	—	Financial assets at fair value through profit or loss- noncurrent	47,632	—	—	—	
	Stocks of Yuquan Technology Inc.	—	Financial assets at fair value through profit or loss- noncurrent	35,150	—	—	—	
	Stocks of Uni-Circuit Inc.	—	Financial assets at fair value through profit or loss- noncurrent	30,000	—	—	—	
	Stocks of Le-Min Industrial Co., Ltd.	Related party in substance	Financial assets at fair value through other comprehensive income-noncurrent	1,948,072	36,624	19.68%	36,624	
	Stocks of Arch Meter Corporation	—	Financial assets at fair value through other comprehensive income-noncurrent	1,548,000	28,174	4.29%	28,174	
	Stocks of Tangeng Advanced Vehicles Co., Ltd.	—	Financial assets at fair value through other comprehensive income-noncurrent	8,251,225	170,883	15.48%	170,883	
	Stocks of Leadtang Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income-noncurrent	1,000,000	10,970	12.50%	10,970	
	Stocks of ProMOS Technologies Inc.	—	Financial assets at fair value through other comprehensive income-noncurrent	133,366	2,003	0.30%	2,003	
	Stocks of Advantage International Green Energy Co., Ltd.	—	Financial assets at fair value through other comprehensive income-noncurrent	—	1,183	1.00%	1,183	

Allis Electric Co., Ltd. and Subsidiaries
MARKETABLE SECURITIES HELD
(Excluding Investment in Subsidiaries, Associates and Joint Controlled Entities)
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
Yishun Investment Co., Ltd.	Convertible bonds of Evergreen Marine Co., (Taiwan) Ltd.	—	Financial assets at fair value through profit or loss-current	5,000	800	—	800	
	Stocks of Allis Electric Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income-current	2,684,645	69,801	1.18%	69,801	Note1
	Stocks of Taiwan Cement Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	480	—	480	
	Stocks of DaChan Greatwall Corporation	—	Financial assets at fair value through other comprehensive income-current	11,084	592	—	592	
	Stocks of Hong Tai Corporation	—	Financial assets at fair value through other comprehensive income-current	20,000	538	—	538	
	Stocks of China Steel Corporation	—	Financial assets at fair value through other comprehensive income-current	20,000	707	—	707	
	Stocks of United Microelectronics Corporation.	—	Financial assets at fair value through other comprehensive income-current	40,000	2,600	—	2,600	
	Stocks of Yageo Corporation	—	Financial assets at fair value through other comprehensive income-current	2,000	959	—	959	
	Stocks of Taiwan Semiconductor Manufacturing Company Limited	—	Financial assets at fair value through other comprehensive income-current	10,000	6,150	—	6,150	
	Stocks of United Integrated Services Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	5,000	908	—	908	
	Stocks of Celxpert Energy Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	427	—	427	
	Stocks of Vanguard International Semiconductor Co.	—	Financial assets at fair value through other comprehensive income-current	2,000	316	—	316	

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

Allis Electric Co., Ltd. and Subsidiaries
MARKETABLE SECURITIES HELD
(Excluding Investment in Subsidiaries, Associates and Joint Controlled Entities)
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
Yishun Investment Co., Ltd.	Stocks of Sigurd Microelectronics Corp.	—	Financial assets at fair value through other comprehensive income-current	30,000	1,764	—	1,764	
	Stocks of Sheng Yu Steel Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	10,000	331	—	331	
	Stocks of Tsrc Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	404	—	404	
	Stocks of IKKA Holdings (Cayman) Limited	—	Financial assets at fair value through other comprehensive income-current	10,000	1,155	—	1,155	
	Stocks of Lite-on Technology Corp.	—	Financial assets at fair value through other comprehensive income- current	10,000	638	—	638	
	Stocks of Macronix International Co., Ltd.	—	Financial assets at fair value through other comprehensive income- current	40,000	1,688	—	1,688	
	Stocks of Giga-byte Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income- current	8,000	1,244	—	1,244	
	Stocks of King Yuan Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income- current	10,000	448	—	448	
	Stocks of Elan Microelectronics Corp.	—	Financial assets at fair value through other comprehensive income- current	20,000	3,400	—	3,400	
	Stocks of Evergreen Marine Corp. (Taiwan) Ltd.	—	Financial assets at fair value through other comprehensive income- current	10,000	1,425	—	1,425	
	Stocks of Fubon Financial Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income- current	11,000	839	—	839	
	Stocks of Cathay Financial Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income- current	5,000	313	—	313	
	Stocks of Xintec Inc.	—	Financial assets at fair value through other comprehensive income- current	10,000	1,430	—	1,430	

Allis Electric Co., Ltd. and Subsidiaries
MARKETABLE SECURITIES HELD
(Excluding Investment in Subsidiaries, Associates and Joint Controlled Entities)
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
Yishun Investment Co., Ltd.	Stocks of ASE Technology Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	15,000	1,597	—	1,597	
	Stocks of Sercomm Corp.	—	Financial assets at fair value through other comprehensive income-current	15,000	1,135	—	1,135	
	Stocks of Sonix Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	5,000	460	—	460	
	Stocks of Hannstar Display Corp.	—	Financial assets at fair value through other comprehensive income-current	10,000	181	—	181	
	Stocks of Career Technology (MFG.) Co., Ltd.	—	Financial assets at fair value through other comprehensive income- current	10,000	265	—	265	
	Stocks of Chung-hsin Electric & Machinery Mfg. Corp.	—	Financial assets at fair value through other comprehensive income- current	5,000	226	—	226	
	Stocks of Watron Technology Corp.	—	Financial assets at fair value through other comprehensive income- noncurrent	822,400	46,095	15.23%	46,095	
Ares Technology Co., Ltd.	Stocks of Watron Technology Corp.	—	Financial assets at fair value through other comprehensive income- noncurrent	206,400	11,569	3.82%	11,569	

Allis Electric Co., Ltd. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Table 4

Seller/Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Allis Electric Co., Ltd.	AEC International S.r.l.	Subsidiary	Sale	$ (105,098)	1.85%	210 days	—	—	$ 75,878	2.44%	Note
Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	Subsidiary	Purchase	$ 281,200	5.93%	115 days	—	—	$ (129,843)	(8.00%)	Note
Allis Electric Co., Ltd.	Nissin-Allis Electric Co., Ltd.	Associate	Purchase	$ 228,125	4.81%	115 days	—	—	$ (119,957)	(7.31%)	—

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

Allis Electric Co., Ltd. and Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Table 5

No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Consolidated Total Revenues or Assets
0	Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	a	Revenue from sale of goods	18,330	(Note 2)	0.32%
				Purchase	2,691		0.05%
				Construction contract cost	278,508		4.90%
				Accounts receivable	922		0.01%
				Other receivables	57		0.00%
				Construction in progress	74,677		0.91%
				Accounts payable	129,843		1.58%
				Other payables	3,921		0.05%
		Ares Technology Co., Ltd.	a	Revenue from sale of goods	1,577	(Note 2)	0.03%
				Purchase	76,630		1.35%
				Selling and marketing expenses	27		0.00%
				Rental income	154		0.00%
				Accounts payable	32,312		0.39%
		Allis Communications Co., Ltd.	a	Purchase	750	(Note 2)	0.01%
				Accounts payable	80		0.00%
		Hengyuan Allis Electric Co., Ltd.	a	Revenue from sale of goods	15,395	(Note 2)	0.27%
				Purchase	144		0.00%
				Factory overhead	13		0.00%
				Accounts payable	13		0.00%
				Other payables	2		0.00%
		PHD Powerhouse Distributions (PTY) Ltd.	a	Revenue from sale of goods	20,894	(Note 2)	0.37%
				Accounts receivable	23,276		0.28%

Allis Electric Co., Ltd. and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Consolidated Total Revenues or Assets
0	Allis Electric Co., Ltd.	AEC International S.r.l.	a	Revenue from sale of goods	105,098	(Note 2)	1.85%
				Purchase	186		0.00%
				Interest income	898		0.02%
				Other receivables	26,272		0.32%
				Accounts receivable	75,878		0.93%
				Accounts payable	177		0.00%
		Yishun Investment Co., Ltd.	a	Rental income	27	(Note 2)	0.00%
1	Air King Industrial Co., Ltd.	Yishun Investment Co., Ltd.	b	Rental income	9	(Note 2)	0.00%
2	Yishun Investment CO., LTD.	Ares Technology Co., Ltd.	b	Operating revenue	432	(Note 2)	0.01%

Note 1: The relationships with the related parties are:

a. Parent company to its subsidiaries.

b. Subsidiaries to subsidiaries.

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

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

Allis Electric Co., Ltd. and Subsidiaries
INFORMATION ON INVESTEES (EXCLUDING INVESTEE COMPANY IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Table 6

Investor Company	Investee Company	Location	Principle Businesses Activities	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount			
Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	Taipei, Taiwan	Design and installation of electrical equipment	$ 28,458	$ 28,458	4,114,275	83.12%	$ 70,307	$ 33,742	$ 19,992	Note 2
	Nissin-Allis Electric Co., Ltd.	Taoyuan, Taiwan	Manufacturing of SF6 capacitor and GIS	90,000	90,000	9,000,000	30.00%	214,265	106,993	32,098	—
	Ares Technology Co., Ltd.	New Taipei City, Taiwan	Manufacturing of UPS	75,560	75,560	6,800,000	100.00%	64,081	1,533	1,533	Note 2
	Allis Communications Co., Ltd.	New Taipei City, Taiwan	Manufacturing of GPS antennas	86,909	85,410	4,958,380	82.64%	57,178	110	86	Note 2
	Yishun Investment CO., LTD.	Taipei, Taiwan	Investment and holding	179,900	179,900	17,990,000	99.94%	135,613	2,286	497	Note 1 and 2
	Nissin Allis Union Ion Equipment Co., Ltd.	Hsinchu, Taiwan	Manufacturing of mechanical equipment and electronic parts	30,000	30,000	4,000,000	40.00%	105,849	53,248	21,299	—
	AYM International Corporation	Guam, U.S.	Construction and sale of power and electrical equipment	5,942	5,942	2,000	40.00%	—	—	—	—
	PHD Powerhouse Distributions (PTY) Ltd.	South Africa	Selling of UPS	40,974	40,974	90	90.00%	7,937	1,835	(11,016)	Note 2
	AEC International S.r.l.	Italy	Selling of electrical equipment	62,771	62,771	300,000	100.00%	4,879	2,866	2,866	Note 2
	Intelicis Corporation	Santa Clara, U.S.	Developing of radio frequency products	49,301	49,301	1,875,500	29.16%	—	—	—	—

Note 1: The Company's shares held by the subsidiary are recorded as treasury stock, and its dividends received from the Company are excluded from share of profit (loss).
Note 2: In preparing the consolidated financial statements, the amount and balance have been eliminated.

Allis Electric Co., Ltd.
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Table 7

Investee Company	Principle Businesses Activities	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profit (Loss) (Note)	Carrying Amount as of December 31, 2021 (Note)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Hengyuan Allis Electric Co., Ltd.	Selling of electrical equipment	USD 3,400	Direct investment	$ 67,781 (USD2,121)	$ —	$ —	$ 67,781 (USD2,121)	$ 7,562	65.38%	$ 4,944	$ 86,041	$ —

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
		Net equity∗60%
$ 106,207 (USD3,266)	$ 206,102(USD 6,411)	2,121,342

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

(V) THE MOST RECENT (2021) INDIVIDUAL FINANCIAL REPORT OF THE COMPANY AUDITED AND CERTIFIED BY CPA

Earnest & Co., CPAs.

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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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 are as follows:

<u>Revenue Recognition</u>

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, 2021 and 2020, 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, 2021 and 2020, the aforementioned investment accounted for using equity method were NT$332,930 thousand and NT$328,682 thousand, respectively, which represented 4.21% and 5.56%, respectively, of the total assets. Allis Electric Ltd.'s share of comprehensive income or loss of such investee companies were NT$44,411 thousand and NT$41,216 thousand for the years ended December 31, 2021 and 2020, respectively, which represented 10.46% and 11.08%, 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, 2021 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 29, 2022

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

Code	ASSETS	Notes	2021.12.31 Amount	2021.12.31 %	2020.12.31 Amount	2020.12.31 %
	CURRENT ASSETS					
1100	Cash and cash equivalents	Note 4 and 6	$ 278,868	3.53	$ 455,866	7.71
1120	Financial assets at fair value through other comprehensive income	Note 4 and 6	215	0.00	144	0.00
1140	Contract assets	Note 4	237,505	3.01	106,581	1.80
1150	Notes receivable, net	Note 4 and 6	102,259	1.29	63,892	1.08
1160	Notes receivable from related parties	Note 7	–	–	613	0.01
1170	Accounts receivable, net	Note 4 and 6	2,878,867	36.44	1,752,953	29.64
1180	Accounts receivable from related parties	Note 6 and 7	133,737	1.69	65,678	1.11
1200	Other receivables	Note 4, 6,7 and 8	105,699	1.33	147,191	2.49
1310	Inventories	Note 4 and 6	1,423,257	18.02	941,782	15.92
1410	Prepayments		66,950	0.85	34,758	0.59
1479	Other current assets	Note 6	–	–	175	0.00
11xx	Total current assets		5,227,357	66.16	3,569,633	60.35
	NON-CURRENT ASSETS					
1517	Financial assets at fair value through other comprehensive income	Note 4 and 6	249,837	3.16	225,560	3.81
1550	Investments accounted for using equity method	Note 4 and 6	746,150	9.44	661,248	11.18
1600	Property, plant and equipment	Note 4, 6,7 and 8	1,175,322	14.88	974,161	16.47
1755	Right-of-use assets	Note 4 and 6	6,122	0.08	8,954	0.15
1760	Investment properties	Note 4, 6 and 8	355,701	4.50	357,850	6.05
1780	Intangible assets	Note 4 and 6	7,776	0.10	8,061	0.14
1840	Deferred tax assets	Note 4 and 6	20,730	0.26	17,523	0.30
1915	Prepayments for equipment		5,719	0.07	–	–
1920	Refundable deposits		70,565	0.89	44,921	0.77
1980	Other receivables	Note 6 and 7	26,272	0.34	36,530	0.62
1990	Other non-current assets	Note 6	9,748	0.12	9,748	0.16
15xx	Total non-current assets		2,673,942	33.84	2,344,556	39.65
1xxx	TOTAL ASSETS		$ 7,901,299	100.00	$ 5,914,189	100.00

Code	**LIABILITIES AND EQUITY**	Notes	2021.12.31 Amount	2021.12.31 %	2020.12.31 Amount	2020.12.31 %
	CURRENT LIABILITIES					
2100	Short-term loans	Note 6	$ 1,718,353	21.75	$ 735,000	12.43
2120	Financial liabilities at fair value through profit or loss	Note 4 and 6	442	0.01	1,775	0.03
2130	Contract liabilities	Note 4 and 7	242,229	3.07	200,719	3.39
2170	Accounts payable		1,402,644	17.75	991,043	16.76
2180	Accounts payable to related parties	Note 7	326,966	4.14	162,846	2.75
2200	Other payables	Note 7	233,614	2.96	205,100	3.47
2230	Current tax liabilities	Note 4	38,820	0.49	28,018	0.47
2250	Provisions	Note 4 and 6	12,100	0.15	12,100	0.20
2255	Short-term onerous contracts provision		62	0.00	1,633	0.03
2280	Lease liabilities	Note 4	2,698	0.03	2,827	0.05
2399	Other current liabilities		724	0.01	712	0.01
21xx	Total current liabilities		3,978,652	50.36	2,341,773	39.59
	NON-CURRENT LIABILITIES					
2540	Long-term loans	Note 6	150,000	1.90	47,000	0.80
2571	Deferred tax liabilities-land value increment tax		174,220	2.20	174,220	2.95
2580	Lease liabilities	Note 4	3,595	0.05	6,293	0.11
2640	Net defined benefit liabilities	Note 4 and 6	55,965	0.71	80,448	1.35
2645	Guarantee deposits		3,297	0.04	3,298	0.06
25xx	Total non-current liabilities		387,077	4.90	311,259	5.27
2xxx	Total liabilities		4,365,729	55.26	2,653,032	44.86
	EQUITY	Note 6				
3100	Share capital		2,283,267	28.90	2,174,540	36.77
3200	Capital surplus		71,031	0.90	68,870	1.16
	Retained earnings					
3310	Legal reserve		167,107	2.11	132,753	2.24
3320	Special reserve		451,387	5.71	452,190	7.65
3350	Unappropriated earnings		473,428	5.99	393,242	6.65
3300	Total retained earnings		1,091,922	13.81	978,185	16.54
3400	Other equity		130,966	1.66	81,178	1.37
3500	Treasury Stock		(41,616)	(0.53)	(41,616)	(0.70)
3xxx	Total equity		3,535,570	44.74	3,261,157	55.14
	TOTAL LIABILITIES AND EQUITY		$ 7,901,299	100.00	$ 5,914,189	100.00

The accompanying notes are an integral part of the parent company only financial statements.
(With Earnest & Co., CPAs auditors' report dated March 29, 2022)

Allis Electric Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

			2021		2020	
		Notes	Amount	%	Amount	%
4000	OPERATING REVENUE	Note 4, 6 and 7	$ 5,390,995	100.00	$ 5,012,368	100.00
5000	OPERATING COST	Note 6 and 7	4,581,055	84.98	4,182,869	83.45
5900	GROSS PROFIT		809,940	15.02	829,499	16.55
5910	LESS: UNREALIZED GROSS PROFIT ON SALES		4,704	0.09	4,585	0.09
5950	NET GROSS PROFIT		805,236	14.93	824,914	16.46
	OPERATING EXPENSES					
6100	Selling and marketing expenses	Note 7	251,177	4.66	232,486	4.64
6200	General and administrative expenses		135,598	2.51	125,247	2.50
6300	Research and development expenses	Note 7	89,477	1.66	99,772	1.99
6450	Expected credit impairment loss		7,007	0.13	15,088	0.30
6000	Total operating expenses		483,259	8.96	472,593	9.43
6900	OPERATING INCOME		321,977	5.97	352,321	7.03
	NON-OPERATING INCOME AND EXPENSES					
7010	Other income	Note 6 and 7	23,286	0.43	25,609	0.51
7020	Other gains and losses	Note 6	(457)	(0.01)	(26,576)	(0.53)
7050	Finance costs	Note 6	(9,973)	(0.19)	(9,173)	(0.18)
7060	Share of profit of subsidiaries and associates accounted for using equity method	Note 4 and 6	72,298	1.34	36,835	0.73
7000	Total non-operating income and expenses		85,154	1.57	26,695	0.53
7900	INCOME BEFORE INCOME TAX		407,131	7.54	379,016	7.56
7950	INCOME TAX EXPENSE	Note 4 and 6	45,610	0.84	55,091	1.10
8200	NET INCOME		361,521	6.70	323,925	6.46
	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	10,130	0.20	(20,274)	(0.40)
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	Note 4	16,236	0.30	55,769	1.11
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method		39,379	0.73	11,803	0.24
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating foreign operation		(2,465)	(0.05)	114	0.00
8380	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method		(332)	(0.01)	482	0.01
8300	Other comprehensive income, net		62,948	1.17	47,894	0.96
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 424,469	7.87	$ 371,819	7.42
9750	EARNINGS PER SHARE	Note 6	$ 1.60		$ 1.44	

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

(With Earnest & Co., CPAs auditors' report dated March 29, 2022)

Allis Electric Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Share Capital			Retained Earnings			Other Equity			
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated earnings	Exchange differences on translating foreign operation	Unrealized Gains (Losses)on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Treasury Stock	Total Equity
BALANCE, JANUARY 1, 2020	207,099	$ 2,070,990	$ 67,172	$ 102,580	$ 452,994	$ 328,398	$ (11,606)	$ 63,697	$ (41,616)	$ 3,032,609
Appropriation of the 2019 earnings										
Legal reserve appropriated	–	–	–	30,173	–	(30,173)	–	–	–	–
Cash dividends-NT$0.70 per share	–	–	–	–	–	(144,969)	–	–	–	(144,969)
Stock dividends-NT$0.50 per share	10,355	103,550	–	–	–	(103,550)	–	–	–	–
Net income in 2020	–	–	–	–	–	323,925	–	–	–	323,925
Other comprehensive income and loss in 2020, net of income tax	–	–	–	–	–	(21,366)	596	68,664	–	47,894
Total comprehensive income in 2020	–	–	–	–	–	302,559	596	68,664	–	371,819
Cash dividends distributed to subsidiaries	–	–	1,703	–	–	–	–	–	–	1,703
Disposal of investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	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	132,753	452,190	393,242	(11,010)	92,188	(41,616)	3,261,157
Appropriation of the 2020 earnings										
Legal reserve appropriated	–	–	–	34,354	–	(34,354)	–	–	–	–
Cash dividends-NT$0.70 per share	–	–	–	–	–	(152,217)	–	–	–	(152,217)
Stock dividends-NT$0.50 per share	10,873	108,727	–	–	–	(108,727)	–	–	–	–
Net income in 2021	–	–	–	–	–	361,521	–	–	–	361,521
Other comprehensive income and loss in 2021, net of income tax	–	–	–	–	–	9,647	(2,797)	56,098	–	62,948
Total comprehensive income in 2021	–	–	–	–	–	371,168	(2,797)	56,098	–	424,469
Cash dividends distributed to subsidiaries	–	–	1,789	–	–	–	–	–	–	1,789
Changes in ownership interests in subsidiaries			511	–	–	–	–	–	–	511
Disposal of investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	3,513	–	(3,513)	–	–
Return of donation from owners	–	–	(139)	–	–	–	–	–	–	(139)
Reversal of special reserve	–	–	–	–	(803)	803	–	–	–	–
BALANCE, DECEMBER 31, 2021	228,327	$ 2,283,267	$ 71,031	$ 167,107	$ 451,387	$ 473,428	$ (13,807)	$ 144,773	$ (41,616)	$ 3,535,570

The accompanying notes are an integral part of the parent company only financial statements.
(With Earnest & Co., CPAs auditors' report dated March29, 2022)

Allis Electric Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	$ 407,131	$ 379,016
Adjustments for		
Adjustments to reconcile profit (loss)		
Depreciation expense	39,229	41,084
Amortization expense	2,923	3,338
Expected credit impairment loss	7,007	15,088
Net loss (gain) on financial instruments at fair value through profit or loss	(1,187)	4,370
Interest expense	9,973	9,173
Interest income	(3,105)	(3,472)
Dividend income	(1,953)	(2,148)
Share of profit of subsidiaries and associates accounted for using equity method	(72,298)	(36,835)
Net loss (gain) on disposal of property, plant and equipment	481	(10)
Unrealized gross profit on sales	4,704	4,585
Changes in operating assets and liabilities		
Decrease (increase) in contract assets	(130,924)	129,141
Decrease (increase) in notes receivable	(38,536)	15,582
Decrease in notes receivable from related parties	613	4,481
Increase in accounts receivable	(1,132,752)	(353,904)
Increase in accounts receivable from related parties	(68,059)	(32,580)
Decrease in other receivables	101,325	105,598
Decrease (increase) in inventories	(481,475)	204,165
Increase in prepayments	(32,192)	(5,457)
Decrease (increase) in other current assets	175	(151)
Changes in financial instruments at fair value through profit or loss	(146)	(2,595)
Increase (decrease) in contract liabilities	41,510	(3,919)
Increase (decrease) in accounts payable	411,601	(77,240)
Increase in accounts payable to related parties	164,120	45,506
Increase in other payables	28,213	28,550
Decrease in short-term onerous contracts provision	(1,571)	(6,904)
Increase (decrease) in other current liabilities	12	(249)
Decrease in net defined benefit liabilities	(14,353)	(23,351)
Cash inflow (outflow) generated from (used in) operations	(759,534)	440,862
Income tax paid	(38,015)	(37,460)
Net cash generated from (used in) operating activities	(797,549)	403,402

Allis Electric Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of financial assets at fair value through other comprehensive income	$ (8,112)	$ (2,925)
Acquisition of investments accounted for using equity method	(14,997)	(19,662)
Proceeds from liquidation of investments accounted for using equity method	—	5,969
Acquisition of property, plant and equipment	(235,890)	(100,324)
Proceeds from disposal of property, plant and equipment	—	10
Acquisition of intangible assets	(2,638)	(1,434)
Increase in prepayments for equipment	(5,719)	—
Increase in refundable deposits	(25,644)	(3,468)
Increase in other receivables	(49,456)	—
Interest received	2,986	3,689
Cash dividend received	38,524	20,745
Net cash flows used in investing activities	(300,946)	(97,400)
CASH FLOWS FROM FINANCING ACTIVITIES：		
Increase in short-term loans	7,707,728	4,558,568
Decrease in short-term loans	(6,724,375)	(4,561,606)
Decrease in guarantee deposits	(1)	(84)
Repayment of the principal portion of lease liabilities	(2,827)	(4,584)
Increase in long-term loans	103,000	47,000
Interest paid	(9,672)	(9,223)
Cash dividends paid	(152,217)	(144,969)
Others	(139)	(5)
Net cash flows generated from (used in) financing activities	921,497	(114,903)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(176,998)	191,099
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	455,866	264,767
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 278,868	$ 455,866

The accompanying notes are an integral part of the parent company only financial statements.
(With Earnest & Co., CPAs auditors' report dated March 29, 2022)

Allis Electric Co., Ltd.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL

Allis Electric Co., Ltd. (the "Company") was incorporated in September 1968. The Company is engaged in manufacturing and selling of switchgear, transformer, electrical products, and construction and installation of electrical equipment.

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company's board of directors on March 29, 2022.

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

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

(2) The IFRSs endorsed by the FSC for application starting from 2022

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

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

(3) Foreign currencies

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

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

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

For the purpose of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into the New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

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

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and

c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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

(5) Cash and cash equivalents

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

(6) Financial instruments

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

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

Financial assets

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

a. Measurement categories

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

①Financial assets at FVTPL

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

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

②Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

③Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

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

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

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

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

(7) Inventories

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

(8) Investments accounted for using equity method

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

a. Investment in subsidiaries

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

Under the equity method, investments in a subsidiary are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

When the Company's share of losses of an subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the previous carrying amount of the investments in such subsidiary. In addition, the Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Unrealized profits and losses from downstream transactions with a subsidiary are eliminated in full in the parent company only financial statements. Profits and losses from upstream transactions with a subsidiary and sidestream transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiary that are not related to the Company.

b. Investment in associates

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

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

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

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

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

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

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

(9) Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

(10) Leases

a. The Company as lessee

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

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

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

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

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

b.The Company as lessor

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

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

(11) Investment properties

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

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

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

(12) Intangible assets

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

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

(13) Impairment of tangible and intangible assets other than goodwill

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

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

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

(14) Provisions

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

(15) Retirement benefits

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

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

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

(16) Revenue Recognition

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

a. Revenue from sale of goods

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

b. Construction contract revenue

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

(17) Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

<u>Estimated impairment of accounts receivables</u>

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

As of December 31, 2021 and 2020, the carrying amounts of accounts receivable were NT$3,012,604 thousand and NT$1,818,631 thousand, respectively.

6. SIGNIFICANT ACCOUNTS DISCLOSURES

(1) Cash and cash equivalents

	2021.12.31	2020.12.31
Petty cash and cash on hand	$ 950	$ 900
Checking accounts and demand deposits	250,263	426,866
Cash equivalents		
Time deposits with original maturities less than one year	27,655	28,100
Total	$ 278,868	$ 455,866

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

	2021.12.31	2020.12.31
Financial liabilities held for trading		
Derivative Instruments:		
Foreign exchange contracts	$ (442)	$ (1,775)

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

b. Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount
2021.12.31		
Sell NTD / Buy USD	2022.01.14-2022.06.01	USD 10,818 /NTD 108,163
2020.12.31		
Sell NTD / Buy USD	2021.02.03-2021.04.15	USD 1,739 /NTD 50,624

Net (loss) gain on derivative instruments recognized for the years ended December 31, 2021 and 2020 were NT$1,187 thousand and NT$(4,370) thousand, respectively.

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

	2021.12.31	2020.12.31
Listed shares	$ 215	$ 144
Unlisted shares	249,837	225,560
Total	$ 250,052	$ 225,704
Current	$ 215	$ 144
Non-current	249,837	225,560
Total	$ 250,052	$ 225,704

As of December 31, 2021 and 2020, FVTOCI were not pledged as collateral for bank borrowings.

(4) Notes receivable and accounts receivable

	2021.12.31	2020.12.31
Notes receivable	$ 102,780	$ 64,244
Less: Allowance for impairment loss	(521)	(352)
Notes receivable, net	$ 102,259	$ 63,892
Accounts receivable	$ 2,981,209	$ 1,842,272
Less：Unrealized interest income	(15,015)	(8,830)
Allowance for impairment loss	(87,327)	(80,489)
Accounts receivable, net	$ 2,878,867	$ 1,752,953
Accounts receivable from related parties	$ 133,737	$ 65,678

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

All notes receivable were not past due.

The following table details the loss allowance of accounts receivables:

2021.12.31

	Not Past Due	Past Due 0-3 Months	Past Due 3-6 Months	Past Due 6-9 Months	Past Due 9-12 Months	Past Due 1-2 Years	Past Due Over 2 Years	Total
Gross carrying amount	$ 2,072,857	$ 645,185	$ 162,247	$ 87,750	$ 64,324	$ 38,786	$ 43,797	$ 3,114,946
Loss allowance	(35,476)	(6,452)	(1,622)	(877)	(2,822)	(1,683)	(38,395)	(87,327)
Amortized cost	$ 2,037,381	$ 638,733	$ 160,625	$ 86,873	$ 61,502	$ 37,103	$ 5,402	$ 3,027,619

2020.12.31

	Not Past Due	Past Due 0-3 Months	Past Due 3-6 Months	Past Due 6-9 Months	Past Due 9-12 Months	Past Due 1-2 Years	Past Due Over 2 Years	Total
Gross carrying amount	$ 1,221,049	$ 356,414	$ 104,094	$ 64,408	$ 67,614	$ 42,570	$ 51,801	$ 1,907,950
Loss allowance	(27,844)	(3,564)	(1,041)	(644)	(676)	(10,066)	(36,654)	(80,489)
Amortized cost	$ 1,193,205	$ 352,850	$ 103,053	$ 63,764	$ 66,938	$ 32,504	$ 15,147	$ 1,827,461

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

	2021	2020
Balance, beginning of the year	$ 80,841	$ 163,276
Loss allowance recognized	7,007	15,088
Amounts written off	—	(97,523)
Balance, end of the year	$ 87,848	$ 80,841

(5) Other receivables, net

	2021.12.31	2020.12.31
Pledged time deposits	$ 5,033	$ —
Loan receivable	85,986	36,530
Restricted deposit	37,798	143,524
Others	3,154	3,667
Other receivables, net	$ 131,971	$ 183,721
Current	$ 105,699	$ 147,191
Non-current	26,272	36,530
Total	$ 131,971	$ 183,721

(6) Inventories

	2021.12.31	2020.12.31
Finished goods	$ 335,843	$ 234,331
Work-in-process	435,852	229,495
Raw materials	605,526	448,732
Inventory in transit	46,036	29,224
Inventories, net	$ 1,423,257	$ 941,782

For the cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020, please refer to Note 6(19).

For the years ended December 31, 2021 and 2020, write-down of inventories to net realizable value and reversal of write-down of inventories resulting from disposal of slowing-moving inventories were included in the cost of goods sold as follows:

	2021	2020
Inventory losses (reversal of write-down of inventories)	$ 21,958	$ (5,210)

As of December 31, 2021 and 2020, inventories were not pledged as collateral for bank borrowings.

(7) Investments accounted for using equity method

Investments accounted for using equity method consisted of the following:

	2021.12.31	2020.12.31
Subsidiaries	$ 426,036	$ 363,100
Associates	320,114	298,148
	$ 746,150	$ 661,248

a. Investments in subsidiaries

Subsidiaries consisted of the following:

Name of Subsidiaries	2021.12.31 % of Ownership	2021.12.31 Amount	2020.12.31 % of Ownership	2020.12.31 Amount
Air King Industrial Co., Ltd.	83.12%	$ 70,307	83.12%	$ 56,540
Ares Technology Co., Ltd.	100.00%	64,081	100.00%	62,474
Allis Communications Co., Ltd.	82.64%	57,178	76.86%	35,989
Yishun Investment Co., Ltd.	99.94%	135,613	99.94%	99,060
Qingdao Liming Industry Co., Ltd.	—	—	65.38%	72,625
Hengyuan Allis Electric Co., Ltd.	65.38%	86,041	65.38%	5,878
AEC International S.r.l.	100.00%	4,879	100.00%	11,179
PHD Powerhouse Distributions (PTY) Ltd.	90.00%	7,937	90.00%	19,355
Total		$ 426,036		$ 363,100

On September 27, 2021, Qingdao Liming Industry Co., Ltd. was merged into Hengyuan Allis Electric Co., Ltd.

The aforementioned subsidiaries were not listed companies.

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

b. Investments in associates

Associates consisted of the following:

Name of Associates	2021.12.31 % of Ownership	2021.12.31 Amount	2020.12.31 % of Ownership	2020.12.31 Amount
Nissin-Allis Electric Co., Ltd.	30.00%	$ 214,265	30.00%	$ 197,597
Nissin Allis Union Ion Equipment Co., Ltd.	40.00%	105,849	40.00%	100,551
AYM International Corporation	40.00%	—	40.00%	—
Intelicis Corporation	29.16%	—	29.16%	—
Total		$ 320,114		$ 298,148

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

Aggregate information of associates that are not individually material:

	2021.12.31	2020.12.31
Equity	$ 981,006	$ 911,550

	2021	2020
The Company's share of :		
Net income for the year	$ 53,396	$ 56,901
Other comprehensive income (loss)	(835)	(291)
Total comprehensive income for the year	$ 52,561	$ 56,610
Impairment loss recognized	$ —	$ 12,000

(8) Property, plant and equipment

	2021.12.31	2020.12.31
Land	$ 579,483	$ 573,475
Buildings	192,400	199,644
Machinery and equipment	57,323	61,550
Transportation equipment	8,970	8,017
Other equipment	44,927	40,372
Construction in progress	292,219	91,103
Total carrying amounts	$ 1,175,322	$ 974,161

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Balance at January 1, 2021	$ 573,475	$ 555,787	$ 426,505	$ 39,289	$ 107,248	$ 91,103	$ 1,793,407
Additions	6,008	3,812	10,654	2,265	12,035	201,116	235,890
Disposals	–	(1,962)	(14,882)	–	(4,776)	–	(21,620)
Balance at December 31, 2021	$ 579,483	$ 557,637	$ 422,277	$ 41,554	$ 114,507	$ 292,219	$ 2,007,677
Accumulated depreciation							
Balance at January 1, 2021	$ –	$ 356,143	$ 364,955	$ 31,272	$ 66,876	$ –	$ 819,246
Depreciation expense	—	11,056	14,647	1,312	7,233	–	34,248
Disposals	–	(1,962)	(14,648)	–	(4,529)	–	(21,139)
Balance at December 31, 2021	$ –	$ 365,237	$ 364,954	$ 32,584	$ 69,580	$ –	$ 832,355
Carrying amounts at December 31, 2021	$ 579,483	$ 192,400	$ 57,323	$ 8,970	$ 44,927	$ 292,219	$ 1,175,322

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Balance at January 1, 2020	$ 573,475	$ 553,374	$ 420,190	$ 37,427	$ 107,145	$ –	$ 1,691,611
Additions	–	2,413	8,399	2,422	2,118	84,972	100,324
Disposals	–	–	(2,084)	(560)	(2,015)	–	(4,659)
Transfer from prepayments for equipment	–	–	–	–	–	6,131	6,131
Balance at December 31, 2020	$ 573,475	$ 555,787	$ 426,505	$ 39,289	$ 107,248	$ 91,103	$ 1,793,407
Accumulated depreciation							
Balance at January 1, 2020	$ –	$ 344,939	$ 352,393	$ 30,534	$ 61,729	$ –	$ 789,595
Depreciation expense	–	11,204	14,646	1,298	7,162	–	34,310
Disposals	–	–	(2,084)	(560)	(2,015)	–	(4,659)
Balance at December 31, 2020	$ –	$ 356,143	$ 364,955	$ 31,272	$ 66,876	$ –	$ 819,246
Carrying amounts at December 31, 2020	$ 573,475	$ 199,644	$ 61,550	$ 8,017	$ 40,372	$ 91,103	$ 974,161

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

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

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

c. For the year ended December 31, 2021, capitalized interest was NT$1,816 thousand and capitalization rate was 0.98%.

d. As of December 31, 2021 and 2020, the title of farmland with carrying amounts of NT$308 thousand were temporarily registered in the name of Herr-Yeh Sung who had signed an agreement and had pledged the land to the Company.

(9) Right-of-use assets

	2021.12.31	2020.12.31
Buildings	$ 59	$ 293
Transportation equipment	—	—
Other equipment	6,063	8,661
Total carrying amounts	$ 6,122	$ 8,954

Cost	Buildings	Transportation Equipment	Other Equipment	Total
Balance at January 1, 2021	$ 761	$ 3,650	$ 13,858	$ 18,269
Additions	—	—	—	—
Decrease	—	(3,650)	—	(3,650)
Balance at December 31, 2021	$ 761	$ —	$ 13,858	$ 14,619
Accumulated depreciation				
Balance at January 1, 2021	$ 468	$ 3,650	$ 5,197	$ 9,315
Depreciation expense	234	—	2,598	2,832
Decrease	—	(3,650)	—	(3,650)
Balance at December 31, 2021	$ 702	$ —	$ 7,795	$ 8,497
Carrying amounts at December 31, 2021	$ 59	$ —	$ 6,063	$ 6,122

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

(10) Investment properties

	2021.12.31	2020.12.31
Land	$ 308,269	$ 308,269
Buildings	47,432	49,581
Total carrying amounts	$ 355,701	$ 357,850

Cost	Land	Buildings	Total
Balance at January 1, 2021	$ 308,269	$ 74,077	$ 382,346
Additions	—	—	—
Balance at December 31, 2021	$ 308,269	$ 74,077	$ 382,346
Accumulated depreciation			
Balance at January 1, 2021	$ —	$ 24,496	$ 24,496
Depreciation expense	—	2,149	2,149
Balance at December 31, 2021	$ —	$ 26,645	$ 26,645
Carrying amounts at December 31, 2021	$ 308,269	$ 47,432	$ 355,701

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

a. The investment properties held by the Company are depreciated on a straight-line basis over the estimated useful lives of 45 to 60 years.

b. For the carrying amount of investment properties pledged as collateral for bank borrowings, please refer to Note 8.

c. The fair values of the investment properties owned by the Company were NT$483,666 thousand and NT$488,329 thousand as of December 31, 2021 and 2020, respectively. The fair value of investment properties was measured using the comparison approach with unobservable inputs (Level 3).

(11) Intangible assets

	2021.12.31	2020.12.31
Computer software	$ 2,622	$ 1,724
Other intangible assets	5,154	6,337
Total carrying amounts	$ 7,776	$ 8,061

Cost	Computer Software	Other Intangible Assets	Total
Balance at January 1, 2021	$ 33,969	$ 33,972	$ 67,941
Additions	1,979	659	2,638
Balance at December 31, 2021	$ 35,948	$ 34,631	$ 70,579
Accumulated amortization			
Balance at January 1, 2021	$ 32,245	$ 27,635	$ 59,880
Amortization expense	1,081	1,842	2,923
Balance at December 31, 2021	$ 33,326	$ 29,477	$ 62,803
Carrying amounts at December 31, 2021	$ 2,622	$ 5,154	$ 7,776

Cost	Computer Software	Other Intangible Assets	Total
Balance at January 1, 2020	$ 32,775	$ 33,732	$ 66,507
Additions	1,194	240	1,434
Balance at December 31, 2020	$ 33,969	$ 33,972	$ 67,941
Accumulated amortization			
Balance at January 1, 2020	$ 30,991	$ 25,551	$ 56,542
Amortization expense	1,254	2,084	3,338
Balance at December 31, 2020	$ 32,245	$ 27,635	$ 59,880
Carrying amounts at December 31, 2020	$ 1,724	$ 6,337	$ 8,061

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

Computer software	2-7 years
Other intangible assets	3-10 years

(12) Other assets

	2021.12.31	2020.12.31
Golf club card	$ 12,847	$ 12,847
Others	—	175
Less: Accumulated impairment	(3,099)	(3,099)
Total	$ 9,748	$ 9,923
Current	$ —	$ 175
Non-current	9,748	9,748
Total	$ 9,748	$ 9,923

(13) Short-term loans

	2021.12.31	2020.12.31
Purchase loans	$ 48,353	$ —
Unsecured loans	870,000	325,000
Secured loans	800,000	410,000
	$ 1,718,353	$ 735,000
Annual interest rate	0.82%～1.21%	0.95%～1.10%

(14) Provisions

Warranty provision	2021	2020
Balance, beginning of the year	$ 12,100	$ 12,100
Provisions recognized	2,591	3,930
Utilized	(2,591)	(3,930)
Balance, end of the year	$ 12,100	$ 12,100

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

(15) Long-term loans

		2021.12.31		2020.12.31	
Bank	Loan period and repayment term	Interest (%)	Amount	Interest (%)	Amount
Taiwan Cooperative Bank	2020.12.24 ～ 2029.12.24	1.4%	$ 47,000	1.4%	$ 47,000
Taiwan Cooperative Bank	2021.10.25 ～ 2029.12.24	1.4%	103,000	—	—
Total			$ 150,000		$ 47,000

(16) Retirement benefit plans

a. Defined contribution plans

The Company adopted a pension plan under the R.O.C. Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. For employee benefit expenses under the defined contribution plan for the years ended December 31, 2021 and 2020, please refer to Note 6(23).

b. Defined benefit plans

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

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

	2021.12.31	2020.12.31
Present value of defined benefit obligation	$ (423,736)	$ (452,930)
Fair value of plan assets	367,771	372,482
Net defined benefit liabilities	$ (55,965)	$ (80,448)

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

	2021	2020
Balance, beginning of year	$ 452,930	$ 447,942
Current service cost	844	1,084
Interest expense	1,331	2,650
Remeasurement		
Actuarial loss - changes in financial assumptions	(7,273)	8,294
Actuarial loss - experience adjustments	2,665	24,370
Benefits paid	(26,761)	(31,410)
Balance, end of year	$ 423,736	$ 452,930

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

	2021	2020
Balance, beginning of year	$ 372,482	$ 364,417
Interest revenue	1,113	2,197
Remeasurement		
Return on plan assets (excluding amounts included in net interest expense)	5,522	12,390
Contributions from employer	15,415	15,822
Benefits paid	(26,761)	(22,344)
Balance, end of year	$ 367,771	$ 372,482

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

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

	2021	2020
Current service cost	$ 844	$ 1,084
Net interest expense	218	453
Total	$ 1,062	$ 1,537

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

①Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2 year time deposit with local banks.

②Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

③Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	Measurement Date	
	2021.12.31	2020.12.31
Discount rate	0.6%	0.3%
Expected rate of salary increase	1.8%	1.8%

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

	2021.12.31	2020.12.31
Discount rates		
0.1 % increase	$ (2,367)	$ (2,799)
0.1 % decrease	2,395	2,832
Expected rate of salary increase		
0.1 % increase	1,984	2,376
0.1 % decrease	(1,965)	(2,359)

	2021.12.31	2020.12.31
The expected contributions to the plan for the next year	$15,120	$15,600
The average duration of the defined benefit obligation	5.3years	5.8 years

(17) Equity

a. Ordinary shares

	2021.12.31	2020.12.31
Authorized share capital	$ 3,500,000	$ 2,400,000
Issued share capital	$ 2,283,267	$ 2,174,540

The par value is NT$10 dollars.

The capitalization of retained earnings of NT$108,727 thousand and issuance of 10,873 thousand shares have been approved in the stockholders' meeting on July 13, 2021. The ex-right date and stock issuance date were September 5, 2021 and September 30, 2021, respectively.

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

b. Capital surplus

	2021.12.31	2020.12.31
From the issuance of ordinary shares	$ 58,393	$ 58,393
From treasury stock transactions	10,415	8,626
From difference between consideration and carrying amount arising from actual acquisition or disposal of subsidiaries	610	99
From donations	1,613	1,752
	$ 71,031	$ 68,870

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

c. Retained Earnings and Dividend Policy

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

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

②Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

③Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. For any subsequent reversal of the deduction in other shareholders' equity, the appropriate amount of earnings distribution should be reversed from the net debit balance.

④The appropriations of earnings for 2020 and 2019 approved in the shareholders' general meetings on July 13, 2021 and June 23, 2020, respectively.

The appropriations of 2020 and 2019 earnings were as follows:

	2020	2019
Legal reserve	$ 34,354	$ 30,173
Cash dividends (NT$0.7 per share for 2020 and 2019)	152,217	144,969
Stock dividends (NT$0.5 per share for 2020 and 2019)	108,727	103,550
	$ 295,298	$ 278,692

The appropriations of earnings for 2021 were proposed by the Company's board of directors on March 29, 2022 as follows:

	2021
Legal reserve	$ 37,549
Cash dividends (NT$0.75 per share)	171,245
Stock dividends (NT$0.5 per share)	114,163
	$ 322,957

The appropriations of 2021 earnings are subject to the resolution of the shareholders' meeting to be held on June 21, 2022.

d. Special reserves

	2021	2020
Balance, beginning of year	$ 452,190	$ 452,994
Reversal:		
Depreciation expense on investment properties	(803)	(804)
Balance, end of year	$ 451,387	$ 452,190

e. Treasury stock

(In thousands of shares)

	2021.12.31	2020.12.31
Shares held by the subsidiaries	2,683	2,555

The Corporation's shares held by the subsidiary, Yishun Investment Co., Ltd., are accounted for as treasury stock. As of December 31, 2021 and 2020, the book value of treasury stock were NT$41,616 thousand; the market value of treasury stock were NT$69,759 thousand and $66,693 thousand, respectively.

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

(18) Operating revenue

	2021	2020
Revenue from sale of goods	$ 4,459,364	$ 4,062,991
Construction contract revenue	919,795	935,067
Other operating revenue	11,836	14,310
	$ 5,390,995	$ 5,012,368

(19) Operating cost

	2021	2020
Cost of goods sold	$ 3,726,945	$ 3,288,988
Construction contract cost	852,041	883,821
Technical service cost	2,069	10,060
	$ 4,581,055	$ 4,182,869

(20) Other income

	2021	2020
Interest income		
Bank deposits	$ 248	$ 716
Others	2,857	2,756
Rental income	12,895	12,755
Others	7,286	9,382
	$ 23,286	$ 25,609

(21) Other gains and losses

	2021	2020
Net foreign exchange (loss) gain	$ 986	$ (19,817)
Net (loss) gain on financial instruments at fair value through profit or loss	1,187	(4,370)
Net (loss) gain on disposal of property, plant and equipment	(481)	10
Depreciation on investment properties	(2,149)	(2,149)
Other losses	–	(250)
	$ (457)	$ (26,576)

(22) Finance costs

	2021	2020
Interest on bank loans	$ 9,796	$ 8,931
Interest on lease liabilities	141	206
Others	36	36
	$ 9,973	$ 9,173

(23) Additional information of expenses by nature

Net income included the following items:

	2021	2020
Depreciation and amortization expense		
Depreciation on property, plant and equipment	$ 34,248	$ 34,310
Depreciation on right-of-use assets	2,832	4,625
Depreciation on investment properties	2,149	2,149
Amortization on intangible assets	2,923	3,338
Total	$ 42,152	$ 44,422

Operating expenses directly related to investment properties:

	2021	2020
Direct operating expenses of investment properties that generated rental income	$ 1,197	$ 1,190
Direct operating expenses of investment properties that did not generate rental income	9	5
Total	$ 1,206	$ 1,195

	2021	2020
Research and development costs expensed as incurred	$ 89,477	$ 99,772

Employee benefits expense	2021	2020
Post-employment benefits (Note 6(16))		
Defined contribution plans	$ 19,261	$ 18,522
Defined benefit plans	1,062	1,537
Subtotal	20,323	20,059
Salaries and bonus expense	545,165	519,568
Insurance expense	46,886	42,675
Others	25,295	23,856
Total	$ 637,669	$ 606,158

According to Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors at the rates of 4% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Employees' compensation	$ 17,325	$ 16,128
Remuneration of directors	8,662	8,064
	$ 25,987	$ 24,192

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2020.

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

(24) Income taxes

a. Income tax expense recognized in profit or loss

① Major components of income tax expense：

	2021	2020
Current tax		
In respect of the current year	$ 48,808	$ 48,679
Adjustments for prior years	9	3,474
Subtotal	48,817	52,153
Deferred tax		
Origination and reversal of temporary differences	(3,207)	2,938
Income tax expense	$ 45,610	$ 55,091

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

	2021	2020
Income before tax	$ 407,131	$ 379,016
Income tax expense calculated at the statutory rate (20%)	$ 81,426	$ 75,803
Tax effect of adjusting items:		
Nondeductible items in determining taxable income	221	228
Tax-exempt income	(390)	(429)
Investment loss	(9,395)	—
Origination and reversal of temporary differences	(15,267)	(21,706)
Income tax on unappropriated earnings	—	272
Investment tax credit	(7,787)	(5,489)
Adjustments for prior years	9	3,474
Current tax	48,817	52,153
Deferred tax		
Origination and reversal of temporary differences	(3,207)	2,938
Income tax expense	$ 45,610	$ 55,091

b. Deferred tax assets

The movements of deferred tax assets were as follows:

	2021.1.1	Recognized in Profit or Loss	2021.12.31
Temporary differences			
Allowance for inventory loss	$ 5,875	$ 4,391	$ 10,266
Unrealized exchange losses	2,517	(1,539)	978
Payable for annual leave	4,606	(6)	4,600
Others	4,525	361	4,886
	$ 17,523	$ 3,207	$ 20,730

	2020.1.1	Recognized in Profit or Loss	2020.12.31
Temporary differences			
Allowance for inventory loss	$ 9,965	$ (4,090)	$ 5,875
Unrealized exchange losses	1,619	898	2,517
Payable for annual leave	4,243	363	4,606
Others	4,634	(109)	4,525
	$ 20,461	$ (2,938)	$ 17,523

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

	2021.12.31	2020.12.31
Deductible temporary differences	$ 60,291	$ 65,481

d. The income tax returns of the Company through 2019 have been assessed by the tax authority.

(25) Earnings per share

	2021	2020
Basic earnings per share (NT$)	$ 1.60	$ 1.44

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

	2021	2020
Net income for the year attributable to common shareholders	$ 361,521	$ 323,925
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands of shares)	225,644	225,644

Retroactive adjustments were applied to the Company's basic earnings per share for the years ended December 31, 2021 and 2020.

(26) Significant lease agreements

a. The Company as lessee

	2021	2020
Expenses relating to short-term leases	$ 18,709	$ 13,563
Total cash outflow for leases	$ 21,677	$ 18,353

c. The Company as lessor

As of December 31, 2021 and 2020, the future lease payments receivable under operating leases of investment properties were as follows:

	2021.12.31	2020.12.31
Not later than 1 year	$ 11,952	$ 12,849
1-2 years	6,495	11,753
2-3 years	5,249	6,457
3-4 years	5,354	5,249
4-5 years	5,406	5,354
Later than 5 years	11,546	18,345
Total	$ 46,002	$ 60,007

(27) Capital management

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

(28) Financial instruments

a. Fair value of financial instruments

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

②Financial instruments that are measured at fair value

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

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

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

	2021.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	$ 215	$ —	$ —	$ 215
Unlisted shares	—	—	249,837	249,837
Total	$ 215	$ —	$ 249,837	$ 250,052
Financial liabilities at FVTPL	$ —	$ 442	$ —	$ 442

	2020.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	$ 144	$ —	$ —	$ 144
Unlisted shares	—	—	225,560	225,560
Total	$ 144	$ —	$ 225,560	$ 225,704
Financial liabilities at FVTPL	$ —	$ 1,775	$ —	$ 1,775

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

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

	Financial assets at FVTOCI	
	2021	2020
Balance, beginning of the year	$ 225,560	$ 166,839
Acquistion of financial assets at FVTOCI	8,112	2,925
Accounted for unrealized gains from investments in equity instruments measured at FVTOCI	16,165	55,796
Balance, end of the year	$ 249,837	$ 225,560

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

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

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

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

b. Categories of financial instruments

Financial assets	2021.12.31	2020.12.31
FVTOCI	$ 250,052	$ 225,704
Amortized cost (Note)	3,596,267	2,567,644
Total	$ 3,846,319	$ 2,793,348
Financial liabilities		
Amortized cost		
Short-term loans	$ 1,718,353	$ 735,000
Accounts payable	1,729,610	1,153,889
Current tax liabilities	38,820	28,018
Other payables	233,614	205,100
Long-term loans	150,000	47,000
Lease liabilities	6,293	9,120
Guarantee deposits	3,297	3,298
FVTPL	442	1,775
Total	$ 3,880,429	$ 2,183,200

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

c. Financial risk management objectives and policies

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

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

d. Market risk

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

① Foreign currency risk

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

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

	2021.12.31					
			Carrying Amounts	Sensitivity Analysis		
Financial assets	Foreign Currencies	Exchange Rate	(NTD)	Variations	Impact on Profit (loss)	Impact on Equity
Monetary items						
USD	$ 10,992	27.655	303,984	±10%	±30,398	±30,398
EUR	56	31.38	1,757	±10%	±176	±176
JPY	4,697	0.2405	1,130	±10%	±113	±113
SGD	1,073	20.48	21,975	±10%	±2,198	±2,198
RMB	6,515	4.341	28,281	±10%	±2,828	±2,828
ZAR	1,400	1.734	2,428	±10%	±243	±243
Non-monetary items						
RMB	19,821	4.341	86,043	±10%	—	±8,604
ZAR	5,537	1.734	9,601	±10%	—	±960
EUR	459	31.38	14,403	±10%	—	±1,440
Financial liabilities						
Monetary items						
USD	4,515	27.655	124,862	±10%	∓12,486	∓12,486
EUR	69	31.38	2,165	±10%	∓217	∓217
RMB	4	4.341	17	±10%	∓2	∓2
JPY	6,983	0.2405	1,679	±10%	∓168	∓168

	2020.12.31					
			Carrying Amounts	Sensitivity Analysis		
Financial assets	Foreign Currencies	Exchange Rate	(NTD)	Variations	Impact on Profit (loss)	Impact on Equity
Monetary items						
USD	$ 10,084	28.10	283,351	±10%	±28,335	±28,335
EUR	38	34.59	1,321	±10%	±132	±132
JPY	2	0.2725	1	±10%	－	－
SGD	474	21.27	10,084	±10%	±1,008	±1,008
RMB	8,197	4.325	35,452	±10%	±3,545	±3,545
Non-monetary items						
RMB	18,678	4.325	80,782	±10%	－	±8,078
ZAR	4,861	1.921	9,338	±10%	－	±934
EUR	373	34.59	12,902	±10%	－	±1,290
Financial liabilities						
Monetary items						
USD	1,173	28.10	32,972	±10%	∓3,297	∓3,297
EUR	467	34.59	16,148	±10%	∓1,615	∓1,615
RMB	1,947	4.325	8,422	±10%	∓842	∓842

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

②Interest rate risk

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

For sensitivity analysis of interest rate risk, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. If interest rates had been a quarter of a percent higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would decrease/increase by NT$4,296 thousand and NT$1,838 thousand, respectively.

③ Other price risk

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

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

If equity prices had been 5% higher/lower, the other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by NT$12,503 thousand and NT$11,285 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

e. Credit risk management

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

① Business related credit risk

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

As of December 31, 2021 and 2020, the Company's ten largest customers accounted for 79.49% and 68.35% of its total accounts receivables, respectively.

② Financial credit risk

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

f. Liquidity risk management

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020 the amount of unused financing facilities were NT$1,492,434 thousand and NT$2,446,353 thousand, respectively.

①Liquidity risk table for non-derivative financial liabilities

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

	2021.12.31			2020.12.31		
	Less than 1 Year	More than 1 Year	Total	Less than 1 Year	More than 1 Year	Total
Non-derivative financial liabilities						
Short-term loans	$ 1,718,353	$ －	$ 1,718,353	$ 735,000	$ －	$ 735,000
Accounts payable	1,697,223	32,387	1,729,610	1,115,497	38,392	1,153,889
Current tax liabilities	38,820	－	38,820	28,018	－	28,018
Other payables	205,653	27,961	233,614	183,166	21,934	205,100
Long-term loans	－	150,000	150,000	－	47,000	47,000
Lease liabilities	2,698	3,595	6,293	2,827	6,293	9,120
Guarantee deposits	－	3,297	3,297	－	3,298	3,298
	$ 3,662,747	$ 217,240	3,879,987	$ 2,064,508	$ 116,917	$ 2,181,425

② Liquidity risk table for derivative financial liabilities

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

	Less than 1 Year	
Derivative financial instruments	2021.12.31	2020.12.31
Gross settled foreign exchange contract		
Inflows	$ 107,721	$ 48,849
Outflows	(108,163)	(50,624)
	$ (442)	$ (1,775)

7. TRANSACTIONS WITH RELATED PARTIES

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

(1) Names and relationships of related parties

Related Party	Relationship with the Company
Air King Industrial Co., Ltd.	Subsidiary
Ares Technology Co., Ltd.	Subsidiary
Allis Communications Co., Ltd.	Subsidiary
Qingdao Liming Industry Co., Ltd. (Qingdao Liming)	Subsidiary (Note1)
Hengyuan Allis Electric Co., Ltd. (Hengyuan)	Subsidiary
PHD Powerhouse Distributions (PTY) Ltd.	Subsidiary (Note2)
AEC International S.r.l (AEC)	Subsidiary
Nissin-Allis Electric Co., Ltd.	Associate
Nissin Allis Union Ion Equipment Co., Ltd.	Associate
Le-Min Industrial Co., Ltd.	Related party in substance
Taiwan Marine Electric Co., Ltd.	Related party in substance
Impact Power Inc.	Related party in substance
Herr-Yeh Sung	Key management personnel

Note1:Qingdao Liming was merged into Hengyuan on September 27, 2021.

Note2: Change from associate to subsidiary on December 1, 2020.

(2) Operating revenue

Line Items	Related Parties Categories	2021	2020
Operating Revenue	Subsidiaries	$ 161,293	$ 40,933
	Associates	50,098	62,424
	Others	120	2,376
		$ 211,511	$ 105,733

(3) Purchase and factory overhead

Line Items	Related Parties Categories	2021	2020
Purchase and factory overhead	Subsidiaries	$ 358,923	$ 243,532
	Associates	228,125	116,856
	Others	105,354	155,617
		$ 692,402	$ 516,005

(4) Receivables from related parties

Line Items	Related Parties Categories	2021.12.31	2020.12.31
Notes receivable from related parties	Others	$ —	$ 613
Accounts receivable from related parties	Subsidiaries	$ 100,076	$ 52,675
	Associates	33,661	12,766
	Others	—	237
		$ 133,737	$ 65,678
Other receivables	Subsidiaries	$ 57	$ 38
	Associates	102	69
		$ 159	$ 107

The outstanding receivables from related parties are unsecured.

For the years ended December 31, 2021 and 2020, no impairment loss was recognized for receivables from related parties.

(5) Payable to related parties

Line Items	Related Parties Categories	2021.12.31	2020.12.31
Accounts payable to related parties	Subsidiaries	$ 162,426	$ 77,714
	Associates	119,957	39,853
	Others	44,583	45,279
		$ 326,966	$ 162,846
Other payables	Subsidiaries	$ 3,923	$ 562
	Others	795	567
		$ 4,718	$ 1,129

(6) Others

Line Items	Related Parties Categories	2021	2020
Selling and marketing expenses	Subsidiaries	$ 27	$ —
	Others	643	629
		$ 670	$ 629
Research and development expenses	Subsidiaries	$ —	$ 423
	Others	72	—
		$ 72	$ 423

Line Items	Related Parties Categories	2021	2020
Other income	Subsidiaries	$ 181	$ 154
	Associates	79	1,120
	Others	18	—
		$ 278	$ 1,274
		2021.12.31	2020.12.31
Contract liabilities	Associates	$ 315	$ —
Construction in Progress	Subsidiaries	$ 74,677	$ 8,496

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

(7) Financing provided

	2021				
	Highest Balance	Ending Balance	Allowance for Impairment Loss	Interest Rate	Interest revenue
AEC	$ 36,400	$ 26,272	$ —	3%	$ 898

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

The financing provided to AEC is unsecured.

(8) Compensation of key management personnel

	2021	2020
Short-term benefits	$ 45,986	$ 34,578
Post-employment benefits	807	455
	$ 46,793	$ 35,033

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

(9) Other

As of December 31, 2021 and 2020, the title of farmland with carrying amounts of NT$308 thousand were temporarily registered in the name of Herr-Yeh Sung who had signed an agreement and had pledged the land to the Company. Please refer to Note 6(8).

8. PLEDGED ASSETS

The following assets had been pledged or mortgaged as collateral for short-term and long-term loans, tender bonds provided on construction bidding or performance bonds:

	2021.12.31	2020.12.31
Pledged time deposits (accounted for as other receivables)	$ 5,033	$ —
Property, plant and equipment, net	679,337	715,152
Investment properties, net	348,678	350,625
Total	$ 1,033,048	$ 1,065,777

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2021, significant contingent liabilities and unrecognized commitments of the Company were as follows:

(1) The guaranteed notes issued were NT2,142,982 thousand, including:

a. The guaranteed notes issued for bank loans were NT$1,860,000 thousand.

b. The guaranteed notes issued for sales contracts performance guarantees were NT$282,982 thousand.

(2) Information related endorsements/guarantees provided, please refer to Table 2 attached.

(3) Unused letters of credit were USD$4,064 thousand and JPY5,747 thousand.

10. SIGNIFICANT LOSS FROM DISASTERS: None.

11. SIGNIFICANT SUBSEQUENT EVENTS: None.

12. OTHERS: None.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions:

a. Financing provided to others: Please refer to Table 1 attached.

b. Endorsements/guarantees provided: Please refer to Table 2 attached.

c. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Please refer to Table 3 attached.

d. Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital: None.

e. Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

f. Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

g. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please refer to Table 4 attached.

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

i. Trading in derivative instruments：Please refer to Note 6(2).

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

(3) Information on investment in mainland China:

a. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Please refer to Table 6 attached.

b. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please refer to Note 7.

(4) Information of major shareholder

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

Table 1

Allis Electric Co., Ltd.
FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
												Item	Value		
0	Allis Electric Co., Ltd.	AEC International S.r.l.	Other receivables	$ 36,400	$ 26,272	$ 26,272	3.00%	Business Transaction	$ 105,098	—	$ —	None	None	$ 353,557	$ 707,114
		Zhong Mou Construction Co., Ltd.	Other receivables	$ 70,000	$ 59,714	$ 59,714	1.50%	Short-term Financing	$ —	Operating capital	$ —	None	None	$ 353,557	$ 707,114

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

Note 2: The aggregate amount available for lending to others should not exceed 20% of the Company’s net equity.

Allis Electric Co., Ltd. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Table 2

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Amount Actually Drawn	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in the Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relation-ship (Note 1)										
0	Allis Electric Co., Ltd.	Nissin-Allis Electric Co., Ltd.	f	$ 1,178,523 (Note 2)	$ 65,000	$ 65,000	$ 47,156	—	1.84%	$ 1,767,785 (Note 2)	—	—	—
		Ares Technology Co., Ltd.	b		$ 125,000	$ 125,000	$ 68,000	—	3.54%		Y	—	—
		Air King Industrial Co., Ltd.	b		$ 180,400	$ 180,400	$ 133,151	—	5.10%		Y	—	—
		Zhong Mou Construction Co., Ltd.	e		$ 271,962	$ 271,962	$ 271,962	—	7.69%		—	—	—
1	Air King Industrial Co., Ltd.	Allis Electric Co., Ltd.	c	$ 450,000 (Note 3)	$ 27,766	$ 27,766	$ 27,766	—	29.45%	$ 500,000 (Note 3)	—	Y	—

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

a. A company that the Corporation has business relationship with.

b. The Corporation owns directly or indirectly over 50% ownership of the investee company.

c. The company that owns directly or indirectly hold over 50% ownership of the Corporation.

d. In between companies that were held over 90% of voting shares directly or indirectly by an entity.

e. The Corporation is required to provide guarantees or endorsements for the construction project based on the construction contract.

f. Shareholder of the investee provides endorsements/guarantees to the company in proportion to their shareholding percentages.

g. According to Consumer Protection Act, companies in the same industry enter into collateral performance guarantees for pre-construction home sales agreements.

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

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

Allis Electric Co., Ltd. and Subsidiaries
MARKETABLE SECURITIES HELD
(Excluding Investment in Subsidiaries, Associates and Joint Controlled Entities)
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Table 3

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2021			
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value
Allis Electric Co., Ltd.	Stocks of FIC Global, Inc.	—	Financial assets at fair value through other comprehensive income-current	1,273	96	—	96
	Stocks of Taiwan High Speed Rail Corporation	—	Financial assets at fair value through other comprehensive income-current	4,000	119	—	119
	Stocks of Pacific Electric Wire and Cable Co., Ltd.	—	Financial assets at fair value through profit or loss- noncurrent	585	—	—	—
	Stocks of Prodisc Technology Inc.	—	Financial assets at fair value through profit or loss- noncurrent	47,632	—	—	—
	Stocks of Yuquan Technology Inc.	—	Financial assets at fair value through profit or loss- noncurrent	35,150	—	—	—
	Stocks of Uni-Circuit Inc.	—	Financial assets at fair value through profit or loss- noncurrent	30,000	—	—	—
	Stocks of Le-Min Industrial Co., Ltd.	Related party in substance	Financial assets at fair value through other comprehensive income-noncurrent	1,948,072	36,624	19.68%	36,624
	Stocks of Arch Meter Corporation	—	Financial assets at fair value through other comprehensive income-noncurrent	1,548,000	28,174	4.29%	28,174
	Stocks of Tangeng Advanced Vehicles Co., Ltd.	—	Financial assets at fair value through other comprehensive income-noncurrent	8,251,225	170,883	15.48%	170,883
	Stocks of Leadtang Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income-noncurrent	1,000,000	10,970	12.50%	10,970
	Stocks of ProMOS Technologies Inc.	—	Financial assets at fair value through other comprehensive income-noncurrent	133,366	2,003	0.30%	2,003
	Stocks of Advantage International Green Energy Co., Ltd.	—	Financial assets at fair value through other comprehensive income-noncurrent	—	1,183	1.00%	1,183

Allis Electric Co., Ltd. and Subsidiaries
MARKETABLE SECURITIES HELD
(Excluding Investment in Subsidiaries, Associates And Joint Controlled Entities)
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2021			
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value
Yishun Investment Co., Ltd.	Convertible bonds of Evergreen Marine Co. (Taiwan) Ltd.	—	Financial assets at fair value through profit or loss - current	5,000	800	—	800
	Stocks of Allis Electric Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income-current	2,684,645	69,801	1.18%	69,801
	Stocks of Taiwan Cement Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	480	—	480
	Stocks of DaChan Greatwall Corporation	—	Financial assets at fair value through other comprehensive income-current	11,084	592	—	592
	Stocks of Hong Tai Corporation	—	Financial assets at fair value through other comprehensive income-current	20,000	538	—	538
	Stocks of China Steel Corporation	—	Financial assets at fair value through other comprehensive income-current	20,000	707	—	707
	Stocks of United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income-current	40,000	2,600	—	2,600
	Stocks of Yageo Corporation	—	Financial assets at fair value through other comprehensive income-current	2,000	959	—	959
	Stocks of Taiwan Semiconductor Manufacturing Company Limited	—	Financial assets at fair value through other comprehensive income-current	10,000	6,150	—	6,150
	Stocks of United Integrated Services Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	5,000	908	—	908
	Stocks of Celxpert Energy Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	427	—	427
	Stocks of Vanguard International Semiconductor Co.	—	Financial assets at fair value through other comprehensive income-current	2,000	316	—	316

Allis Electric Co., Ltd. and Subsidiaries
MARKETABLE SECURITIES HELD
(Excluding Investment in Subsidiaries, Associates And Joint Controlled Entities)
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2021			
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value
Yishun Investment Co., Ltd.	Stocks of Sigurd Microelectronics Corp.	—	Financial assets at fair value through other comprehensive income-current	30,000	1,764	—	1,764
	Stocks of Sheng Yu Steel Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	10,000	331	—	331
	Stocks of Tsrc Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	404	—	404
	Stocks of IKKA Holdings (Cayman) Limited	—	Financial assets at fair value through other comprehensive income-current	10,000	1,155	—	1,155
	Stocks of Lite-on Technology Corp.	—	Financial assets at fair value through other comprehensive income-current	10,000	638	—	638
	Stocks of Macronix International Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	40,000	1,688	—	1,688
	Stocks of Giga-byte Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	8,000	1,244	—	1,244
	Stocks of King Yuan Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	10,000	448	—	448
	Stocks of Elan Microelectronics Corp.	—	Financial assets at fair value through other comprehensive income-current	20,000	3,400	—	3,400
	Stocks of Evergreen Marine Corp. (Taiwan) Ltd.	—	Financial assets at fair value through other comprehensive income-current	10,000	1,425	—	1,425
	Stocks of Fubon Financial Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	11,000	839	—	839

Allis Electric Co., Ltd. and Subsidiaries
MARKETABLE SECURITIES HELD
(Excluding Investment in Subsidiaries, Associates And Joint Controlled Entities)
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2021			
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value
Yishun Investment Co., Ltd.	Stocks of Cathay Financial Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	5,000	313	—	313
	Stocks of Xintec Inc.	—	Financial assets at fair value through other comprehensive income-current	10,000	1,430	—	1,430
	Stocks of ASE Technology Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	15,000	1,597	—	1,597
	Stocks of Sercomm Corp.	—	Financial assets at fair value through other comprehensive income-current	15,000	1,135	—	1,135
	Stocks of Sonix Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	5,000	460	—	460
	Stocks of Hannstar Display Corp.	—	Financial assets at fair value through other comprehensive income-current	10,000	181	—	181
	Stocks of Career Technology (MFG.) Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	10,000	265	—	265
	Stocks of Chung-hsin Electric & Machinery Mfg. Corp.	—	Financial assets at fair value through other comprehensive income-current	5,000	226	—	226
	Stocks of Watron Technology Corp.	—	Financial assets at fair value through other comprehensive income- noncurrent	822,400	46,095	15.23%	46,095
Ares Technology Co., Ltd.	Stocks of Watron Technology Corp.	—	Financial assets at fair value through other comprehensive income- noncurrent	206,400	11,569	3.82%	11,569

Allis Electric Co., Ltd.
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Table 4

Seller/Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)	
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
Allis Electric Co., Ltd.	AEC International S.r.l.	Subsidiary	Sales	$ (105,098)	1.95%	210 days	—	—	$ 75,878	2.44%
Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	Subsidiary	Purchase	$ 281,200	6.04%	115 days	—	—	$ (129,843)	(7.51%)
Allis Electric Co., Ltd.	Nissin-Allis Electric Co., Ltd.	Associate	Purchase	228,125	4.90%	115 days	—	—	(119,957)	(6.94%)

Allis Electric Co., Ltd. and Subsidiaries

INFORMATION ON INVESTEES (EXCLUDING INVESTEE COMPANY IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Table 5

Investor Company	Investee Company	Location	Principle Businesses Activities	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount			
Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	Taipei, Taiwan	Design and installation of electrical equipment	$ 28,458	$ 28,458	4,114,275	83.12%	$ 70,307	$ 33,742	$ 19,992	—
	Nissin-Allis Electric Co., Ltd.	Taoyuan, Taiwan	Manufacturing of SF6 capacitor and GIS	90,000	90,000	9,000,000	30.00%	214,265	106,993	32,097	—
	Ares Technology Co., Ltd.	New Taipei City, Taiwan	Manufacturing of UPS	75,560	75,560	6,800,000	100.00%	64,081	1,533	1,533	—
	Allis Communications Co., Ltd.	New Taipei City, Taiwan	Manufacturing of GPS antennas	86,909	85,410	4,958,380	82.64%	57,178	110	86	—
	Yishun Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	179,900	179,900	17,990,000	99.94%	135,613	2,286	497	Note
	Nissin Allis Union Ion Equipment Co., Ltd.	Hsinchu, Taiwan	Manufacturing of mechanical equipment and electronic parts	30,000	30,000	4,000,000	40.00%	105,849	53,248	21,299	—
	AYM International Corporation	Guam, U.S.	Construction and sale of power and electrical equipment	5,942	5,942	2,000	40.00%	—	—	—	—
	PHD Powerhouse Distributions (PTY) Ltd.	South Africa	Selling of UPS	40,974	40,974	90	90.00%	7,937	1,835	(11,016)	—
	AEC International S.r.l.	Italy	Selling of electrical equipment	62,771	62,771	300,000	100.00%	4,879	2,866	2,866	—
	Intelicis Corporation	Santa Clara, U.S.	Developing of radio frequency products	49,301	49,301	1,875,500	29.16%	—	—	—	—

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

Allis Electric Co., Ltd.
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Table 6

Investee Company	Principle Businesses Activities	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profit (Loss) (Note)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Hengyuan Allis Electric Co., Ltd.	Selling of electrical equipment	USD 3,400	Direct investment	$ 67,781 (USD2,121)	$ —	$ —	$ 67,781 (USD2,121)	$ 7,562	65.38%	$ 4,944	$ 86,041	$ —

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
		Net equity∗60%
$ 106,207 (USD3,266)	$ 206,102(USD 6,411)	2,121,342

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

(VI) THE FINANCIAL SITUATION OF THE COMPANY AFFECTED BY THE FINANCIAL TURNOVER DIFFICULTIES OF COMPANY AND ITS AFFILIATED ENTERPRISES: NONE.

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

(I) Financial Status

Comparative Analysis of Financial Position

Unit: NT$1,000

Item \ Year	2021	2020	Differences		Analysis
			Amount	Change ratio (%)	
Current assets	5,720,305	4,009,698	1,710,607	42.66	1
Property, plant and equipment	1,354,528	1,088,148	266,380	24.48	2
Other Assets	1,117,210	1,021,618	95,592	9.36	—
Total Assets	8,192,043	6,119,464	2,072,579	33.87	3
Current liabilities	4,123,893	2,451,727	1,672,166	68.20	4
Non-current liabilities	459,582	340,391	119,191	35.02	5
Total liabilities	4,583,475	2,792,118	1,791,357	64.16	6
Owners' equity attributable to the parent company	3,535,570	3,261,157	274,413	8.41	—
Equity	2,283,267	2,174,540	108,727	5.00	—
Capital fund	71,031	68,870	2,161	3.14	—
Retention Surplus	1,091,922	978,185	113,737	11.63	—
Other interests	130,966	81,178	49,788	61.33	7
Treasury Unit	(41,616)	(41,616)	0	0.00	—
Non-controlling interests	72,998	66,189	6,809	10.29	—
Total shareholders' equity	3,608,568	3,327,346	281,222	8.45	—

Analysis and explanation of the increase or decrease of the ratio by more than 20%, and the amount of change is more than NT$ 10 million:

1. Increase of current assets: due to the increase of accounts receivable and inventory.
2. Increase of property, plant and equipment: due to new plant and additional equipment.
3. Increase of total assets: due to the above reasons, the current assets and property, plant and equipment all increased.
4. Increase of current liabilities: due to the increase of short-term loans and accounts payable.
5. Increase of current liabilities: due to the increase of short-term loans and accounts payable.
6. Total liabilities increase: due to the above reasons, both current liabilities and non-current liabilities increase.
7. Increase in other equity: due to the increase in unrealized gains and losses of financial assets measured at fair value through OCI.

(II) Financial Performance

Comparative Financial Performance Analysis

Unit: NT$1,000

Item \ Year	2021	2020	Differences		Analysis
			Differences	Differences	
Total operating income	5,684,129	5,117,542	566,587	11.07	—
Less: Return and discount	(2,500)	(3,650)	1,150	(31.51)	1
Net operating income	5,681,629	5,113,892	567,737	11.10	—
Operating Cost	4,705,428	4,209,656	495,772	11.78	—
Operating Gross Profit	976,201	904,236	71,965	7.96	—
(Un)realized benefits	(195)	(394)	199	(50.51)	2
Realized gross profit on sales	976,006	903,842	72,164	7.98	—
Operating expense	600,040	555,092	44,948	8.10	—
Operating income	375,966	348,750	27,216	7.80	—
Non-operating income and expenses	52,269	40,670	11,599	28.52	3
Continuing business units Net income before tax	428,235	389,420	38,815	9.97	—
Income tax expense	59,827	69,275	(9,448)	(13.64)	—
Continuing business units Net income for the period	368,408	320,145	48,263	15.08	—
Net income (loss)	368,408	320,145	48,263	15.08	—

Analysis and explanation of the increase or decrease ratio of more than 20%:

1. Return and discount reduction: due to the decrease of sales discount in the current period.
2. Decreased realized (unrealized) benefits: due to the decrease of unrealized benefits from sales.
3. Increase in non-operating income and expenditure: due to the increase in recognized reinvestment income in the current period.

(III) Cash flow

A. Analysis and explanation of cash flow changes in 2021

Unit: NT$ 1,000

Cash balance in the beginning of period a	Net cash flow from operating activities throughout the year b	Net cash flow from investment and financing activities for the whole year c	Remaining (insufficient) amount of cash a＋b＋c	Remedies for insufficient cash	
				Investment plan	Financing programs
616,704	(815,793)	698,393	499,304	－	－

1. Cash outflow from business activities: due to the increase of accounts receivable.
2. Net cash outflow from investment activities and financing activities: due to the increase of short-term loans.
3. Remedial measures for cash shortage and liquidity analysis: none.

B. Analysis of cash liquidity in the coming year

Unit: NT$ 1,000

Cash balance in the beginning of period a	Estimated net cash flow from operating activities for the whole year b	Estimated annual cash outflow c	Estimated remaining (insufficient) amount of cash a＋b－c	Remedies for estimated insufficient cash	
				Investment plan	Financing programs
499,304	352,000	(305,000)	546,304	－	－

1. Analysis of cash flow changes in the coming year:
   (1) Business activities: It is estimated that the profit will increase and the payment will be recovered in 2022, resulting in the net cash inflow from business activities.
   (2) Investment activities and fund-raising activities: Yangmei's expansion of new plant and purchase of additional equipment will make cash flow out.
2. Remedial measures for estimated insufficient cash and liquidity analysis: none.

(IV) Impact of major capital expenditures in the latest year on financial business: none.

(V) Re-investment policy, main reasons for profit or loss, improvement plan and investment plan for the coming year

1. The investment policy of the latest year, the main reasons for profit or loss, and the improvement plan:
   The Company has actively participated in the management of reinvestment, and its benefits have already appeared. In 2020 and 2021, reinvested companies recognized by the equity method have made good profits. In recent years as a whole, the net investment benefits recognized by the equity method have achieved good returns, and the investment benefits in the next year will still focus on strategic alliances and related industries.
2. Investment plan for the coming year: none.

(VI) Analysis and evaluation of risk events (latest year and up to the date of publication of the annual report)

1. The influence of interest rate, exchange rate change and inflation on the company's profit and loss and the future countermeasures:
   (1) The global interest rate has been greatly reduced. As the Company has established a long-term mutual trust foundation with its correspondent banks, the financing interest rate has won the maximum discount at present, and the financial structure is sound. Even if the interest rate fluctuates, if the market interest rate changes by 1%, the cash flow of the Company will change by about NT$ 15 million to 18 million, which will have a limited impact.
   Countermeasures: Domestic lending rates are affected by the decision of the Federal Reserve to raise interest rates. Therefore, it is expected that the future interest rate increase may increase by 2~3 yards, which will slightly erode profits but have a limited impact.
   (2) The exchange rate has fluctuated recently. Most of our import and export transactions are denominated in US dollars. Since 2021, Taiwan dollars have depreciated relatively, resulting in partial exchange benefits for unrealized foreign currency assets in US dollars.
   Countermeasures: Many years ago, the Company set up a regular meeting of the exchange rate group for review. As foreign currencies are mainly hedged, the overall risk of exchange rate changes is appropriately dealt with.
   (3) Due to the COVID-19 epidemic, the Ukrainian-Russian war, and the crisis of supply chain disconnection, the global economy experienced large fluctuations in oil prices and basic metals, as well as fluctuations in the prices of raw materials and basic metals related to our company, resulting in a slight increase in the cost of the cases undertaken, and some of the supplies were delayed.
   Countermeasures: Most of the orders undertaken by our company are system integration projects, and the cost has been determined with the partner manufacturers in advance, which has little impact on gross profit margin. For key materials, materials are prepared in advance, so that production and sales can proceed smoothly.
2. Policy of engaging in high-risk and highly leveraged investment, lending funds to others, endorsement guarantee and derivative commodity trading, main reasons for profit or loss and future countermeasures:
   The Company is strictly forbidden to engage in high-risk and high-leverage investment, and the use of funds is mainly related to the operation of the industry. The Company has established the "Procedures for Handling Capital Lending and Endorsement Guarantee" to regulate the operation of external capital lending and endorsement guarantee. The objects of capital lending and endorsement guarantee are companies with actual business dealings or joint contracts, or invested companies that are subsidiaries and endorsed by each contributing shareholder according to their shareholding ratio due to their joint investment relationship. Except for hedging purposes, it does not engage in derivatives trading. If it is necessary for business, it must comply with the provisions of the Company's "Handling Procedures for Trading Derivatives".

3. Future R&D plans and estimated R&D expenses:
   (1) The Company's R&D projects are determined after detailed evaluation in advance, all of which are completely related to the industry. During the R&D process, the plan is reviewed and revised regularly, and 2.0% ~ 2.5% of the revenue is set aside as R&D expenses every year regardless of profit or loss.
   (2) For the R&D plan, please refer to the description of the business contents in the "V. Overview of the Company's Operations" of this annual report.
4. Impact of important domestic and foreign policy and legal changes on the company's financial business and corresponding measures: none.
5. The impact of technological (including the security risks of information technology) and industrial changes on the company's financial business and the corresponding measures:
   Private investment is still in a wait-and-see state, but the government's investment in public construction has increased substantially, which will play a leading role in Taiwan's economy. The company's outstanding orders in 2021 are still fair, and the orders received in the first quarter of 2022 are normal, the financial structure is sound, and the influence is still within the controllable range; Please refer to page 64 of this annual report for data on the information security risk.
6. Impact of corporate image change on corporate crisis management and countermeasures: none.
7. Expected benefits, possible risks and countermeasures of M&A: None.
8. Expected benefits, possible risks and countermeasures of expanding the plant:
   The expansion of Yangmei's new factory building and the purchase of additional equipment will increase its production capacity. Although some cash flows out, the bank credit line of our company has a surplus after deducting the budget of the factory building, which will not cause risks.
9. Risks faced by purchase or sales concentration and countermeasures: none.
10. The impact and risk of the massive transfer or replacement of the shares of directors or major shareholders holding more than 10% of the shares on the company and the corresponding measures: the transfer of the shares of directors has been handled according to the law, and the total shareholding ratio of insiders has not changed, so there is no impact or risk to the company.
11. Impact of change of management right on the company, risks and countermeasures: not applicable.
12. Handling of litigation or non-litigation events up to the date of publication of the annual report: For litigation or non-litigation cases, the company has provided appropriate allowance for losses that may occur.
13. Other important risks and countermeasures: global networking has increased the risk of enterprise security. The company has strengthened the construction of anti-terrorism security software and systems, and signed an annual maintenance contract with the original factory, which can immediately upgrade anti-hacking software to prevent hackers from invading new virus software.

(VII) Other important matters: None.

VIII. Special record matters
(I) Related information of related enterprises
A. Report on the merger business of affiliated enterprises
1. Related enterprise summary

(1) Basic data of related enterprises

Unit: thousand (except those marked as foreign currency, the rest is NT dollars)

Enterprise name	Shareholding Ratio of the Company	Date of establishing	Address	Paid-in capital amount	Main business items
AIR KING INDUSTRIAL Co., Ltd	83.12%	May, 1989	No. 275, Chongyang Rd, Building 4, Nangang District, Taipei City, Taiwan	49,500	Electrical machinery and electrical engineering
ALLIS COMMUNICATIONS COMPANY, LTD.	82.64%	December, 1995	No. 31-1, Lane 169, Kangning St, Building 10-3, Xizhi District, New Taipei City, Taiwan	60,000	R&D and manufacturing of satellite M2M wireless communication system
ARES TECHNOLOGY Co., Ltd	100.00%	November, 1988	No. 29, Lane 169, Kangning St, Building 9, Xizhi District, New Taipei City, Taiwan	68,000	Development of uninterruptible power supply system equipment
Yishun Investment Co., Ltd	99.94%	August, 1996	No. 19-11, Sanchong Rd, Building 12, Nangang District, Taipei City, Taiwan	180,000	Investments in security and other businesses
Qingdao Hengyuan Yali Electric Co., Ltd	65.38%	April, 2007	No.86, Zhuzhou Road, Laoshan Distict, Qingdao	US$ 3,400	Electrical switchgear
AEC International S.r.l.	100.00%	June, 1998	VIA NERVIANO 55 LAINATE (MI), ITALY	EUR 300	Sales of power supply equipment and communication equipment
PHD Powerhouse Distributions (PTY) Ltd.	90.00%	July, 2016	115 10th Road, Kew, Johannesburg, South Africa 2090	0.1 ZAR	Sales of power supply equipment and communication equipment

(2) Matters to be disclosed if it is presumed that there is a controlling and subordinate relationship according to Article 369-3 of the Company Law: none.

(3) There is a division of labor between the industries covered by the business of the overall related enterprise and the businesses it operates.

(a.) the industries covered by the business of each affiliated enterprise
- Manufacturing and sales of power distribution and transformation products
- Manufacturing and sales of industrial electronic products
- Manufacturing and sales of communication DC power supply equipment, GPS antenna.
- Hydropower and engineering contracting
- Investment

(b.) There is a division of labor between the businesses operated by the affiliated enterprises.
- The Company and its subsidiaries are legal persons operating independently.

Except that AIR KING INDUSTRIAL partially contracted the project of the company's winning case, and ARES TECHNOLOGY was responsible for manufacturing the single-phase UPS sold by the Company, all of them independently undertook business without division of business.

(4) The names of the directors, supervisors and general managers of each affiliated enterprise and their shareholding or capital contribution to the enterprise.

Enterprise name	Title	Name or representative	Shareholding	
			Number of shares (thousand shares)	Shareholding Ratio (%)
AIR KING INDUSTRIAL CO., LTD.	Chairman	Huang Wenfeng	78.5	1.59
	Director	Yang Zhentong	316.6	6.40
	Director	Chen Mingsheng	0.6	0.01
	Director	Guan Wenzhang	94.8	1.92
	Director	Wang Yingbai	142.8	2.88
	Director	Huang Zhili	22.0	0.44
	Director	Deng Chunsheng	10.0	0.2
	Supervisor	Li Wen	2.42	0.05
	General Manager	Huang Wenfeng	78.5	1.59
ALLIS COMMUNICATIONS COMPANY, LTD.	Chairman	Song Wenye	147	2.45
	Director	Zhang Baicheng (Note 1)	4,958	82.64
	Director	Song Heye	147	2.45
	Director	Li Wen	2	0.04
	Supervisor	Yang Zhentong	16	0.26
	Supervisor	Deng Chunsheng	3	0.06
	General Manager	Ke Baiwen	0	0.00
ARES TECHNOLOGY CO., LTD.	Chairman	Zheng Chaobin (Note 1)	6,800	100
	Director	Lin Yinghong (Note 1)		
	Director	Li Wen (Note 1)		
	Director	Liu Qiren (Note 1)		
	Supervisor	Deng Chunsheng (Note 1)		
	General Manager	Lin Yinghong		
Yishun Investment CO., LTD.	Chairman	Li Wen (Note 1)	17,990	99.94
	Director	Xu Kejie (Note 1)		
	Director	Deng Chunsheng	1	0.01
	Supervisor	Zhan Yiyuan	0	0.00
Qingdao Hengyuan Yali Electric Co., Ltd	Chairman	Zheng Chaobin (Note 1)	—	65.38
	Director	Huang Yongguang (Note 1)	—	
	Director	Song Heye (Note 2)	—	34.62
AEC International S.r.l.	Chairman of the Board	Bruno Carozzi	0	0
	Vice Chairman of the Board	Song Heye (Note 1)	300	100
	Director	Zheng Chaobin (Note 1)	300	100
PHD Powerhouse Distributions (PTY) Ltd.	Director	Zhang Baicheng (Note 1)	0.09	90
	Director	Warren Botten	0.01	10
	Director	Fatima Pires	0	0

Note 1 It is the legal representative of the Company.

Note 2 Note: It is the legal representative of LE MIN INDUSTRIAL CO., LTD.

2. Overview of the operation of related enterprises

Unit: Unless otherwise specified, the balance is NT$ 1,000.

Enterprise name	Capital amount	Total asset	Total liability	Net Value	Operating Incoming	Operating Profit	Current profit and loss after tax	Earnings per share after tax (NT$)
AIR KING INDUSTRIAL Co., Ltd	49,500	317,306	223,031	94,275	388,354	42,751	33,742	6.82
ARES TECHNOLOGY Co., Ltd	68,000	162,414	98,333	64,081	94,431	2,301	1,533	0.23
ALLIS COMMUNICATIONS COMPANY, LTD.	60,000	86,244	17,055	69,189	58,201	-849	110	0.02
Yishun Investment Co., Ltd	180,000	205,833	337	205,496	2,221	1,325	2,286	0.13
Nissin-Allis Electric Co., Ltd	300,000	1,031,881	315,498	716,383	909,034	139,593	106,993	3.47
NISSIN ALLIS UNION ION EQUIPMENT Co., Ltd	100,000	372,032	107,410	264,622	243,379	52,860	53,248	5.32
AYM INTERNATIONAL INC.	14,855	62,481	62,481	0	0	0	0	0.00
PHD POWERHOUSE DISTRIBUTIONS CC.	0.336	35,257	24,589	10,668	74,414	-1,978	1,835	54,613.10
AEC INTERNATIONAL S.R.L	10,464	151,122	136,732	14,390	167,418	10,538	2,866	2.74
Qingdao Hengyuan Yali Electric Co., Ltd	109,486	142,597	10,995	131,602	90,210	11,192	7,562	0.69

Note: Allis International Inc was liquidated in December 2020.

3. Consolidated financial statements of related enterprises

It is a statement of financial affairs report for the merger of enterprises and industries.

The Company in 2021 (from January 1, 2021 to December 31, 2021) is the same as the company that should be included in the preparation of the consolidated financial statements of affiliated enterprises according to the "Consolidated Financial Statements of Affiliated Enterprises and the Preparation Standards of Relationship Reports", and the company that should be included in the preparation of the consolidated financial statements of parent and subsidiary companies according to IFRS No.10, In addition, the related information to be disclosed in the consolidated financial statements of affiliated enterprises has been disclosed in the consolidated financial statements of parent and subsidiary companies, so no separate consolidated financial statements of affiliated enterprises will be prepared.

Hereby state

Company Name: Allis Electric Co., Ltd.

Responsible Person: Song Heye

2022-03-29

B. Relationship report: not applicable.

(II) Private placement of securities: none.

(III) Holding or disposing of the Company's shares by subsidiaries

2021 and as of March 31, 2022, subsidiaries held or disposed of shares of the Company.

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

Subsidiary Company Name (Note 1)	Paid-in Capital amount	Capital Source	Shareholding ratio of the Company	Gain Date	Gain Share Number And Amount (Note 2)	Disposal Share Number And Amount (Note 2)	Profit and loss on investments	Number and amount of shares held as of 2022-03-31 (Note 3)	Set pledge situation (Note 4)	The Company guarantees the amount of endorsement for subsidiaries.	Amount of loans from the Company to subsidiaries
AIR KING INDUSTRIAL CO., LTD.	49,500	Funds at the disposal of the localities	83.12	—	—	—	—	0 shares NT$ 0	—	220,400	—
ALLIS COMMUNICATIONS COMPANY, LTD.	60,000	Funds at the disposal of the localities	82.64	—	—	—	—	0 shares NT$ 0	—	—	—
ARES TECHNOLOGY CO., LTD.	68,000	Funds at the disposal of the localities	100.00	—	—	—	—	0 shares NT$ 0	—	125,000	—
Yishun Investment Co., Ltd	180,000	Funds at the disposal of the localities	99.94	2021.9.30	127,840 shares NT$ 1,278,400	—	—	2,684,645 shares 74,633	—	—	—
Qingdao Hengyuan Yali Electric Co., Ltd	US$ 3,400	Funds at the disposal of the localities	65.38	—	—	—	—	0 shares NT$ 0	—	—	—
AEC International S.r.l.	EUR 300	Funds at the disposal of the localities	100.00	—	—	—	—	0 shares NT$ 0	—	—	27,151
PHD Powerhouse Distributions (PTY) Ltd.	0.1 ZAR	Funds at the disposal of the localities	90.00	—	—	—	—	0 shares NT$ 0	—	—	—

Note 1 Please list them separately by subsidiary.
Note 2 The amount referred to is the actual amount acquired or disposed of.
Note 3 The holding and disposing situations should be shown separately.
Note 4 The impact on the Company's financial performance and financial position is also described.

(IV) Basis and evaluation of the presentation of asset and liability valuation accounts

A. Allowance for losses

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

B. Allowance for loss on decline in value of inventories

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

C. Provision for warranty liabilities

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

D. Employee short-term benefit liabilities

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

(V) Industry-specific KPIs:

Products	2021 Annual Occupancy Rate
Power distribution and substation class	25%
Electrical equipment	25%
Power Electronics	10%

(VI) Other necessary items to be supplemented: None.

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

Allis Electric Co., Ltd.

Responsible Person Song Heye

AEC

ALLIS ELECTRIC CO.,LTD.

AEC